Focus on Resilience

Interra Resources Limited

Annual Report 2015

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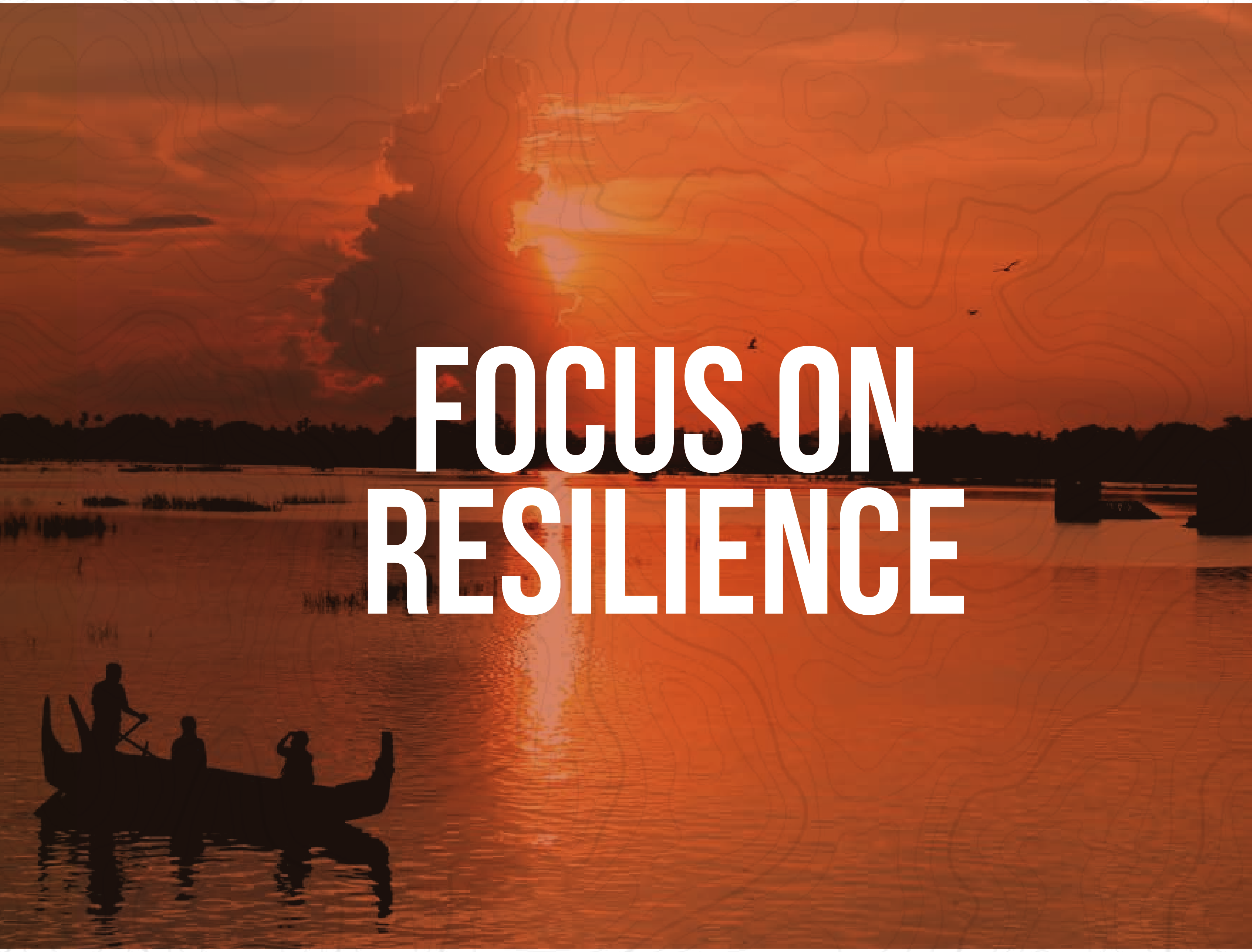


FOCUS ON RESILIENCE

CORPORATE PROFILE

ABOUT INTERRA

Interra Resources Limited, a Singapore-incorporated company listed on the SGX Mainboard, is engaged in the business of petroleum exploration and production (E&P). Our E&P activities include petroleum production, field development and exploration. We are positioning ourselves to become a leading regional independent producer of petroleum.

Since our inception, we have grown organically by developing our existing assets as well as through disciplined acquisitions by seeking attractive resource opportunities across Southeast Asia. Our portfolio of production, development and exploration assets comprises five petroleum contract areas in Indonesia and Myanmar. We also have control of a granite mining permit in Indonesia.

MYANMAR: CHAUK AND YENANGYAUNG FIELDS

In central Myanmar, we hold 60% of the rights and interests to two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs). The IPRCs with the Myanma Oil and Gas Enterprise (MOGE) commenced on 4 October 1996 for a term of 20 years and 6 months. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol Joint Operating Company Inc. The adjacent Myanmar concessions extend over a total area of approximately 1,800 square kilometres and are located along the Ayeyawady River, approximately 580 kilometres north of Yangon. During 2015, the combined gross production for both fields was 1,027,440 barrels of oil.

INDONESIA: KUALA PAMBUANG BLOCK

Onshore Central Kalimantan, we have a 67.5% effective interest in an exploration block, namely the Kuala Pambuang (KP) Production Sharing Contract (PSC). The PSC was granted by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) on 19 December 2011 and the initial exploration term is 6 years with an option to extend up to 4 years. The KP PSC spans an area of approximately 8,150 square kilometres and is located around 180 kilometres southwest of Palangkaraya.

INDONESIA: TANJUNG MIRING TIMUR FIELD

Onshore South Sumatra, we own a 100% participating interest in the Tanjung Miring Timur (TMT) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 17 December 1996 for a term of 20 years and we have the full operatorship of the field. The TMT TAC covers an area of approximately 61 square kilometres and is located around 30 kilometres southeast of Prabumulih and about 120 kilometres southwest of Palembang. During 2015, the gross production of the field was 226,150 barrels of oil.

INDONESIA: LINDA-SELE FIELDS

In the province of West Papua, we have a 58.38% effective interest in the Linda-Sele (LS) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 16 November 1998 for a term of 20 years. The LS TAC covers an area of approximately 19 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong. During 2015, the gross production of the onshore fields was 64,572 barrels of oil.

INDONESIA: BUKIT PIATU QUARRY

In Bintan, we have a 53.76% effective interest in the Bukit Piatu Mining Business Permit (IUP). The IUP commenced on 20 May 2009 for a term of 5 years and was granted extension for another term of 5 years. The IUP covers an area of 63.72 hectares and is located 30 kilometres east of Tanjung Pinang. During 2015, the production of the quarry was 866,530 tonnes of granite.

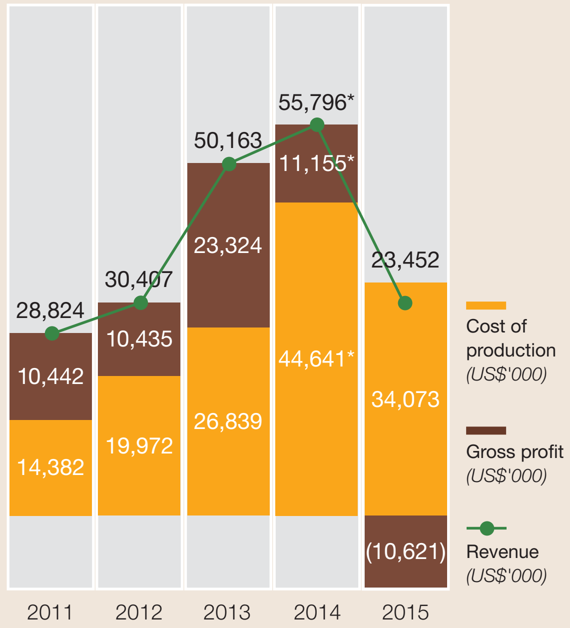
FINANCIAL HIGHLIGHTS

Group	2011	2012	2013	2014	2015
Financial Performance (US$'000)					
Revenue	24,824	30,407	50,163	55,796[a]	23,452
Cost of production	14,382	19,972	26,839	44,641[a]	34,073
Gross profit/(loss)	10,442	10,435	23,324	11,155[a]	(10,621)
Net profit/(loss)	9,053	3,029	7,001	(12,280)[b]	(52,784)[b]
Net profit/(loss) attributable to equity holders	9,053	3,029	7,001	(10,794)[b]	(47,417)[b]
Financial Position (US$'000)					
Cash and cash equivalents	11,536	16,735	12,402	18,737	17,828
Debt and borrowings	-	-	-	1,189	3,728
Net current assets	8,123	14,538	14,491	21,352	14,758
Shareholders' equity	49,412	70,513	78,625	71,638	29,390
Cash Flows (US$'000)					
Operating cash flow	7,758	7,026	19,340	22,651	8,592
Investing cash flow	(16,574)	(18,526)	(23,670)	(29,094)[c]	(7,851)
Financing cash flow	3,760	16,698	(2)	12,778[c]	(1,326)
Share Statistics (US cents)					
Basic earnings/(losses) per share	2.466	0.759	1.571	(2.419)[b]	(9.856)[b,d]
Net asset value per share	16.726	15.913	17.622	15.943	6.585

a Restated due to reclassification arising from discontinued operations
b Represents figure from continuing operations attributable to equity holders
c Restated due to reclassification pursuant to FRS 7 - Statements of Cash Flows
d See Note 32 of the Notes to the Financial Statements for more information on (losses)/earnings per share

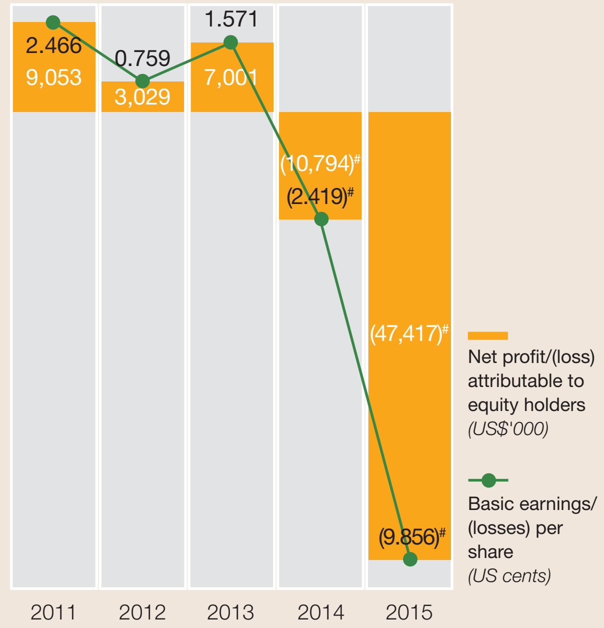
Company	2011	2012	2013	2014	2015
SGX Share Price Information (S$)					
Year-end closing price	0.097	0.405	0.415	0.163	0.084
Average closing price	0.130	0.359	0.460	0.329	0.127
Highest traded price	0.180	0.520	0.595	0.440	0.205
Lowest traded price	0.088	0.095	0.390	0.160	0.070
Year-end market capitalisation	28,655,763	179,467,795	185,160,698	73,244,108	42,541,528
Average market capitalisation	36,892,626	120,447,892	205,138,810	147,836,267	64,092,062

Revenue, Cost of Production & Gross Profit/(Loss)



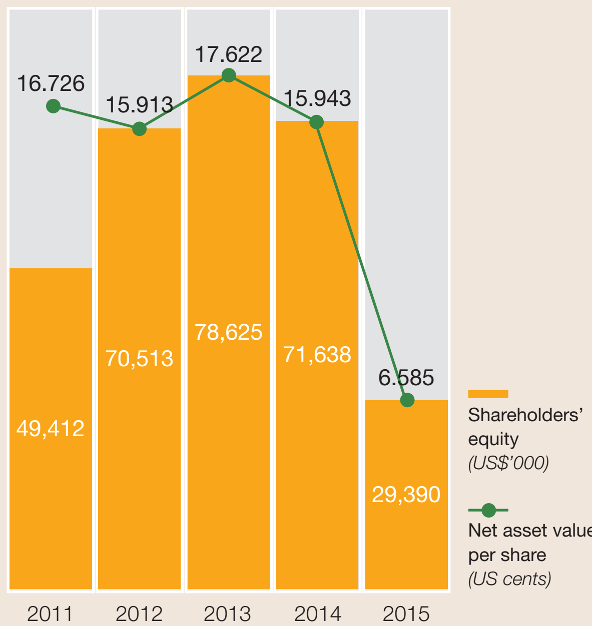
** Restated due to reclassification arising from discontinued operations*

Net Profit/(Loss) Attributable to Equity Holders & Basic Earnings/(Losses) Per Share

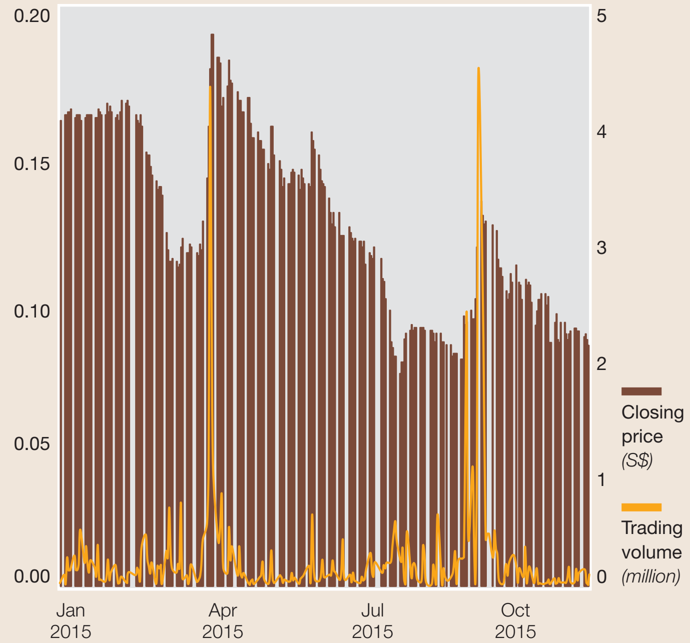


 # Represents figure from continuing operations attributable to equity holders

Shareholders' Equity & Net Asset Value Per Share



SGX Closing Price & Trading Volume



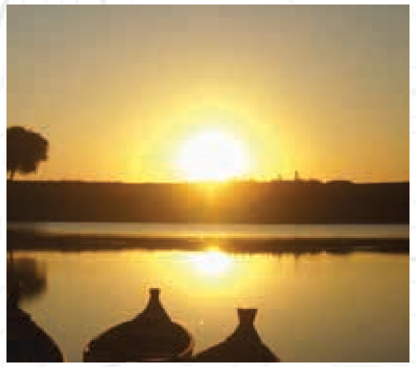
RISING TO THE CHALLENGE

CHAIRMAN'S STATEMENT

REVENUE
US$23.45 MILLION

MYANMAR SHAREABLE OIL PRODUCTION
373,501 BARRELS

INDONESIA SHAREABLE OIL PRODUCTION
260,811 BARRELS



Dear Shareholders,

The downturn in global crude oil prices, which began in mid 2014, continued into 2015. The financial performance of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") reflected the impact of the drop in prices, with total revenues from continuing operations decreasing by 58.0% from US$55.80 million for the financial year ended 31 December 2014 ("FY2014") to US$23.45 million for the financial year ended 31 December 2015 ("FY2015"). The decrease in revenue, coupled with impairment charges of US$33.32 million, resulted in a net loss from continuing operations after tax of US$52.78 million for FY2015 (FY2014: total net loss after tax of US$12.28 million).

OVERCOMING CHALLENGES

With depressed crude oil prices persisting throughout the year, we saw our revenues diminished substantially and margins eroded considerably. Our immediate response was to focus on maintaining liquidity and controlling costs. In the face of decreasing earnings and cash flows, it was necessary for us to make radical changes in order to conserve cash and improve operating cost efficiency. During 2015, we carried out significant cost reduction exercises and cutbacks in capital expenditure by scaling down or curtailing drilling programmes, deferring projects and implementing various cost-cutting measures. The main objective was to narrow the gap between operating and production costs and the falling oil prices. In place of drilling new wells and in order to maintain optimal production, we adopted a more prudent strategy of making existing wells more efficient and optimising existing production infrastructures.

In Myanmar, we drilled a total of five shallow-to-intermediate depth development wells during 2015 as compared to twenty-eight wells for 2014. Our focus was on maintaining or increasing production in existing wells through workovers, reactivations and re-openings of shut-in wells, and new perforations in prospective reservoirs of producing wells. With the significant reduction in number of new wells drilled, the combined shareable oil production of the Chauk and Yenangyaung fields decreased by 19.2% to 373,501 barrels for FY2015 from 462,337 barrels for FY2014. Given the weak crude oil prices, revenue fell by 59.2% to US$13.36 million, which corresponded to 57.0% of the Group earnings for FY2015, as compared to US$32.76 million a year ago. In addition, impairment charges amounting to US$6.85 million were recognised pursuant to an assessment under the Financial Reporting Standards ("FRS").

In Indonesia, all plans for new drillings were deferred to avoid significant cash outflows. During the year, we made a pronounced shift towards reducing capital spending and rationalising our operating cost structure while maintaining production at an optimal level. Besides looking into low-cost initiatives, the field operations worked at enhancing existing wells through workovers or formation stimulations, optimising operational performance for cost and production efficiency, and the maintenance of current assets and production infrastructure. Nevertheless, the decline in both crude oil prices and production levels gave rise to an overall impairment charge on the producing oil and gas properties amounting to US$17.70 million in respect of the Tanjung Miring Timur ("TMT") field in FY2015. Likewise for the Linda-Sele operations, an impairment charge on the producing oil and gas properties of US$8.77 million was made in accordance with the FRS. The Group's share of shareable oil production from the two Indonesian fields for FY2015 added up to 260,811 barrels, 19.9% less than 325,569 barrels for FY2014.

As announced in November 2015, PT Mitra Investindo Tbk ("MITI") proposed to dispose its granite quarry. The proposed disposal was a strategic divestment of non-core assets. Following the disposal, MITI's core business will be an upstream petroleum portfolio comprising the

CHAIRMAN'S STATEMENT

Linda-Sele fields and the Garung exploration block, which was acquired in June 2015 through a 33.33% equity interest in Mentari Garung Energy Ltd.

As for the Kuala Pambuang exploration block, the processing of 2D seismic data was completed during the third quarter of the year and preliminary data interpretation showed positive indications. Therefore, we decided to carry out advanced seismic processing and the preliminary results are also encouraging. Our geology team is now working on an integrated sub-surface interpretation and geologic model, which when combined with existing technical data, is expected to yield possible drillable prospects. Exploration assets may be high-risk projects, but we believe they form an essential element of a balanced upstream petroleum portfolio and play a potential part in boosting the value of the Company in the long run.

BUILDING RESILIENCE

The immediate outlook for crude oil prices remains uncertain as global output outstrips global demand amid challenging economic and geopolitical conditions. The upstream petroleum sector has traditionally been volatile and cyclical and while these trends unfold, we hope to remain agile and adapt quickly as business cycles change. In the year ahead, we will continue to take measures to strengthen our position through building financial and operational resilience in a sustainable way. Our key priorities will include reviewing our financial structure and business model, re-scoping our production, development and exploration programmes, re-adjusting our capital allocation and production cost base, and streamlining our operational processes and infrastructures.

In light of the changed crude oil price environment, we will be looking at re-evaluating our risk and return profile and re-shaping our portfolio so as to lighten our commitment costs and investment risks. In this regard, we look forward to opportunities for inviting strategic partners to participate in our projects and forming strategic alliances to broaden our sphere of operation. During the year, we completed the strategic investment of 21.51% equity stake in PT Benakat Oil as mentioned in last year's Annual Report. We believe that this acquisition, which corresponds to 20% indirect interest in the Benakat Barat field located nearby the TMT field in South Sumatra, will create positive synergy and value in time to come.

At the end of FY2015, the Group had cash and cash equivalents (excluding restricted cash) of US$17.83 million (FY2014: US$18.74 million) and total borrowings of US$3.73 million (FY2014: US$1.19 million). In the year ahead, we will continue to be vigilant about monitoring and controlling our capital and operating expenditures. Barring further any decline in crude oil prices, the Group has sufficient cash on hand to meet its work commitments for 2016 and will evaluate and source funding when the need arises.

CORPORATE MATTERS

The free warrants issued and allotted to shareholders pursuant to the bonus warrants issue approved by shareholders in 2014 expired on 8 December 2015. As a result of the downtrend of crude oil prices, our share price fell below the exercise price of the warrants during the exercise period and upon expiry, only 10,288 new ordinary shares were issued and allotted for a total proceeds of S$2,385 (US$1,695) from a few warrant holders. Our low share price also saw the Company being placed on a watch-list on 3 March 2016 by the Singapore Exchange (SGX), who recently imposed a minimum trading price ("MTP") requirement of S$0.20 on companies listed on its Mainboard. The MTP watch-list status is subject to SGX's review on a semi-annual basis and the Company will take the necessary steps to meet the requirements.

Despite the current business challenges, the Board recognises the importance of economic, environmental and social sustainability and will continue to advocate for business ethics and responsibility towards the community and environment surrounding our scope of operations. The Board will also endeavour to apply the core principles of good corporate governance and enhance corporate accountability and transparency, thereby safeguarding the Company's reputation, building trust and maintaining shareholders' confidence. We believe that both strategic planning and strong governance are fundamental to achieving long-term corporate success and economic growth. Going forward, we hope to develop a platform for shareholders to understand our intangible values and economic factors through sustainability reporting.

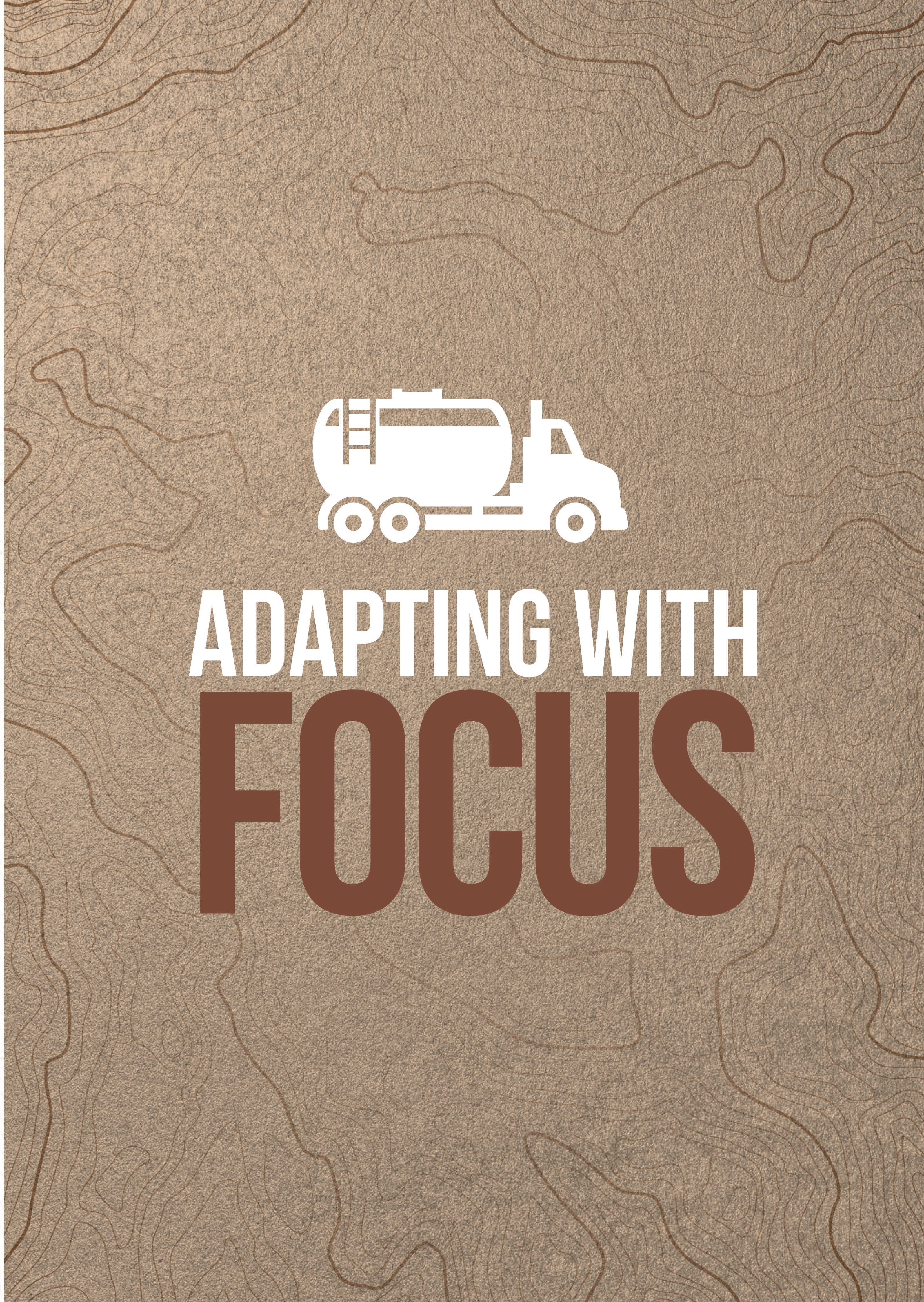
GRATITUDE

As I conclude, I would like to extend my deepest gratitude to our Deputy Chairman, Mr Sandiaga Uno, who will be retiring from office at the forthcoming general meeting after more than twelve years of service. Over the years, Mr Uno has provided astute leadership in spearheading various projects and initiatives, contributing significantly to the Group's expansion. I would also like to express my heartfelt thanks to my fellow Board members for their long-standing commitment and invaluable contributions. At the same time, I am grateful to our valued shareholders for your continued support, and our partners, vendors and authorities in various countries for the opportunities and cooperation. Last but not least, on behalf of the Board, I offer our gratitude to all our employees for their diligence and devotion towards achieving our shared goals and objectives. I hope that we can continue to stand united and work closely together through the trough of the industry cycle towards the next recovery.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

28 March 2016



BOARD OF DIRECTORS

EDWIN SOERYADJAYA
Chairman (Non-Executive)

Mr Edwin Soeryadjaya is the Chairman of the Company. He was first appointed as a Director on 14 December 2004 and later on took on the role of Chairman on 1 July 2005. Mr Soeryadjaya was last re-elected as a Director on 29 April 2014.

Mr Soeryadjaya is the President Commissioner of PT Saratoga Investama Sedaya Tbk, an active investment firm in Indonesia and has deep insight into the Indonesian economy. He started his career in 1978 at PT Astra International Tbk and spearheaded its financial restructuring and public listing. He left the Astra group as Vice President Director in 1993 to set up his own investment business. In 1995, under a Kerja Sama Operasi (KSO) scheme designed by the government of Indonesia in cooperation with the World Bank, Mr Soeryadjaya successfully led PT Ariawest International to win a 15-year KSO funding of about US$900 million. His chairmanships include being President Commissioner of PT Adaro Energy Tbk (coal mine), PT Lintas Marga Sedaya (toll road concession holder, operator and contractor), PT Mitra Pinashtika Mustika Tbk (distributor of Honda motorcycles) and PT Tower Bersama Infrastruktur Tbk (base telecommunication towers); Vice President Commissioner of PT Merdeka Copper Gold Tbk (gold and copper mining); and Chairman of Seroja Investments Limited (maritime transportation).

Mr Soeryadjaya graduated with a Bachelor of Business Administration from the University of Southern California in 1974.

SANDIAGA SALAHUDDIN UNO
Deputy Chairman (Non-Executive)

Mr Sandiaga Salahuddin Uno is the Deputy Chairman of the Company. He was first appointed as a Director on 1 July 2003 and assumed the role of Deputy Chairman on 1 July 2005. He also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Currently, Mr Uno is the Chairman of the Indonesian Association of Traditional Market Merchants, Chairman of the Indonesian Swimming Federation and Vice Chairman of the Micro, Small and Medium Enterprises Cooperatives and Creative Economy of the Indonesian Chamber of Commerce and Industry. Before his involvement in politics, he was the President Director of PT Saratoga Investama Sedaya Tbk, an active investment firm in Indonesia. He also sat on the board of directors of PT Adaro Energy Tbk (coal mine) and PT Tri Wahana Universal (oil refinery), and served on the board of commissioners of PT Lintas Marga Sedaya (toll road concession holder, operator and contractor) and PT Medco Power Indonesia (independent power plant).

Mr Uno received a Bachelor of Business Administration with *summa cum laude* from the Wichita State University in 1990 and a Master of Business Administration from The George Washington University in 1992.

MARCEL HAN LIONG TJIA
Executive Director &
Chief Executive Officer

Mr Marcel Han Liong Tjia is the Executive Director and Chief Executive Officer of the Company. He was first appointed to the board on 20 June 2009 and was re-elected on 28 April 2010. Mr Tjia also sits on various boards and management committees of the Company's subsidiary companies and joint venture entities.

Prior to joining the Company, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. Over the past 30 years, Mr Tjia has gained extensive experience in mergers and acquisitions as well as corporate finance in Hong Kong, Indonesia, Singapore and Canada. He is currently a partner in an investment company with holdings in real estate and the automotive industry.

Mr Tjia holds a Bachelor of Commerce (Honours) and a Master of Business Administration from the University of British Columbia, Vancouver.

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report, Shareholding Statistics and Directors' Statement sections of this Annual Report.

BOARD OF DIRECTORS

SUBIANTO ARPAN SUMODIKORO
Non-Executive Director

Mr Subianto Arpan Sumodikoro is a Non-Executive Director of the Company. He was first appointed on 14 December 2004 and last re-elected on 28 April 2015.

Mr Subianto commenced his career with PT Astra International Tbk in 1969 and held a variety of positions within the Astra group before rising to be its Vice President Commissioner in 2000. Before he retired from the Astra group in 2006, he served on the board of commissioners of PT Astra Agro Lestari Tbk. Currently, Mr Subianto leads the board of directors of his own investment holding companies, PT Pandu Alam Persada, PT Persada Capital Investama and PT Tri Nur Cakrawala. In addition, he is the President Commissioner of PT Agro Multi Persada, PT Dharma Satya Nusantara Tbk, PT Kirana Megatara and PT Triputra Agro Persada; Commissioner of PT Adaro Energy Tbk; Chairman of Multico Infracore Holdings Pte Ltd; and Director of Shining Persada Investments Pte Ltd.

Mr Subianto graduated from the Bandung Institute of Technology in 1969 with a Bachelor's Degree in Mechanical Engineering.

NG SOON KAI
Non-Executive Director

Mr Ng Soon Kai is a Non-Executive Director of the Company. He was first appointed on 1 November 2005 and last re-elected on 26 April 2013. Mr Ng also serves as a member of the Nominating Committee and the Remuneration Committee.

Mr Ng is a partner at Lee & Lee and has extensive legal experience in mergers and acquisitions, corporate restructuring, reverse takeovers and schemes of arrangement. He also sits on the board on Seroja Investments Limited.

Mr Ng obtained a Bachelor of Laws (Second Class Upper) from the National University of Singapore in 1989.

LOW SIEW SIE BOB
Lead Independent Director
(Non-Executive)

Mr Low Siew Sie Bob is the Lead Independent Director of the Company. He was first appointed on 18 February 2011 and last re-elected on 29 April 2014. Mr Low also serves as chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.

Mr Low is the Principal Consultant of Bob Low & Co. and his area of expertise includes corporate assurance, corporate recovery and restructuring, judicial management, acting as receiver and manager, acting as scheme manager, due diligence and project evaluation. He also serves as lead independent director on the board of China Hongcheng Holdings Limited and LH Group Limited.

Mr Low qualified as a UK Chartered Certified Accountant in 1974 and subsequently obtained a Bachelor of Laws (Second Class Lower) from the University of London in 1985. He is a Fellow of the Institute of Singapore Chartered Accountants, the Certified Public Accountants, Australia and the Insolvency Practitioners Association of Singapore; a member of the Chartered Institute of Arbitrators of both Hong Kong and UK, the Singapore Academy of Law, and the Singapore Institute of Arbitrators; and an Accredited Tax Advisor/Practitioner.

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report, Shareholding Statistics and Directors' Statement sections of this Annual Report.

BOARD OF DIRECTORS

ALLAN CHARLES BUCKLER

Independent Director
(Non-Executive)

Mr Allan Charles Buckler is an Independent Director of the Company. He was first appointed on 14 December 2004 and last re-elected on 28 April 2015. Mr Buckler also serves as chairman of the Nominating Committee and the Remuneration Committee and a member of the Audit Committee.

Mr Buckler has had key roles in the establishment of several large mining and port operations in both Australia and Indonesia. Currently, he sits on the board of directors of Altura Mining Limited and Sayona Mining Limited, both mining companies listed on the Australian Securities Exchange, as well as Merida Corporation Pte. Ltd.

Mr Buckler is a qualified mine manager with more than 40 years of mining experience. He holds a Mine Surveyor Certificate and a First Class Mine Manager Certificate issued by the Queensland Government's Department of Mines.

LIM HOCK SAN

Independent Director
(Non-Executive)

Mr Lim Hock San is an Independent Director of the Company. He was re-appointed to the board on 8 September 2012 and was last re-elected on 28 April 2015. Mr Lim also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Mr Lim is the President and Chief Executive Officer of United Industrial Corporation Limited and Singapore Land Limited. He also holds directorships in Gallant Venture Ltd. and Indofood Agri Resources Ltd.

Mr Lim graduated from the then University of Singapore with a Bachelor of Accountancy in 1968 and obtained a Master of Science in Management from the Massachusetts Institute of Technology in 1973. In 1991, he attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Chartered Institute of Management Accountants (UK), and a Fellow and past President of the Institute of Singapore Chartered Accountants.

PEPEN HANDIANTO DANUATMADJA

Alternate Director to Subianto Arpan Sumodikoro

Mr Pepen Handianto Danuatmadja is the Alternate Director to Mr Subianto Arpan Sumodikoro and was appointed on 18 February 2011. Currently, he is the Executive Director of Multico Infracore Holdings Pte Ltd. He also holds directorship in Shining Persada Investments Pte Ltd.

Mr Pepen graduated with a *Diplom-Ingenieur* in Mechanical Engineering from the Technische Universitaet Darmstadt in 1982.

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report, Shareholding Statistics and Directors' Statement sections of this Annual Report.

KEY MANAGEMENT

FOO SAY TAIN

Chief Financial Officer

Mr Foo Say Tain joined the Company as Chief Financial Officer in November 2007. He has the overall responsibility for the Group's financial reporting and management accounting, treasury, taxation, audit and compliance matters. He has more than 20 years of experience in accounting, finance and administration in listed companies and foreign multinational corporations.

Mr Foo is a Fellow Chartered Accountant of Singapore and a Fellow of the Association of Chartered Certified Accountants, UK. He also holds a degree in Bachelor of Business Administration from the National University of Singapore.

FRANK OVERALL HOLLINGER

Chief Technical Officer

Mr Frank Overall Hollinger was appointed the Chief Technical Officer of the Company in July 2006. He manages the petroleum geoscience and other technical aspects of the exploration and production business.

Before joining the Company, Mr Hollinger spent 8 years in Myanmar as geophysical consultant for Premier Petroleum Myanmar Ltd., Myanmar Petroleum Resources Ltd. and Goldpetrol JOC Inc. He commenced his career in 1971 while in graduate school as a NASA research assistant at the University of New Mexico. Subsequently, he worked on numerous exploration and development projects in different capacities with oil and gas corporations such as Texaco Inc., Petroleum Exploration Consultants Worldwide Inc., Mapco Production Co., Ladd Petroleum Corp., Enron Oil & Gas, Columbia Gas Development Corporation, and Petronas Carigali Sdn Bhd. He has more than 35 years experience in the petroleum industry.

Mr Hollinger graduated from the University of South Alabama with a Bachelor of Science in Geology in 1971. Subsequently, he obtained a Master of Science in Geology from the University of New Mexico in 1973. In 1988, Mr Hollinger completed the Professional Degree Program in Geology at the Colorado School of Mines. He is a member of the American Association of Petroleum Geologists.

SUGI HANDOKO

Vice President, Operations

Mr Sugi Handoko assumed the position of Vice President Operations of the Company in January 2012. He has the overall responsibility of managing the exploration and production operations of the Group.

Prior to the current appointment, Mr Handoko was the Country Manager of Goldpetrol JOC Inc. He has more than 25 years of experience in petroleum exploration and production operations and management, which includes engineering, production, finance, procurement, logistic, human resources and government liaison.

Mr Handoko graduated from the Bandung Institute of Technology in 1988 with a Bachelor's Degree in Petroleum Engineering. He is a member of the Society of Petroleum Engineers, the Indonesian Petroleum Association and the Indonesian Association of Petroleum Engineering (IATMI).

HAN LIQIANG

Regional Operations Manager

Mr Han Liqiang joined the Company as Regional Operations Manager in April 2014. His main role is to manage the regional exploration and production operations of the Group. Currently, he is seconded to the Myanmar operations as its Country Manager.

Mr Han commenced his career with BGP Inc. in 1992 as a geophysicist for various petroleum projects in China. He was later on stationed at its overseas branch offices to manage a variety of seismic projects in the Middle East and Asia Pacific regions. He has more than 20 years of industry experience in project management, HSE management and marketing, and has worked with numerous oil and gas companies such as Total, Saudi Aramco and Salamander Energy.

Mr Han studied at the Northwest University in Xi'an and obtained a Bachelor's Degree in Petroleum Geology in 1992.

EXPLORING WITH PRUDENCE

OPERATING AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

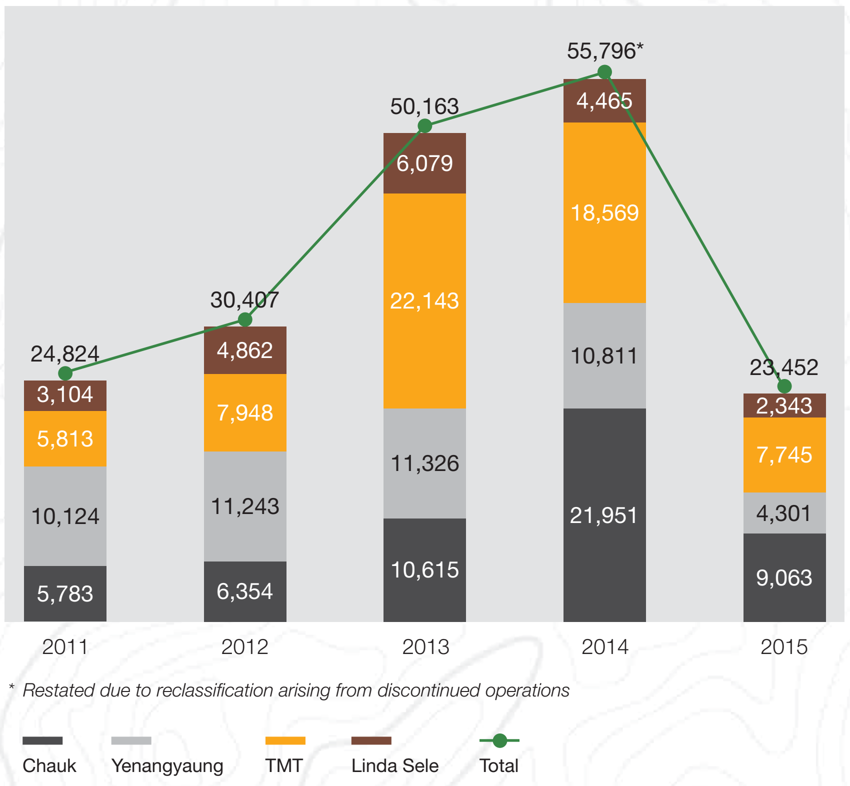
Revenue from continuing operations for FY2015 was hit by weaker crude oil prices. The Group's weighted average transacted crude oil price dropped by 49.8% from US$96.34 per barrel for FY2014 to US$48.38 per barrel for FY2015. Consequently, total sales of crude oil fell by 58.0% from US$55.8 million to US$23.45 million, with the Myanmar and Indonesian operations contributing 57.0% and 43.0% respectively. With the proposed disposal of the granite quarry by MITI, figures relating to the granite business were reclassified under discontinued operations, pending completion of the divestment. The Group's revenue breakdown by fields for the past five years is charted below.

The ongoing downtrend of crude oil prices had prompted the Group to make conscious efforts to cut capital spending and operating cost across all its petroleum operations. The overall cost of production for the petroleum operations went down by 23.7% from US$44.64 million for FY2014 to US$34.07 million for FY2015. As a result, the Group recorded a gross loss of US$10.62 million compared to a gross profit of US$11.16 million a year ago.

Low crude oil prices combined with the decline in production resulted in significant impairment losses pursuant to periodic assessments required under the FRS during FY2015. Total impairment charges amounted to US$33.32 million and were attributable to impairment of producing oil and gas properties in respect of the Myanmar fields (US$5.33 million), Linda-Sele fields (US$8.77 million) and TMT field (US$17.70 million) as well as impairment of intangible assets (US$0.03 million) and goodwill on reverse acquisition (US$1.49 million) in respect of the Myanmar assets. The Group suffered a net loss of US$52.78 million (FY2014: US$12.28 million) for its continuing operations after income taxes of US$0.56 million (FY2014: US$4.28 million). The lower income tax expense was due mainly to lesser taxable income and a reduction in Myanmar corporate tax rate. The 5% rate cut was reflected on the final tax assessments received in respect of prior years' taxes and thus, a reversal of tax overpayment amounting to US$1.03 million was recognised during the year.

The further weakening of crude oil prices in FY2015 negatively impacted the top line as the Group embarked on a comprehensive cost reduction programme. In the year ahead, the Group will continue its emphasis on controlling capital expenditure and adopting a sustainable cost efficiency regime so as to mitigate the adverse impacts of the current down cycle.

Revenue Breakdown
(US'$000)



** Restated due to reclassification arising from discontinued operations*

FINANCIAL STRENGTH

The impairment assessment of the carrying value of assets against their recoverable amounts in accordance with the FRS during FY2015 brought about a significant write-off in respect of producing oil and gas properties, which were reduced to US$0.36 million from US$47.21 million in the preceding year end. Intangible assets were also written down to nil from US$2.05 million, due mainly to the impairment of the Myanmar assets. As a result of these impairments, the Group had accumulated losses of US$21.67 million as at the end of FY2015.

Due to the proposed disposal of the granite quarry by MITI, the fair value of the disposal group was re-measured at a loss of US$2.65 million and the revised mining properties value was classified as assets of disposal group held-for-sale with an asset value of US$4.45 million and associated liabilities of US$1.07 million. The transaction is currently pending approval from the relevant authorities.

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

Following the completion of the acquisitions of 21.51% equity interest in PT Benekat Oil by Goldwater Indonesia Inc. (a wholly-owned subsidiary) and 33.33% equity interest in Mentari Garung Energy Ltd by MITI during FY2015, investments in associated companies increased by US$7.62 million after taking into account post-acquisition share of losses and other comprehensive losses of associated companies. Exploration and evaluation costs increased by US$5.37 million to US$10.49 million as at the end of FY2015 due mostly to capitalisation of 2D seismic costs incurred in respect of the Kuala Pambuang exploration block. Going forward, the Group will monitor the economic situation and make adjustments to its exploration commitments, in terms of amount and timing, as appropriate.

Inventories decreased by US$2.63 million to US$6.80 million as at year end, in line with the Group's cost-cutting policy. Part of the deduction amounting to US$0.55 million was due to classification of mining spare parts and others as assets of disposal group held-for-sale. The Group continued to make provisions for environmental and restoration costs as stipulated by the contractual terms with the respective host governments, which totalled US$4.47 million as at the end of FY2015.

As compared to FY2014, total current and non-current trade and other receivables increased by US$1.87 million to US$14.14 million. This was due largely to loans to third parties amounting to US$4.55 million as well as additional reimbursable value-added tax of US$0.91 million. The increases were partially offset by a decrease of US$2.93 million in trade receivables due to lower billings. The current other receivables in respect of loan to third parties of US$2.58 million was pursuant to a loan agreement entered into by MITI with a third-party borrower on short-term basis at market interest rate and secured by pledge of marketable securities.

Trade and other payables increased by US$3.99 million to US$16.10 million, mainly attributable to a deposit of US$2.77 million and an advance of US$2.36 million received from the buyer by MITI in connection with the proposed disposal of the granite quarry. This increase in other payables was partially offset by lower trade payables and accruals, which are in line with the reduced level of operating activities. During the year, the Company took up an unsecured short-term bank loan of US$3.00 million at prevailing interest rate to complement the Group's cash flows.

During FY2015, the net cash provided by operating activities of the Group decreased by US$14.06 million to US$8.59 million, which were generated mainly by the Myanmar and granite operations at a total of US$4.64 million. The Group's capital expenditure incurred on exploration activities and development and production activities for FY2015 were US$3.07 million and US$5.37 million respectively.

As at 31 December 2015, total shareholders' equity was down to US$29.39 million as compared to US$71.64 of the previous year end, due primarily to the net loss incurred during the year. Cash and cash equivalents were US$17.83 million, a modest decrease of US$0.91 million in an effort to conserve cash amid lower cash flows. Moving forward, although the direction of crude oil prices remains very much uncertain, the Group will continue to take prudent steps in managing its liquidity demands and funding positions, and explore various funding options to raise capital when the need arises.

SHARE CAPITAL

On 11 June 2015, pursuant to the completion of the acquisition of 21.51% equity stake in PT Benakat Oil, the Company issued and allotted 57,086,112 new ordinary shares in the capital of the Company at S$0.1492 per share to the seller as part of the purchase consideration. These new shares, which are ranked *pari passu* in all respects with the existing shares of the Company, were issued under the general share issue mandate approved by shareholders at the last annual general meeting.

As at the expiry of the 44,616,914 one-year bonus warrants on 8 December 2015, an aggregate of 9,748 new ordinary shares were issued and allotted at S$0.235 per share to warrant holders pursuant to their exercise of the bonus warrants. For every two bonus warrants validly and concurrently exercised, an aggregate of 4,874 piggyback warrants were issued and allotted free to these warrant holders. Upon the expiry of these unlisted piggyback warrants on 29 December 2015, an aggregate of 540 piggyback warrants were exercised for the same number of new ordinary shares at S$0.175 each. In total, 10,288 new ordinary shares were issued and allotted in the capital of the Company and S$2,385 (US$1,695) cash proceeds were raised from the warrants issue.

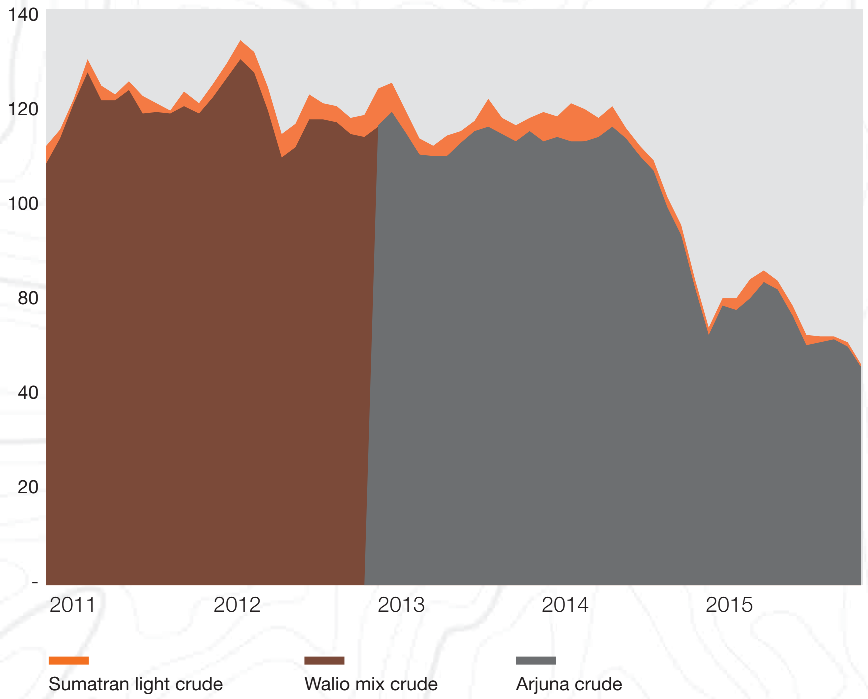
Following the aforesaid share issuance and allotment, the number of issued and paid-up shares of the Company increased from 449,350,357 to 506,446,757 as at the end of FY2015. The outstanding number of unissued shares under option was 7,110,000 (FY2014: 7,260,000) and these will expire on 19 January 2017. The Company does not have a share purchase mandate and has no treasury shares. For further information on the share option scheme, please refer to the Directors' Statement section of this Annual Report.

CRUDE OIL PRICES

With low crude oil prices dominating throughout the year, the crude oil produced by the Group was sold at a weighted average price US$48.38 per barrel, almost half the price transacted in FY2014. At the end of FY2015, the weighted average transacted price was down to almost US$30 per barrel. The Group's weighted average transacted crude oil prices for the past five years are charted below.

The upstream petroleum business is affected by the movements of crude oil prices and this encompasses many aspects such as revenue, investment and operating costs, equipment and material supplies, availability of expertise and services, production growth and prospects, profit oil and margins, reserve development and numbers, valuation and share price. Volatile crude oil prices represent a risk factor in the Group's business and an extended downtrend will have unfavourable effects on its financial conditions and results. However, the Group's risk management policy does not recommend hedging its exposure to crude oil prices through the use of financial derivatives.

Crude Oil Prices
(US$ per barrel)



OPERATING AND FINANCIAL REVIEW

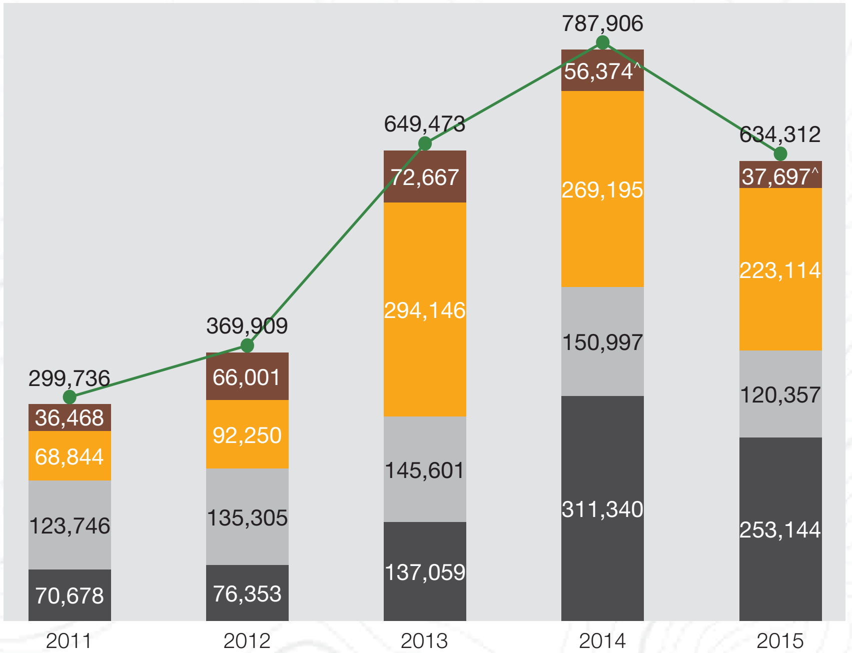
PRODUCTION

In the wake of the reduced drilling activities, the Group's shareable oil production for FY2015 was 19.5% lower than the preceding year, with the Myanmar and Indonesian fields maintaining their geographical contribution ratios to the total quantity of 634,312 barrels. The Group's shareable oil production by fields before application of contractual terms with the respective host governments for the past five years is charted on the right.

The curtailment of the development work programme in Myanmar brought about a 19.2% decrease in shareable oil production for both fields in FY2015. The Chauk field contributed 253,144 barrels or 39.9% while the Yenangyaung field contributed 120,357 barrels or 19.0% to the Group's total profit oil. Likewise, the Indonesian fields also saw their shareable oil production decrease by 19.9%, with the TMT field contributing 223,114 barrels or 35.2% and the Linda-Sele fields contributing 37,697 barrels or 5.9% to the grand total.

During the year under review, the Group made significant progress in implementing a leaner and more efficient business model. It managed to identify the key parameters of its cost structure, implement the necessary changes and adapt to the challenging constraints. This was made possible because the Group had gained the advantage of having functional influence and control over its operations as well as established strong relationships with its joint venture partners, vendors and counterparties. In the year ahead, regardless of the focus of the work plans, which is expected to shift with the direction of crude oil prices, the Group hopes to be able to retain its competitive edge and work on optimising its cost performance and production efficiency while consistently maintaining its economic targets.

Shareable Oil Production
(barrels of oil)



^ *Group's effective interest in the shareable oil production of Linda Sele fields was 58.38% for 2014-2015 (2011-2013: 100%).*

Chauk Yenangyaung TMT Linda Sele Total

The Group's granite business held under MITI did not perform within expectations, largely due to the postponement of some government projects. A total of 977,513 tonnes of granite was sold in FY2015, 25.7% less than 1,314,882 tonnes sold last year. Upon the completion of the proposed divestment of the granite quarry, the Group will no longer have a granite segment and will be able to consolidate all its resources to develop its petroleum business.

OPERATING ACTIVITIES

• Myanmar – Chauk and Yenangyaung Fields

The aggressive drilling programme launched in 2013 came to a halt last year after crude oil prices tumbled to critically low levels. During the year, the operator drilled a total of five development wells, two of which were directional wells drilled from the east bank of the Ayeyawady River. This was contrastingly lower than the twenty-eight wells drilled in 2014. Of the four wells drilled in the Chauk field, three were completed as oil producers and one was undergoing extended production testing. The well drilled in the Yenangyaung field was temporarily shut in awaiting formation stimulation. With the scale-down of drilling activities due to economic reasons, the combined gross oil production of the two fields for 2015 decreased by 13.8% to 1,027,440 barrels from 1,192,523 barrels for 2014.

Instead of drilling more new wells, the operator embarked on a prudent low-cost programme of further developing existing producing wells and re-opening old wells. These works

OPERATING AND FINANCIAL REVIEW

were aimed at improving production and included workovers, reactivations, and perforating new reservoir zones. This approach had contributed positive gains in arresting the production decline of the fields. For the year 2015, the Chauk field produced 481,797 barrels of oil (2014: 583,299 barrels) and the Yenangyaung field produced 545,643 barrels of oil (2014: 609,224 barrels).

In 2016, the operator will develop a strategy in tandem with the crude oil price environment along with work plans aimed at enhancing production of existing wells. It will also continue to optimise production via surface and borehole enhancements and scheduled maintenance with the objective of maintaining or increasing current production levels from existing wells. Internal technical reservoir studies in conjunction with those done by an external research centre aimed at identifying additional opportunities with respect to increasing production in existing wells and possible future development wells will continue. With the planning for formation hydraulic fracturing completed during 2015, the operator hopes to be able to implement the advanced stimulation technique in the year ahead.

• Indonesia – TMT Field

Although the TMT field suffered from natural field production decline during the first quarter of 2015 while awaiting production additions from the new wells drilled in 2014, the operator managed to arrest the decline over the following two quarters through a production enhancement programme designed to optimise and increase production from producing wells. These included surface and borehole improvements combined with scheduled maintenance as well as the implementation of new casing perforations within prospective untested reservoirs in existing wells. With no new drillings, the gross oil production of the TMT field for 2015 declined by 17.0% to 226,150 barrels from 272,538 barrels for 2014.

Going forward, the operator will continue the low-cost and effective production enhancement programme and the attempt to gain a more complete understanding of the producing reservoirs. Aggressive new technology solutions aimed at single well and field production increases are being investigated. Reservoir studies incorporating seismic, geology and reservoir engineering aimed at delineating optimum future drilling locations will continue when the economic climate permits.

• Indonesia – Linda-Sele Fields

No new wells were drilled at the Linda-Sele fields during 2015. The operator maintained its previous strategy of performing production optimisation and scheduled maintenance with the goal of maintaining or increasing current production levels. These efficient field operations had done an adequate job of generally maintaining the production levels. The gross oil production of the fields for 2015 was 64,572 barrels, a slight decrease of 5.0% from 67,938 barrels for 2014.

In the year ahead, besides carrying on the same strategy, the operator hopes to attempt perforations in a new reservoir zone in old wells. It will also continue with the ongoing geological, geophysical and reservoir studies with the goal of delineating possible future prospective drilling locations.

• Indonesia – Kuala Pambuang Block

The acquisition of 304 line kilometres 2D seismic data was completed during the first quarter of 2015 and processing of the data, which commenced in the second quarter, was completed during the third quarter. The preliminary data interpretation results were very encouraging. Due to the positive nature of the seismic data interpretation, it was decided to carry out advanced

OPERATING AND FINANCIAL REVIEW

seismic processing techniques aimed at the possible determination of rock properties and reservoir fluid contents. The advanced seismic processing was completed during the fourth quarter and the results were very positive. Currently, an integrated sub-surface interpretation and geologic model is being generated combining all technical data with the ultimate objective of delineating possible drillable exploration prospects.

- **Indonesia – Bukit Piatu Quarry**

Granite production for FY2015 decreased significantly by 30.1% to 866,530 tonnes as compared to 1,238,984 tonnes a year ago. This was because of the supply of explosives was interrupted by the transition period of a new regulation governing the procedures for obtaining approval for permits and licences. While awaiting completion of the proposed disposal of the quarry, preparations for handing over the operations to the buyer are underway.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Group strives to operate responsibly towards local communities and the environment within and surrounding its operational areas. These values have been adopted within the Group's business practices in which it aims to uphold high level of safety, social and environmental standards and to promote such awareness amongst its stakeholders. It also has in place risk management policies and processes which help address the various key aspects of its operations including financial, compliance, procedural, commercial, functional, safety, social and environmental. The ensuing risk management reports provide management with useful data for identifying emerging issues and developing appropriate responses that help protect corporate reputation and improve shareholder communication.

Environmental sustainability forms an integral part of the Group's operating procedures and supports its decision-making processes. The Group aims to make a positive contribution towards maintaining and preserving the environment through various practices that serve to promote sustainability and minimise the impact of its operating activities on the environment. Its respective operations are required to comply with the applicable environmental and restoration laws and regulations administered by the relevant government agencies, which include conducting environmental impact assessments and making regular contributions to environment restoration funds. Throughout the year, the Group continued to review its environment protection efforts and implement good practices with regard to accountable development, responsible waste management, contamination control and environmental monitoring.

Besides the environment, health and safety is a natural priority of the Group's activities and due care and attention is being paid to the physical health and welfare of its employees and contractors whilst in the workplace. Its operations have established general frameworks which serve to protect its people and other stakeholders as well as its properties and the environment. Such health, safety and environment management systems not only adhere to regulatory requirements of the relevant government bodies but are also reviewed regularly for continual improvement. In addition to implementing zero accident measures across all site operations, the Group also places strong emphasis on human dignity and respect for cultural practices and religious beliefs of its employees. It is constantly working towards creating a workplace where the talents and skills of different groups are valued, and where productivity and morale of the workforce are optimised.

The Group believes that having close and cordial relationship with the local authorities and governments is important and that relationships with local communities are to be conducted sensitively and with mutual respect. The Group actively engages in social and community development through partnerships with local communities and other stakeholders in mutually beneficial activities and movements, such as enhancing labour practices and relations, facilitating relocation and fair compensation of land, supporting the livelihood and welfare of local communities, participating in community events, sponsorship of community programmes and scholarships, donations towards education, healthcare and infrastructure projects. During the year, the Group's social services included donations and volunteering efforts made towards fire victims and villagers affected by severe flooding due to heavy monsoons in Myanmar; funding and support for government medical development programmes, upgrading of government hospitals and renovation of community medical centres, mosque building and refurbishment, building and upgrading of playgrounds and recreational facilities, construction and reparation of village schools and welfare facilities, building and repair of public infrastructure such as city hall, stadium, bridge and access roads; and provision of drinking water supply, sanitation facilities, ambulance, medicines, medical supplies, toys, handloom machinery and training.

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RISK FACTORS AND UNCERTAINTIES

The upstream petroleum business is capital intensive and long term in nature and involves complex multiplicity of risks and uncertainties. The Group's operating and financial results depend on its ability to identify and mitigate these risks, which are inherent to its operations, in a timely and sustainable manner. An outline of the key factors affecting the Group's business is provided below.

• Sales of Crude Oil

The marketability of crude oil produced by the Group depends on the proximity of its reserves to pipelines, oil tankers and processing facilities and is subject to operational problems associated with such infrastructures and facilities which could cause delays in its delivery of crude oil, thus affecting its billings. The Group currently sells the crude oil that it produces to the respective host governments and the quantum of which is subject to wide-ranging government regulations and policies relating to benchmark price, cost recovery, taxes, royalties, domestic market obligation and fiscal system. Therefore, the final shareable production to be translated into revenue is not directly proportional to gross production, and to a certain extent, is beyond the Group's control.

• Sales of Granite

The Group's sales of granite currently depend solely on local market demand as the Indonesian government has imposed a ban on the export of granite since 2012. Therefore, the Group faces stiff competition in granite sales and prices in the domestic market. In the light of the proposed divestment of the granite business, the FY2015 financial results of the granite segment have been classified as discontinued operations. Following the completion of the disposal, the Group will not have any granite interests in its portfolio.

• Crude Oil Prices

Petroleum exploration and production is fundamentally a commodity business and hence, revenue is exposed to fluctuations in the prevailing crude oil and natural gas prices, which are dependent on a combination of various factors such as international demand and supply, geopolitical developments, and global economic conditions. The single largest variable that affects the Group's operating and financial results is crude oil prices. The Group does not have any hedging or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the crude oil produced. Depressed crude oil prices over prolonged periods will have an adverse impact on its profitability and cash flows, or may even render extraction commercially unviable, thus leading to recognition of significant impairment charges on the carrying amounts of producing oil and gas properties.

• Operating Costs

The Group's operating and financial results depend on its ability to execute and operate development projects as planned. Due to constantly changing market conditions and difficult environmental challenges, cost and schedule projections can be uncertain. Factors that may affect the economics of these projects include delays in issuance of permits and licence by government agencies, shortages or delays in the availability or delivery of critical equipment, escalating procurement and leasing costs, unforeseen technical difficulties, adverse weather conditions, and changes in operating conditions, which could cause cost overruns and prolonged delays in development thereby impeding production growth. The Group's operating costs in the foreseeable future depend largely on its ability to implement effective cost controls.

• Credit Risk

The Group currently sells all the crude oil that it produces to the respective host governments in Indonesia and Myanmar. Although the Group currently does not have any issues with invoice payments, there can be no assurance that risks of counterparty default would not occur in the future. Any significant default or delay in the payment could adversely affect its cash flow and financial position.

• Capital Funding and Interest Rate Risk

Petroleum exploration and production is a long-term and capital intensive business. Substantial capital investment is required to exploit and develop reserves for petroleum production. Cash flows from operations may not be sufficient to fund drilling activities and business operations from time to time. Failure to obtain additional funding on a timely basis may cause the Group to discontinue some of its exploration, development and production activities or to forfeit its interests in certain petroleum contracts, resulting in material adverse impact on the Group's financial condition, results of operations or prospects. The Group's has confirmed lines of bank credit facilities to manage short-term liquidity needs and these are exposed to fluctuations in floating interest rates and are subject to banks' periodic credit review. On the other hand, raising capital through certain debt or equity financing may have dilutive effect on the Group's earnings.

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• Reserve Replacement

Future petroleum production is dependent on the Group's ability to replace produced reserves and access new reserves through successful exploration and development activities, new discoveries, new extraction techniques, negotiation with governments and other owners of reserves, and acquisition of petroleum acreages. Unsuccessful exploratory or developmental drillings as well as failure in identifying or finalising transactions to access potential reserves could cause its reserves to decline and affect future production levels. Given the present low crude oil price environment, the Group's focus on expenditure and cost control management may hamper its progress in respect of reserve replacement.

• Reserve Diminishment

Granite deposits diminish with production and ultimately, mining operations will cease when reserves are exhausted or production becomes economically unviable.

• Petroleum Agreements

A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection. The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms, revenue is not proportionally dependent on gross production and crude oil prices. In addition, there is no guarantee that contract extension or renewal will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value. The Group has three production-sharing contracts expiring in 2016 and 2017 and these agreements may not be extended or renewed upon expiration.

Similarly, the granite mining business permit granted by the host government is subject to its prevailing laws and regulations, and there is no guarantee that further extension or renewal will be granted on expiry.

• Taxes

In addition to the payment of royalties and signature or production bonuses, petroleum and income taxes of the upstream petroleum sector tend to be higher than those payable in many other commercial activities. Adverse changes in fiscal or tax regimes applicable to petroleum industry in the countries where the Group conducts its upstream operations could have a negative impact on the Group's profitability.

• Political and Regulatory Risks

The Group operates in countries where political, economic and social transitions are taking place or may occur from time to time. Developments in politics, laws and regulations can affect its operational performance and financial position. Potential developments include forced divestment of assets, limits on production or cost recovery, international sanctions, import and export restrictions, price controls, tax increases and other retroactive tax claims, expropriation of property, cancellation of contract rights, changes to environmental regulations, international conflicts such as war, civil unrest, acts of sabotage or terrorism, and local security concerns that threaten the safe operation of facilities. In countries which lack well-developed legal systems or have yet adopted clear regulatory frameworks for petroleum industry, the Group's operations are exposed to increased risk of adverse or unpredictable actions by government officials and may face difficulty in enforcing contracts or delays in issuance of licences and permits.

• Exploration Risk

Exploration activities involve significant inherent risks including failure to discover any accumulation of hydrocarbons, or that the discovery of hydrocarbons is not commercially recoverable or viable. Development of hydrocarbon reserves is a complex and lengthy process which includes appraising a discovery, sanctioning a development project, and building and commissioning related facilities. Thus, the rates of return for such long-lead-time projects are exposed to the volatility of oil and gas prices and costs, which may be substantially different from the prices and costs assumed when the investment decision was actually made. In the event that an exploration programme proves to be unsuccessful or unprofitable, it may lead to hefty losses, considerable reduction in cash reserves, significant diminution in asset values and possible relinquishment of contractual rights. The Group currently has one ongoing exploration project in southern Central Kalimantan and it is highly uncertain whether the capital invested could ultimately yield commercially recoverable hydrocarbons or profitable production.

OPERATING AND FINANCIAL REVIEW

• Drilling Risk

The Group endeavours to maintain and grow its petroleum production through drilling programmes, which may be developmental or exploratory in nature, based upon geological and geophysical studies of available information or new data. However, underground drilling activities are subject to numerous unexpected drilling conditions including pressure or irregularities in geological formations and invasion of water into producing formations. Therefore, it is not certain that such drillings will ultimately yield commercially recoverable hydrocarbons or profitable production. Unsuccessful drillings may have material negative impact on the operating results and financial position of the Group.

• Production Risk

There are inherent risks involved in the production of hydrocarbons that, in addition to impacting the actual volumes produced, may ultimately affect the reserves (recovered). The performance of the reservoirs may be affected by the use of new technologies and the inability to develop advanced technologies to maximize the recoverability rate of hydrocarbons or gain access to previously inaccessible reservoirs. In addition, continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. In the event that incremental production growth is not sufficient to keep pace with premature natural field decline, the Group's operating and financial performance will be adversely affected.

• Reserve Estimation Risk

There are indefinite inherent uncertainties in respect of the estimation and valuation of petroleum reserves. The estimation of petroleum reserves is not an exact science and depends on numerous factors such as quantity and quality of the geological, engineering and economic data, assumptions adopted when making the estimate, projections regarding future production volumes, development expenditures, operating costs, cash flows, timing of work plans, availability of equipment and technology, and experience and knowledge of evaluators in their interpretation and judgment. Many of these factors, assumptions and variables involved in estimating reserves are subject to fluctuations and changes. Final results of drilling and testing, the actual development execution and production performance, and changes in crude oil and natural gas prices after the date of estimation could significantly affect the reserve estimates. Therefore, the quantities of petroleum ultimately recovered by the Group and the timing and cost of those volumes as well as the net cash flow that it receives from the production may differ materially from the numbers reflected in the reserve estimates. Moreover, reserves certification conducted by different estimators may vary considerably depending on the methodology and approaches employed in the assessment. Any such instance may adversely affect the future net cash flow and fair asset value of the Group.

• Environmental and Operational Hazards

Given the nature of petroleum exploration and extraction, the Group is exposed to a wide spectrum of risks related to health, safety, environment and security. Environmental and operational hazards including blowout, leak, spill, property damage and personal injury or loss of life could result in operational disruption, regulatory action, legal liability, loss of revenue and damages that could adversely affect the Group's operational performance and financial conditions. The Group's insurance may limit or may not cover all risks of liabilities which the Group is exposed to, or the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. Moreover, the Group's operations may be affected by fire, typhoons, floods and other natural calamities, which are generally excluded from insurance policies.

For more information on the factors impacting the financial and operating performance of the Group, please see the following sections of the Notes to the Financial Statements of this Annual Report:

- Note 3, Critical Accounting Estimates, Assumptions and Judgements;
- Note 34, Contingent Liabilities; and
- Note 35, Financial Risk Management.

The Group may be affected by a number of risks that may relate to the industries and countries in which the Group operates as well as those that may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. The risks described above are not intended to be exhaustive. There may be additional risks not presently known to the Group, or that the Group may currently deem immaterial, which could affect its operations, possibly materially.

SUMMARY OF GRANITE RESERVES AS OF 31 DECEMBER 2015

The gross granite reserve of the Bukit Piatu quarry was estimated to be 4.48 million tonnes as at 31 December 2015. The reserve estimation of granite deposit provided by MITI has not been certified professionally as granite reserve certification is not a common industry practice. The Group's effective interest in MITI was 53.76% as at 31 December 2015.

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SUMMARY OF OIL RESERVES AND RESOURCES AS OF 31 DECEMBER 2015

The following information has been extracted from the qualified person's reports ("QPRs") dated 28 March 2016 prepared by an independent qualified person, Gaffney, Cline & Associates ("GCA"), with respect to the reserves and resources of the Group's various petroleum contracts in Myanmar and Indonesia. Please also refer to the Appendix of this Annual Report for GCA's summary of the QPRs.

The full QPRs are available for inspection by shareholders whose names appear in the Register of Members and/or Depository Register during working hours at the Company's office in Singapore. Shareholders who wish to inspect the QPRs should write in to the Interra Resources Limited at its registered address to request an appointment.

Category	Gross (mmstb)	Net (mmstb)	Change (%)	Gross (mmstb)	Net (mmstb)	Change (%)	Gross (mmstb)	Net (mmstb)	Change (%)
Reserves		**1P**			**2P**			**3P**	
Myanmar	0.65	0.39	(67.8)	0.84	0.50	(65.0)	0.98	0.59	(65.7)
Indonesia	0.35	0.28	(3.4)	0.38	0.30	(11.8)	0.42	0.33	(10.8)
Contingent Resources		**1C**			**2C**			**3C**	
Myanmar	4.73	2.84	2.5	5.39	3.23	(5.3)	6.32	3.79	(12.1)
Indonesia	0.90	0.72	(21.7)	1.73	1.36	5.4%	2.88	2.23	19.3

Notes:

"1P" : Proved

"2P" : Proved plus probable

"3P" : Proved plus probable plus possible

"Change" : Change from the preceding financial year end, which also takes into account actual production and changes in effective interests of the Group

"Gross" : Gross reserves or contingent resources attributable to the contract before the application of contractual terms with the host government

"mmstb" : Million stock tank barrels

"Net" : Net reserves or contingent resources attributable to the Group before the application of contractual terms with the host government

(1) Gross reserves refer to 100% of the estimated commercially recoverable hydrocarbons (i.e. after economic cut-offs have been applied) before taking into account the contractual terms with the host government.

(2) Net reserves attributable to the Group refer to the proportion of gross reserves attributable to the Group's effective interest in the contract. Net reserves do not take into account the contractual terms with the host government and do not represent the Group's actual net entitlement or net economic interest under the contract, which would be lower.

(3) Gross contingent resources refer to 100% of the estimated hydrocarbons recoverable from the field on an "unrisked" basis (i.e. before the application of chance of development factor).

(4) Net contingent resources attributable to the Group refer to the proportion of gross contingent resources attributable to the Group's effective interest in the contract. Net contingent resources are "unrisked" and do not take into account the contractual terms with the host government and do not represent the Group's actual net entitlement under the contract, which would be lower.

(5) The above gross reserves and contingent resources data were extracted from the respective QPRS with an effective date of 31 December 2015 prepared in accordance with the requirements set out in paragraph 5 of Practice Note 6.3 to the Listing Manual of the Singapore Exchange Securities Trading Limited and the standards promulgated by the Petroleum Resources Management System (SPE-PRMS) by:

Name of Qualified Person : Stephen M Lane of GCA
Professional Society Affiliation/Membership : Society of Petroleum Engineers/3416400
Date : 28 March 2016

(6) The above data do not contain information on the Kuala Pambuang block, which is an exploration block with no conclusive geophysical or geological data available for reporting.

(7) The Group's petroleum assets are tabulated as follows:

Country/Asset Name	Effective Interest (%)	Development Status	Type of Contract	Contract Expiry Date	Contract Area (km^2)	Type of Deposit
Myanmar						
Chauk Field	60	Producing	Improved Petroleum Recovery Contract (IPRC)	4 April 2017	1,000	Hydrocarbon
Yenangyaung Field	60	Producing	Improved Petroleum Recovery Contract (IPRC)	4 April 2017	800	Hydrocarbon
Indonesia						
Tanjung Miring Timur Field	100	Producing	Technical Assistance Contract (TAC)	16 December 2016	61	Hydrocarbon
Linda-Sele Fields	53.38	Producing	Technical Assistance Contract (TAC)	16 November 2018	19	Hydrocarbon

CORPORATE GOVERNANCE REPORT

The Company is required under the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual (the "SGX-ST Listing Manual") to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 issued by the Committee on Corporate Governance (the "Code").

This report discloses the Company's corporate governance policies and practices which has been adopted in line with the spirit of the Code. The Company adheres largely to the principles and guidelines as set out in the Code, and endeavours to specify and explain any deviation from the Code.

BOARD MATTERS

Principle 1 – Board's Conduct of its Affairs
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The role of the Board includes:

(a) providing entrepreneurial leadership and setting corporate strategy and direction, and ensuring that the necessary financial resources and human resources are in place for the Company to meet its objectives;
(b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
(c) reviewing Management's performance;
(d) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
(e) setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
(f) considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

To assist in the efficient discharge of its fiduciary duties and responsibilities, the Board had previously, without abdicating its responsibility, established three (3) Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each Board Committee has its own terms of reference, written in line with the Code, to address their respective areas of focus. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board. The compositions of the Board and Board Committees as at the date of this Annual Report are set out under the Corporate Information section of this Annual Report.

The Company has ensured that the roles and responsibilities of the Board and Management are clearly defined in order to facilitate better understanding of their respective accountabilities and contributions. Management has been charged to run the ordinary business of the Company and its Group operations, while major matters and material transactions are brought to the Board's attention for its deliberation and decision. The Company has adopted internal guidelines which specifically reserve the following key matters for the Board's approval: significant acquisitions and disposals or undertakings, funding proposals, and the releases of financial results, exploratory drilling updates and announcements of material information. All Directors objectively take decisions in the interests of the Company and if necessary, abstain from voting to avoid any conflict of interests.

There was no resignation or new appointment of Director during the year. If a new Director is appointed, the Company would provide a formal letter to him, setting out the Director's duties and obligations. Further, the Company would provide the new Director with a customised induction and orientation programme to enable him to become familiar with the Company's business and governance practices, including his duties as Director and how to discharge those duties. If a new Director has no prior experience as a director of a listed company, the Company would endeavour to arrange for training appropriate to the level of his previous experience in areas such as accounting, legal and industry-specific knowledge. All such training undertaken by Directors are funded by the Company.

To enable Directors to keep up with regulatory and industry changes, the Company encourages Directors to receive regular training, keeps Directors informed of and makes arrangement for Directors to attend (as applicable) suitable training programmes organised by the Singapore Institute of Directors from time to time, particularly on relevant new laws, regulations and accounting standards as well as changing policies and commercial risks. Directors are also entitled to take up training that they deem suitable at the Company's expense.

CORPORATE GOVERNANCE REPORT

During the year, the Board met formally on three (3) occasions to review and approve various matters relating to business strategies, material transactions, governance matters, operating affairs and financial performance of the Group. Board meetings were scheduled to coincide with quarterly reporting in order to facilitate the review of financial results announcements. Where the attendance of certain Directors was not physically possible, meetings were conducted with these Directors communicating through teleconferencing. The Constitution of the Company provides that the Directors may meet by audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants. In order to gather views and address major concerns without delay, ad hoc Board discussions via electronic means were organised to deliberate material matters and transactions as appropriate, and resolutions of the Board were passed by way of circulating minutes pursuant to the Constitution of the Company.

The attendance of every member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during each member's period of appointment in respect of the financial year ended 31 December 2015 ("FY2015"), is set out below.

Name	Board Meeting Attendance	AC Meeting Attendance	NC Meeting Attendance	RC Meeting Attendance
Edwin Soeryadjaya *Chairman (Non-Executive)*	2/3	-	-	-
Sandiaga Salahuddin Uno *Deputy Chairman (Non-Executive)*	3/3	3/3	1/1	1/1
Marcel Han Liong Tjia *Executive Director & Chief Executive Officer*	3/3	-	-	-
Subianto Arpan Sumodikoro *Non-Executive Director*	0/3	-	-	-
Ng Soon Kai *Non-Executive Director*	3/3	-	1/1	1/1
Low Siew Sie Bob *Lead Independent Director (Non-Executive)*	3/3	3/3	1/1	1/1
Allan Charles Buckler *Independent Director (Non-Executive)*	2/3	2/3	0/1	0/1
Lim Hock San *Independent Director (Non-Executive)*	3/3	3/3	1/1	1/1
Pepen Handianto Danuatmadja *Alternate Director to Subianto Arpan Sumodikoro*	3/3	-	-	-

Principle 2 – Board Composition and Balance
There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises eight (8) Directors (three (3) of whom are independent) and one (1) alternate Director. The three (3) independent Directors, namely, Mr Low Siew Sie Bob, Mr Allan Charles Buckler and Mr Lim Hock San, currently form over one-third of the Board, with Mr Low being the Lead Independent Director. The Board is aware that the Code recommends independent directors to make up at least half of the Board where the Chairman is not an independent director, and that Board composition changes needed to comply with the requirement should be made at the Company's annual general meeting ("AGM") following the financial year ending 31 December 2017. Bearing in mind this requirement, the Board will be reviewing its composition along with other correlative factors and if necessary, source for suitable candidates to be appointed to the Board. Notwithstanding that less than half of the Board are made up of independent directors, the NC is of the view that the present composition of the Board allows it to exercise objective judgement on corporate affairs independently and that no individual or small group of individuals dominates the decisions of the Board.

Collectively, the independent Directors have strong accounting and industry background and their independence is individually reviewed from time to time by the NC based on the guidelines set forth in the Code. The Board concurs with the NC's recommendation that each of the three (3) independent Directors has no relationship which could interfere, or could be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company. While Mr Buckler has served more than nine (9) years on the Board, his independence is subject to rigorous annual review by the NC. The Board has determined that Mr Buckler be considered independent notwithstanding that he has served on the Board beyond nine (9) years as he has continued to demonstrate strong independence in character and judgement in the discharge of his duties and responsibilities as Director and he fulfils all other criteria of independence, as outlined in the Code.

CORPORATE GOVERNANCE REPORT

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board and its Board Committees comprise Directors who possess the requisite skills, experience and knowledge across various fields. As a group, the Board, which comprises both local and foreign Directors, provides an appropriate balance and diversity of skills, experience and knowledge that encompass core competencies such as accounting or finance, business or management experience, industry knowledge, law and strategic planning experience.

In addition to formal Board and Board Committee meetings, the Board and Management maintain active and effective communication through emails whereby Management provides the Board with regular corporate, financial and operational updates and the Board members engage in deliberation of important issues. This manner of electronic communication facilitates swift gathering of views or inputs and prompt address of major concerns. It also enables the non-executive Directors to communicate regularly without the presence of Management so as to facilitate a more effective check on Management. The matters discussed include developing proposals on strategy, reviewing the performance of Management in meeting agreed goals and objectives, and monitoring the reporting of performance.

Principle 3 – Chairman and Chief Executive Officer ("CEO")
There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman, Deputy Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The CEO, who is responsible for the day-to-day operations of the Group, has his role and responsibilities clearly established by the Board and set out in writing under his employment agreement. The Chairman and Deputy Chairman, who are both non-executive Directors, are responsible for the leadership and objective functioning of the Board, including its effectiveness on all aspects of its role and its progress towards promoting high standards of corporate governance. Their complementary roles provide a pillar of balance for the Board while promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and Management. They are supported by the Company Secretary and Management who assist them in the organisation of essential meeting agenda, timely dissemination of inclusive meeting materials and administration of meeting by allowing adequate time for discussion of all agenda items especially strategic issues. In addition, the Lead Independent Director supports the Chairman and Deputy Chairman in their role of facilitating the effective contributions of non-executive Directors and effective communication with shareholders.

Mr Low Siew Sie Bob has been appointed the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns for which contact through the normal channels of the Chairman or Deputy Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate. At times, the independent Directors communicate, formally or informally, without the presence of the other executive and non-independent Directors, and any matters of significance arising from such discussions are conveyed to the Chairman or Deputy Chairman.

Principle 4 – Board Membership
There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC has been delegated by the Board to be in charge of Board membership matters. It comprises five (5) non-executive Directors, the majority of whom, including the Chairman, are independent Directors. The Lead Independent Director is also a member of the NC. As at the date of this Annual Report, the members of the NC are:

(a) Mr Allan Charles Buckler (Independent Director) – Chairman;
(b) Mr Lim Hock San (Independent Director);
(c) Mr Low Siew Sie Bob (Lead Independent Director);
(d) Mr Ng Soon Kai (Non-Executive Director); and
(e) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The NC has written terms of reference that clearly sets out its duties and functions as follows:

(a) To review the size and composition of the Board and Board Committees, taking into consideration the independent element, the need for progressive refreshing, the necessity of alternate directorship, core competencies, and balance and diversity of skills, experience, gender and knowledge, and to recommend any changes it considers necessary to the Board.

CORPORATE GOVERNANCE REPORT

(b) To develop, implement and maintain a formal and transparent process for the search, nomination, selection, appointment and re-appointment of Directors (including alternate Directors) to the Board.
(c) To review all nominations for the appointment and re-appointment of members of the Board (including alternate Directors), taking into consideration the composition and progressive renewal of the Board and the attributes of each nominee, before making recommendations to the Board.
(d) To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years or in accordance with the requirements of the Constitution of the Company, the Code and the Companies Act, Cap. 50 (the "Act") as amended or modified from time to time.
(e) To determine annually, and as and when circumstances require, whether a Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect the Director's judgement, bearing in mind the years of services, relationships or circumstances set forth in the Code and any other salient factors.
(f) To develop, implement and maintain a formal process for evaluation of the performance of the Board, Board Committees and Board members.
(g) To decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.
(h) To decide on the maximum number of listed company board representations a Director may hold for the Board's approval.
(i) To assess and report to the Board annually the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual Director to the effectiveness of the Board.
(j) To review the results of the performance evaluation and recommend to the Board on whether to appoint new Directors or to seek resignation of Directors.
(k) To review the succession plans for Directors, in particular, the Chairman and the CEO of the Company.
(l) To review and make recommendations to the Board the training and professional development programme for the Board.
(m) To review the various disclosure requirements on the appointment and resignation of Directors, particularly those required by regulatory bodies such as the SGX-ST.
(n) To retain such professional consultancy firm as the NC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
(o) To undertake such other duties and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the NC.
(p) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

During the year, the NC reviewed the performance of each Director, each Board Committee and the Board as a whole and made the requisite recommendations to the Board on the re-nomination and re-election of Directors in accordance with the Constitution of the Company and as contemplated by the Code. All Directors other than a managing Director are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years, and one-third of the Directors (or if their number is not a multiple of three (3) then the number nearest to one-third) are to retire from office by rotation every year. At the forthcoming AGM, Mr Sandiaga Salahuddin Uno ("Mr Uno") and Mr Ng Soon Kai ("Mr Ng") are due to retire by rotation pursuant to Article 89 of the Company's Constitution, but Mr Uno though eligible, has decided not to seek re-election due to other personal commitments. Therefore, the NC has recommended to the Board that Mr Ng, who being eligible, be nominated for re-election at the AGM.

Mr Subianto Arpan Sumodikoro ("Mr Sumodikoro"), who is over the age of 70, was re-appointed as Director to hold office from the date of the last AGM (held on 28 April 2015) until the forthcoming AGM pursuant to Section 153(6) of the Act. Section 153(6) of the Act was repealed when the Companies (Amendment) Act 2014 came into effect on 3 January 2016. As his appointment will lapse at the forthcoming AGM, he will have to be re-appointed to continue in office. The NC has recommended to the Board that Mr Sumodikoro be re-appointed as a non-executive Director at the forthcoming AGM. Upon his re-appointment at the conclusion of the forthcoming AGM, going forward, Mr Sumodikoro's re-appointment will no longer be subject to shareholders' approval because Section 153(6) of the Act has been repealed. He will then be subject to retirement by rotation under the Company's Constitution.

The NC also reviewed and determined, based on the guidelines set forth in the Code, that there was no change in the independent status of all three (3) independent Directors. When considering the nomination of Directors for re-election or re-appointment, the NC took into account their competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) as well as their overall contributions to the effectiveness of the Board. These processes are prescribed by its internal guidelines as described below. Save for Mr Uno, all Directors retiring by rotation or subject to re-appointment have consented to continue in office. The Board has accepted the recommendations of the NC and accordingly, they will be offering themselves for re-election or re-appointment at the forthcoming AGM.

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The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. To ensure that each Director is assessed accurately in relation to his ability to give sufficient time and attention to the affairs of the Company, including through the appointment of a deputy or alternate Director, the NC has recommended and the Board has approved that each individual Director be evaluated on an individual basis instead of identifying a maximum number of listed company board representations that a Director may hold which may not necessarily be representative of whether a Director is able to and has adequately carried out his duties as a Director of the Company. Pursuant to the most recent review, the NC is of the view that the each Director is able to adequately carry out their duties as Directors of the Company besides their principal commitments and other board representations. It is also satisfied with the commitment demonstrated by Mr Pepen Handianto Danuatmadja, the Alternate Director to Mr Sumodikoro. The Board will nevertheless keep in mind the need to review from time to time the number of listed company representations of each Director to ensure that the Directors continue to meet the demands of the Company and are able to discharge their duties adequately.

There was no new appointment of Director during the year. If there is a need for a new Director, the NC has in place an internal process to facilitate the search, selection and nomination of a suitable Director. The members would first evaluate the range of skills, experience and expertise of the Board and identify the necessary competencies required from the incoming Director that would best increase Board effectiveness, and then search externally for suitable candidates who are highly regarded in the relevant industry. When considering the new Board member, the NC would review the curriculum vitae of each potential candidate and consider his/her experience and expertise and likely contribution to the Board. Subsequently, interviews would be conducted before the NC makes its recommendation to the Board. The Board shall make the final determination for the appointment.

Each meeting of the NC was properly minuted and upon confirmation of such minutes by the NC Chairman, a copy of the confirmed minutes was duly circulated to all members and reported to the Board.

The profiles and key information of the current Directors are set out in the Board of Directors section of this Annual Report and Further Information on Directors section of this report.

Principle 5 – Board Performance
There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as to assess the contribution of the Chairman, Deputy Chairman and each individual Director to the effectiveness of the Board. The range of performance criteria used for the evaluation is proposed by the NC and approved by the Board, and does not change from year to year unless circumstances deem it necessary for any of the criteria to be changed. If and where circumstances deem it necessary to change any of the criteria, the Board will provide justification for such a decision.

The assessment parameters for the effectiveness of the Board as a whole include its working relationship with Management, independent element, size and composition, mix of competency, conduct and frequency of meetings, decision-making processes and accountability, effectiveness of strategies and directions of the Company in enhancing long-term shareholders' value, and effectiveness of risk management and internal control systems in safeguarding the Company's assets and shareholders' investment. The assessment parameters for the performance of individual Directors, which aim to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, include attendance at meetings, adequacy of preparation for meetings, participation in discussions, responses to circulating resolutions and matters that require prompt attention and decision, core competency contributions, maintenance of independence, and disclosure of related party transactions.

After the end of the financial year, all Directors are requested to complete a Board performance evaluation questionnaire to seek their view on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board, as well as complete an appraisal form to evaluate each individual Director's contributions to the Board and the Board Committees. Directors who are members of the respective Board Committees are also requested to complete appraisal forms for the respective Board Committees to assess the overall effectiveness of each Board Committee. The responses are collated and compiled on a non-attribution basis to encourage open and frank discussions and feedback, and the collated results are reviewed by the NC and submitted to the Board together with its recommendations for the Board's deliberation and decision. The NC noted that Mr Uno, the Deputy Chairman of the Board and a non-executive Director, will cease to be a member of the AC, the NC and the RC pursuant to his decision not to seek re-election upon his retirement by rotation at the forthcoming AGM. Taking into consideration the present business conditions and the evaluation results of the Board members, the NC is not proposing any appointment of new members. The Chairman, together with the Board, having reviewed the feedback from the NC, is of the view that the Board as a whole is of an appropriate constitution with the competency of meeting its performance objectives effectively going forward.

CORPORATE GOVERNANCE REPORT

Principle 6 – Access to Information
In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management regularly keeps the Board updated on the operational activities, project progress and development, and business prospects of the Group through monthly management accounts, quarterly Board papers and ad hoc email correspondences. Comprehensive quarterly financial and activity reports are submitted to the Board for review and approval before releasing to the public. These updates and reports are supported with background or explanatory information, disclosure documents, work plans, expenditure proposals, budgets and forecasts. In respect of budgets, any material variance between the projections and actual results are disclosed and explained. In addition, the Directors have separate and independent access to Management as and when they need to make further enquiries or require additional information. Management endeavours to meet their requirements in a timely manner so as to enable them to make informed decisions.

The Directors have direct and independent access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole. Mr Adrian Chan Pengee remains as the Company Secretary following the resignation of Ms Wong Cui Chen Jacinda on 25 December 2015. The responsibilities of the Company Secretary include:

(a) attending all Board and Board Committee meetings and preparing minutes of these meetings;
(b) ensuring compliance with applicable laws and regulations;
(c) ensuring compliance with internal procedures and guidelines of the Company;
(d) maintaining and updating all statutory books and records;
(e) ensuring that good information flows within the Board and its Board Committees and between Management and non-executive Directors;
(f) advising the Board on all governance matters; and
(g) facilitating orientation and assisting with professional development as required.

In the furtherance of their duties and responsibilities, the Directors may, individually or as a group, seek independent professional advice, if necessary, at the Company's expense. Such requirements are to be put forth for general consensus before the Board approves the motion.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC has been delegated by the Board to be in charge of Board remuneration matters. It comprises five (5) non-executive Directors, the majority of whom, including the Chairman, are Independent Directors. As at the date of this Annual Report, the members of the RC are:

(a) Mr Allan Charles Buckler (Independent Director) – Chairman;
(b) Mr Lim Hock San (Independent Director);
(c) Mr Low Siew Sie Bob (Lead Independent Director);
(d) Mr Ng Soon Kai (Non-Executive Director); and
(e) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The RC has written terms of reference that clearly sets out its duties and functions as follows:

(a) To develop, implement and maintain a formal and transparent policy for the determination of Directors' and key management personnel's remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.
(b) To review and recommend to the Board a general framework of remuneration for the Board and Management, and the specific remuneration packages for each Director and key management personnel.
(c) To structure and propose appropriate performance conditions aimed at rewarding achievements but not poor performance, to be linked to the remuneration of executive Directors and key executives for the Board's approval.
(d) To review the Company's obligations arising in the event of termination of contracts of services of executive Directors and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
(e) To assess and report to the Board annually the performance of executive Directors and key management personnel and whether their performance conditions are met.

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(f) To ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities undertaken, but not excessive to the extent that their independence may be compromised.
(g) To administer the share-based incentive scheme(s) of the Company as amended or modified from time to time and to report to the Board annually the important terms of the scheme(s).
(h) To make remuneration recommendations in consultation with the CEO and submit its recommendations for endorsement by the entire Board.
(i) To review the various disclosure requirements on the remuneration of Directors and key management personnel, particularly those required by regulatory bodies such as the SGX-ST, and to ensure that there is adequate disclosure in the financial statements.
(j) To retain such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
(k) To undertake such other duties as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the RC.
(l) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

During the year, the RC reviewed and made the requisite recommendations in relation to the general remuneration framework for the Board as well as regarding the specific remuneration packages of key management personnel and submitted them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. No Director was involved in deciding his own remuneration other than the framework of remuneration for the Board as a whole. Taking into consideration the performance of the Directors and the Company, the RC is not proposing any changes to the existing framework and thus no expert advice from remuneration consultants was necessary. Where necessary, the RC shall seek expert advice inside and/or outside the Company on remuneration of all Directors. The Board has accepted the recommendation of the RC and the non-executive Directors' remuneration will be put to shareholders for approval at the forthcoming AGM.

There was no new appointment of executive Director or key management personnel during the year. If there is a new recruitment of an executive Director and/or key management personnel, the RC would review the Company's obligations arising in the event of termination of such executive Director's and/or key management personnel's services to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

Each meeting of the RC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and reported to the Board.

Principle 8 – Level and Mix of Remuneration
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC has in place a remuneration scheme for non-executive Directors, which takes into account individual level of contribution and factors such as effort and time spent, and responsibilities based on the role undertaken on the Board and Board Committees and the number of Board Committees served on. The scheme is reviewed annually by the RC to ensure that the level of compensation is optimal for attracting, retaining and motivating the non-executive Directors, and does not change from year to year unless circumstances deem it necessary to be changed. To better align the interests of non-executive Directors with the interests of shareholders, share options or other share-based instruments are awarded from time to time, if necessary, under shareholders' approval. The RC is mindful that non-executive Directors should not be over-compensated to the extent that their independence may be compromised.

In setting the remuneration packages of the executive Director and key management personnel, the RC takes into consideration the remuneration and employment conditions within the same industry and of comparable companies as well as the Group's size and scope of operations. A significant and appropriate portion of the executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration takes into account the risk policies of the Company, is symmetric with risk outcomes and is sensitive to the time horizon of risks. In assessing the performance of the executive Director and key management personnel, the RC takes into account the financial and operational performance of the Group as well as management execution and expansion growth of the Company.

CORPORATE GOVERNANCE REPORT

A long-term incentive scheme, namely the Interra Share Option Plan ("ISOP"), has been employed to align the remuneration of the executive Director and key management personnel with the interests of shareholders and to promote long-term success of the Company. This scheme, which takes into account the costs and benefits of such incentives, was designed to primarily reward contributions and retain of talents. Options granted from time to time under the scheme are to meet the vesting period requirements of SGX-ST before they can be exercised. The executive Directors and key management personnel are encouraged to hold their shares for the longer term that is beyond the vesting period where possible, subject to the need to finance any cost of acquiring the shares and associated tax liability. The remuneration packages of the executive Director and key management personnel are reviewed annually by the RC to ensure that the level of compensation remains competitive for attracting, retaining and motivating capable and talented employees. While the use of contractual provisions to reclaim incentive components of remuneration from executives in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company is not a common industry practice, the RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key management personnel.

Principle 9 – Disclosure on Remuneration
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The Company endeavours to provide adequate disclosure of its Directors', including CEO's, and key management personnel's remuneration for the purpose of enhancing transparency between the Company and shareholders. However, being faced with stiff competition in attracting and retaining talents in similar industry, the Company does not wish to divulge too much information with regard to remuneration packages of its Directors and key management personnel for its competitors to take advantage of.

The information on the remuneration of Directors and key management personnel is reported under the Directors' Statement and Note 39 of the Notes to the Financial Statements of this Annual Report and additional disclosure required by the Code is set out in this section below.

The total remuneration of Directors including CEO for FY2015, which amounted to S$998,549 (FY2014: S$2,352,113), is summarised below.

Name	Directors' Fees	Base/Fixed Salary	Variable Component or Bonuses	Share-based Bonus	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000					
Non-Executive Directors					
Edwin Soeryadjaya	100%	-	-	-	-
Sandiaga Salahuddin Uno	100%	-	-	-	-
Subianto Arpan Sumodikoro	100%	-	-	-	-
Ng Soon Kai	100%	-	-	-	-
Low Siew Sie Bob	100%	-	-	-	-
Allan Charles Buckler	100%	-	-	-	-
Lim Hock San	100%	-	-	-	-
Pepen Handianto Danuatmadja	-	-	-	-	-
Above S$500,000					
Executive Director & CEO					
Marcel Han Liong Tjia	-	95%	-	-	5%

CORPORATE GOVERNANCE REPORT

The Company has four (4) key management personnel and their total remuneration for FY2015, which amounted to S$998,916 (FY2014: S$1,090,118), is summarised below.

Name	Base/Fixed Salary	Variable Component or Bonuses	Share-based Bonus	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Frank Overall Hollinger	84%	-	-	16%
Sugi Handoko	99%	-	-	1%
Han Liqiang	98%	2%	-	-
S$250,000 - S$500,000				
Foo Say Tain	99%	-	-	1%

The remuneration of key management personnel generally comprises primarily a basic salary component and a variable component which is the bonuses based on the performance of the Company and the Group as a whole and the individual performance of each key management personnel.

No termination, retirement and post-employment benefits have been granted to the Directors, CEO or key management personnel.

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year.

No share options were granted under the ISOP during the year. Details of the ISOP and share options outstanding are set out in the Directors' Statement section of this Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 10 – Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is mindful of its responsibility of overseeing the corporate performance of the Company and its accountability to shareholders for the processes of directing and managing the Company's business and affairs. Announcements of the quarterly operational activities and financial results as well as ad hoc updates are released by the Board with the aim of providing shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The information and assessments presented therein are based upon the comprehensive monthly management accounts, regular updates and ad hoc progress reports provided by Management to the Board. The Board endeavours to circulate timely, adequate and non-selective disclosures of material information to shareholders while giving due consideration to the commercial sensitivity and confidentiality constraints of such information. It is also committed to take adequate steps in ensuring compliance with legislative and regulatory requirements, including its continuing disclosure obligations under the SGX-ST Listing Manual, and is constantly seeking guidance from the Company Secretary and various legal advisers in this regard.

Principle 11 – Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

In furtherance of its continuing efforts to safeguard shareholders' interests and the Company's assets, the Board has tasked the AC with the responsibility of overseeing the risk management framework and policies of the Company and this includes determining the Company's levels of risk tolerance and risk policies and overseeing Management in the design, implementation and monitoring of the risk management and internal control systems. It has also engaged Crowe Horwath First Trust Advisory Pte Ltd ("Crowe Horwath"), a reputable professional firm specialising in audit and risk solutions, for the provision of enterprise risk management ("ERM") services to assist in its review of the adequacy and effectiveness of the Company's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The scope of the ERM services is to facilitate the development and subsequent updating of key risk profiles in respect of the Company's business and operations. During the annual review, key risk profiles are compiled by Crowe Horwath based on the risk management methodology adopted by the Company, which is aligned with an internationally recognised standard. The findings, which cover areas in strategic, financial, operational, compliance and information technology, are then presented to the AC for its deliberation and recommendation to the Board. In assessing these results, the AC aims to strike a balance between pursuing strategic objectives and focusing on the consensual levels of risk appetite and risk tolerance. Besides the ERM report, the AC is provided with findings and recommendations from the internal auditor, who performs an annual review of the internal control systems, as well as the independent auditor, who conducts an annual compliance check on the accounting records and the financial statements prepared by Management. This three-dimensional approach facilitates the AC in assessing the adequacy and effectiveness of the Company's risk management framework and internal control systems.

The Board is of the opinion, with the concurrence of the AC, that based on the ERM evaluation and the review performed by the internal and independent auditors, the Company maintains a sound system of risk management and internal controls, including financial, operational, compliance risks and information technology controls, and is assured of its adequacy and effectiveness in safeguarding the shareholders' interests and the Company's assets. The Board however notes that no system of internal controls can provide absolute assurance against failure to meet business objectives, poor business judgement, human fallibility, material errors or losses, frauds, breaches of laws or regulations, or other unforeseeable occurrences.

The CEO and CFO have provided a letter of assurance with respect to FY2015 to the Board confirming, *inter alia*, that:

(a) the financial statements of the Company have been prepared in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of business and financial affairs of the Company;
(b) the accounting and other financial records have been properly maintained and in accordance with the provisions of the Act; and
(c) the Company has put in place and will continue to maintain an effective and reliable system of risk management and internal controls.

Principle 12 – Audit Committee
The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC has been delegated by the Board to oversee matters pertaining to financial reporting, internal and independent audit as well as the aforementioned risk management function of the Company. It comprises four (4) non-executive Directors, the majority of whom, including the Chairman, are independent Directors. In addition, the majority of the AC members, including the Chairman, have relevant accounting or related financial management expertise or experience and accounting qualifications. As at the date of this Annual Report, the members of the AC are:

(a) Mr Low Siew Sie Bob (Lead Independent Director) – Chairman;
(b) Mr Allan Charles Buckler (Independent Director);
(c) Mr Lim Hock San (Independent Director); and
(d) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The AC has written terms of reference that clearly sets out its duties and functions as follows:

(a) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.
(b) To review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risks areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval.
(c) To review the periodic consolidated financial statements and such other financial information required under the SGX-ST Listing Manual, before submission to the Board for approval.
(d) To review the various disclosure requirements for the financial reporting, particularly those required by regulatory bodies such as the SGX-ST and ensure that there is adequate disclosure in the financial statements.
(e) To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced and ensure that the internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.
(f) To ensure that the internal audit function is adequately resourced, independent of the activities it audits, has appropriate standing within the Company and is staffed with persons with the relevant qualifications and experience.
(g) To review with the internal auditors, their audit plan, scope of internal control procedures and results of the audit.
(h) To review the adequacy and effectiveness of the internal audit function at least once a year.
(i) To meet with the internal auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the internal auditors.

CORPORATE GOVERNANCE REPORT

(j) To review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and internal controls systems, including financial, operational, compliance and information technology controls.
(k) To review with the external auditors, their audit plan, evaluation of the system of internal accounting controls and their audit report.
(l) To review the scope and results of the external audit and appraise the effectiveness of the audit efforts of the external auditors.
(m) To review the independence and objectivity of the external auditors annually and to report the aggregate amount of fees paid to the external auditors, broken down into audit and non-audit services.
(n) To meet with the external auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the external auditors.
(o) To serve as a channel of communication between the Board and the external auditors on matters relating to and arising out of the external audit.
(p) To make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.
(q) To review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
(r) To review and discuss with the external and internal auditors and report to the Board, when appropriate, any suspected fraud or irregularity, or suspected infringement of any laws or regulations or rules of the SGX-ST Listing Manual or any other regulatory authority, which has or is likely to have a material impact on the Company's operating results or financial position and Management's response.
(s) To commission and review the findings of internal or external investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation or where it will be in the best interest of the Company.
(t) To determine and recommend to the Board for its approval, the nature and extent of significant risks in achieving the Board's strategic objectives.
(u) in relation to risk assessment, (i) to keep under review the Company's overall risk assessment processes that form the Board's decision making; (ii) to review regularly and approve the parameters used in these measures and the methodology adopted; and (iii) to set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
(v) To advise the Board on proposed strategic transactions, focussing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available.
(w) To ensure that the financial records have been properly maintained and the financial statements give a true and accurate view of the Company's operations and finances.
(x) To monitor the independence of risk management functions throughout the organisation.
(y) To review any interested person transactions subject to the provisions of the Act or falling within the scope of the SGX-ST Listing Manual as may be amended or modified from time to time and such other rules and regulations of the SGX-ST that may be applicable in relation to such matters from time to time.
(z) To review any potential conflicts of interest.
(aa) To take such measures to keep abreast of changes to accounting standards and issues which may have direct impact on financial statements.
(bb) To undertake generally such other functions and duties as may be required by law, the Act, the SGX-ST Listing Manual or the Securities and Futures Act, Cap. 289 and by such amendments made thereto from time to time.
(cc) To ensure the Company complies with requirements under the Act and the SGX-ST Listing Manual and any undertakings given by the Company to the SGX-ST.
(dd) To undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
(ee) To retain such professional consultancy firm as the AC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
(ff) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and is provided with reasonable resources to enable it to discharge its functions properly. The Board is of the view that the present members of the AC, whose professions or principal commitments require them to keep abreast of changes to accounting standards and issues, have sufficient accounting or related financial management expertise and experience to discharge their responsibilities as set out in the terms of reference. Furthermore, changes to the various accounting standards are monitored closely by Management. Where these changes have an important bearing on the Company's disclosure obligations, the Directors (including members of the AC) are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings.

During the financial year, the AC met with Management and the independent auditor on three (3) occasions. Agenda of these meetings included, *inter alia*, review of financial statements, accounting policies and internal control procedures that are relevant in the preparation of financial statements, scope and findings of audit, and objectivity and independence of the independent auditor. The AC also had one (1) separate session with the independent auditor, without the presence of Management.

CORPORATE GOVERNANCE REPORT

The Company has engaged the same Singapore-based independent auditor, Nexia TS Public Accounting Corporation ("Nexia TS"), to audit its accounts and all its Singapore-incorporated subsidiaries' accounts. Nexia TS is a respectable accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority. In addition, both the firm and the director-in-charge have relevant experiences, professional capabilities and collective expertise in the petroleum and mining industry. The accounts of the Company's significant foreign-incorporated components are audited by either Nexia TS affiliates or reputable accounting firms. Therefore, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual for FY2015.

The report of Nexia TS as the independent auditor of the Company is set out in the Independent Auditor's Report section of this Annual Report. The fees paid or payable by the Group to Nexia TS for its audit services with respect to FY2015 amounted to US$144,742 (FY2014: US$151,623) and there were no non-audit services provided for FY2015 (FY2014: US$66,459). Should there be any non-audit services provided by Nexia TS to the Group, the AC will undertake a review of all such non-audit services provided by Nexia TS and ensure that such services would not, in the AC's opinion, affect the independence of Nexia TS. After considering the experience of and resources provided by Nexia TS and the director-in-charge as well as the terms and remuneration of the engagement and various regulatory requirements, the AC has recommended to the Board the re-appointment of Nexia TS as independent auditor for the Company's audit obligations in the financial year ending 31 December 2016. The Board has accepted the recommendation of the AC and the re-appointment will be put to shareholders for approval at the forthcoming AGM.

The AC has in place a whistle blowing policy which provides a platform for employees of the Group to report any fraud, abuse or violation of business ethics and regulations to its Chairman directly, and puts in place arrangements for independent investigation of such concerns and appropriate follow-up action. An employee who makes an allegation in good faith will be treated fairly and justly, and the Company will not tolerate harassment or victimisation of an employee who has lodged a report. The violations that can be reported on under the policy include both accounting and non-accounting related matters. Employees of the Company may, in confidence, report any such violations in writing to the AC Chairman.

Each meeting of the AC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and tabled at Board meetings.

Principle 13 – Internal Audit
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function of the Company is outsourced to Crowe Horwath, who aligned their services to the standards set by the relevant professional bodies in Singapore including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor has unfettered access to all the Company's documents, records, and personnel, including access to the AC. The AC reviews and approves the engagement, evaluation and remuneration of the internal auditor, who reports functionally to the AC Chairman and administratively to Management.

During the year, the AC met with the internal auditor on two (2) occasions, of which one separate session was held without the presence of Management. Agenda of these meetings included, *inter alia*, review of internal controls maintained by the Company, scope, findings and recommendations of audit, and objectivity and independence of the internal auditor. The AC also reviewed the adequacy and effectiveness of the internal audit function and was satisfied with qualifications and experience as well as the work performed and resources provided by Crowe Horwath. It has reported to the Board that the internal audit function of the Company is adequately resourced and independent of the activities it audits.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15 – Communication with Shareholders
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company has in place an investor communication framework that disseminates timely financial data, price-sensitive information and material developments to shareholders. All public releases are drafted under the legal or secretarial guidance, so as to provide relevant and sufficient information without being overly detailed and technical. Releases of quarterly financial and activity reports, project updates, media releases on significant developments and other pertinent information are first announced on the website of Singapore Exchange via SGXNET and then posted on the Company's website, which is updated regularly and also provides an avenue for communication with shareholders.

CORPORATE GOVERNANCE REPORT

The Company welcomes ad hoc enquiries from shareholders but avoids making inadvertent disclosures in the course of addressing their concerns. Besides engaging shareholders through email correspondence, the Company ensures that the shareholders have the opportunity to participate effectively in and vote at its general meetings, where rules and voting procedures governing the meetings were clearly communicated to shareholders. After the general meetings, Management endeavours to solicit and gather views and inputs from shareholders through dialogue sessions where shareholders openly communicate with the Directors and Management. To promote regular and effective communication with analysts and the media, the Company has retained the services of an investor relation firm to manage its analyst and media relations. From time to time, Management meets with the analysts and media separately to explain and clarify the Company's financial results and industry operations.

The Company is a developing company engaged in a business that is capital intensive in nature, thus it does not have a fixed dividend policy at this premature stage of growth. However, it endeavours to reward shareholders through other means, such as the enhancing the intrinsic value of the Company through long-term growth strategy.

Principle 16 – Conduct of Shareholder Meetings
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company encourages active shareholder participation at its general meetings. Notices of general meetings are published in major newspapers and reports or circulars of the general meetings are despatched to all shareholders by post. The Constitution of the Company allows shareholders who are unable to attend the general meetings to appoint up to two (2) proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged with the Company in advance. Shareholders whose shares are held through nominees are allowed to attend general meetings as observers with advance notice to the Company through their nominees. The Company has decided not to provide for other absentia voting methods until security and other pertinent issues relating to shareholder identity authentication can be satisfactorily resolved.

Resolutions proposed at general meetings are kept separate with respect to each substantially separate issue, to which explanatory notes are furnished in the general meeting notices. Shareholders are also given the opportunity to ask questions relating to each resolution tabled for approval. The Chairman/Deputy Chairman, Lead Independent Director and the respective chairperson of the AC, the NC and the RC, endeavour to be present and available at general meetings to address shareholders' queries. The Company Secretary and independent auditor are also present to assist the Directors in answering relevant questions raised by shareholders. Minutes of the meetings are taken and are available to shareholders for inspection upon their request.

With regard to the new Listing Rule requirement to conduct voting by poll rather than by a show of hands which took effect from 1 August 2015, the Company has adopted the procedure of putting all resolutions of its AGMs to vote by poll since 2014 and announced the detailed results showing the number of votes cast for and against each resolution and the respective percentages. In view of the small number of voters at its general meetings, the Company has yet to employ electronic polling due to cost factor and will continue to retain manual polling until it is cost effective to do otherwise.

INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during FY2015 is tabulated below.

Name of interested person	Aggregate value of all interested person transactions for the year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders'mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Ng Soon Kai	S$287,318	Nil
Subianto Arpan Sumodikoro/ Pepen Handianto Danuatmadja	S$1,574,989	Nil

See Note 39(a) of the Notes to the Financial Statements for more information on the transactions.

The Company did not seek any general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual during FY2015.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Company has in place a securities trading policy which sets out the framework on the dealing in its securities. In general, the Directors and employees of the Company are required to adhere to the following best practices at all times:

(a) to observe insider trading laws and avoid potential conflicts of interest at all times when dealing in securities;
(b) not to deal in the Company's shares while in possession of unpublished material price sensitive information;
(c) not to deal in the Company's shares for short-term considerations; and
(d) not to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements.

Hence, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to dealings in securities of the Company.

USE OF PROCEEDS

On 9 December 2014, the Company issued and allotted 44,616,914 free warrants to shareholders on the basis of one (1) warrant for every ten (10) existing ordinary shares pursuant to a bonus warrants issue approved at the extraordinary general meeting held on 24 October 2014. The bonus warrants, which were listed and quoted on the SGX-ST and carried the right to subscribe for new ordinary shares at an exercise price of S$0.235 per share, expired on 8 December 2015. For every two (2) bonus warrants validly and concurrently exercised, one (1) piggyback warrant, which carried the right to subscribe for one (1) new ordinary share at an exercise price of S$0.175, were issued free. The piggyback warrants, which were not listed on the SGX-ST, expired on 29 December 2015. As at the end of FY2015, only 9,748 bonus warrants and 540 piggyback warrants were exercised and therefore, the total proceeds raised from the exercise of the bonus warrants and piggyback warrants were only S$2,385.28. As announced on 30 December 2015, it is not practical for the Company to make a further announcement on the use of these proceeds, and these proceeds will be used by the Company in its ordinary course of business as part of its working capital. In accordance with the intended use, the Company had fully utilised the proceeds to defray part of the related expenses incurred in connection with the issue of warrants.

FURTHER INFORMATION ON DIRECTORS

For Directors' profile and respective interests in the Company, please refer to the Board of Directors, Shareholding Statistics and Directors' Statement sections of this Annual Report.

Edwin Soeryadjaya Chairman (Non-Executive)	
Date of first appointment as Director: 14 December 2004	Date of last re-election as Director: 29 April 2014
Board Committee served on: Nil	Directorship in Singapore-listed company: Present Seroja Investments Limited Past (preceding 3 years) Nil
Sandiaga Salahuddin Uno Deputy Chairman (Non-Executive)	
Date of first appointment as Director: 1 July 2003	Date of last re-election as Director: 26 April 2013
Board Committee served on: Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	Directorship in Singapore-listed company: Present Nil Past (preceding 3 years) Nil
Marcel Han Liong Tjia Executive Director & Chief Executive Officer	
Date of first appointment as Director: 20 June 2009	Date of last re-election as Director: 28 April 2010
Board Committee served on: Nil	Directorship in Singapore-listed company: Present Nil Past (preceding 3 years) Nil

CORPORATE GOVERNANCE REPORT

Subiantο Arpan Sumodikoro Non-Executive Director	
Date of first appointment as Director: 14 December 2004	Date of last re-election as Director: 28 April 2015
Board Committee served on: Nil	Directorship in Singapore-listed company: Present Nil Past (preceding 3 years) Nil
Ng Soon Kai Non-Executive Director	
Date of first appointment as Director: 1 November 2005	Date of last re-election as Director: 26 April 2013
Board Committee served on: Nominating Committee (Member) Remuneration Committee (Member)	Directorship in Singapore-listed company: Present Seroja Investments Limited Past (preceding 3 years) Nil
Low Siew Sie Bob Lead Independent Director (Non-Executive)	
Date of first appointment as Director: 18 February 2011	Date of last re-election as Director: 29 April 2014
Board Committee served on: Audit Committee (Chairman) Nominating Committee (Member) Remuneration Committee (Member)	Directorship in Singapore-listed company: Present China Hongcheng Holdings Limited LH Group Limited Past (preceding 3 years) Sino Construction Limited
Allan Charles Buckler Independent Director (Non-Executive)	
Date of first appointment as Director: 14 December 2004	Date of last re-election as Director: 28 April 2015
Board Committee served on: Audit Committee (Member) Nominating Committee (Chairman) Remuneration Committee (Chairman)	Directorship in Singapore-listed company: Present Nil Past (preceding 3 years) Nil
Lim Hock San Independent Director (Non-Executive)	
Date of first appointment as Director: 8 September 2012	Date of last re-election as Director: 28 April 2015
Board Committee served on: Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	Directorship in Singapore-listed in company: Present Gallant Venture Ltd. Indofood Agri Resources Ltd. United Industrial Corporation Limited Past (preceding 3 years) Nil
Pepen Handianto Danuatmadja Alternate Director to Subianto Arpan Sumodikoro	
Date of first appointment as Director: 18 February 2011	Date of last re-election as Director: Not applicable
Board Committee served on: Nil	Directorship in Singapore-listed company: Present Nil Past (preceding 3 years) Nil

SHAREHOLDING STATISTICS

As at 16 March 2016

ORDINARY SHARES

The Company has one class of ordinary shares. Every holder of ordinary shares, who is entitled to attend and vote at a general meeting of the Company, present in person or by proxy or represented by attorney shall have one vote on a show of hands, and in case of a poll, shall have one vote for every ordinary share held or represented. The Company does not hold any treasury shares.

Distribution of Shareholdings

(As per the Register of Members and Depository Register)

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 to 99	298	2.78	8,999	0.002
100 to 1,000	4,593	42.78	1,991,625	0.393
1,001 to 10,000	2,940	27.38	14,773,641	2.917
10,001 to 1,000,000	2,884	26.86	184,112,594	36.354
1,000,001 and above	22	0.20	305,559,898	60.334
Total	**10,737**	**100.00**	**506,446,757**	**100.000**

Twenty Largest Shareholders

(As per the Register of Members and Depository Register)

Name of Shareholder	No. of Shares	% of Issued Share Capital
Citibank Nominees Singapore Pte Ltd	116,391,184	22.98
UOB Kay Hian Pte Ltd	94,098,720	18.58
Bank of Singapore Nominees Pte Ltd	19,634,454	3.88
Raffles Nominees (Pte) Ltd	18,064,372	3.57
Maybank Kim Eng Securities Pte Ltd	5,992,300	1.18
Representations International (HK) Ltd	5,930,000	1.17
DBS Nominees Pte Ltd	5,775,959	1.14
OCBC Securities Private Ltd	5,693,330	1.12
Maybank Nominees (S) Pte Ltd	5,100,000	1.01
Lim & Tan Securities Pte Ltd	4,947,300	0.98
United Overseas Bank Nominees Pte Ltd	3,650,140	0.72
Lin Ting Yie @ Lam Tin Yie	3,590,000	0.71
Phillip Securities Pte Ltd	3,419,095	0.67
CIMB Securities (Singapore) Pte Ltd	1,984,752	0.39
Lim Chin Leong	1,900,000	0.37
OCBC Nominees Singapore Pte Ltd	1,787,352	0.35
Teo Chor Kok	1,555,000	0.31
Lee Gek Hong	1,299,400	0.26
Tan Kwan Tee	1,250,000	0.25
Lie Tjoei Tjoe	1,200,000	0.24
Total	**303,263,358**	**58.88**

SHAREHOLDING STATISTICS

As at 16 March 2016

Substantial Shareholders
(As per the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Edwin Soeryadjaya[1]	540,000	0.11	79,364,000	15.67
Sandiaga Salahuddin Uno[1]	600,000	0.12	79,364,000	15.67
PT Saratoga Investama Sedaya[1]	79,364,000	15.67	-	-
Subianto Arpan Sumodikoro[2]	540,000	0.11	52,500,000	10.37
Shining Persada Investments Pte. Ltd.[2]	52,500,000	10.37	-	-

Notes:

(1) Edwin Soeryadjaya and Sandiaga Salahuddin Uno are deemed to have interests in the 79,364,000 shares held by PT Saratoga Investama Sedaya by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Subianto Arpan Sumodikoro is deemed to have an interest in the 52,500,000 shares held by Shining Persada Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

Public Shareholding

Based on the information available to the Company as at 16 March 2016, approximately 72.2% of the total number of issued shares of the Company are held by the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their statement to the members together with the balance sheet of the Company as at 31 December 2015 and financial statements of the Group for the financial year ended 31 December 2015.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 47 to 120 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company at the date of this statement are as follows:

Edwin Soeryadjaya	(Chairman)
Sandiaga Salahuddin Uno	(Deputy Chairman)
Marcel Han Liong Tjia	
Subianto Arpan Sumodikoro	
Allan Charles Buckler	
Low Siew Sie Bob	
Ng Soon Kai	
Lim Hock San	
Pepen Handianto Danuatmadja	(Alternate to Subianto Arpan Sumodikoro)

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES, WARRANTS OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, warrants or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 43 to 44 of this statement.

DIRECTORS' INTERESTS IN SHARES, WARRANTS OR DEBENTURES

(a) According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the interests of directors holding office at the end of the financial year in shares, warrants or debentures of the Company and its related corporations other than wholly-owned subsidiary corporations were as follows:

	Held in the name of of director or nominee		**Held in which the director is deemed to have an interest**	
	At end of the financial year and 21 January 2016	**At beginning of the financial year**	**At end of the financial year and 21 January 2016**	**At beginning of the financial year**
The Company				
Ordinary Shares				
Edwin Soeryadjaya	540,000	540,000	79,364,000	79,364,000
Sandiaga Salahuddin Uno	600,000	600,000	79,364,000	79,364,000
Subianto Arpan Sumodikoro	540,000	540,000	52,500,000	52,500,000
Allan Charles Buckler	6,458,400	6,458,400	-	-
Ng Soon Kai	480,000	480,000	-	-
Low Siew Sie Bob	120,000	120,000	-	-
Lim Hock San	360,000	360,000	-	-
Warrants				
Edwin Soeryadjaya	-	-	-	7,936,400
Sandiaga Salahuddin Uno	-	-	-	7,936,400
Subianto Arpan Sumodikoro	-	-	-	5,250,000
Allan Charles Buckler	-	591,840	-	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

DIRECTORS' INTERESTS IN SHARES, WARRANTS OR DEBENTURES (CONT'D)

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Interra Share Option Plan as set out below and under "Share Options" on pages 43 to 44 of this statement.

	Number of unissued ordinary shares under option	
	At end of the financial year and 21 January 2016	At beginning of the financial year
2012 Options		
Allan Charles Buckler	1,350,000	1,350,000
Low Siew Sie Bob	350,000	350,000
Ng Soon Kai	1,350,000	1,350,000
Marcel Han Liong Tjia	4,000,000	4,000,000

(c) Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, warrants or debentures of the Company or its related corporations either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the accompanying financial statements and in this statement, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

(a) Interra Share Option Plan

The Interra Share Option Plan (the "Plan") provides a means of rewarding, retaining and giving recognition to directors and employees of the Group who have contributed to the success and development of the Group. The Plan is administered by the Remuneration Committee, of which the members at the date of this statement are as follows:

Allan Charles Buckler (Chairman)
Low Siew Sie Bob
Sandiaga Salahuddin Uno
Ng Soon Kai
Lim Hock San

The Plan was approved by members of the Company at an Extraordinary General Meeting held on 30 April 2007 and amended on 28 April 2011. The amendments to the rules of the Plan are to widen the eligible participants and to give wider powers and discretion to the Remuneration Committee in the administration of the Plan. The amendments allow the participation of non-executive directors and employees who are not key executives and controlling shareholders of the Company. The amended rules also allow the Remuneration Committee to grant option at a discount of up to 20% of the market price and change the exercise period for options granted without discount from two years to one year from the date of grant.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) is to be determined by the Remuneration Committee in its absolute discretion. Options granted at market price or premium may be vested after one year from the date of grant and are exercisable for a period of four years, while options granted at a discount may be vested after two years from the date of grant and are exercisable for a period of three years. The options may be exercised, in whole or in part (being 1,000 shares or any multiple thereof), on the payment of the aggregate exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

SHARE OPTIONS (CONT'D)

(a) Interra Share Option Plan (Cont'd)

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Plan, shall not exceed 5% of the issued share capital of the Company (including treasury shares, if any) on the day preceding that date.

The Plan became operative upon the Company granting options to subscribe for 1,200,000 ordinary shares of the Company on 3 March 2008 ("2008 Options").

On 20 January 2012, the Company granted options to subscribe for 10,050,000 ordinary shares of the Company at exercise price of S$0.148 per share ("2012 Options"). The 2012 Options are exercisable from 21 January 2013 and will expire on 19 January 2017. The total fair value of the 2012 Options granted was estimated to be S$642,694 (US$504,568) using the Binomial Option Pricing Model.

Details of the 2012 Options granted to key management personnel and employees of the Company can be referred to in prior years' annual report.

No options have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

No participant under the Plan has received 5% or more of the total number of shares under option available under the Plan.

(b) Share Options Outstanding

The number of unissued ordinary shares of the Company under option in relation to the Plan outstanding at the end of the financial year was as follows:

	Number of unissued ordinary shares under option			
	At end of the financial year	At beginning of the financial year	Exercise price	Exercise period
2012 Options	7,110,000	7,260,000	S$0.148	21 January 2013 to 19 January 2017

WARRANTS

On 9 December 2014, the Company allotted and issued 44,616,914 free warrants to existing shareholders on the basis of one warrant for every ten existing ordinary shares pursuant to a bonus warrants issue approved by members of the Company at an Extraordinary General Meeting held on 24 October 2014. Each warrant carried the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.235 and expired on 8 December 2015. For every two bonus warrants validly and concurrently exercised, one piggyback warrant was issued free. Each piggyback warrant carried the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.175 and expired on 29 December 2015. As at the expiry date of 8 December 2015, 9,748 warrants were exercised at an exercise price of S$0.235 per share for an aggregate value of S$2,291 (US$1,628) and an aggregate of 4,874 piggyback warrants were issued and allotted free to these warrants holders. As at the expiry date of 29 December 2015, an aggregate of 540 piggyback warrants were exercised at an exercise price at S$0.175 per share for an aggregate value of S$95 (US$67). The remaining unexercised warrants and piggyback warrants lapsed on 8 December 2015 and 29 December 2015 respectively. In total, 10,288 new ordinary shares were issued and allotted in the capital of the Company and S$2,386 (US$1,695) cash proceeds were raised from the warrants issue.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

AUDIT COMMITTEE

The members of the Audit Committee at the date of this statement are set out as follows:

Low Siew Sie Bob (Chairman)
Allan Charles Buckler
Sandiaga Salahuddin Uno
Lim Hock San

All members of the Audit Committee are non-executive directors, three of whom, including the Chairman, are independent directors.

The Audit Committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board of Directors that Nexia TS Public Accounting Corporation, be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Low Siew Sie Bob
Director

28 March 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTERRA RESOURCES LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiary corporations (the "Group") set out on pages 47 to 120, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore 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 judgement, 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 of financial statements that give a true and fair view 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Chin Chee Choon
Appointed since financial year ended 31 December 2011

Singapore
28 March 2016

BALANCE SHEETS

As at 31 December 2015

	Note	Company 2015 US$	Company 2014 US$	Group 2015 US$	Group 2014 US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**32,730**	55,752	**132,524**	222,028
Producing oil and gas properties	5	**-**	-	**359,215**	47,206,789
Mining properties	6	**-**	-	**-**	6,660,574
Exploration and evaluation assets	7	**-**	-	**10,488,405**	5,121,123
Intangible assets	8	**-**	-	**-**	2,045,349
Investments in subsidiary corporations	9	**37,673,444**	39,226,061	**-**	-
Investments in associated companies	10	**-**	-	**7,621,480**	-
Other receivables	13	**-**	-	**1,686,225**	318,684
Retirement benefit obligations	22	**-**	-	**57,443**	153,680
Restricted cash	15	**-**	-	**2,446,566**	3,443,691
Investment properties	11	**-**	-	**315,077**	226,263
		37,706,174	39,281,813	**23,106,935**	65,398,181
Current assets					
Inventories	12	**-**	-	**6,803,524**	9,430,271
Trade and other receivables	13	**330,560**	198,572	**12,449,603**	11,951,892
Other current assets	14	**72,987**	255,920	**776,868**	1,317,687
Cash and cash equivalents	15	**516,483**	3,595,621	**17,828,440**	18,736,660
		920,030	4,050,113	**37,858,435**	41,436,510
Assets of disposal group classified as held-for-sale	16(c)	**-**	-	**4,452,576**	-
		920,030	4,050,113	**42,311,011**	41,436,510
Total Assets		**38,626,204**	43,331,926	**65,417,946**	106,834,691
LIABILITIES					
Current liabilities					
Trade and other payables	17	**395,719**	708,404	**16,096,347**	12,107,836
Borrowings	18	**3,000,000**	-	**3,727,998**	1,188,955
Current income tax liabilities	19	**-**	16	**6,656,573**	6,787,532
		3,395,719	708,420	**26,480,918**	20,084,323
Liabilities directly associated with disposal group classified as held-for-sale	16(d)	**-**	-	**1,072,475**	-
		3,395,719	708,420	**27,553,393**	20,084,323
Non-current liabilities					
Provision for environmental and restoration costs	21	**-**	-	**4,473,714**	5,286,886
Deferred income tax liabilities	23	**-**	-	**39,063**	892,893
		-	-	**4,512,777**	6,179,779
Total Liabilities		**3,395,719**	708,420	**32,066,170**	26,264,102
NET ASSETS		**35,230,485**	42,623,506	**33,351,776**	80,570,589
EQUITY					
Share capital	24	**69,257,956**	63,125,113	**69,257,956**	63,125,113
(Accumulated losses)/ Retained profits		**(34,384,434)**	(20,866,101)	**(21,270,794)**	26,394,683*
Other reserves	26	**356,963**	364,494	**(18,596,864)**	(17,881,411)
Equity attributable to owners of the Company		**35,230,485**	42,623,506	**29,390,298**	71,638,385
Non-controlling interests	9	**-**	-	**3,961,478**	8,932,204
TOTAL EQUITY		**35,230,485**	42,623,506	**33,351,776**	80,570,589

* Retained profits of the Group as at 31 December 2014 was fully distributable.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 US$	2014 US$
Continuing operations			
Revenue	27	**23,452,048**	55,796,215
Cost of production		**(34,073,483)**	(44,641,475)
Gross (loss)/profit		**(10,621,435)**	11,154,740
Other income, net	28	**323,747**	608,946
Administrative expenses		**(41,246,979)**	(19,760,460)
Finance expenses	29	**(58,563)**	(1,102)
Share of losses of associated companies	10	**(625,757)**	-
Loss before income tax		**(52,228,987)**	(7,997,876)
Income tax expense	20	**(555,008)**	(4,282,623)
Loss from continuing operations		**(52,783,995)**	(12,280,499)
Discontinued operations			
(Loss)/Profit from discontinued operations, net of tax	16(a)	**(655,007)**	559,372
Total loss		**(53,439,002)**	(11,721,127)
Attributable to:			
Equity holders of the Company		**(47,719,479)**	(10,535,368)
Non-controlling interests		**(5,719,523)**	(1,185,759)
		(53,439,002)	(11,721,127)
(Loss)/Profit attributable to equity holders of the Company relates to:			
Loss from continuing operations		**(47,416,607)**	(10,794,019)
(Loss)/Profit from discontinued operations		**(302,872)**	258,651
		(47,719,479)	(10,535,368)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive loss of associated companies		**(114,327)**	-
Currency translation differences arising from consolidation			
- Loss	26(b)(iii)	**(1,179,313)**	(933,192)
- Reclassification	26(b)(iii)	**-**	(366)
		(1,293,640)	(933,558)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit obligation re-measurements	22	**40,300**	(21,836)
Share of defined benefit obligation re-measurements of associated companies		**3,251**	-
		43,551	(21,836)
Other comprehensive income, net of tax		**(1,250,089)**	(955,394)
Total comprehensive loss		**(54,689,091)**	(12,676,521)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(48,380,929)**	(11,010,823)
Non-controlling interests		**(6,308,162)**	(1,665,698)
		(54,689,091)	(12,676,521)
(Losses)/Earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic (losses)/earnings per share			
- From continuing operations	32	**(9.856)**	(2.419)
- From discontinued operations	32	**(0.063)**	0.058
Diluted (losses)/earnings per share			
- From continuing operations	32	**(9.856)**	(2.419)
- From discontinued operations	32	**(0.063)**	0.057

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Group	Note	Share Capital US$	Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Retained Profits/ (Accumulated Losses) US$	Total US$	Non-Controlling Interests US$	Total Equity US$
		Attributable to Equity Holders of the Company							
At 1 January 2015		**63,125,113**	**(1,701,765)**	**(16,544,140)**	**364,494**	**26,394,683**	**71,638,385**	**8,932,204**	**80,570,589**
Issue of new ordinary shares pursuant to purchase consideration shares/warrant issue	24	6,133,623	-	-	-	-	6,133,623	-	6,133,623
Share issue expenses	24	(780)	-	-	-	-	(780)	-	(780)
Employee share option plan									
- share options lapsed	26(b)(ii)	-	-	-	(7,531)	7,531	-	-	-
Additional increase of non-controlling interests	9	-	-	-	-	-	-	1,337,435	1,337,435
Total transactions with owners, recognised directly in equity		**69,257,956**	**(1,701,765)**	**(16,544,140)**	**356,963**	**26,402,214**	**77,771,228**	**10,269,639**	**88,040,867**
Loss for the financial year		-	-	-	-	(47,719,479)	(47,719,479)	(5,719,523)	(53,439,002)
Currency translation differences		-	(593,595)	-	-	-	(593,595)	(585,718)	(1,179,313)
Share of currency translation differences of associated companies		-	(114,327)	-	-	-	(114,327)	-	(114,327)
Defined benefit obligation re-measurements		-	-	-	-	43,220	43,220	(2,920)	40,300
Share of defined benefit obligation re-measurements of associated companies		-	-	-	-	3,251	3,251	-	3,251
Total comprehensive loss for the financial year		**-**	**(707,922)**	**-**	**-**	**(47,673,008)**	**(48,380,930)**	**(6,308,161)**	**(54,689,091)**
At 31 December 2015		**69,257,956**	**(2,409,687)**	**(16,544,140)**	**356,963**	**(21,270,794)**	**29,390,298**	**3,961,478**	**33,351,776**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

		Attributable to Equity Holders of the Company							
Group	Note	Share Capital US$	Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Retained Profits/ (Accumulated Losses) US$	Total US$	Non-Controlling Interests US$	Total Equity US$
At 1 January 2014		62,138,007	(1,224,438)	(16,544,140)	364,494	33,890,808	78,624,731	-	78,624,731
Issue of new ordinary shares pursuant to remuneration shares	24	987,106	-	-	-	-	987,106	-	987,106
Acquisition of subsidiary corporation with non-controlling interests	38	-	-	-	-	-	-	6,611,952	6,611,952
Effect of changes in ownership interests of subsidiary corporation	9	-	-	-	-	3,037,371	3,037,371	-	3,037,371
Changes in equity of subsidiary corporation	9	-	-	-	-	-	-	3,954,049	3,954,049
Acquisition of additional interests from non-controlling interests	9	-	-	-	-	-	-	(294,360)	(294,360)
Additional increase of non-controlling interests	9	-	-	-	-	-	-	326,261	326,261
Total transactions with owners, recognised directly in equity		63,125,113	(1,224,438)	(16,544,140)	364,494	36,928,179	82,649,208	10,597,902	93,247,110
Loss for the financial year		-	-	-	-	(10,535,368)	(10,535,368)	(1,185,759)	(11,721,127)
Currency translation differences		-	(477,327)	-	-	-	(477,327)	(456,231)	(933,558)
Defined benefit obligation re-measurements		-	-	-	-	1,872	1,872	(23,708)	(21,836)
Total comprehensive loss for the financial year		-	(477,327)	-	-	(10,533,496)	(11,010,823)	(1,665,698)	(12,676,521)
At 31 December 2014		63,125,113	(1,701,765)	(16,544,140)	364,494	26,394,683	71,638,385	8,932,204	80,570,589

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 US$	2014 US$
Cash flows from operating activities			
Total loss		**(53,439,002)**	(11,721,127)
Adjustments for non-cash items			
Income tax expense	20	**101,466**	4,481,898
Depreciation of property, plant and equipment	4	**69,024**	42,510
Amortisation of producing oil and gas properties	5	**18,116,462**	22,870,258
Amortisation of mining properties	6	**757,543**	417,981
Amortisation of intangible assets	8	**113,513**	50,018
Impairment of producing oil and gas properties	5	**31,798,622**	9,775,825
Impairment of intangible assets	8	**1,518,866**	656,644
Interest income	28	**(265,707)**	(123,215)
Interest expenses		**66,592**	14,830
Loss/(Gain) on curtailment	22	**40,300**	(21,836)
Loss on disposal of exploration and evaluation assets	28	**-**	5,334
Loss on disposal of property, plant and equipment	28	**5,955**	-
Loss on re-measurement of previously held non-controlling interests in subsidiary corporation	28	**-**	167,917
Unwinding of discount of provision of site restoration	21	**199,795**	332,449
Unrealised currency translation loss/(gain)		**80,746**	(239,240)
Gain on revaluation of investment properties	28	**(109,514)**	-
Loss on re-measurement of disposal group	16(a)	**2,650,869**	-
Share of losses of associated companies	10	**625,757**	-
Operating profit before working capital changes		**2,331,287**	26,710,246
Changes in working capital			
Inventories		**2,076,342**	(139,605)
Trade and other receivables and other current assets		**3,685,589**	2,018,676
Trade and other payables		**1,420,504**	(786,141)
Restricted cash		**47,440**	(159,005)
Cash generated from operations		**9,561,162**	27,644,171
Income tax paid	19	**(969,631)**	(4,992,894)
Net cash provided by operating activities		**8,591,531**	22,651,277

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 US$	2014 US$
Cash flows from investing activities			
Interest received		**78,508**	47,835
Acquisition of subsidiary corporation, net of cash acquired - MITI	38(a)(iii)	**-**	(10,204,018)
Acquisition of subsidiary corporation, net of cash acquired - SSR	38(b)(ii)	**-**	(286,224)
Deposits received for proposed disposal of granite operations		**2,773,727**	-
Investments in associated companies	10	**(2,226,385)**	-
Net proceeds from disposal of marketable securities		**-**	25,791
Net proceeds from disposal of property, plant and equipment		**23,719**	-
Net proceeds from disposal of exploration and evaluation assets		**-**	67,499
Additions of intangible assets	8	**-**	(41,094)
Additions of property, plant and equipment	4	**(65,967)**	(94,079)
Additions of producing oil and gas properties	5	**(3,067,510)**	(17,415,980)
Additions of exploration and evaluation assets	7	**(5,367,282)**	(1,194,219)
Net cash used in investing activities		**(7,851,190)**	(29,094,489)
Cash flows from financing activities			
Interest paid		**(53,668)**	(14,830)
Acquisition of non-controlling interests*		**-**	(294,360)
Proceeds received for disposal of non-controlling interests in subsidiary corporation*		**-**	13,500,000
Proceeds from bank loans		**3,000,000**	-
Repayment of finance lease		**(139,038)**	(94,437)
Proceeds from issuance of new ordinary shares pursuant to warrant issue		**1,695**	-
Share issue expenses		**(780)**	-
Loan to non-related third parties		**(4,134,125)**	(318,684)
Net cash (used in)/provided by financing activities		**(1,325,916)**	12,777,689
Net (decrease)/increase in cash and cash equivalents		**(585,575)**	6,334,477
Cash and cash equivalents at beginning of the financial year		**18,736,660**	12,401,632
Effects of currency translation on cash and cash equivalents		**(322,645)**	551
Cash and cash equivalents at end of the financial year	15	**17,828,440**	18,736,660

* The Group has changed the classification of cash flows relating to equity transactions with non-controlling interests of prior financial year from investing activities to financing activities to comply with the requirement of FRS 7 Statement of Cash Flows. This has resulted in an increase in net cash used in investing activities and a decrease in net cash used in financing activities by the same value of US$13,205,640 as compared to the previous report.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Interra Resources Limited (the "Company") is a company incorporated in the Republic of Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard. The address of its registered office is at 1 Grange Road #05-04 Orchard Building Singapore 239693. Its Singapore company registration number is 197300166Z.

The principal activity of the Company is that of investment holding.

The principal activities, country of incorporation and place of operation of the subsidiary corporations and associated companies of the Company are respectively set out in Note 9 and Note 10 to the financial statements.

On 11 June 2015, the Company's subsidiary corporation, Goldwater Indonesia Inc. ("GII"), acquired a 21.510812% equity interest in PT Benakat Oil ("BO"), a company incorporated in the Republic of Indonesia. The principal activity of BO is exploration and operation of oil fields for crude petroleum production.

On 26 June 2015, the Company's subsidiary corporation, PT Mitra Investindo Tbk. ("MITI"), acquired 33.33% of the issued and paid-up capital of Mentari Garung Energy Ltd ("MGE"), a company incorporated in the British Virgin Islands. The principal activity of MGE is exploration and operation of oil fields for crude petroleum production.

On 16 November 2015, MITI entered into a conditional sale and purchase agreement (the "CSPA") with PT Sanmas Mekar Abadi ("PT SMA") for the proposed disposal of the granite quarry. Thereafter, the granite mining segment was discontinued during the financial year (Note 16).

The consolidated financial statements relate to the Company and its subsidiary corporations (the "Group") and the Group's interests in joint operations and associated companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of the financial statements of the Group and of the Company are as follows:

(a) Basis of Preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas which involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new and amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of the following new or amended FRS and INT FRS did not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operation segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segment assets are reported.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of Preparation (Cont'd)

Other new or amended FRS and INT FRS which are applicable to the Group and effective for annual periods beginning on or after 1 July 2014 are as follows:

- Amendments to FRS 19(R) Employee Benefits (Defined benefit plans: Employee Contributions)
- Annual Improvements 2012
  - FRS 102 Share-Based Payment (Definition of vesting condition)
  - FRS 103 Business Combinations (Accounting for contingent consideration in a business combination)
  - FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets (Revaluation method – proportionate restatement of accumulated depreciation)
  - FRS 24 Related Party Disclosures (Key management personnel)
- Annual Improvements 2013
  - FRS 103 Business Combinations (Scope exceptions for joint ventures)
  - FRS 113 Fair Value Measurement (Scope of portfolio exception)
  - FRS 40 Investment Property (Clarifying inter-relationship between FRS 103 and FRS 40 classifying property as investment property or owner-occupied property)

(b) Group Accounting

(i) Subsidiary Corporations

(1) Consolidation

Subsidiary corporations are all entities (including special structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiary corporation has been changed where necessary to ensure consistency of the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

Investment in subsidiary corporation is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investment, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(2) Acquisition

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group Accounting (Cont'd)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree at the date of acquisition either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to the asset or liability is recognised in accordance with FRS 39 Financial Instruments Recognition and Measurement either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph (d) "Intangible Assets" for the subsequent accounting policy on goodwill.

(3) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are de-recognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific FRS.

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(ii) Transactions with Non-Controlling Interests

Changes in the Group's ownership interests in a subsidiary corporation that do not result in loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of any consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(iii) Reverse Acquisition

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary corporation (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree.

Because the consolidated financial statements represent the continuation of the financial statements of the legal subsidiary corporation except for its capital structure, the consolidated financial statements reflect:

- the assets and liabilities of the legal subsidiary corporation (the accounting acquirer) recognised and measured at their pre-combination carrying amounts;
- the assets and liabilities of the legal parent (the accounting acquiree) are recognised at fair value and measured in accordance with FRS 103 Business Combination;
- the retained profits and other equity balances of the legal subsidiary corporation (the accounting acquirer) before the business combination; and

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group Accounting (Cont'd)

- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary corporation (the accounting acquirer) outstanding immediately before the business combination to the cost of reverse acquisition determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary corporation (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition.

(iv) Joint Operations

The Group's joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets and obligations to the liabilities relating to the arrangement.

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(v) Associated Companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(1) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Group Accounting (Cont'd)

(2) Equity Method of Accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payment on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(3) Disposals

Investments in associated companies are de-recognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Investment in associated companies is carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investment, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

(c) Producing Oil and Gas Properties/Mining Properties

The Group applies successful efforts method of accounting for its exploration and evaluation costs, having regard for the requirements of FRS 106 Exploration for and Evaluation of Mineral Resources.

(i) Exploration and Evaluation Phase

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs are accumulated in respect of each area of interest. Exploration and evaluation costs include the cost of acquisition, drilling, seismic, technical evaluation and feasibility studies, stripping costs and include manpower and associated overhead charges incurred during the initial study period.

Costs of evaluation and unsuccessful exploration in areas of interest where economically recoverable reserves do not currently exist (or is held under Retention Lease or equivalent) are expensed as incurred even if facilities in this area of interest are continuing. When an area of interest is abandoned or decided by the directors that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period when the decision is made. Each area of interest is also subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year and its accumulated costs are written off to the extent that they will not be recoverable or impaired when proved reserves of oil and natural gas are identified and development is sanctioned by management due to unavailability of technical resources from development in near future. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the oil or mining reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Producing Oil and Gas Properties/Mining Properties (Cont'd)

Exploration and evaluation costs are carried forward to where the right to tenure of the area of interest is current and they are expected to be recouped through successful development and exploitation of the area of interest, or where activities in the area of interest have not yet reached a stage that allows reasonable assessment of the existence of economically recoverable reserves. If commercial reserves have been discovered, the carrying value, after the impairment loss of the relevant exploration and evaluation costs, is then reclassified as development and production assets.

Exploration and evaluation assets are transferred to mines under development in the mining properties after the mines are determined to be economically viable to be developed.

(ii) Development and Production Phase

Development costs are incurred within an area of interest as a component of a commercial development phase only upon its commitment to a commercial development.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within development and production assets and development tangible assets according to its nature.

The cost of development and production assets are capitalised as completed wells and related facilities when drilling or construction is completed. Uncompleted wells and related facilities are not amortised as these assets are not yet available for use.

Mine development costs and acquisition costs for developing an area of interest subsequent to the transfer from exploration and evaluation assets but prior to the commencement of production stage in the respective area, as long as they meet the recognition criteria, are capitalised under mines under development. The stripping costs incurred during the production phase of a mine are accounted for as variable production costs and are included in the costs of inventories produced during the period that the stripping costs are incurred.

(iii) Development Tangible Assets

Development tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in profit or loss.

Subsequent expenditure relating to an asset that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(iv) Amortisation/Depreciation

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development and production assets are amortised on units of production basis over the life of the economically recoverable reserves.

Depreciation of development tangible assets is calculated on a straight-line basis so as to write off the costs of these assets over their respective estimated useful life as follows:

Oil and gas tangible assets	2 to 4 years
Mining tangible assets	8 to 20 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, estimated useful lives and depreciation method of development tangible assets are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Producing Oil and Gas Properties/Mining Properties (Cont'd)

(v) Impairment

Development and production assets and development tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest cash-generating units ("CGU") for which there are separately identifiable cash flows.

When estimating these future cash flows, the Group makes reasonable and supportable assumptions based on a range of economic conditions that will exist over the remaining useful life of the asset. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset or its CGU is estimated to exceed its recoverable amount.

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised to profit or loss.

(vi) Participating Rights for Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT") and Linda Sele ("TAC LS")/Participating Rights for Production Sharing Contract for Kuala Pambuang ("PSC KP")/Concession Rights for Improved Petroleum Recovery Contracts ("IPRCs")

Participating/Concession rights relate to the Group's legal rights to explore, develop and produce oil and petroleum products. Participating/Concession rights acquired in a business combination are initially recognised at cost, which represents fair value at the date of acquisition, and are subsequently carried at cost less accumulated amortisation and impairment losses.

Participating/Concession rights are amortised on a straight-line basis from the date of initial recognition over the remaining period of TACs/IPRCs. The remaining period of TAC TMT is 5.10 years from 25 November 2011 to 16 December 2016. The remaining period of TAC LS is 7.90 years from 24 January 2011 to 16 November 2018. The remaining life of IPRCs is approximately 14 years from 1 March 2003 to 31 March 2017. No amortisation is charged for PSC KP during the exploration and evaluation phase.

(d) Intangible Assets

(i) Goodwill on Reverse Acquisition

Goodwill arising from reverse acquisition represents the excess of the deemed cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is tested for its impairment at least annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired.

(ii) Goodwill on Consolidation

Goodwill on acquisition of subsidiary corporations and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiary corporations and businesses prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible Assets (Cont'd)

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(iii) Computer Software

Computer software is initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using straight-line basis over their estimated useful life of 3 to 4 years.

(iv) Non-Contractual Customer Relationship

Non-contractual customer relationship acquired in a business combination is initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using straight-line basis over the remaining period of mine permit of 4.79 years.

The amortisation period and the amortisation method of computer software and non-contractual customer relationship are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in profit or loss.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

Depreciation

Depreciation is calculated for all property, plant and equipment on a straight-line basis so as to write off the costs of these assets over their respective estimated useful lives as follows:

Computers	3 years
Office equipment	3 years
Renovations, furniture and fittings	2 to 3 years
Motor vehicles	4 to 8 years
Pumping tools	8 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Investment Properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation and land under operating leases that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(g) Impairment of Non-financial Assets other than Producing Oil and Gas Properties/Mining Properties

(i) Goodwill

Goodwill is reviewed for impairment whenever there is an indication of impairment and at least once a year.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's CGU which are expected to benefit from the synergies of the business combinations. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in subsequent periods.

(ii) Other Non-Financial Assets

Other non-financial assets including intangible assets, property, plant and equipment, investments in subsidiary corporations and associated companies are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. When estimating these future cash flows, management makes reasonable and supportable assumptions based on a range of economic conditions that will exist over the remaining useful life of the asset. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset or its CGU is estimated to exceed its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of Non-financial Assets other than Producing Oil and Gas Properties/Mining Properties (Cont'd)

An impairment loss for these assets is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of these assets are increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset recognised other than goodwill is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

(h) Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(i) Provisions

(i) General

A provision is recognised in the balance sheet when the Company or the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for onerous contracts is recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

(ii) Environmental Expenditures and Liabilities

Oil and Gas

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. Generally the timing of recognition of these provisions coincides with the commitment of the formal plan and action or, if earlier, upon divestment or closure of inactive site. The amount recognised is the best estimate of the expenditure required. If the effect of the time value of money is material, the amount recognised is the present value of the estimated future expenditure.

Granite

Restoration, rehabilitation and environmental expenditure incurred during the production phase of operations are charged as part of the cost of production.

The Group has certain obligations for restoration and rehabilitation of mining areas and retirement of assets following the completion of production. In determining whether a liability exists in respect of such requirements, the Group refers to the criteria for such liability recognition under the applicable accounting standards. The amount of the obligation is calculated using units of sales approach over the life of the mine in order to obtain sufficient amount to meet those obligations once production has been completed. Changes in estimated restoration and environmental expenditure to be incurred are accounted for on a prospective basis over the remaining life of the mine.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Income Taxes

(i) Current Income Tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

(ii) Deferred Income Tax

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporation and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent it is probable that the future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(1) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(2) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expenses in profit or loss for the period, except to the extent that the tax arising from a business combination or a transaction is recognised directly in equity.

(k) Borrowings and Finance Costs

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of borrowings using the effective interest method.

Interest expense and similar charges are expensed in profit or loss during the period in which they are incurred, except to the extent that the expense is being capitalised as part of a cost that is directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. All borrowing costs are recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Employee Benefits

The Group operates both defined contribution plans and defined benefit plans. Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pay fixed contributions to separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

(ii) Defined Benefit Plans

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency and the country in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(iii) Employee Leave Entitlements

Employees' entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(iv) Share-Based Compensation

The Group operates an equity-settled and share-based compensation plan, which allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The fair value is measured at grant date and spread over the period during which the employee become unconditionally entitled to the options. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related amount previously recognised in the share option reserve are credited to the share capital account on the issuance of new ordinary shares.

Where the terms of the share option plan are modified, the expense that is not yet recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Financial Assets

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Financial assets are recognised on the balance sheet only when the Group becomes a party to the contractual provision of the financial instrument. The Group determines the classification of the financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables are presented as trade and other receivables (Note 13), deposits refundable (Note 14) and cash and cash equivalents (Note 15) on the balance sheet. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due in accordance with the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances, restricted cash and bank deposits which are subject to an insignificant risk of change in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts (if any) which are repayable on demand and which form an integral part of the Group's cash management and restricted cash. As restricted cash is not available for use by the Group, therefore it is not considered highly liquid and is excluded from cash and cash equivalents.

(o) Inventories

(i) Crude Oil Inventory

Crude oil inventory is the crude oil stored at the stock points and not transferred. The cost of crude oil is the cost of production, including the appropriate proportion of depreciation, amortisation and impairment and overheads based on normal operating capacity, determined using the weighted average cost method. The net realisable value of crude oil is based on the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(ii) Granite Inventory

Granite inventory is carried at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and includes an appropriate portion of fixed and variable overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(iii) Other Inventories

Inventories comprise mainly consumable stocks, spare parts, fuel, lubricants and supplies which are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in profit or loss as follows:

(i) Sale of Oil and Petroleum Products

Revenue from the sale of oil and petroleum products is recognised when the significant risks and rewards of ownership has transferred, which is considered to have occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or by other delivery mechanism. Crude oil stored at the stock points and not transferred at the balance sheet date is recognised as inventories.

(ii) Sale of Granite

Revenue from sale of granite using barge are recognised upon delivery of the goods to customers in accordance with the terms of sale. Revenue from sale of granite using truck is recognised upon the collection of the goods by customers.

(iii) Interest Income

Interest income from bank deposits and advances made to third party are accrued on a time basis with reference to the principal outstanding and the interest rate applicable.

(iv) Dividend Income

Dividend income from subsidiary corporations is recognised when the right to receive payment is established.

(v) Management and Petroleum Services Fees

Management and petroleum services fees are recognised upon the rendering of management and consultation services to and the acceptance by subsidiary corporations and joint operations.

(q) Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in United States Dollar ("USD"), which is the functional and presentation currency of the Company.

(ii) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement for such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in either comprehensive income and accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation or when any loan forming part of the net investment of foreign operation is repaid.

All the other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within other income, net.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Currency Translation (Cont'd)

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities that are in functional currencies other than USD are translated into USD on the following basis:

(1) Assets and liabilities for each balance sheet presented are translated at the rates of exchange at the balance sheet date;

(2) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and

(3) All resulting foreign currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising from the acquisitions of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates on the reporting dates. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisitions are used.

(r) Leases

When the Group is the lessee:

The Group leases office premises, vehicles and drilling equipment, mining machineries and motor vehicles under operating leases from non-related parties.

(i) Lessee – Finance Leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as mining properties, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Gain or loss on sale-and-leaseback transactions resulting from a finance lease, is deferred and amortised over the lease term.

(ii) Lessee – Operating Leases

Leases where significant portions of the risks and rewards incidental to ownership are retained by lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as expense in profit or loss when incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense when termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

(t) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment by the shareholders at general meeting.

(u) Fair Value Estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices and the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities are carried at amortised cost approximate their carrying amounts.

(v) Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expense is deducted in reporting the related expense.

(w) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(x) Non-Current Assets (or Disposal Groups) Held-for-Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(i) represents a separate major line of business or geographical area of operations;

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and

(iii) is a subsidiary corporation acquired exclusively with a view to resale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements concerning the future are made in preparation of the financial statements. They affect the application of the Group's accounting policies, and the reported amounts of the financial statements and the disclosures made. They are assessed on an on-going basis and are based on experience, relevant factors and conditions, including current and expected future events that are believed to be reasonable under the circumstances.

(a) Amortisation of Development and Production Assets (Producing oil and gas properties)

The amounts recorded for amortisation and the recovery of the carrying value of development and production assets depend on the estimates of petroleum recoverable reserves and the remaining life of the contract period. There are numerous uncertainties inherent in the estimation of reserves and cash flows, including many factors beyond the Group's control. Evaluation of reserves and cash flows includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future petroleum prices, future operating costs and government levies that may be imposed over the producing life of the reserves. Many of these assumptions are subject to change and are beyond the Group's control. The determination of petroleum recoverable reserves has a significant impact on future cash flows which may affect the production level and hence future sales.

The Group currently amortises development and production assets using the units of production method against management's estimates of petroleum recoverable reserves. Changes in the petroleum recoverable reserves could impact future amortisation charges. Accordingly, there may be material adjustments made to the carrying amount of the respective assets. As at 31 December 2015, the carrying amount of the development and production assets is nil (2014: US$39,717,197) (Note 5). The amortisation charge for the financial year ended 31 December 2015 is US$14,721,515 (2014: US$20,120,662) (Note 5).

(b) Estimated Impairment of Producing Oil and Gas Properties and Goodwill on Reverse Acquisition

The Group performs assessment of the carrying value of its assets when there is indication of impairment. Goodwill on reverse acquisition is assessed for impairment at least once a year or when there is indication of impairment. The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure, decline rate and number of payment of invoices received by the Group in the financial year. Management has used the 2016 budgets reviewed by the respective owner committees and also past experiences as a guide. The period beyond 2016 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using discount rates of 10%-12% per annum (2014: 8%-11% per annum) (a comparable rate used by other companies in the region and in the similar nature of business sector). The pre-tax discount rates are estimated to be 16%-18% per annum (2014: 10%-18% per annum).

Actual results may ultimately differ from the estimates and key assumptions utilised in the calculations. Accordingly, there may be material adjustments to the carrying amount of the respective assets.

As at 31 December 2015, the carrying amounts of producing oil and gas properties and goodwill on reverse acquisition are US$359,215 (2014: US$47,206,789) (Note 5) and nil (2014: US$1,488,902) (Note 8) respectively.

(i) Indonesia CGU (Producing oil and gas properties)

An impairment charge of US$26,471,042 (2014: US$9,775,825) was recognised for producing oil and gas properties for the financial year ended 31 December 2015 which reduced the carrying amount of producing oil and gas properties of Indonesia CGU from US$37,811,442 to US$359,215.

If management's estimated discount rates applied to the discounted cash flows as at 31 December 2015 had been raised by 26%, the carrying amount of producing oil and gas properties of Indonesia CGU would be reduced by US$359,215, hence the carrying amount would be zero.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

(b) Estimated Impairment of Producing Oil and Gas Properties and Goodwill on Reverse Acquisition (Cont'd)

If management's estimated crude oil used in the discounted cash flows as at 31 December 2015 had been lower by 5%, the carrying amount of producing oil and gas properties of Indonesia CGU would be reduced by US$359,215, hence the carrying amount would be zero.

If management's estimated the decline rate used in the discounted cash flows as at 31 December 2015 had been raised by 5%, the carrying amount of producing oil and gas properties of Indonesia CGU would be reduced by US$359,215, hence the carrying amount would be zero.

If management's estimated oil production used in the discounted cash flows as at 31 December 2015 had been lower by 7%, the carrying amount of producing oil and gas properties of Indonesia CGU would be reduced by US$359,215, hence the carrying amount would be zero.

(ii) Myanmar CGU (Producing oil and gas properties and goodwill on reverse acquisition)

Based on an impairment test of the Myanmar CGU as at 31 December 2015 which includes goodwill on reverse acquisition recognised on the balance sheet under intangible assets, the estimated recoverable amount of the CGU is lower than the carrying amount of the CGU (inclusive of attributable goodwill). Impairment charges of US$5,327,580 and US$1,518,866 were recognised for producing oil and gas properties and intangible assets (including goodwill on reverse acquisition) respectively for the financial year ended 31 December 2015, which reduced the carrying amount of producing oil and gas properties and intangible assets of Myanmar CGU to nil.

(c) Reserves Estimates, Impairment of Mining Properties and Goodwill on Consolidation

Proven reserves are estimates of the amount of product that can be economically and legally exploited from the Group's mining properties. In order to estimate granite rock reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

(i) asset carrying values may be affected due to changes in estimated future cash flows; and

(ii) depreciation and amortisation charged in profit or loss may change where such charges are determined on units of production basis, or where the useful economic lives of assets change.

The Group performs assessment of the carrying value of its mining properties and goodwill on consolidation based on the operating and financial performance. The carrying value of mining properties is assessed for impairment when there is indication of impairment. Goodwill on consolidation is assessed for impairment at least once a year. The recoverable amounts of CGU are determined based on value-in-use calculations. Key assumptions used for value-in-use calculations include sales projection, selling price, operating costs and others. Cash flow projections used in the calculation were based on the financial budgets approved by management covering the period till the expiry of the mining permit. Future cash flows are discounted using a discount rate of 14% per annum. The pre-tax discount rate is estimated to be 18% per annum.

As at 31 December 2014, the goodwill on consolidation of US$656,644 was fully impaired (Note 8) as the recoverable amount of the mining CGU was lower than the carrying amount of the CGU (inclusive of attributable goodwill). No impairment was required for mining properties as its recoverable amount was higher than its carrying amount. If the estimated sales projections applied to the discounted cash flows of mining properties reduce by 5% or the discount rate increase by 15%, the recoverable amount of mining properties would fall to its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

(c) Reserves Estimates, Impairment of Mining Properties and Goodwill on Consolidation (Cont'd)

The carrying amount of mining properties as at 31 December 2015 was nil as the related assets have been reclassified to disposal group (2014: US$6,660,574) (Note 6). The amortisation charge for the financial year ended 31 December 2015 was US$757,543 (2014: US$417,981) (Note 6).

(d) Provision for Environmental and Restoration Costs

Environmental and restoration costs are a normal consequence of oil extraction and the majority of this expenditure is incurred at the end of a well's life or an area of interest. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of wells), and the expected useful life of the areas of interest and the wells. The ultimate environmental and restoration cost are uncertain and may vary in response to many factors, including changes to the relevant legal requirements and the emergence of new restoration techniques or experience at other wells.

Full provision is made for the future restoration costs of oil exploration site in Indonesia on a discounted basis, which represents the present value of restoration cost relating to producing oil and gas properties and are expected to be incurred up to the end of the TAC, which is when the producing oil and gas properties are expected to cease operation. The provision for environmental and restoration costs for mining site is provided using units of sales approach. The carrying amount of the provision for environmental and restoration costs as at 31 December 2015 was US$4,473,714 (2014: US$5,286,886) (Note 21).

If management's estimated discount rate used to calculate the present value of the provision for environmental and restoration costs for oil exploration in Indonesia change by 2% (2014: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by US$122,000 and US$129,000 (2014: higher/lower by US$192,000 and US$206,000) respectively.

If management's estimated restoration costs used to calculate the present value of the provision for environmental and restoration costs for oil exploration in Indonesia change by 2% (2014: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by US$86,000 (2014: higher/lower by US$82,000).

If management's estimated units of sales used to calculate the provision for environmental and restoration costs for mining site in Indonesia change by 5% (2014: 5%), the impact to the carrying amount of provision for environmental and restoration costs would have been higher/lower by US$9,900 (2014: higher/lower by US$6,200).

(e) Income Taxes

The Group's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, the income tax paid for current financial year was US$707,357 (2014: US$4,849,378). These income tax expenses are still subject to final tax assessments from the tax authority. During the financial year, there was an over-provision of US$1,031,189 from the Myanmar operations for year of assessments 2013 to 2015 due to a reduction of corporate tax rate from 30% to 25% by the Myanmar tax authority upon finalisation of assessments. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than current tax provision. If such over-provision occurs, it will be reversed upon determination. The amounts of current income tax liabilities and income tax expenses are disclosed in Note 19 and Note 20 respectively. Please refer to Note 34 for contingent liabilities for possible capital gain tax in Myanmar.

(f) Joint Arrangements

The Group holds 60% of the voting rights of its joint arrangement, Goldpetrol Joint Operating Company Inc. ("Goldpetrol"). The Group has joint control over this arrangement as under the contractual agreement, unanimous consent is required from all parties for all relevant operating activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

(f) Joint Arrangements (Cont'd)

In assessing the classification of the joint arrangement, the Group considers:

(i) The structure of the joint arrangement - whether it is structured through a separate vehicle; and

(ii) When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:

(1) the legal form of the separate vehicle;

(2) the terms of the contractual arrangement; and

(3) other facts and circumstances (where relevant).

The Group has assessed that the joint arrangement shall be classified as joint operations as the Group and the other party have contractually agreed that each party shall have rights and obligations arising from the joint arrangement's activities in proportion to their respective holdings in Goldpetrol, and in particular both parties share the rights and obligations arising from the exploration and development concession granted, the production obtained and all related costs.

(g) Consolidation of Structured Entity

On 3 October 2014, the Company acquired 100% equity interest in PT Sumber Sari Rejeki ("SSR") and its subsidiary corporation, PT Pambuang Investindo ("PI"), a company incorporated in the Republic of Indonesia. PI owns 49% equity interest in PT Mentari Pambuang Internasional ("MPI") which in turn owns 100% participating rights in PSC KP dated 19 December 2011. The Group has an option to purchase 18.50% of the shares in MPI at an option price of US$1 from the other shareholder of MPI and these 4,440 shares were pledged to the Group as collateral. Pursuant to the deed of pledge of shares and the deed of power of attorney to sell shares, the Group was able to exercise the voting rights attached to these pledged shares. The Group has majority representation on MPI's board of directors and approves all major operational decisions. Based on these facts and circumstances, management concluded that the Group has effective control of 67.50% in MPI and therefore, consolidates the entity in its financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2015				
Cost				
Opening balance	**160,841**	**9,102**	**99,871**	**269,814**
Additions	-	1,159	-	1,159
Closing balance	**160,841**	**10,261**	**99,871**	**270,973**
Accumulated depreciation				
Opening balance	**107,814**	**8,356**	**97,892**	**214,062**
Depreciation charge	22,712	759	710	24,181
Closing balance	**130,526**	**9,115**	**98,602**	**238,243**
Net book value as at 31 December 2015	**30,315**	**1,146**	**1,269**	**32,730**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2014				
Cost				
Opening balance	**104,690**	**9,016**	**97,742**	**211,448**
Additions	56,151	86	2,129	58,366
Closing balance	**160,841**	**9,102**	**99,871**	**269,814**
Accumulated depreciation				
Opening balance	**90,201**	**7,351**	**97,742**	**195,294**
Depreciation charge	17,613	1,005	150	18,768
Closing balance	**107,814**	**8,356**	**97,892**	**214,062**
Net book value as at 31 December 2014	**53,027**	**746**	**1,979**	**55,752**

Group	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Pumping Tools US$	Motor Vehicles US$	Total US$
2015						
Cost						
Opening balance	**175,544**	**29,791**	**125,574**	**-**	**143,073**	**473,982**
Additions	-	3,418	-	50,205	12,344	65,967
Disposals	-	(757)	(14,946)	-	(34,167)	(49,870)
Reclassified to disposal group (Note 16(c))	-	(9,289)	(4,929)	-	(44,844)	(59,062)
Currency translation differences	-	(2,166)	(2,465)	(1,698)	(12,349)	(18,678)
Closing balance	**175,544**	**20,997**	**103,234**	**48,507**	**64,057**	**412,339**
Accumulated depreciation and impairment loss						
Opening balance	**122,387**	**12,597**	**99,556**	**-**	**17,414**	**251,954**
Depreciation charge						
- Continuing operations (Note 30)	22,842	3,977	2,927	3,545	15,351	48,642
- Discontinued operations	-	2,765	1,092	-	16,525	20,382
Disposals	-	(541)	(2,486)	-	(17,169)	(20,196)
Impairment loss						
- Discontinued operations	-	1,200	719	-	-	1,919
Reclassified to disposal group (Note 16(c))	-	(4,859)	(2,310)	-	(12,564)	(19,733)
Currency translation differences	-	(650)	(253)	(8)	(2,242)	(3,153)
Closing balance	**145,229**	**14,489**	**99,245**	**3,537**	**17,315**	**279,815**
Net book value as at 31 December 2015	**30,315**	**6,508**	**3,989**	**44,970**	**46,742**	**132,524**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Motor Vehicles US$	Total US$
2014					
Cost					
Opening balance	**119,393**	**9,016**	**97,742**	**-**	**226,151**
Additions	56,151	86	2,129	35,713	94,079
Acquisition of subsidiary corporation (Note 38(a)(iv))	-	22,023	27,359	115,107	164,489
Currency translation differences	-	(1,334)	(1,656)	(7,747)	(10,737)
Closing balance	**175,544**	**29,791**	**125,574**	**143,073**	**473,982**
Accumulated depreciation and impairment loss					
Opening balance	**104,552**	**7,351**	**97,742**	**-**	**209,645**
Depreciation charge					
- Continuing operations (Note 30)	17,835	1,987	611	3,926	24,359
- Discontinued operations	-	3,296	1,217	13,638	18,151
Currency translation differences	-	(37)	(14)	(150)	(201)
Closing balance	**122,387**	**12,597**	**99,556**	**17,414**	**251,954**
Net book value as at 31 December 2014	**53,157**	**17,194**	**26,018**	**125,659**	**222,028**

During the financial year, an impairment loss was recognised to write down the carrying amount of property, plant and equipment attributable to the granite mining segment that has been classified as discontinued operations (Note 16). The impairment loss of US$1,919 (2014: nil) was recognised in profit or loss under the line item "(Loss)/Profit from discontinued operations, net of tax". The key assumptions used for impairment assessment are disclosed under Note 16(d).

The carrying amount of motor vehicles held under finance lease was nil (2014: US$39,074) at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

5. PRODUCING OIL AND GAS PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Participating and Concession Rights US$	Total US$
2015				
Cost				
Opening balance	**93,191,478**	**13,875,767**	**6,355,602**	**113,422,847**
Additions	2,636,723	430,787	-	3,067,510
Transfer to development tangible assets	(1,292,055)	1,292,055	-	-
Closing balance	**94,536,146**	**15,598,609**	**6,355,602**	**116,490,357**
Accumulated amortisation and impairment loss				
Opening balance	**53,474,281**	**8,370,451**	**4,371,326**	**66,216,058**
Amortisation charge				
- Continuing operations (Note 30)	14,721,515	2,610,632	784,315	18,116,462
Impairment loss				
- Continuing operations (Note 30)	26,340,350	4,258,311	1,199,961	31,798,622
Closing balance	**94,536,146**	**15,239,394**	**6,355,602**	**116,131,142**
Net book value as at 31 December 2015	**-**	**359,215**	**-**	**359,215**
2014				
Cost				
Opening balance	**77,931,618**	**10,629,229**	**6,355,602**	**94,916,449**
Additions	15,977,069	1,438,911	-	17,415,980
Change in provision for environmental and restoration costs	1,090,418	-	-	1,090,418
Transfer to development tangible assets	(1,807,627)	1,807,627	-	-
Closing balance	**93,191,478**	**13,875,767**	**6,355,602**	**113,422,847**
Accumulated amortisation and impairment loss				
Opening balance	**23,577,794**	**6,405,170**	**3,587,011**	**33,569,975**
Amortisation charge				
- Continuing operations (Note 30)	20,120,662	1,965,281	784,315	22,870,258
Impairment loss				
- Continuing operations (Note 30)	9,775,825	-	-	9,775,825
Closing balance	**53,474,281**	**8,370,451**	**4,371,326**	**66,216,058**
Net book value as at 31 December 2014	**39,717,197**	**5,505,316**	**1,984,276**	**47,206,789**

During the financial year, an impairment loss arose in producing oil and gas properties of US$31,798,622 (2014: US$9,775,825) was recognised, following the assessment of the recoverable amount of its assets. The key assumptions used for impairment assessment are disclosed under Note 3(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. MINING PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Total US$
2015			
Cost			
Opening balance	**1,531,010**	**5,542,601**	**7,073,611**
Reclassified to disposal group (Note 16(c))	(1,381,134)	(5,000,015)	(6,381,149)
Currency translation differences	(149,876)	(542,586)	(692,462)
Closing balance	-	-	-
Accumulated amortisation and impairment loss			
Opening balance	**68,658**	**344,379**	**413,037**
Amortisation charge			
- Discontinued operations	92,868	664,675	757,543
Impairment loss			
- Discontinued operations	916,013	1,744,042	2,660,055
Reclassified to disposal group (Note 16(c))	(1,066,654)	(2,698,149)	(3,764,803)
Currency translation differences	(10,885)	(54,947)	(65,832)
Closing balance	-	-	-
Net book value as at 31 December 2015	-	-	-
2014			
Cost			
Opening balance	-	-	-
Acquisition of subsidiary corporation (Note 38(a)(iv))	1,629,672	5,899,780	7,529,452
Currency translation differences	(98,662)	(357,179)	(455,841)
Closing balance	**1,531,010**	**5,542,601**	**7,073,611**
Accumulated amortisation and impairment loss			
Opening balance	-	-	-
Amortisation charge			
- Discontinued operations	70,636	347,345	417,981
Currency translation differences	(1,978)	(2,966)	(4,944)
Closing balance	**68,658**	**344,379**	**413,037**
Net book value as at 31 December 2014	**1,462,352**	**5,198,222**	**6,660,574**

The carrying amount of machineries included under mining tangible assets, held under finance lease was nil (2014: US$784,538) at the balance sheet date.

During the financial year, an impairment loss was recognised to write down the carrying amount of mining properties attributable to the granite mining segment that has been classified as discontinued operations (Note 16). The impairment loss of US$2,660,055 (2014: nil) was recognised in profit or loss under the line item "(Loss)/Profit from discontinued operations, net of tax".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. EXPLORATION AND EVALUATION ASSETS

Group	Exploration and Evaluation Assets US$	Participating Rights US$	Total US$
2015			
Cost			
Opening balance	**9,928,777**	**1,435,258**	**11,364,035**
Additions	5,367,282	-	5,367,282
Closing balance	**15,296,059**	**1,435,258**	**16,731,317**
Accumulated impairment losses			
Opening and closing balance	**6,242,912**	**-**	**6,242,912**
Net book value as at 31 December 2015	**9,053,147**	**1,435,258**	**10,488,405**
2014			
Cost			
Opening balance	**6,786,863**	**-**	**6,786,863**
Additions	1,194,219	-	1,194,219
Acquisition of subsidiary corporation (Note 38(b)(iii))	2,491,646	1,435,258	3,926,904
Disposals	(547,881)	-	(547,881)
Currency translation differences	3,930	-	3,930
Closing balance	**9,928,777**	**1,435,258**	**11,364,035**
Accumulated impairment losses			
Opening balance	**6,714,552**	**-**	**6,714,552**
Disposals	(475,048)	-	(475,048)
Currency translation differences	3,408	-	3,408
Closing balance	**6,242,912**	**-**	**6,242,912**
Net book value as at 31 December 2014	**3,685,865**	**1,435,258**	**5,121,123**

8. INTANGIBLE ASSETS

Group	Goodwill on Reverse Acquisition US$	Computer Software US$	Goodwill on Consolidation US$	Non-Contractual Customer Relationship US$	Total US$
2015					
Cost					
Opening balance	**1,488,902**	**187,646**	**656,644**	**565,371**	**2,898,563**
Reclassified to disposal group (Note 16(c))	-	-	-	(565,371)	(565,371)
Closing balance	**1,488,902**	**187,646**	**656,644**	**-**	**2,333,192**
Accumulated amortisation and impairment loss					
Opening balance	**-**	**147,408**	**656,644**	**49,162**	**853,214**
Amortisation charge					
- Continuing operations (Note 30)	-	10,274	-	-	10,274
- Discontinued operations	-	-	-	103,239	103,239
Impairment loss					
- Continuing operations (Note 30)	1,488,902	29,964	-	-	1,518,866
Reclassified to disposal group (Note 16(c))	-	-	-	(152,401)	(152,401)
Closing balance	**1,488,902**	**187,646**	**656,644**	**-**	**2,333,192**
Net book value as at 31 December 2015	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. INTANGIBLE ASSETS (CONT'D)

Group	Goodwill on Reverse Acquisition US$	Computer Software US$	Goodwill on Consolidation US$	Non-Contractual Customer Relationship US$	Total US$
2014					
Cost					
Opening balance	**1,488,902**	**146,552**	**-**	**-**	**1,635,454**
Additions	-	41,094	-	-	41,094
Acquisition of subsidiary corporation (Note 38(a)(iv))	-	-	656,644	565,371	1,222,015
Closing balance	**1,488,902**	**187,646**	**656,644**	**565,371**	**2,898,563**
Accumulated amortisation and impairment loss					
Opening balance	**-**	**146,552**	**-**	**-**	**146,552**
Amortisation charge					
- Continuing operations (Note 30)	-	856	-	-	856
- Discontinued operations	-	-	-	49,162	49,162
Impairment loss					
- Continuing operations (Note 30)	-	-	656,644	-	656,644
Closing balance	**-**	**147,408**	**656,644**	**49,162**	**853,214**
Net book value as at 31 December 2014	**1,488,902**	**40,238**	**-**	**516,209**	**2,045,349**

Amortisation expense included in the statement of comprehensive income within cost of production was US$10,274 (2014: US$856).

Goodwill on Reverse Acquisition

Goodwill on reverse acquisition represents the goodwill that arose from the business combination in which Goldwater Company Limited ("Goldwater") acquired the Company through a reverse acquisition on 10 July 2003. Goodwill on reverse acquisition is the difference between Goldwater's deemed cost of acquisition over the fair value of assets acquired and liabilities of the Company on the reverse acquisition date (Note 2(b)(iii)).

The deemed cost of acquisition is derived from the total percentage of shareholdings held by the shareholders of the former Van der Horst Limited (now known as "Interra Resources Limited") as at the reverse acquisition date and Shantex Holdings Pte Ltd multiplied by the net assets of Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to US$1,488,902 was recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining periods of the IPRCs of approximately 14 years from 10 July 2003 to 31 March 2017.

With the adoption of applicable FRS which deal with the treatment of goodwill arising from business combinations prospectively from 1 April 2004, no amortisation charges were made from the financial year ended 31 December 2005 onwards.

Impairment Tests for Goodwill

Goodwill is allocated to the Group's CGUs identified according to countries of operation and business segments. Goodwill on reverse acquisition and goodwill on consolidation is allocated to oil exploration business in Myanmar and granite operations business in Indonesia respectively.

The Group performs impairment assessment of the carrying value of goodwill whenever there is an indication of impairment and at least once a year. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions that are disclosed under Note 3(b) and Note 3(c) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. INTANGIBLE ASSETS (CONT'D)

Based on an impairment assessment, management is of the view that impairment is required for goodwill on reverse acquisition as at 31 December 2015 as the recoverable amount of the Group's investment in Goldwater is lower than the carrying amount of the CGU.

Based on an impairment test of the Myanmar CGU as at 31 December 2015 which includes goodwill on reverse acquisition recognised on the balance sheet under intangible assets, the estimated recoverable amount of the CGU is lower than the carrying amount of the CGU (inclusive of attributable goodwill). As a result, the goodwill on reverse acquisition of US$1,488,902 is fully impaired and is included within administrative expenses in the statement of comprehensive income.

In the financial year 2014, the Group recognised impairment loss of US$656,644 for the full amount of goodwill on consolidation and was included within administrative expenses in the statement of comprehensive income. The impairment loss arising from the granite operations in Indonesia was assessed to be generating expected future cash flows lower than the carrying amount of the CGU (inclusive of attributable goodwill).

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2015	**2014**
	US$	**US$**
Unquoted equity shares at cost		
Goldwater Company Limited	**19,062,000**	19,062,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**1**	1
Goldwater Indonesia Inc.	**1**	1
Goldwater Energy Limited	**1**	1
Interra Resources (Australia) Pte. Ltd.	**100**	100
Goldwater LS Pte. Ltd.	**10**	10
Goldwater KP Pte. Ltd.	**100**	100
PT Mitra Investindo Tbk	**13,889,746**	13,889,746
	32,951,960	32,951,960
Advances made to/(received from) subsidiary corporations		
Goldwater Company Limited	**(1,454,437)**	176,759
Goldwater TMT Pte. Ltd.	**6,262,181**	6,189,382
Goldwater Eagle Limited	**(993,812)**	(995,791)
Goldwater Indonesia Inc.	**7,360,624**	2,240
Interra Resources (Australia) Pte. Ltd.	**3,955,384**	3,953,156
Goldwater KP Pte. Ltd.	**7,471,374**	3,314,694
	22,601,314	12,640,440
Net investments in subsidiary corporations	**55,553,274**	45,592,400
Allowance for impairment:		
Opening balance	**6,366,339**	14,192,486
Allowance for impairment	**11,513,491**	2,420,313
Reversal of allowance for impairment	**-**	(1,265,584)
Allowance for impairment written off	**-**	(8,980,876)
Closing balance	**17,879,830**	6,366,339
Investments in subsidiary corporations	**37,673,444**	39,226,061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Advances made to/(received from) Subsidiary Corporations

The advances made to/(received from) subsidiary corporations form part of the Company's net investments in the subsidiary corporations. Advances made to/(received from) subsidiary corporations are interest-free advances for the purpose of operating and development activities in their respective fields. These advances are not expected to be repaid or received within the next 12 months from the balance sheet date.

The Company will assess annually whether there is evidence showing that the nature of the advances have changed. When evidence of change exists, the Company would consider the effects of the change in determining the fair value of the advances. As at the end of financial year, the fair values of these advances were assessed to approximate their carrying amounts.

During the financial year, the Company recognised an impairment loss of US$5,248,981 (2014: US$2,413,183) for its net investment in the subsidiary corporation, MITI, based on the fair value of the Group's interests in MITI (listed on Indonesia Stock Exchange) of US$6,227,582. The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was US$6,227,582 (2014: US$11,476,563). The impairment loss recognised in 2014 was based on value-in-use calculation, i.e. cash flow projections based on the financial budgets approved by management covering the period until the expiry of the mining permit. Key assumptions used for value-in-use calculations include sales projection, selling price, operating costs and others. Future cash flows were discounted using a discount rate of 14% per annum.

During the financial year, the Company also recognised an impairment loss of US$6,262,182 for its net investment in the subsidiary corporation, Goldwater TMT Pte Ltd, based on value-in-use calculation. Cash flow projections used in the calculation were based on the financial budgets approved by management covering the period until the expiry of the contract and assuming some drilling activities undertaken to further develop the related fields. Key assumptions used for value-in-use calculations include the petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure and decline rate. Future cashflows were discounted using a discount rate of 10% per annum (2014: 8% per annum). The remaining impairment loss of US$2,328 (2014: US$7,130) was made in respect of the Company's net investment in the subsidiary corporation, Interra Resources (Australia) Pte. Ltd.

In the financial year 2014, the Company recognised an impairment write-back for its investment in Goldwater LS Pte. Ltd. ("GLS") of US$1,265,584, after the disposal of its 90% interest in GLS for a purchase consideration of US$13,500,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The details of the subsidiary corporations as at 31 December 2015 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Goldwater Company Limited [b]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Myanmar	100	100	100	100	-	-
Goldwater TMT Pte. Ltd. [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100	100	100	-	-
Goldwater Eagle Limited [c]	Investment holding	British Virgin Islands	100	100	100	100	-	-
Goldwater Indonesia Inc [a]	Investment holding	British Virgin Islands	100	100	100	100	-	-
Goldwater Energy Limited [c]	Dormant	British Virgin Islands	100	100	100	100	-	-
Interra Resources (Thailand) Limited	Liquidated	Thailand/Thailand	100	100	100	100	-	-
Interra Resources (Australia) Pte. Ltd.[b]	Dormant	Singapore/Singapore	100	100	100	100	-	-
Goldwater LS Pte. Ltd.[b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	10	10	58.38	58.38	41.62	41.62
Goldwater KP Pte. Ltd. ("GKP") [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100	100	100	-	-
PT Mitra Investindo Tbk.[d]	Operation of granite mining	Indonesia/Indonesia	53.76	53.76	53.76	53.76	46.24	46.24

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2015	2014	2015	2014	2015	2014
			%	%	%	%	%	%
Held by a subsidiary corporation, MITI								
Goldwater LS Pte. Ltd [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	90	90	58.38	58.38	41.62	41.62
Held by a subsidiary corporation, GLS								
IBN Oil Holdico Ltd [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	100	100	58.38	58.38	41.62	41.62
Held by a subsidiary corporation, GKP								
Mentari Pambuang Internasional Limited ("MPIL") [e]	Dormant	British Virgin Islands	49	49	49	49	51	51
PT Sumber Sari Rejeki ("SSR") [f]	Trading of heavy machinery	Indonesia/Indonesia	100	100	100	100	-	-
Held by a subsidiary corporation, SSR								
PT Pambuang Investindo [f]	Multi-industry sector	Indonesia/Indonesia	100	100	100	100	-	-
Held by a subsidiary corporation, PI								
PT Mentari Pambuang Internasional [f]	Exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	67.50	67.50	67.50	67.50	32.50	32.50

(a) Not required to be audited under the laws of the country of incorporation, audited by Nexia TS Public Accounting Corporation, for consolidation purposes
(b) Audited by Nexia TS Public Accounting Corporation
(c) Not required to be audited under the laws of the country of incorporation
(d) Audited by Paul Hadiwinata Hidajat, Arsono, Ade Fatma & Rekan, a member firm of the PKF International Limited
(e) Not required to be audited under the laws of the country of incorporation. In accordance with the provision of FRS 110 – Consolidated Financial Statements, the Group has assessed that it has power over MPIL, exposure or rights to variable returns from its involvement with MPIL and ability to use its power to affect those returns. Accordingly, MPIL is considered to be a subsidiary corporation of the Group. Although the Group does not hold majority voting rights of MPIL, it has majority board representatives in MPIL and has direct involvement in the operations of MPIL.
(f) Audited by Kanaka Puradiredja, Suhartono, a member firm of Nexia International

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Significant Restrictions

Bank deposits of US$2,446,566 (2014: US$3,443,691) are held in Indonesia under joint bank accounts operated jointly by (i) the operator and PT Pertamina EP ("Pertamina") and (ii) MITI and the Bintan local government. Pertamina and the Bintan local government impose for restrictions on the withdrawal and usage of the funds other than for abandonment site restoration and social responsibility.

Carrying Value of Non-Controlling Interests

	2015 US$	2014 US$
Goldwater LS Pte. Ltd.	**(2,556,081)**	2,473,770
PT Mitra Investindo Tbk.	**4,971,501**	6,181,033
PT Mentari Pambuang Internasional	**1,546,007**	277,401
Other subsidiary corporation with immaterial non-controlling interest	**51**	-
Total	**3,961,478**	8,932,204

Summarised Financial Information of Subsidiary Corporations with Material Non-Controlling Interests

Set out below are the summarised financial information for subsidiary corporations that have non-controlling interests which are material to the Group. These are presented before inter-company eliminations.

Summarised Balance Sheets

	MITI As at 31 December		GLS As at 31 December		MPI As at 31 December	
	2015 US$	2014 US$	2015 US$	2014 US$	2015 US$	2014 US$
Current						
Assets	**13,052,083**	8,134,249	**2,778,676**	3,470,233	**377,938**	1,282,980
Liabilities	**(4,538,586)**	(3,128,409)	**(2,271,652)**	(2,197,778)	**(2,544,600)**	(2,047,987)
Total current net assets/ (liabilities)	**8,513,497**	5,005,840	**507,024**	1,272,455	**(2,166,662)**	(765,007)
Non-current						
Assets	**15,095,084**	22,182,215	**476,718**	11,716,862	**9,053,147**	3,685,865
Liabilities	**(204,074)**	(1,148,741)	**(14,889,024)**	(14,809,423)	**(2,158,971)**	(2,120,687)
Total non-current net assets/(liabilities)	**14,891,010**	21,033,474	**(14,412,306)**	(3,092,561)	**6,894,176**	1,565,178
Net assets/(liabilities)	**23,404,507**	26,039,314	**(13,905,282)**	(1,820,106)	**4,727,514**	800,171

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised Income Statements

	MITI For the financial year/period ended		GLS For the financial year ended		MPI For the financial year/period ended	
	2015 US$	2014 US$	2015 US$	2014 US$	2015 US$	2014 US$
Revenue	**-**	-	**2,342,856**	4,465,063	**-**	-
(Loss)/Profit before income tax	**(717,133)**	21,546	**(11,948,138)**	81,396	**(187,685)**	(47,974)
Income tax credit/ (expense)	**3,966**	-	**(129,940)**	(247,642)	**-**	-
Net (loss)/profit from continuing operations	**(713,167)**	21,546	**(12,078,078)**	(166,246)	**(187,685)**	(47,974)
(Loss)/profit from discontinued operations, net of tax	**(655,007)**	559,372	**-**	-	**-**	-
Other comprehensive loss	**(1,266,706)**	(752,732)	**(7,097)**	(56,964)	**-**	-
Total comprehensive loss	**(2,634,880)**	(171,814)	**(12,085,175)**	(223,210)	**(187,685)**	(47,974)
Total comprehensive loss allocated to non-controlling interests	**(1,209,532)**	(73,524)	**(5,029,851)**	(106,282)	**(60,998)**	(15,592)

Summarised Statement of Cash Flows

	MITI 2015 US$	MITI 2014 US$	GLS 2015 US$	GLS 2014 US$	MPI 2015 US$	MPI 2014 US$
Cash flows from operating activities						
Cash generated /(used in) from operations	**1,372,664**	1,273,135	**(254,138)**	1,551,338	**352,946**	1,699,077
Interest paid	**(8,125)**	(13,728)	**-**	-	**-**	-
Income tax paid	**(254,663)**	(135,839)	**-**	-	**-**	-
Net cash provided by/(used in) operating activities	**1,109,876**	1,123,568	**(254,138)**	1,551,338	**352,946**	1,699,077
Net cash used in investing activities	**(2,985,670)**	(13,494,138)	**(39,743)**	(202,502)	**(5,366,834)**	(1,193,438)
Net cash provided by/(used in) financing activities	**4,144,308**	12,180,424	**43,481**	(2,015,030)	**4,115,028**	370,044
Net increase/(decrease) in cash and cash equivalents	**2,268,514**	(190,146)	**(250,400)**	(666,194)	**(898,860)**	875,683
Cash and cash equivalents at beginning of financial year/period	**3,201,221**	3,391,367	**636,659**	1,302,853	**901,459**	25,776
Cash and cash equivalents at end of financial year/period	**5,469,735**	3,201,221	**386,259**	636,659	**2,599**	901,459

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

On 5 August 2014, the Company disposed 90% interests in a wholly-owned subsidiary, GLS, in exchange for the subscription of 641,089,383 rights shares issued by MITI for total subscription price of approximately US$12.82 million. This resulted in a decrease in the Company's interests in GLS from 100% to 57.21%. The Group accounted for the increase in the interests in MITI as business combination based on its control over MITI. The effect of changes in the ownership interests of MITI was disclosed under Note 38(a). As the Group effectively still holds 57.21% interests in GLS after the disposal, the change in the Group's ownership interests in GLS does not result in loss of control. The carrying amount of the non-controlling interests in GLS on the date of disposal was US$3,954,049, representing fair value of 42.79% interests. The fair value of consideration received from non-controlling interests of US$6,991,420 represented 49.96% of fair value of identifiable net assets of MITI. This resulted in an increase in non-controlling interests of US$3,954,049 and an increase in equity attributable to owners of the Company of US$3,037,731. The effect of changes in the ownership interest of GLS on the equity attributable to owners of the Company during the financial year is summarised as follows:

	2015 US$	2014 US$
Carrying amount of non-controlling interests disposed of (Note 38(a)(i))	-	3,954,049
Fair value of consideration received from non-controlling interests	-	(6,991,420)
Excess of consideration received recognised in parent's equity	-	(3,037,371)

Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the financial year ended 31 December 2015

	2015 US$	2014 US$
Changes in equity attributable to shareholders of the Company arising from:		
- Acquisition of additional interests in subsidiary corporation, MITI	-	(294,360)
- Additional increase of non-controlling interests in subsidiary corporations	**1,337,435**	326,261

10. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2015 US$	2014 US$
Opening balance	-	-
Additions	**8,358,313**	-
Share of losses (Note 20)	**(625,757)**	-
Share of other comprehensive loss	**(111,076)**	-
Closing balance	**7,621,480**	-

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10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Set out below are the associated companies of the Group as at 31 December 2015, which, in the opinion of the directors, are material to the Group. The associated companies listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of Company	Principal Activities	Country of Incorporation/ Operation	Ownership Interest 2015 %	Ownership Interest 2014 %
Held by a subsidiary corporation, GII				
PT Benakat Oil [(a)]	Exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	21.51	-
Held by a subsidiary corporation, MITI				
Mentari Garung Energy Ltd [(b)]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	33.33	-

(a) Audited by Y Santosa & Rekan, a member of Praxity International

(b) Audited by Paul Hadiwinata Hidajat, Arosno, Ade Fatma & Rekan, a member firm of the PKF International Limited

BO is a company incorporated in the Republic of Indonesia. The principal activity is exploration and operation of oil fields for crude petroleum production. BO owns 97.87% direct shareholding in PT Indelberg Indonesia ("II") which in turn owns 94% of PT Benakat Barat Petroleum ("BBP"). BBP holds an undivided 100% interest in the rights and obligations of exploitation, development and complementary exploration of hydrocarbons in the Benakat Barat field in South Sumatra, Indonesia. The Cooperation Agreement ("KSO"), which was entered into between BBP and Pertamina on 16 March 2009, has a contract term of 15 years. On 11 June 2015, through its subsidiary corporation, GII, the Group acquired a 21.510812% equity interests in BO at a purchase consideration of US$7,358,313. The cash consideration amounted to US$1,226,385 and the remaining consideration was settled by the issuance of 57,086,112 shares in the Company at an issue price of S$0.1492 per share, amounting to US$6,131,928 (S$8,517,247).

MGE is a company incorporated in the British Virgin Islands. The principal activity of MGE is exploration and operation of oils fields for crude petroleum production. MGE holds an undivided 100% interests in the rights and obligations of exploitation, development and complementary exploration of hydrocarbons over the Garung Block in Kalimantan, Indonesia. The Production Sharing Contract ("PSC"), which was entered into between MGE and Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("SKKMIGAS") on 22 May 2015, has a contract term of 30 years. On 26 June 2015, through its subsidiary corporation, MITI, the Group acquired 33.33% of the paid-up capital of MGE at a purchase consideration of US$1,000,000.

The above associated companies are unquoted equity instruments. Accordingly, there is no information available regarding the fair value of the ownership interest.

There are no contingent liabilities relating to the Group's interest in the associated companies.

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For the financial year ended 31 December 2015

10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised Financial Information of Associated Companies

Set out below are the summarised financial information for the associated companies based on their FRS financial statements:

Summarised Balance Sheets

	BO As at 31 December		MGE As at 31 December		Total As at 31 December	
	2015 US$	2014 US$	2015 US$	2014 US$	2015 US$	2014 US$
Current assets	13,672,701	-	355,287	-	14,027,988	-
Includes:						
- Cash and cash equivalents	113,658	-	155,749	-	269,407	-
Current liabilities	(40,061,571)	-	(16,319)	-	(40,077,890)	-
Includes:						
- Financial liabilities (excluding trade payables)	(2,649,315)	-	(16,319)	-	(2,665,634)	-
Non-current assets	46,369,327	-	1,206,790	-	47,576,117	-
Includes:						
- Goodwill on consolidation	11,501,782	-	-	-	11,501,782	-
Non-current liabilities	(21,385,496)	-	(570,000)	-	(21,955,496)	-
Includes:						
- Financial liabilities	(10,868,121)	-	(570,000)	-	(11,438,121)	-
- Other liabilities	(10,517,376)	-	-	-	(10,517,376)	-
Net (liabilities)/assets	(1,405,039)	-	975,758	-	(429,281)	-
Attributable to non-controlling interests	(394,473)	-	-	-	(394,473)	-
Attributable to investee's shareholders	(1,010,566)	-	975,758	-	(34,808)	-

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For the financial year ended 31 December 2015

10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised Statements of Comprehensive Income

	BO For the period ended 31 December		MGE For the period ended 31 December		Total For the period ended 31 December	
	2015 US$	2014 US$	2015 US$	2014 US$	2015 US$	2014 US$
Revenue	3,864,457	-	-	-	3,864,457	-
Interest income	2,877	-	108	-	2,985	-
Expenses						
Includes:						
- Depreciation and amortisation	(1,171,697)	-	-	-	(1,171,697)	-
- Interest expense	(569,232)	-	-	-	(569,232)	-
Loss before income tax	(2,960,136)	-	(17,783)	-	(2,977,919)	-
Income tax credit	16,719	-	-	-	16,719	-
Net loss	(2,943,417)	-	(17,783)	-	(2,961,200)	-
Other comprehensive loss	(454,596)	-	-	-	(454,596)	-
Total comprehensive loss	(3,398,013)	-	(17,783)	-	(3,415,796)	-
Attributable to non-controlling interests	(64,303)	-	-	-	(64,303)	-
Attributable to investee's shareholders	(3,333,710)	-	(17,783)	-	(3,351,493)	-

The above information reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associated companies.

Reconciliation of Summarised Financial Information

Reconciliation of the summarised financial information presented, to the carrying amounts of the Group's interests in the associated companies, is as follows:

	BO As at 31 December		MGE As at 31 December		Total As at 31 December	
	2015 US$	2014 US$	2015 US$	2014 US$	2015 US$	2014 US$
Net liabilities (excluding goodwill on consolidation)						
At date of acquisition	(9,114,648)	-	(6,361)	-	(9,121,009)	-
Group's contribution during the financial period	-	-	1,000,000	-	1,000,000	-
Loss for the financial period	(2,881,235)	-	(17,783)	-	(2,899,018)	-
Other comprehensive income	(452,475)	-	-	-	(452,475)	-
Currency translation differences	(63,990)	-	(98)	-	(64,088)	-
At 31 December	(12,512,348)	-	975,758	-	(11,536,590)	-
Interest in associated companies (21.51%/33.33%)	(2,691,508)	-	325,220	-	(2,366,288)	-
Goodwill	9,318,948	-	668,820	-	9,987,768	-
Carrying value	6,627,440	-	994,040	-	7,621,480	-

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For the financial year ended 31 December 2015

11. INVESTMENT PROPERTIES

	Group	
	2015	**2014**
	US$	**US$**
Opening balance	**226,263**	-
Acquisition of subsidiary corporation (Note 38(a)(iv))	**-**	237,772
Net fair value gain recognised in profit or loss (Note 28)	**109,514**	-
Currency translation differences	**(20,700)**	(11,509)
Closing balance	**315,077**	226,263

Investment properties are held for long-term rental yields and/or for capital appreciation. During the financial year, one of the Group's investment properties was leased out and rental income of US$1,914 was recognised in profit or loss and no direct operating expenses was incurred. The remaining two investment properties were not leased out, accordingly, no rental income was recognised in profit or loss and no significant direct operating expenses was incurred.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

Location	Description/Existing Use	Tenure
Villa Coolibah, Cimacan Village, Pacet District, Cianjur Regency, West Java	Land/Vacant	Freehold
Komplek Ruko Buana Subur Regency Blok D No. 1-2 and Blok No. 33, Kutajaya Village, Pasar Kemis District, Tangerang Regency, Banten	3 units of shop houses/ Vacant	Leasehold with 25 years lease expired on 24 October 2015, currently in the process of renewing
ITC Kuningan, 4th Floor Block B9 No. 7, Jalan Prof. Dr. Satrio, Karet Kuningan Village, Setiabudi District, Jakarta Selatan City, DKI Jakarta	Kiosk/Occupied	Leasehold with 20 years lease expiring on 10 November 2027

All the above investment properties are measured at fair value using significant other observable inputs (Level 2).

Valuation Techniques used to derive Level 2 Fair Values

Level 2 fair values of the Group's properties have been derived using sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributable such as property size. The most significant input in this valuation approach is the selling price per square metre.

Valuation Processes of the Group

The Group engaged external independent and qualified valuers to determine the fair value of the Group's properties at the end of financial year based on the properties' highest and best use. As at 31 December 2015, the fair values of the properties were determined by Nirboyo A., Dewi A., & Rekan.

12. INVENTORIES

Consumables stock includes tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance. Crude oil inventory is the crude oil stored at the stock points and not uplifted as at balance sheet date.

	Group	
	2015	**2014**
	US$	**US$**
Crude oil inventory	**248,149**	583,226
Granite rocks	**605,131**	970,824
Other inventories		
- Consumable stock	**5,950,244**	6,835,285
- Mining spare parts and others	**-**	1,040,936
	6,803,524	9,430,271

The cost of inventories recognised as an expense and included in the line item, "(Loss)/Profit from discontinued operations, net of tax" amounted to US$216,151 (2014: US$883,784) for the granite operations.

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For the financial year ended 31 December 2015

13. TRADE AND OTHER RECEIVABLES

Trade receivables relate mainly to receivables from the Myanma Oil and Gas Enterprise ("MOGE") and Pertamina in respect of the sales of the Group's share of petroleum entitlements.

	Company		Group	
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Current				
Trade receivables – non-related parties	**-**	-	**5,585,643**	8,573,240
Less: Allowances for impairment of receivables (Note 35(b)(ii))	**-**	-	**(109,394)**	(168,361)
Trade receivables, net	**-**	-	**5,476,249**	8,404,879
Other receivables – non-related parties	**330,560**	198,572	**6,973,354**	3,547,013
	330,560	198,572	**12,449,603**	11,951,892
Non-current				
Other receivables – non related parties	**-**	-	**1,686,225**	318,684

On 3 October 2014, the Group completed the acquisition of PSC KP through its newly acquired subsidiary corporation, SSR (Note 38(b)). Thereafter, the loan to other receivables including the interest receivable amounting to US$2,161,823 was recalled and reclassified to advances made to subsidiary corporations.

Included in current other receivables of the Group were value added taxes to be reimbursed from Pertamina of US$3,655,845 (2014: US$3,029,257). In addition, on 2 July 2015 and 7 August 2015, the Group entered into several repurchase agreements with PT Danatama Perkasa, a third party, relating to a loan amount of IDR33.795 million (equivalent to US$2,460,270). This other receivables was secured by the pledge of marketable securities listed on the Indonesia Stock Exchange. Under the repurchase agreements, the third party agreed to buy back the collateral at the face value of IDR35.613 million (equivalent to US$2,592,656) for a term period of 3 months. The interest charged was at market interest rate of 10% per annum. The agreements were due on 30 September 2015 and 5 November 2015, and subsequently renewed to due on 26 January 2016. As at 31 December 2015, the total interest receivable amounted to US$115,568.

Included in current other receivables of the Group is the advance to a third party, PT Pratama Media Abadi ("PMA"). On 28 August 2015, the Group signed a memorandum of understanding with PMA relating to the co-operation of an oil and gas project. This memorandum will expire within 1 year and is interest-free.

The non-current other receivables are unsecured and receivable upon commencement of production of which timing cannot be determined at this point. Interest rate is charged at 5% above LIBOR per annum. The fair value of non-current other receivables at market borrowing rate of 5.30% (2014: 5.2429%) per annum approximates its carrying amount. The fair value is within Level 2 of their fair values hierarchy.

14. OTHER CURRENT ASSETS

	Company		Group	
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Deposits	**40,317**	40,553	**422,043**	702,094
Prepayments	**32,670**	215,367	**251,972**	436,358
Advances to suppliers	**-**	-	**102,853**	179,235
	72,987	255,920	**776,868**	1,317,687

15. CASH AND CASH EQUIVALENTS

	Company		Group	
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Cash at bank and on hand	**516,483**	1,595,621	**8,819,453**	15,736,660
Short-term bank deposits	**-**	2,000,000	**9,008,987**	3,000,000
Restricted cash	**-**	-	**2,446,566**	3,443,691
Cash and bank balances	**516,483**	3,595,621	**20,275,006**	22,180,351
Less: Restricted cash			**(2,446,566)**	(3,443,691)
Cash and cash equivalents as per consolidated statement of cash flows			**17,828,440**	18,736,660

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15. CASH AND CASH EQUIVALENTS (CONT'D)

Restricted Cash

The restricted cash represents environmental management security fund and social responsibility fund in Indonesia. TAC TMT, TAC LS and MITI have entered into joint account agreements with Pertamina and the Bintan local government accordingly and placed the funds that have been provided for abandonment, site restoration and social responsibility costs in joint bank accounts. The joint bank accounts are interest-bearing and are operated jointly with Pertamina and the Bintan local government. The funds in the bank will be utilised for the purpose of abandonment, site restoration and social responsibility at the end of the TAC and subject to prior written approval for withdrawal and usage by the granite operations.

16. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 17 November 2015, the Group announced that its subsidiary corporation, MITI entered into the CSPA dated 16 November 2015 with PT SMA to dispose the granite quarry for a consideration of IDR39 billion (US$3,000,000) and a sum of US$530,502, being 70% of the accumulated balance amount paid by MITI to the environment restoration fund as at 30 September 2015. As at 31 December 2015, the entire assets and liabilities relating to the granite quarry were classified as a disposal group held-for-sale on the balance sheet and the entire results of the granite quarry were presented separately on the statement of comprehensive income as "Discontinued Operations". The transaction is expected to be completed by the financial year 2016.

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

	Group	
	2015 US$	**2014 US$**
Revenue	**8,935,604**	6,114,463
Expenses	**(7,393,284)**	(5,355,816)
Profit before income tax from discontinued operations	**1,542,320**	758,647
Tax	**(76,632)**	(199,275)
Profit after tax from discontinued operations	**1,465,688**	559,372
Pre-tax loss recognised on the re-measurement of disposal group to fair value less cost to sell	**(2,650,869)**	-
Tax	**530,174**	-
After tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	**(2,120,695)**	-
(Loss)/Profit for the financial year/period from discontinued operations	**(655,007)**	559,372

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2015 US$	**2014 US$**
Operating cash inflows	**4,587,237**	2,095,979
Investing cash inflows	**2,773,727**	-
Total cash inflows	**7,360,964**	2,095,979

(c) Details of the assets in disposal group classified as held-for-sale are as follows:

	Group
	2015 US$
Property, plant and equipment (Note 4)	**39,329**
Mining properties (Note 6)	**2,616,346**
Non-contractual customer relationship (Note 8)	**412,970**
Inventories	**550,406**
Restricted cash	**833,525**
	4,452,576

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16. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (CONT'D)

(d) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

	Group 2015 US$
Provision for restoration costs (Note 21)	**833,526**
Retirement benefit obligations (Note 22)	**96,556**
Deferred income tax liabilities (Note 23)	**142,393**
	1,072,475

In accordance with FRS 105, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of US$3,522,494. The mining properties - tangible assets were valued by an independent professional valuer, Nirboyo A., Dewi A., & Rekan, based on the market approach and cost approach to derive the fair value. Assets which are valued based on market approach is within Level 2 of the fair value hierarchy, while assets which are valued based on cost approach is within Level 3 of the fair value hierarchy and involved significant unobservable inputs such as reproduction costs, replacement costs and indicated market values.

(e) Cumulative expense recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:

	Group	
	2015 US$	2014 US$
Currency translation differences	**(10,048)**	(437,344)

17. TRADE AND OTHER PAYABLES

	Company		Group	
	2015 US$	2014 US$	2015 US$	2014 US$
Trade payables – non-related parties	**-**	-	**6,401,476**	7,001,176
Trade payables – a related party	**-**	-	**404,886**	213,334
Accrued expenses	**327,682**	557,853	**735,851**	1,431,839
Other payables – non-related parties	**68,037**	150,551	**8,554,134**	3,461,487
	395,719	708,404	**16,096,347**	12,107,836

The Group's other payables included the deposit received for the proposed disposal of the granite operations of IDR38.74 billion (equivalent to US$2,820,265), advances received for purchase of granite stock of IDR19.50 billion (equivalent to US$1,419,596) and advances received for financing the granite operations of IDR12.72 billion (equivalent to US$925,696) during the financial year. In addition, other payables also included the accruals for training levy and electricity charges due to MOGE of US$142,273 (2014: US$263,757) and the remaining consideration for the participating rights in PSC KP of US$1,038,000 (2014: US$1,038,000).

18. BORROWINGS

	Company		Group	
	2015 US$	2014 US$	2015 US$	2014 US$
Current				
Bank borrowings	**3,000,000**	-	**3,727,998**	806,998
Finance lease liabilities	**-**	-	**-**	381,957
Total borrowings	**3,000,000**	-	**3,727,998**	1,188,955

Company

The Company has a bank loan of US$3,000,000 from United Overseas Bank Ltd to finance the working capital. The loan is unsecured, interest-bearing at the range of 2.47% to 2.70% per annum for the tenor periods ranging 1 month to 3 months. As at 31 December 2015, the interest rate was 2.70% per annum for a tenor period of 3 months.

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For the financial year ended 31 December 2015

18. BORROWINGS (CONT'D)

Group

Bank loan represents back-to-back facility obtained from PT Sejahtera Bank Umum (a liquidated bank), backed with finance lease receivables from PT Intinusa Abadi Manufacturing (Note 37).

Finance Lease Liabilities

The Group leases certain machineries and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	Group	
	2015	**2014**
	US$	**US$**
Minimum lease payments due not later than one year	**-**	390,432
Less: Future finance charges	**-**	(8,475)
Present value of finance lease liabilities	**-**	381,957

Finance lease payable of the Group are effectively secured over the leased machineries under mining properties (Note 6) and motor vehicles under property, plant and equipment (Note 4), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease payable.

19. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Opening balance	**16**	-	**6,787,532**	7,568,904
Current income tax expense (Note 20)	**-**	-	**1,853,409**	4,486,907
Under/(over) provision in prior financial years (Note 20)	**2,858**	7,701	**(1,028,331)**	7,701
Acquisition of subsidiary corporation (Note 38(a)(iv))	**-**	-	**-**	(296,677)
Income tax paid	**(2,874)**	(7,677)	**(969,631)**	(4,992,894)
Tax credit	**-**	-	**(2,158)**	-
Currency translation differences	**-**	(8)	**15,752**	13,591
Closing balance	**-**	16	**6,656,573**	6,787,532

20. INCOME TAX EXPENSE

The Company is liable to income tax in Singapore on its chargeable income arising from interest income and the management and petroleum services fees that the Company charges its subsidiary corporations. These fees charged are based on a cost plus 5% mark-up basis.

The subsidiary corporations are liable to pay income taxes in the countries where the respective petroleum contracts and operations are domiciled. The subsidiary corporations and joint operations of the Company operating in oil and gas segment have made the necessary tax provisions as required under their respective petroleum contracts. As for the Myanmar operations, the income tax paid for current financial year was US$707,357 (2014: US$4,849,378). These income tax expenses are still subject to final tax assessments from the tax authority. During the financial year, there was an over-provision of US$1,031,189 from the Myanmar operations for year of assessments 2013 to 2015 due to a reduction of corporate tax rate from 30% to 25% by the Myanmar tax authority upon finalisation of assessments.

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20. INCOME TAX EXPENSE (CONT'D)

Tax expense/(credit) attributable to profit are made up of:

	Group	
	2015	**2014**
	US$	**US$**
Profit/(Loss) for the financial year:		
From continuing operations		
Current income tax - foreign	**1,587,305**	4,274,922
Deferred income tax - foreign (Note 23)	**(3,966)**	-
	1,583,339	4,274,922
From discontinued operations (Note 16(a))		
Current income tax – foreign	**266,104**	211,985
Deferred income tax – foreign (Note 23)	**(719,646)**	(12,710)
	(453,542)	199,275
(Over)/Under provision of current income tax in prior financial years (Note 19):		
From continuing operations		
- Foreign	**(1,031,189)**	-
- Singapore	**2,858**	7,701
	(1,028,331)	7,701
	101,466	4,481,898

	Group	
	2015	**2014**
	US$	**US$**
Tax expense is attributable to:		
- Continuing operations	**555,008**	4,282,623
- Discontinued operations (Note 16(a))	**(453,542)**	199,275
	101,466	4,481,898

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax is explained as follows:

	Group	
	2015	**2014**
	US$	**US$**
(Loss)/Profit before income tax from		
- Continuing operations	**(52,228,987)**	(7,997,876)
- Discontinued operations (Note 16(a))	**(1,108,549)**	758,647
	(53,337,536)	(7,239,229)
Share of losses of associated companies, net of tax (Note 10)	**625,757**	-
Loss before income tax and share of losses of associated companies	**(52,711,779)**	(7,239,229)
Tax calculated at tax rate of 17% (2014: 17%)	**(8,961,002)**	(1,230,669)
Effects of:		
- Different tax rates in other countries	**597,275**	2,113,941
- Income not subject to tax	**(396,457)**	(2,829,324)
- (Over)/Under provision of tax in prior financial years	**(1,028,331)**	7,701
- Expenses not deductible for tax purposes	**9,889,981**	6,420,249
	101,466	4,481,898

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21. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group has made provision for environmental, restoration and social responsibility costs for its TAC TMT, TAC LS and granite operations. Full provision is made for future restoration costs of oil exploration site in Indonesia on a discounted basis, which represents the present value of restoration costs relating to producing oil and gas properties and are expected to be incurred at the end of the TAC when the producing oil and gas properties are expected to cease operation. Provision for environmental, restoration and social responsibility costs for the mining site is calculated using units of sales approach over the life of the mine.

These provisions are recognised based on the Group's internal estimates. The assumptions are based on current economic environment, which management believes are a reasonable basis to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual restoration costs will ultimately depend upon future market prices for the necessary restoration works required and also the market conditions at the relevant time. Furthermore, the timing of restoration will likely depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil prices, which are inherently uncertain. The discount rate used in the calculation of provision for site restoration of the Indonesia operations as at 31 December 2015 was 10% per annum (2014: 8% per annum). The Group has not made any provision for environmental and restoration costs for its Myanmar operations as the Group believes that there are no significant costs involved in meeting the legal and regulatory requirements laid down at current time (Note 34).

	Group	
	2015	**2014**
	US$	**US$**
Opening balance	**5,286,886**	2,715,279
Acquisition of subsidiary corporation (Note 38(a)(iv))	**-**	1,079,247
Provision made	**198,001**	1,229,268
Actual expenditures utilised	**(261,877)**	-
Unwinding of discount (Note 30)	**199,795**	332,449
Currency translation differences	**(115,565)**	(69,357)
Reclassified to disposal group (Note 16(d))	**(833,526)**	-
Closing balance	**4,473,714**	5,286,886

22. RETIREMENT BENEFIT OBLIGATIONS

The Group's subsidiary corporations operating in Indonesia have funded defined benefit plans for its employees. These plans are final salary retirement and severance benefits. The assets of the plans are held independently of the Group's assets as insurance fund managed by PT Panin Life Tbk for TAC TMT and PT AJ Manulife Indonesia for TAC LS except for MITI.

The amounts recognised in the balance sheets are determined as follows:

	Group	
	2015	**2014**
	US$	**US$**
Present value of funded obligations	**733,930**	626,625
Fair value of plan assets	**(694,817)**	(780,305)
Deficit/(Surplus) of funded plan	**39,113**	(153,680)
Present value of unfunded obligation	**-**	-
Total Deficit/(Surplus) of defined benefit plan	**39,113**	(153,680)
Reclassified to disposal group (Note 16(d))	**(96,556)**	-
Assets recognised in the balance sheet	**(57,443)**	(153,680)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in the defined benefit obligations are as follows:

	Present Value of Obligation US$	Fair Value of Plan Assets US$	Total US$	Impact of Minimum Funding Requirement/ Asset Ceiling US$	Total US$
2015					
As at 1 January 2015	**626,625**	**(780,305)**	**(153,680)**	**-**	**(153,680)**
Current service cost	**253,686**	**-**	**253,686**	**-**	**253,686**
Interest expense/(income)	**42,069**	**(56,694)**	**(14,625)**	**7,099**	**(7,526)**
Past service costs and gains and losses on settlements	**657**	**-**	**657**	**-**	**657**
	296,412	**(56,694)**	**239,718**	**7,099**	**246,817**
Re-measurements:					
- Gains from change in financial assumptions	**(3,891)**	**-**	**(3,891)**	**-**	**(3,891)**
- Experience losses	**40,951**	**32,455**	**73,406**	**-**	**73,406**
- Change in asset ceiling, excluding amounts included in interest expense	**-**	**-**	**-**	**(109,815)**	**(109,815)**
	37,060	**32,455**	**69,515**	**(109,815)**	**(40,300)**
Exchange differences	**(61,919)**	**76,356**	**14,437**	**102,716**	**117,153**
Contributions:					
- Employers	**-**	**(130,877)**	**(130,877)**	**-**	**(130,877)**
Payments from plans:					
- Benefit payments	**(164,248)**	**164,248**	**-**	**-**	**-**
As at 31 December 2015	**733,930**	**(694,817)**	**39,113**	**-**	**39,113**
2014					
As at 1 January 2014	359,357	(632,355)	(272,998)	153,642	(119,356)
Current service cost	199,721	-	199,721	-	199,721
Interest expense/(income)	27,586	(51,965)	(24,379)	9,246	(15,133)
Past service costs and gains and losses on settlements	3,639	-	3,639	-	3,639
	230,946	(51,965)	178,981	9,246	188,227
Re-measurements:					
- Gains from change in financial assumptions	2,757	-	2,757	-	2,757
- Experience losses	89,433	26,001	115,434	-	115,434
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	(96,355)	(96,355)
	92,190	26,001	118,191	(96,355)	21,836
Exchange differences	(6,258)	8,877	2,619	(66,533)	(63,914)
Contributions:					
- Employers	-	(180,473)	(180,473)	-	(180,473)
Payments from plans:					
- Benefit payments	(49,610)	49,610	-	-	-
As at 31 December 2014	626,625	(780,305)	(153,680)	-	(153,680)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amounts of defined benefit plan recognised in profit or loss and included in employee compensation amounted to US$246,817 (2014: US$188,227) (Note 31).

The significant actuarial assumptions used are as follows:

	Group	
	2015	**2014**
	%	**%**
Discount rate	**8.00 - 9.10**	7.70 - 8.50
Salary growth rate	**8.00 - 10.00**	8.00 - 10.00

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 58 (2014: 58):

	Group	
	2015	**2014**
Retiring at the end of the reporting period:		
- Male	**-**	-
- Female	**-**	-
Retiring 20 years after the end of the reporting period:		
- Male	**197**	196
- Female	**16**	19

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by 0.91% to 8.51%	Increase by 0.93% to 9.99%
Salary growth rate	1%	Increase by 0.90% to 9.94%	Decrease by 0.90% to 8.61%
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		Increase by 0.01% and 0.29%	Decrease by 0.01% and 0.29%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis are consistent with the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. DEFERRED INCOME TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group	
	2015 US$	2014 US$
Opening balance	**892,893**	-
Acquisition of subsidiary corporation (Note 38(a)(iv))	**-**	894,379
Tax credited to profit or loss:		
- Continuing operations (Note 20)	**(3,966)**	-
- Discontinued operations (Note 20)	**(719,646)**	(12,710)
Reclassification to disposal group (Note 16(d))	**(142,393)**	-
Currency translation differences	**12,175**	11,224
Closing balance	**39,063**	892,893
Analysed as:		
To be settled within one year	**73,851**	162,182
To be settled after one year	**(34,788)**	730,711
	39,063	892,893

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) account are as follows:

	Deferred income tax liabilities		
	Fair value gains-net US$	Other US$	Total US$
2015			
Opening balance	**995,030**	**60,439**	**1,055,469**
(Credited)/Charged to profit or loss	(621,977)	19,858	(602,119)
Reclassification to disposal group (Note 16(d))	(384,820)	-	(384,820)
Currency translation differences	-	(4,293)	(4,293)
Closing balance	**(11,767)**	**76,004**	**64,237**
2014			
Opening balance	**-**	**-**	**-**
Acquisition of subsidiary corporation (Note 38(a)(iv))	1,090,990	31,261	1,122,251
(Credited)/Charged to profit or loss	(95,960)	31,326	(64,634)
Currency translation differences	-	(2,148)	(2,148)
Closing balance	**995,030**	**60,439**	**1,055,469**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. DEFERRED INCOME TAX LIABILITIES (CONT'D)

	Deferred income tax assets			
	Difference in tax depreciation US$	Provisions US$	Other US$	Total US$
2015				
Opening balance	**(118,458)**	**(44,118)**	**-**	**(162,576)**
Charged/(Credited) to profit or loss	8,808	(10,336)	(119,965)	(121,493)
Reclassification to disposal group (Note 16(d))	98,014	24,857	119,556	242,427
Currency translation differences	11,636	4,423	409	16,468
Closing balance	**-**	**(25,174)**	**-**	**(25,174)**
2014				
Opening balance	**-**	**-**	**-**	**-**
Acquisition of subsidiary corporation (Note 38(a)(iv))	(123,427)	(104,445)	-	(227,872)
(Credited)/Charged to profit or loss	(2,524)	54,448	-	51,924
Currency translation differences	7,493	5,879	-	13,372
Closing balance	**(118,458)**	**(44,118)**	**-**	**(162,576)**

Deferred income tax liabilities of US$53,103 (2014: US$59,637) have not been recognised for withholding and other taxes that are payable on the earnings of an overseas subsidiary corporation remitted to the holding company. These unremitted profits are permanently reinvested and amounted to US$448,237 (2014: US$383,569) at the balance sheet date.

24. SHARE CAPITAL

	2015	2014	2015	2014
	Number of ordinary shares		US$	US$
Company and Group				
Opening balance	**449,350,357**	446,170,357	**63,125,113**	62,138,007
Shares issued	**57,096,400**	3,180,000	**6,133,623**	987,106
Share issue expenses	**-**	-	**(780)**	-
Closing balance	**506,446,757**	449,350,357	**69,257,956**	63,125,113

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 11 June 2015, an aggregate of 57,086,112 new ordinary shares were issued at an issue price of S$0.1492 per share to settle the remaining purchase consideration for the acquisition of the 21.510812% equity interest in BO of US$6,131,928 (S$8,517,247) (Note 10). The related transaction costs amounted to US$780. These newly issued ordinary shares ranked pari passu in all respects with the existing ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. SHARE CAPITAL (CONT'D)

On 9 December 2014, the Company allotted and issued 44,616,914 free warrants to existing shareholders on the basis of one warrant for every ten existing ordinary shares pursuant to a bonus warrants issue approved by members of the Company at an Extraordinary General Meeting held on 24 October 2014. Each warrant carried the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.235 and expired on 8 December 2015. For every two bonus warrants validly and concurrently exercised, one piggyback warrant was issued free. Each piggyback warrant carried the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.175 and expired on 29 December 2015. As at the expiry date of 8 December 2015, 9,748 warrants were exercised at an exercise price of S$0.235 per share for an aggregate value of S$2,291 (US$1,628) and an aggregate of 4,874 piggyback warrants were issued and allotted free to these warrants holders. As at the expiry date of 29 December 2015, an aggregate of 540 piggyback warrants were exercised at an exercise price at S$0.175 per share for an aggregate value of S$95 (US$67). The remaining unexercised warrants and piggyback warrants lapsed on 8 December 2015 and 29 December 2015 respectively. In total, 10,288 new ordinary shares were issued and allotted in the capital of the Company and S$2,386 (US$1,695) cash proceeds were raised from the warrants issue.

On 29 December 2014, an aggregate of 3,180,000 ordinary shares were issued to the non-executive directors as a one-time bonus as part of the remuneration for financial year 2014 at fair value of S$0.39 per share as approved at the Annual General Meeting held on 29 April 2014 at no consideration. The fair value of the remuneration shares amounting to US$987,106 was estimated based on the share price on 29 April 2014. The newly issued shares rank pari passu in all respect with the previously issued shares.

25. SHARE OPTIONS

The Interra Share Option Plan (the "Plan") provides a means of rewarding, retaining and giving recognition to directors and employees of the Group who have contributed to the success and development of the Group. The Plan is administered by the Remuneration Committee and became operative on 3 March 2008.

The Plan was approved by members of the Company at an Extraordinary General Meeting held on 30 April 2007 and amended on 28 April 2011. The amendments to the rules of the Plan are to widen the eligible participants and to give wider powers and discretion to the Remuneration Committee in the administration of the Plan. The amendments allow the participation of non-executive directors, employees who are not key executives and controlling shareholders. The amended rules also allow the Remuneration Committee to grant option at a discount of up to 20% of the market price and change the exercise period for options granted without discount from two to one year from the date of grant.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the SGX-ST for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) to be determined by the Remuneration Committee in its absolute discretion. Option granted at market price or premium may be vested after one year from the date of grant and are exercisable for a period of four years, while option granted at a discount may be vested after two years from the date of grant and are exercisable for a period of three years. The options may be exercised, in whole or in part (being 1,000 shares or any multiple thereof), on the payment of the aggregate exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Plan, shall not exceed 5% of the issued share capital of the Company (including treasury shares, if any) on the day preceding that date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. SHARE OPTIONS (CONT'D)

On 20 January 2012, the Company granted options to subscribe for 10,050,000 ordinary shares of the Company at an exercise price of S$0.148 per share ("2012 Options"). The 2012 Options are exercisable from 21 January 2013 and will expire on 19 January 2017.

The movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

	Number of ordinary shares under option					
	At beginning of the financial year	**(Forfeited)/ Granted during financial year**	**Exercised during financial year**	**At end of the financial year**	**Exercise price**	**Exercise period**
Company and Group						
2015						
2012 Options	7,260,000	(150,000)	-	7,110,000	S$0.148	21 January 2013 to 19 January 2017
2014						
2012 Options	7,260,000	-	-	7,260,000	S$0.148	21 January 2013 to 19 January 2017

The outstanding options comprising 7,110,000 (2014: 7,260,000) unissued ordinary shares were exercisable at the balance sheet date. No options were exercised during the financial year 2015.

26. OTHER RESERVES

(a) Composition:

	Company		Group	
	2015 US$	**2014 US$**	**2015 US$**	**2014 US$**
Special reserve	**-**	-	**(16,544,140)**	(16,544,140)
Share option reserve	**356,963**	364,494	**356,963**	364,494
Currency translation reserve	**-**	-	**(2,409,687)**	(1,701,765)
	356,963	364,494	**(18,596,864)**	(17,881,411)

Other reserves are non-distributable.

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting as set out in Note 2(b)(iii), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary corporation, Goldwater. As such, the cost of investment to acquire Goldwater and the reserves of the Company immediately prior to the reverse acquisition were transferred to special reserves during the consolidation of the financial statements. These reserves include share premium immediately before the debt restructuring on 10 July 2003 and accumulated losses immediately before the reverse acquisition on 10 July 2003.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. OTHER RESERVES (CONT'D)

(b) Movements: (Cont'd)

	Group	
	2015	**2014**
	US$	**US$**
Cost of investment	**(18,319,492)**	(18,319,492)
Share capital of Goldwater	**200,000**	200,000
Goodwill on reverse acquisition	**1,575,352**	1,575,352
	(16,544,140)	(16,544,140)

(ii) Share Option Reserve

	Company and Group	
	2015	**2014**
	US$	**US$**
Opening balance	**364,494**	364,494
Employee share option plan		
- share options lapsed	**(7,531)**	-
Closing balance	**356,963**	364,494

(iii) Currency Translation Reserve

	Group	
	2015	**2014**
	US$	**US$**
Opening balance	**(1,701,765)**	(1,224,438)
Net currency translation differences of foreign subsidiary corporations	**(1,179,313)**	(933,192)
Share of currency translation differences of associated companies	**(114,327)**	-
Reclassification on liquidation of subsidiary corporation	**-**	(366)
Less: Non-controlling interests	**585,718**	456,231
Closing balance	**(2,409,687)**	(1,701,765)

27. REVENUE

	Group	
	2015	**2014**
	US$	**US$**
Sale of oil and petroleum products	**23,452,048**	55,796,215

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. OTHER INCOME, NET

	Group	
	2015 US$	2014 US$
Bank interest income	**92,828**	46,993
Interest income from loan to non-related parties	**172,879**	76,222
Petroleum services fees	**173,158**	84,173
Management fees	**260,621**	382,055
Currency translation (losses)/gains, net	**(365,807)**	135,855
Loss on disposal of property, plant and equipment	**(5,955)**	-
Loss on disposal of exploration and evaluation assets	**-**	(5,334)
Loss on re-measurement of previously held non-controlling interests in subsidiary corporation (Note 38(a)(ii))	**-**	(167,917)
Gain on revaluation of investment properties (Note 11)	**109,514**	-
Other (losses)/income	**(113,491)**	56,899
	323,747	608,946

29. FINANCE EXPENSES

	Group	
	2015 US$	2014 US$
Bank loan interest expenses	**58,563**	1,102

30. EXPENSES BY NATURE

	Group	
	2015 US$	2014 US$
Royalties	**1,857,719**	4,554,281
Repair and maintenance expenses	**4,041,097**	5,711,858
Well servicing and workover expenses	**2,463,820**	3,546,626
Direct labour costs and related expenses	**922,653**	1,177,922
Geology and geophysical study	**347,235**	2,826
Changes in inventories	**335,076**	(167,620)
Other production expenses	**1,500,202**	2,068,208
Amortisation of producing oil and gas properties (Note 5)	**18,116,462**	22,870,258
Depreciation of property, plant and equipment (Note 4)	**48,642**	24,359
Amortisation of intangible assets (Note 8)	**10,274**	856
Impairment of producing oil and gas properties (Note 5)	**31,798,622**	9,775,825
Impairment of intangible assets (Note 8)	**1,518,866**	656,644
Total amortisation, depreciation and impairment	**51,492,866**	33,327,942
Employee compensation (Note 31)	**4,922,647**	4,856,773
Directors' costs	**728,261**	1,865,167
Rental expenses on operating leases	**3,526,013**	3,799,770
Professional, legal and compliance expenses	**649,691**	1,711,141
Marketing expenses	**18,111**	-
Unwinding of discount of provision for environmental and restoration costs (Note 21)	**199,795**	332,449
Other expenses	**2,099,026**	1,321,006
Auditor's fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	**144,742**	151,623
- Other auditors	**71,508**	47,495
Other fees paid/payable to:		
- Auditor of the Company	**-**	66,459
- Other auditors	**-**	28,009
Total cost of production and administrative expenses	**75,320,462**	64,401,935

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. EMPLOYEE COMPENSATION

	Group	
	2015	**2014**
	US$	**US$**
Wages and salaries	**5,290,383**	5,018,998
Employer's contribution to defined contribution plan	**164,948**	139,878
Defined benefit plan (Note 22)	**246,817**	188,227
Other short-term benefits	**241,086**	292,162
	5,943,234	5,639,265
Less: Amounts attributable to discontinued operations	**(1,020,587)**	(782,492)
Amounts attributable to continuing operations (Note 30)	**4,922,647**	4,856,773

32. (LOSSES)/EARNINGS PER SHARE

(Losses)/Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares on issue during the financial year.

For the purpose of calculating diluted (losses)/earnings per share, weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit/(loss).

	Continuing Operations		Discontinued Operations		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Net (loss)/profit attributable to equity holders of the Company (US$)	**(47,416,607)**	(10,794,019)	**(302,872)**	258,651	**(47,719,479)**	(10,535,368)
Weighted average number of ordinary shares outstanding for basic earnings per share	**481,100,269**	446,187,782	**481,100,269**	446,187,782	**481,100,269**	446,187,782
Adjustments for share options	**7,110,000**	3,941,496	**7,110,000**	3,941,496	**7,110,000**	3,941,496
Adjustments for warrants*	**-**	-	**-**	-	**-**	-
Weighted average number of ordinary shares outstanding for diluted earnings per share	**488,210,269**	450,129,278	**488,210,269**	450,129,278	**488,210,269**	450,129,278
Basic (losses)/ earning per share (US cents)	**(9.856)**	(2.419)	**(0.063)**	0.058	**(9.919)**	(2.361)
Fully diluted (losses)/ earnings per share (US cents)**	**(9.856)**	(2.419)	**(0.063)**	0.057	**(9.919)**	(2.361)

* The dilutive potential shares from warrants are anti-dilutive as the exercise prices were higher than the average market price during the financial year.

** As losses were recorded in the financial years 2015 and 2014, the dilutive potential shares from share options are anti-dilutive and no change has been made to the diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. COMMITMENTS

(a) Operating Lease Commitments – where the Company and the Group are the lessee

The Company and Group have non-cancellable operating lease commitments from non-related parties in respect of rental of office premises, supply of contract labour, motor vehicles, drilling equipment and mining machineries in Singapore, Myanmar and Indonesia.

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Company		Group	
	2015	**2014**	**2015**	**2014**
	US$	**US$**	**US$**	**US$**
Not later than 1 year	**152,902**	157,990	**861,791**	5,798,399
Between 1 and 5 years	**230,872**	79,917	**248,782**	364,277
	383,774	237,907	**1,110,573**	6,162,676

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar, and TAC TMT, TAC LS, PSC KP and MITI in Indonesia. The capital expenditure for 2016 and 2015 is based on the work programmes and budgets approved by the respective local authorities. These include development and deep well drillings in Myanmar and Indonesia.

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2015	**2014**
	US$	**US$**
Not later than 1 year	**223,140**	5,919,600

34. CONTINGENT LIABILITIES

Contingent liabilities of which the probability of settlement is not remote at the balance sheet date are as follows:

Company

The Company has provided letters of financial support to some of its subsidiary corporations to enable the subsidiary corporations to operate as going concerns and to meet their liabilities as and when they fall due.

Group

The Myanmar Investment Commission ("'MIC") resolved at its meeting in August 1994 that all projects established with the permission of the MIC shall be responsible for the preservation of the environment at and around the area of the project sites. The enterprises are entirely responsible for controlling pollution of air, water and land, and other environmental aspects and keeping the project site environmentally friendly. To meet the requirements of the MIC, the Group may incur costs in restoring the project sites. These potential costs are not estimated as the Group does not foresee any circumstances which require it to make provisions for such compliance with the MIC's requirements.

In late 2005, the Ministry of Finance and Revenue of Myanmar issued a notification stating that all capital gains arising from transactions in foreign currencies relating to the sale, exchange or transfer of shares, capital assets, ownership, or interest of companies doing business in the oil and gas sector in Myanmar are subject to tax. This change is to be applied retrospectively from 15 June 2000 onwards. In late 2002, the Group's subsidiary corporation, Goldwater, farmed out its 40% interest in the IPRCs to a joint venture partner. At that time, Goldwater informed MOGE that Goldwater's net cumulative investment was higher than the cash proceeds received from the farm-out and hence, Goldwater did not derive any capital gain. At this point in time, the Group is of the view that no tax provision in respect of this matter is required to be included in the financial statements. Furthermore, it is not possible to estimate the quantum of this amount which may eventually become payable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (including currency risk, country risk, interest rate risk and crude oil price risk), credit risk and liquidity risk arising in the normal course of business. The Group recognises the existence of the various risks and management of the Group constantly assesses the potential impacts to the Group. The Group also implements measures and strategies to minimise risk exposures. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in oil prices, interests and foreign exchange rates.

(a) Market Risk

(i) Price Risk

The Group is exposed to crude oil price risk arising from crude petroleum production. The price of crude oil, which is a global commodity, is not set by the Group and is subject to fluctuations. The Group does not hedge against fluctuations in crude oil prices. The Group monitors the situation and manages the risk accordingly.

If crude oil price strengthens/weakens by 5% (2014: 5%) with all other variables including tax rate being held constant, the impact to the revenue and net profit of the Group would have been higher/lower by US$1,172,000 and US$1,083,000 (2014: higher/lower by US$2,789,000 and US$2,576,000) respectively.

(ii) Cash Flow and Fair Value Interest Rate Risks

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk mainly arises from short-term bank deposits, bank loans and finance lease payables. As short-term bank deposits are placed in short-term money market with tenures mostly within the range of 7 days to 3 months, the Group's interest income is subject to fluctuation in interest rates. These fixed deposits are placed on a short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against short-term interest rate fluctuations. In addition, the bank loans obtained with tenures within 1 month to 3 months are subject to changes in market borrowing interest rates.

The effective interest rates for short-term bank deposits ranged from 0.095% to 9.00% per annum (2014: 0.085% to 10% per annum). These deposits were staggered in varying periods and amounts in accordance with the cash requirements of the Group. The effective interest rates for finance lease payable ranged from 8.86% to 15.25% per annum (2014: 8.86% to 15.25% per annum). The effective interest rates for bank loans ranged from 2.47% to 2.70% per annum (2014: nil). Any significant movement in the interest rates is not likely to be material to the Group.

(iii) Country Risk

The Group constantly assesses the prevailing circumstances of the countries in which it operates and manages its investments in view of the political, economic and social backdrop of these countries. The Group also assesses the relevant country risk of its future investments as part of the Group's internal assessment and evaluation process.

(iv) Currency Risk

The Group operates mainly in Myanmar, Indonesia and Singapore. Entities of the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as Singapore Dollar ("SGD") and Indonesian Rupiah ("IDR").

Currency risk arises when transactions are denominated in foreign currencies. The Group currently does not seek to hedge against these exposures as such transactions constitute a small portion of the Group's operations.

In addition, the Group is exposed to currency translation risk on the net assets of its foreign operations. The Group's currency risks are predominantly in SGD and IDR. The Group currently does not seek to hedge against these exposures. As at the balance sheet date, the Group does not have any forward foreign currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Group's currency exposure is as follows:

	USD US$	SGD US$	IDR US$	Others US$	Total US$
2015					
Financial assets					
Cash and cash equivalents	**14,358,086**	**126,462**	**3,329,307**	**14,585**	**17,828,440**
Trade and other receivables	**5,977,829**	**8,678**	**8,149,321**	**-**	**14,135,828**
Other financial assets	**363,354**	**40,317**	**18,372**	**-**	**422,043**
	20,699,269	**175,457**	**11,497,000**	**14,585**	**32,386,311**
Financial liabilities					
Borrowings	**(3,000,000)**	**-**	**(727,998)**	**-**	**(3,727,998)**
Other financial liabilities	**(7,064,869)**	**(871,581)**	**(8,158,341)**	**(1,556)**	**(16,096,347)**
	(10,064,869)	**(871,581)**	**(8,886,339)**	**(1,556)**	**(19,824,345)**
Net financial assets/ (liabilities)	**10,634,400**	**(696,124)**	**2,610,661**	**13,029**	**12,561,966**
Add: Net non-financial assets	**15,980,569**	**54,362**	**4,660,637**	**94,242**	**20,789,810**
Currency profile including non-financial assets	**26,614,969**	**(641,762)**	**7,271,298**	**107,271**	**33,351,776**
Currency exposure of financial (liabilities)/ assets, net of those denominated in the respective entities' functional currencies	**-**	**(696,124)**	**2,610,661**	**13,029**	**1,927,566**
2014					
Financial assets					
Cash and cash equivalents	15,081,539	65,906	3,495,962	93,253	18,736,660
Trade and other receivables	9,015,724	17,690	3,237,162	-	12,270,576
Other financial assets	407,576	40,553	253,802	163	702,094
	24,504,839	124,149	6,986,926	93,416	31,709,330
Financial liabilities					
Borrowings	-	-	(1,188,955)	-	(1,188,955)
Other financial liabilities	(8,442,499)	(1,252,766)	(2,359,925)	(52,646)	(12,107,836)
	(8,442,499)	(1,252,766)	(3,548,880)	(52,646)	(13,296,791)
Net financial assets/ (liabilities)	16,062,340	(1,128,617)	3,438,046	40,770	18,412,539
Add: Net non-financial assets	52,400,425	127,828	9,623,167	6,630	62,158,050
Currency profile including non-financial assets	68,462,765	(1,000,789)	13,061,213	47,400	80,570,589
Currency exposure of financial (liabilities)/ assets, net of those denominated in the respective entities' functional currencies	-	(1,128,617)	3,438,046	40,770	2,350,199

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Company's currency exposure is as follows:

	USD US$	SGD US$	Others US$	Total US$
2015				
Financial assets				
Cash and cash equivalents	**395,447**	**116,438**	**4,598**	**516,483**
Trade and other receivables	**304,998**	**8,678**	**16,884**	**330,560**
Other financial assets	**-**	**40,317**	**-**	**40,317**
	700,445	**165,433**	**21,482**	**887,360**
Financial liabilities				
Borrowings	**(3,000,000)**	**-**	**-**	**(3,000,000)**
Other financial liabilities	**(67,331)**	**(328,388)**	**-**	**(395,719)**
	(3,067,331)	**(328,388)**	**-**	**(3,395,719)**
Net financial (liabilities)/assets	**(2,366,886)**	**(162,955)**	**21,482**	**(2,508,359)**
Add: Net non-financial assets	**37,686,130**	**52,714**	**-**	**37,738,844**
Currency profile including non-financial assets	**35,319,244**	**(110,241)**	**21,482**	**35,230,485**
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	**-**	**(162,955)**	**21,482**	**(141,473)**
2014				
Financial assets				
Cash and cash equivalents	3,528,517	50,999	16,105	3,595,621
Trade and other receivables	180,853	17,690	29	198,572
Other financial assets	-	40,553	-	40,553
	3,709,370	109,242	16,134	3,834,746
Financial liabilities				
Other financial liabilities	(91,029)	(617,375)	-	(708,404)
Net financial assets/(liabilities)	3,618,341	(508,133)	16,134	3,126,342
Add: Net non-financial assets	39,370,780	125,761	623	39,497,164
Currency profile including non-financial assets	42,989,121	(382,372)	16,757	42,623,506
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	-	(508,133)	16,134	(491,999)

As at 31 December 2015, if SGD had strengthened/weakened by 5% (2014: 5%) against USD with other variables including tax rate being held constant, the Group's and Company's profit after tax would have been higher/lower by US$31,000 and US$5,000 (2014: higher/lower by US$48,000 and US$18,000) respectively, as a result of currency translation gains/(losses) on SGD denominated financial instruments.

As at 31 December 2015, if IDR had strengthened/weakened by 5% (2014: 5%) against USD with other variables including tax rate being held constant, the Group's profit after tax would have been higher/lower by US$347,000 (2014: higher/lower by US$$510,000), as a result of currency translation gains/(losses) on IDR denominated financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Group. The Group's main credit risk comes from its trade receivables and the financial institutions where the Group invests its surplus funds.

Surplus funds are placed with reputable financial institutions and interest income earned is subject to the fluctuations in interest rates. These surplus funds are placed on short-term deposits (usually within the range of 7 days to 3 months) according to the Group's cash flow requirement. The Group does not hedge against short-term fluctuations in interest rates.

As the Company and the Group do not hold any collaterals, the maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

As the Group currently sells all the crude oil produced to MOGE and Pertamina, the Group has a significant concentration of credit risk. The Group does not foresee its exposure to MOGE and Pertamina to be significant as payments have been regular. The trade receivables from MOGE and Pertamina individually represented 38% and 23% (2014: 38% and 31%) of the Group's total trade receivables respectively.

The credit risk for trade receivables based on the information disclosed to key management is as follows:

	Group	
	2015	**2014**
	US$	**US$**
By geographical areas		
Indonesia	**3,417,820**	5,254,568
Myanmar	**2,058,429**	3,150,311
	5,476,249	8,404,879
By types of customers		
Non-related parties		
- Government related entities	**3,343,750**	5,782,734
- Other companies	**2,132,499**	2,622,145
	5,476,249	8,404,879

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks of high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies which have a good collection track record with the Group. The Group has no financial assets past due and/or impaired.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2015	**2014**
	US$	**US$**
Past due less than 3 months	**1,003,441**	2,648,151
Past due 3 to 6 months	**203,362**	-
Past due over 6 months	**109,394**	142,355
	1,316,197	2,790,506

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk (Cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group	
	2015 US$	2014 US$
Past due less than 3 months	**-**	26,006
Past due over 6 months	**109,394**	142,355
	109,394	168,361
Less: Allowance for impairment	**(109,394)**	(168,361)
	-	-
Opening balance	**168,361**	-
Acquisition of subsidiary corporation (Note 38(a)(vi))	**-**	127,083
Allowance (write back)/made	**(47,567)**	48,389
Currency translation differences	**(11,400)**	(7,111)
Closing balance (Note 13)	**109,394**	168,361

The impaired trade receivables arise mainly from sales to customers who are under liquidation and/or long overdue.

(c) Capital Risk

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In light of the present economic conditions in the industry and various stages of development of its assets, the Group will endeavour to manage its capital structure and make adjustment to it, in order to achieve its objectives.

In view of the Group's assets at different stages of development, the Group will be actively seeking to raise debt financing or issue new shares in order to generate maximum returns, and at the same time attain an optimal capital structure through close monitoring of its gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	Company		Group	
	2015 US$	2014 US$	2015 US$	2014 US$
Net debt	**2,879,236**	(2,887,217)	**(450,661)**	(8,883,560)
Total equity	**35,230,485**	42,623,506	**33,351,776**	80,570,589
Total capital	**38,109,721**	39,736,289	**32,901,115**	71,687,029
Gearing ratio	**8%**	(7%)	**(1%)**	(12%)

The Group and the Company had no externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and obtaining credit facilities when the needs arise. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group's surplus funds are also managed centrally by placing them on short-term deposits with reputable financial institutions.

	Company		Group	
	2015	2014	2015	2014
	US$	US$	US$	US$
Less than 1 year				
Trade and other payables	**395,719**	708,404	**16,096,347**	12,107,836
Borrowings	**3,000,000**	-	**3,727,998**	1,188,955
	3,395,719	708,404	**19,824,345**	13,296,791

(e) Fair Value Measurements

The fair values of current financial assets and liabilities carried at amortised costs are assumed to approximate their carrying amounts.

(f) Financial Instruments by Category

The carrying amounts of the different categories of financial instruments are as follows:

	Company		Group	
	2015	2014	2015	2014
	US$	US$	US$	US$
Loan and receivables	**887,360**	3,834,746	**32,386,311**	31,709,330
Financial liabilities at amortised cost	**3,395,719**	708,404	**19,824,345**	13,296,791

36. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("BOD") for the purpose of making strategic decisions, allocating resources, and assessing performance.

The Group operates primarily in two geographical areas, namely Indonesia and Myanmar. The Group has two reportable business segments, namely the exploration and operation of oil fields for crude petroleum production and granite mining. Following the proposed disposal of the granite quarry, the granite mining operations was reclassified as "Discontinued operations and disposal group classified as held-for-sale".

Other services within Singapore include investment holding and the provision of management services, but these are not included within the reportable operating segments, as they are not included in the segment reports provided to the BOD. The results of these operations are included under "All Other Segments".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. SEGMENT INFORMATION (CONT'D)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2015 and 2014 are as follows:

	Oil and Gas			
	Indonesia US$	Myanmar US$	All Other Segments US$	Total for Continuing Operations US$
2015				
Revenue				
Sales to external customers	**10,088,083**	**13,363,965**	**-**	**23,452,048**
Adjusted EBITDA	**(2,418,092)**	**6,384,098**	**(4,387,073)**	**(421,067)**
Depreciation and amortisation	**12,148,636**	**5,978,100**	**48,642**	**18,175,378**
Impairment of producing oil and gas properties	**26,471,041**	**5,327,581**	**-**	**31,798,622**
Impairment of intangible assets	**-**	**1,518,866**	**-**	**1,518,866**
Share of losses of associated companies	**-**	**-**	**625,757**	**625,757**
Total assets	**30,353,376**	**16,983,786**	**13,628,208**	**60,965,370**
Total assets includes:				
Investments in associated companies	**-**	**-**	**7,621,480**	**7,621,480**
Capital expenditures (tangible and intangible assets)	**6,534,734**	**1,900,058**	**65,967**	**8,500,759**
Total liabilities	**(13,459,295)**	**(1,096,707)**	**(9,742,057)**	**(24,298,059)**
2014				
Revenue				
Sales to external customers	23,033,855	32,762,360	-	55,796,215
Adjusted EBITDA	8,743,361	22,021,693	(5,383,850)	25,381,204
Depreciation and amortisation	8,047,429	14,823,685	24,359	22,895,473
Impairment of producing oil and gas properties	9,775,825	-	-	9,775,825
Impairment of intangible assets	-	-	656,644	656,644
Total assets	58,914,368	25,486,648	20,433,675	104,834,691
Total assets includes:				
Capital expenditures (tangible and intangible assets)	8,747,427	9,903,866	94,079	18,745,372
Total liabilities	(12,577,981)	(1,715,349)	(4,290,347)	(18,583,677)

There is no inter-segment revenue. The revenue from external customers reported to the BOD is measured in a manner consistent with that in the statement of comprehensive income. The BOD assesses the performance of the operating segments based on a measure of Earnings before interest income, tax, depreciation and amortisation ("adjusted EBITDA") for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as impairment and reversal of impairment that are not expected to recur regularly in every period and are analysed separately. Interest income and finance expenses are not allocated to the segments as this type of activity is managed centrally.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. SEGMENT INFORMATION (CONT'D)

(i) Segment Profits

A reconciliation of adjusted EBITDA to loss before income tax and discontinued operations is provided as follows:

	2015 US$	2014 US$
Adjusted EBITDA for reportable segments	**3,966,006**	30,765,054
Adjusted EBITDA for other segments	**(4,387,073)**	(5,383,850)
Depreciation and amortisation	**(18,175,378)**	(22,895,473)
Impairment of producing oil and gas properties	**(31,798,622)**	(9,775,825)
Impairment of intangible assets	**(1,518,866)**	(656,644)
Finance expenses	**(58,563)**	(1,102)
Loss on re-measurement of previously held non-controlling interests	**-**	(167,917)
Loss on disposal of exploration and evaluation assets	**-**	(5,334)
Gain on revaluation of investment properties	**109,514**	-
Loss on disposal of property, plant and equipment	**(5,955)**	-
Interest income	**265,707**	123,215
Share of losses of associated companies	**(625,757)**	-
Loss before income tax and discontinued operations	**(52,228,987)**	(7,997,876)

(ii) Segment Assets

The amounts provided to the BOD with respect to the total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All assets are allocated to the reportable segments other than short-term bank deposits and assets of disposal group classified as held-for-sale.

Reportable segments' assets are reconciled to total assets as follows:

	2015 US$	2014 US$
Segment assets for reportable segments	**47,337,162**	84,401,016
Other segment assets	**13,628,208**	20,433,675
Unallocated:		
Assets of disposal group classified as held-for-sale	**4,452,576**	-
Short-term bank deposits	**-**	2,000,000
	65,417,946	106,834,691

(iii) Segment Liabilities

The amounts provided to the BOD with respect to the total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred income tax liabilities and liabilities directly associated with disposal group classified as held-for-sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. SEGMENT INFORMATION (CONT'D)

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2015 US$	2014 US$
Segment liabilities for reportable segments	**14,556,002**	14,293,330
Other segment liabilities	**9,742,057**	4,290,347
Unallocated:		
Liabilities directly associated with disposal group classified as held-for-sale	**1,072,475**	-
Current income tax liabilities and deferred income tax liabilities	**6,695,636**	7,680,425
	32,066,170	26,264,102

(vi) Revenue from Major Customers

The Group derived its revenues from the sale of crude petroleum to two major external customers for the financial year ended 31 December 2015 amounting to US$23,452,048 (2014: US$55,796,215). These revenues were attributable to oil and gas segment.

(v) Geographical Information

Revenue and non-current assets of the Group based on the location of customers and assets respectively are as follows:

	Revenue		Non-Current Assets	
	2015 US$	2014 US$	2015 US$	2014 US$
Sales for continuing operations				
Indonesia	**10,088,083**	23,033,855	**11,262,491**	50,501,757
Myanmar	**13,363,965**	32,762,360	**-**	9,435,716
Other countries	**-**	-	**32,730**	1,544,653
	23,452,048	55,796,215	**11,295,221**	61,482,126

Non-current assets consist of property, plant and equipment, producing oil and gas properties, mining properties, exploration and evaluation assets, intangible assets and investment properties.

37. LITIGATION

The Group's subsidiary corporation, MITI, obtained a back-to-back loan facility from PT Sejahtera Bank Umum ("SBU" - a liquidated bank), backed with the finance lease receivables from PT Intinusa Abadi Manufacturing ("IAM") on 31 August 1995. On 30 August 2005, MITI obtained a statement letter from the board of directors of SBU stating that the loan facility was provided on a without recourse basis, and accordingly SBU could not claim for repayment of the obligation of MITI to SBU when it fell due, should IAM defaulted in meeting its repayment obligation to MITI. On top of that, MITI was also allowed to set off its repayment obligation to SBU against the repayment obligation of IAM to MITI.

Through a warning letter from the lawyer of the liquidation team of the Indonesian Bank Restructuring Agency No. 2269/ALNA/IX/99 dated 23 September 1999 to SBU, MITI was required to repay its loan. Pursuant to this matter, MITI submitted several notifications to the board of directors of SBU to fulfill their commitment to MITI.

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For the financial year ended 31 December 2015

37. LITIGATION (CONT'D)

On 23 August 2000, through Simon and Simon Law Firm, MITI filed for default charges on IAM, Mr. Lesmana Basuki and Mr. Tony Suherman (directors of SBU/guarantor bank) to the Central Jakarta District Court. In its charges, MITI requested the Court to legalise the said bank's guarantee letter, requested SBU to write off MITI's obligation, requested SBU to directly collect the liabilities from IAM, and requested for an indemnity on MITI's material and non-material losses amounting to IDR16,833,333,333 (equivalent to US$1,323,105).

Based on the Verdict of the Central Jakarta District Court No. 351/PDT.G/2000/ PN.JKT.PST dated 29 March 2001, the Central Jakarta District Court granted part of MITI's claim and decreed that MITI together with IAM, Mr. Lesmana Basuki, Mr. Tony Suherman and SBU, jointly and severally, settle the obligation amounting to IDR10,000,000,000 to the State through SBU's liquidation team, including the interest determined by SBU's liquidation team.

Against the Verdict of Central Jakarta District Court on 7 June 2001, SBU and MITI filed an appeal to the DKI Jakarta High Court refusing the entire verdict of the Central Jakarta District Court.

Based on the Verdict No. 379/PDT/2002/PT.DKI. of DKI Jakarta High Court dated 14 February 2003, the Court overturned the Verdict No. 351/PDT.G/ 2000/PN.JKT.PST State dated 29 March 2001 of the Central Jakarta District Court.

Based on Relaas Delivery Memorandum appeal to the Supreme Court No. 25/SRT.PDT. KAS/2004/PN.JKT.PST.Jo. No. 351/PDT.G/2000/PN. JKT.PST dated 30 September 2004, the Central Jakarta District Court advised that SBU had submitted an appeal memorandum against MITI to the Supreme Court.

MITI had not used its right to request a Contra Appeal Memorandum to the Supreme Court against the appeal memorandum.

To the best knowledge of management of the Group, the liquidation team was disbanded. Up to the date of these financial statements, no progress has been reported on the case.

38. BUSINESS COMBINATION

(a) Acquisition of Subsidiary Corporation, MITI

On 5 August 2014 (the "acquisition date"), the Company acquired a 52.46% equity interest in MITI with the completion of the subscription of rights shares and disposal of 90% issued and paid-up capital of GLS to MITI. Prior to the subscription of rights shares of MITI, the Group owned 5% interest in MITI which was accounted for as available-for-sale financial asset. The principal activity of MITI is to engage in granite mining.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date based on purchase price allocation performed by management, are as follows:

(i) Purchase consideration

As the rights issue was conducted by MITI to raise the funds for the acquisition of the 90% interests in GLS of US$13,500,000, the Company paid US$12,824,018 for the subscription of 641,089,383 rights shares in MITI. This resulted in an increase in the Company's interests in MITI from 5% to 52.46% and a reduction of the Company's interests in GLS from 100% to 57.21% (i.e. 10% direct interests and 47.21% interests held under MITI).

In view of the above, the Company was considered economically to have transferred 42.79% interests in GLS to MITI for its subscription of 49.96% interests in MITI. Accordingly, the Company accounted for the purchase consideration as the fair value of 42.79% interests in GLS which was valued using valuation technique (i.e. income approach method). As at the acquisition date, the fair value of purchase consideration was determined to be US$4,557,499, representing fair value of 42.79% interests in GLS of US$3,954,049 (Note 9) and fair value of previously held interests in MITI of US$603,450. The fair value of GLS, an unlisted company, was estimated by applying the income approach. The fair value estimates are based on:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38. BUSINESS COMBINATION

(a) Acquisition of Subsidiary Corporation, MITI (Cont'd)

(1) discount rate of 8%;
(2) petroleum contract of 3.75 years; and
(3) adjustment because of lack of marketability that market participants would consider when estimating the fair value of GLS.

(ii) Loss on re-measuring previously held interest in MITI to fair value at acquisition date

The Group recognised a loss of US$167,917 as a result of measuring at fair value of the 5% equity interest in MITI held before the business combination. The loss was included in other income, net (Note 28) for the financial year ended 31 December 2014.

(iii) Effects on cash flows of the Group

	US$
Cash paid	13,595,385
Less: cash and cash equivalents in subsidiary corporation acquired	(3,391,367)
Cash outflow on acquisition	**10,204,018**

(iv) Identifiable assets acquired and liabilities assumed

	At fair value US$
Property, plant and equipment (Note 4)	164,489
Mining properties (Note 6)	7,529,452
Investment properties (Note 11)	237,772
Inventories	3,155,096
Trade and other receivables	2,705,094
Cash and cash equivalents	3,391,367
Restricted cash	1,079,247
Non-contractual customer relationship (Note 8)	565,371
Total assets	**18,827,888**
Trade and other payables	(2,195,211)
Current income tax liabilities (Note 19)	296,677
Bank loan	(859,003)
Finance lease payable	(505,497)
Provision for environmental and restoration costs (Note 21)	(1,079,247)
Deferred tax income liabilities (Note 23)	(894,379)
Total liabilities	**(5,236,660)**
Total identifiable net assets at fair value	**13,591,228**
Less: Non-controlling interests at the non-controlling interests proportionate share of MITI's net identifiable assets	(6,653,002)
Add: Effect on change in equity of GLS (Note 9)	(3,037,371)
Add: Goodwill on consolidation (Note 8)	656,644
Fair value of consideration transferred for the business	**4,557,499**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38. BUSINESS COMBINATION (CONT'D)

(a) Acquisition of Subsidiary Corporation, MITI (Cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired are as follows:

Assets acquired	Valuation technique
Mining properties (mining tangible assets), investment properties	Market comparison technique and cost technique. The valuation model considers quote market prices for similar items when available, and depreciated replacement cost when appropriate depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Mining properties (development and production assets), non-contractual customer relationships	Multi-period excess earning method. This method considers the present value of net cash flows related to contributing assets.
Inventories	Market comparison technique. The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based of the effort required to complete and sell the inventories.

(v) Acquisition-related costs

Acquisition-related costs of US$314,609 were included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2014.

(vi) Acquired receivables

The fair value of trade and other receivables was US$2,705,094 and included trade receivables with fair value of US$2,330,800. The gross contractual amount for trade receivables due was US$2,457,883, and US$127,083 of the contractual cash flows pertaining to trade receivables were not expected to be collected.

(vii) Goodwill

The goodwill of US$656,644 arising from the acquisition was attributable to the mining permit to carry out its granite mining activities. Goodwill was allocated entirely to the granite mining segment in Indonesia. None of the goodwill recognised was expected to be deductible for income tax purpose.

(viii) Revenue and profit contribution

The acquired business contributed revenue of US$6,114,463 and net profit after tax of US$580,918 to the Group for the period from 5 August 2014 to 31 December 2014.

Had MITI been consolidated from 1 January 2014, consolidated revenue and consolidated loss for the financial year ended 31 December 2014 would have been US$68,598,339 and US$11,747,383 respectively.

(b) Acquisition of Subsidiary Corporation, SSR

On 3 October 2014, the Company acquired 100% equity interest in SSR and its subsidiary corporation, PI, a company incorporated in the Republic of Indonesia. PI owns effective interest of 67.50% in MPI which in turn owns 100% participating rights in PSC KP dated 19 December 2011. The principal activities of SSR and PI are wholesale trading of photographic equipment and optical goods and multi-industry business sector respectively. The principal activity of MPI is exploration and operation of oil fields for crude petroleum production.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

38. BUSINESS COMBINATION (CONT'D)

(b) Acquisition of Subsidiary Corporation, SSR (Cont'd)

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the Group, at the acquisition date based on the purchase price allocation performed by management, are as follows:

(i) Purchase consideration

	US$
Cash paid	312,001
Cost reimbursed	1,038,000
Consideration transferred for the business	**1,350,001**

(ii) Effects on cash flows of the Group

	US$
Cash paid	312,000
Less: cash and cash equivalents in subsidiary corporation acquired	(25,776)
Cash outflow on acquisition	**286,224**

(iii) Identifiable assets acquired and liabilities assumed

	At fair value US$
Cash and cash equivalents	25,776
Exploration and evaluation assets (Note 7)	2,491,646
Other receivables	412,566
Total assets	**2,929,988**
Trade and other payables	(3,056,295)
Total liabilities	**(3,056,295)**
Total identifiable net liabilities at fair value	**(126,307)**
Less: Non-controlling interests at the non-controlling interests proportionate share of PI and MPI's net identifiable assets	41,050
Add: Participating rights (Note 7)	1,435,258
Consideration transferred for the business	**1,350,001**

(iv) Acquisition-related costs

Acquisition-related costs of US$34,584 were included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2014.

(v) Participating rights

The participating rights of US$1,435,258 arising from the acquisition was attributable to the fair value of 67.50% participating rights in PSC KP.

(vi) Revenue and profit contribution

As of 31 December 2014, the acquired business had not contributed to the revenue to the Group as it was still at exploratory stage. The net loss after tax contributed to the Group for the period from 3 October 2014 to 31 December 2014 was US$98,806.

Had SSR and its subsidiary corporation been consolidated from 1 January 2014, consolidated loss for the financial year ended 31 December 2014 would have been US$11,771,777.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

Related parties comprise mainly companies that are controlled or significantly influenced by the Group's key management personnel and their close family members.

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions took place between the Group and the related parties as per the terms agreed between the parties.

(a) Services Received from Related Parties

	2015 US$	2014 US$
Professional fees paid to Ng Chong & Hue LLC	**212,016**	206,182

One of the directors of the Company is related to Ng Chong & Hue LLC. The professional fee of US$212,016 (S$287,318) paid to the firm was in accordance with the prevailing market rates as compared to other firms providing similar services.

	2015 US$	2014 US$
Rental of drilling rig services from PT. Multico Millenium Persada	**1,112,997**	972,686

Two of the directors of the Company are related to PT. Multico Millenium Persada. The drilling rig rental services of US$1,112,997 (S$1,574,989) provided to the Group was in accordance with the prevailing market rates as compared to other companies providing similar services. The outstanding balances due from the related party at the balance sheet date were US$404,886 (2014: US$213,334).

(b) Key Management's Remuneration

The key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the costs incurred by the Group, and where the Group did not incur any costs, the fair value of the benefits. The key management's remuneration is as follows:

	2015 US$	2014 US$
Directors' fees	**306,428**	331,939
Directors' remuneration shares	**-**	987,106
Wages and salaries	**1,086,323**	1,302,396
Other short-term benefits	**51,007**	84,447
Employer's contribution to defined contribution plan	**12,485**	19,974
Total costs incurred by the Group	**1,456,243**	2,725,862
Costs are incurred for the following categories of key management :		
- Directors of the Company	**728,261**	1,865,167
- Other key management personnel	**727,982**	860,695
Total costs incurred by the Group	**1,456,243**	2,725,862

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

40. NEW OR REVISED FRS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

- FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets (effective for annual periods beginning on or after 1 January 2016)
- FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2016)
- FRS 110 Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2016)
- FRS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)
- FRS 109 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

41. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 28 March 2016.

APPENDIX

Gaffney,
Cline &
Associates

Gaffney, Cline & Associates
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Telephone: +65 6225 6951

www.gaffney-cline.com

4 April, 2016

Mr Marcel Tjia
Chief Executive Officer
Interra Resources Limited
1 Grange Road #05-04
Orchard Building
Singapore 239693

mtjia@interraresources.com

Dear Mr Tjia,

Summary of the Reserves and Contingent Resources Extracted from the Qualified Person's Reports for Interra Resources Limited Assets in Indonesia and Myanmar

At the request of Interra Resources Limited (Interra or "the Client"), Gaffney, Cline & Associates (GCA) has performed independent assessment of the Reserves and Contingent Resources of Interra's assets in Indonesia and Myanmar.

The assessment has been conducted according to the definitions contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007.

The assessment and its results have been reported in four separate GCA Qualified Person's Reports (QPRs), one for each asset, dated March, 2016. The following salient information has been extracted from the QPRs, to be included in Interra's 2015 Annual Report. GCA confirmed that the information below has been fully and accurately extracted from the QPRs. Further details can be found on the QPRs, which are available for inspection by Interra's shareholders at Interra's office in Singapore.

The assets for which GCA conducted the Reserves and Contingent Resources assessments are listed in **Table 1**.

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Gaffney, Cline & Associates

Table 1: Summary Table of Assets

Asset Name / Country	Issuer's Interests (%)	Development Status	Licence Expiry Date	Licence Area (km^2)	Type of deposit
Linda-Sele TAC (onshore Indonesia)	58.38	Producing	16th November, 2018	19	oil
Tanjung Miring Timur (TMT) TAC (onshore Indonesia)	100.00	Producing	16th December, 2016	61	oil
Chauk IPRC (onshore Myanmar)	60.00	Producing	4th April, 2017	1,000	oil
Yenangyaung IPRC (onshore Myanmar)	60.00	Producing	4th April, 2017	800	oil

GCA's assessment of the Reserves in Interra's assets in Indonesia and Myanmar is presented in **Table 2**.

Table 2: Gross Reserves and Net Entitlement of Interra's Assets in Indonesia & Myanmar As at 31st December, 2015

Block		Oil Reserves (MMstb)		
		1P	2P	3P
Linda-Sele TAC	Gross volumes (100% Field)	0.18	0.20	0.22
	Interra Net Working Interest (58.38%)	0.10	0.12	0.13
	Interra Net Entitlement	0.08	0.09	0.09
Tanjung Miring Timur TAC	Gross volumes (100% Field)	0.17	0.18	0.20
	Interra Net Working Interest (100%)	0.17	0.18	0.20
	Interra Net Entitlement	0.12	0.14	0.15
Chauk IPRC	Gross volumes (100% Field)	0.43	0.48	0.53
	Interra Net Working Interest (60%)	0.26	0.29	0.32
	Interra Net Entitlement	0.13	0.15	0.17
Yenangyaung IPRC	Gross volumes (100% Field)	0.22	0.36	0.45
	Interra Net Working Interest (60%)	0.13	0.22	0.27
	Interra Net Entitlement	0.03	0.05	0.06

Notes:

1. Gross Volumes represent a 100% total of estimated commercially recoverable oil, i.e. after economic cutoffs have been applied. Gross volumes include volumes attributable to third parties and government, including the agreed contract baseline production, and thus contain volumes which are not attributable to Interra.
2. Net Entitlement Reserves are a company's net economic entitlement under the TAC/IPRC that governs the asset (i.e., Company's share of cost oil/gas and profit oil/gas). Net Entitlements are derived by converting calculated net revenues accruing to Interra under the TAC/APRC terms into equivalent barrels of oil utilising the assumed crude price scenarios (i.e. those amounts that are determined to be attributable to Interra's net economic interest after the deduction of amounts attributable to third parties.

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GCA reviewed the reservoir and production engineering data provided by the operator of the respective blocks and generated independent production forecasts. GCA also independently reviewed the CAPEX and OPEX presented by the operator and in accordance with standards for reporting requirements, conducted Economic Limit Tests (ELTs) on the volumes. The Reserves volumes tabulated above are based on GCA 1Q 2016 Price Scenario and the cost and fiscal assumptions detailed in the respective QPRs, which are available for inspection by Interra's shareholders at Interra's office in Singapore.

The volumes beyond the economic limit, to the expiry of the contract are classified as Contingent Resources. Also classified as Contingent Resources are the volumes of future production beyond the expiry of the contract, assuming a 10 year extension of contract in the case of the Myanmar assets, and 15 year extension of contract in the case of the Indonesian assets. These volumes cannot be classified as Reserves, because there is not yet any confirmation on the contract extension, and the terms of the contract extension are still undefined. This portion of the Contingent Resources were derived from decline curve analyses based on current and planned production and do not include assumptions for further development activities beyond the expiry of contract. Re-assessment of these volumes at a later date, once a contract extension has been granted and further development activities defined, may result in significantly different volumes which could be higher or lower than those stated below. GCA's assessment of the Contingent Resources in the same assets is presented in **Table 3**.

Table 3: Contingent Resources of Interra's Assets in Indonesia & Myanmar
As at 31st December, 2015

Block		Oil Contingent Resources (MMstb)		
		1C	2C	3C
Linda-Sele TAC	Gross volumes (100% Field)	0.43	0.89	1.57
	Interra Net Working Interest (58.38%)	0.25	0.52	0.91
Tanjung Miring Timur TAC	Gross volumes (100% Field)	0.17	0.18	0.20
	Interra Net Working Interest (100%)	0.12	0.14	0.15
Chauk IPRC	Gross volumes (100% Field)	0.92	1.44	2.18
	Interra Net Working Interest (60%)	0.55	0.86	1.31
Yenangyaung IPRC	Gross volumes (100% Field)	3.81	3.95	4.14
	Interra Net Working Interest (60%)	2.29	2.37	2.48

Notes:

1. Gross Field Contingent Resources are 100% of the volumes estimated to be recoverable from the project in the event that the license is extended and development goes ahead.
2. Company Net Contingent Resources in this table are Company's Working Interest fraction of the Gross Field Resources; they do not represent Company's actual Net Entitlement under the terms of the TAC/IPRC that governs the asset, which would be lower.
3. The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
4. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved and the different basis on which the volumes are determined.

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Gaffney,
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Basis of Opinion

This document reflects GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client, the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by, or at the direction of, the Client, and has accepted the accuracy and completeness of this data. GCA has no reason to believe that any material facts have been withheld, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

In the preparation of this report, GCA has used definitions contained within the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resource estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that post-date the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resource estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

Oil and condensate volumes are reported in millions (10^6) of barrels at stock tank conditions (MMstb). Standard conditions are defined as 14.7 psia and 60°F.

GCA prepared an independent assessment of the reserves and resources based on data and interpretations provided by Interra.

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Definition of Reserves and Resources

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria, based on the development project(s) applied: discovered, recoverable, commercial and remaining (as of the evaluation date).

Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of reserves volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development because of one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

It must be appreciated that the Contingent Resources reported herein are unrisked in terms of economic uncertainty and commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources. Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development" (per PRMS).

Reserves net to Interra are quoted as Net Entitlement Reserves, reflecting the terms of the applicable contract. Contingent Resources are presented at a gross field level and a net working interest level.

GCA has not undertaken a site visit and inspection because such visit has not been included in the scope of work. As such, GCA is not in a position to comment on the operations or facilities in place, their appropriateness and condition, or whether they are in compliance with the regulations pertaining to such operations. Further, GCA is not in a position to comment on any aspect of health, safety, or environment of such operation.

This report has been prepared based on GCA's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties).

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Qualifications

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with Interra. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

Yours sincerely,

Gaffney, Cline & Associates

Project Manager
Nila Murti, *Senior Advisor - Geoscience*

Reviewed by
Stephen Lane, *Technical Director*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Marcel Han Liong Tjia
Executive Director &
Chief Executive Officer

Subianto Arpan Sumodikoro
Non-Executive Director

Ng Soon Kai
Non-Executive Director

Low Siew Sie Bob
Lead Independent Director
(Non-Executive)

Allan Charles Buckler
Independent Director
(Non-Executive)

Lim Hock San
Independent Director
(Non-Executive)

Pepen Handianto Danuatmadja
Alternate Director to
Subianto Arpan Sumodikoro

AUDIT COMMITTEE

Low Siew Sie Bob *(Chairman)*
Allan Charles Buckler
Lim Hock San
Sandiaga Salahuddin Uno

NOMINATING COMMITTEE

Allan Charles Buckler *(Chairman)*
Lim Hock San
Low Siew Sie Bob
Ng Soon Kai
Sandiaga Salahuddin Uno

REMUNERATION COMMITTEE

Allan Charles Buckler *(Chairman)*
Lim Hock San
Low Siew Sie Bob
Ng Soon Kai
Sandiaga Salahuddin Uno

COMPANY SECRETARY

Adrian Chan Pengee

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Chin Chee Choon
(Appointed since 28 April 2011)

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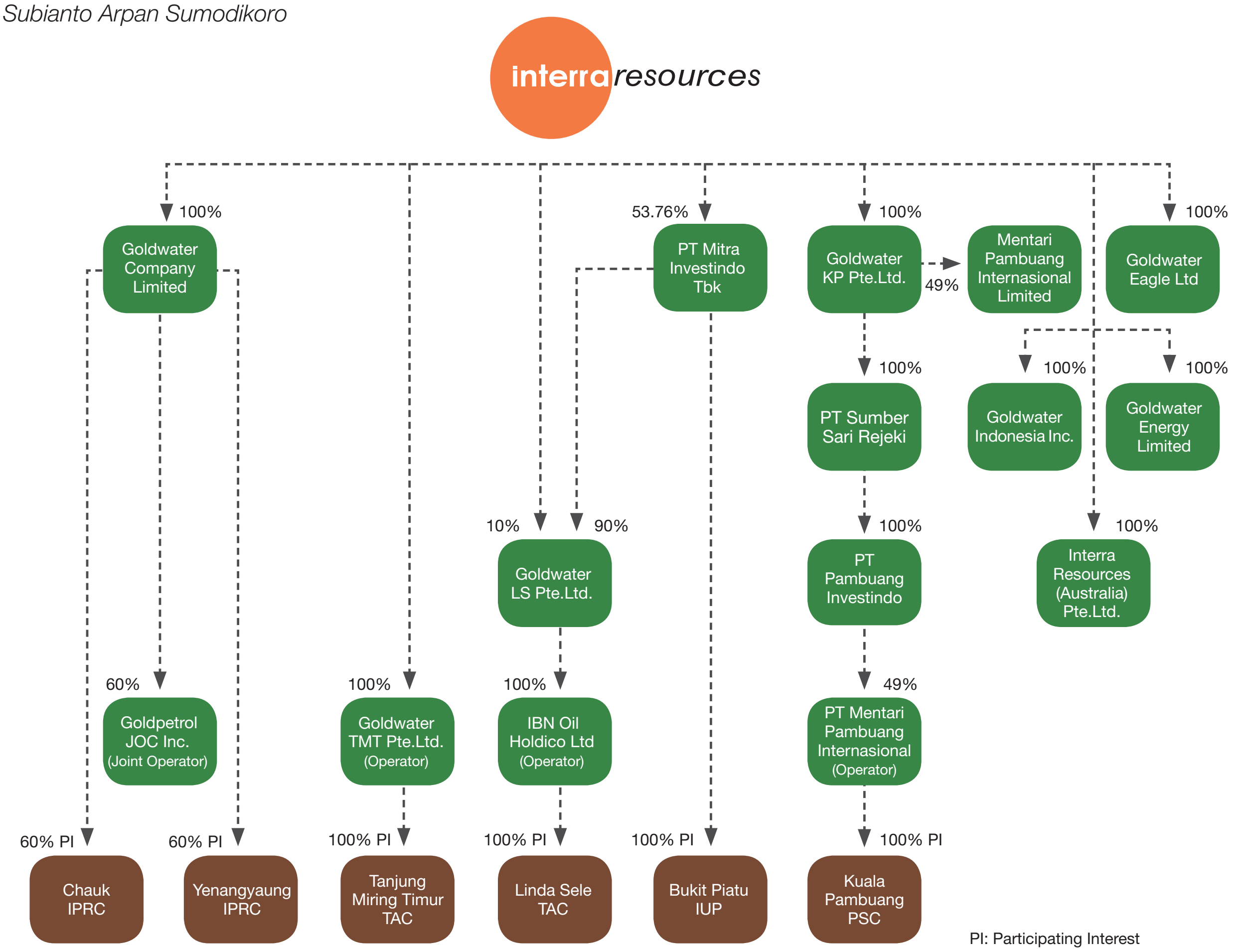

See Note 10 of the Notes to the Financial Statements for information on associated companies

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