MIRACH ENERGY

CONFIDENTLY FORWARD

ANNUAL REPORT 2016

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Member, Independent Director
LIM JUN XIONG, STEVEN
Member, Independent Director

AUDIT COMMITTEE
LIU MEI LING, RHODA
Chairman, Independent Director
LIM JUN XIONG, STEVEN
Member, Independent Director
RICHARD TAN KHENG SWEE
Member, Lead Independent Director

REMUNERATION COMMITTEE
RICHARD TAN KHENG SWEE
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NOMINATING COMMITTEE
LIM JUN XIONG, STEVEN
Chairman, Independent Director
RICHARD TAN KHENG SWEE
Member, Lead Independent Director
CHAN SHUT LI, WILLIAM
Member, Chairman and CEO

COMPANY SECRETARIES
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LEE BEE FONG (ACIS)
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Singapore 068898

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Tel: (852) 2850 7437
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(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
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AUDITOR
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PARTNER-IN-CHARGE
Chan Yew Kiang
(appointed since financial year ended
31 December 2014)

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Singapore 018982

CIMB Bank Berhad
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623

CORPORATE PROFILE

MIRACH ENERGY LIMITED (“Mirach” or the “Company” or “Group”) having been an upstream oil and gas entity with past experiences amassed over a decade through energy investment holdings, exploration & production, technical oilfield services & solutions as well as related consultancy will continue to expand its interests throughout Asia – both emerging and developed alike.

The business value preposition of the Company is however not just limited to its own; but includes working strategically with relevant partners to harness the best out of their respective specializations to maximize each and every commercial deal made. Presently besides holding oil and gas fields in Indonesia, the Group remains constantly on active lookout for any business synergies that might enhance shareholders' value, notwithstanding the current macroeconomic situation.

OUR BUSINESS

Exploration And Production ("E&P")

Mirach Energy holds interests in two production oil blocks. Management's strategy is to balance the risks in its asset portfolio, by investing in production oil fields to generate income and cash flow, and developing exploration interests for asset upside potential.

Oilfield Services

Mirach Energy recognizes the demand in enhancing oil recovery rate in Asia and provides "enhanced oil recovery" and related oilfield services through an integrated approach to achieve oil recovery efficiently. The Group has resourcefully harnessed a team of geoscientists and engineers who have much experience in managing exploration and production projects.

OUR INTERESTS IN ASIA

Kampung Minyak, South Sumatra, Indonesia (KM Oil Field)

The Kampung Minyak Oil Block is a mature oil field located in onshore South Sumatra, Indonesia and covers an area of approximately 45 square kilometres. The Group is working with Pertamina EP under Joint Operations Contract ("KSO") to re-activate and enhance production in the area. The contract period is 15 years, and expires in 2026.

In 2013, the Company acquired 10% interest in Gunung Indah Lestari Limited which holds 100% shares of a KSO operatorship in another marginal oil field, the Sungai Taham – Batu Keras – Suban Jeriji Block ("ST-BK-SJ" Field). ST-BK-SJ has a production tenure of 15 years starting from February 2013.

CHAIRMAN'S STATEMENT

This lower investments had led to lower production volume as evidenced by the lower revenues recorded. On the other hand, this had saved the Company from further negative investment returns and helped us to conserve cash, which can be seen from our cash positive position.

DEAR FELLOW SHAREHOLDERS,

As we have reported in the years, the investment in exploration and production, which had been the Group's main revenue generating activity, had since declined due to low oil prices. This lower investments had led to lower production volume as evidenced by the lower revenues recorded. On the other hand, this had saved the Company from further negative investment returns and helped us to conserve cash, which can be seen from our cash positive position. We appreciated that the Company is not geared and therefore is not impacted by interest rate hikes or bank calls. However, it is still important for us to bring in new growth business in the meantime.

Below are further updates on the business of the Company.

KAMPUNG MINYAK OIL FIELD ("KM") OPERATIONS

Despite keen efforts to work with our team in the KM Field operations, we are unable to achieve economies of scale in our field production without substantial capex investments. Such significant investments may be risky given the volatility of oil prices and that there is no guarantee that production volumes would increase significantly. The current cost structures are not economically viable or sustainable, unless we can see a dramatic recovery in oil prices.

As a result, despite cutting costs in 2016, PKM is still running at a loss. Given the above scenario plus a US$40 per barrel in Indonesian Crude Price (ICP) that manage to touch only a high of US$48 per barrel in December 2016, the Company could not envisage a turnaround in the operations in the foreseeable future.

Due to these scenarios, the Company had found the continuous loss making situations to be unacceptable and had to make the painful decision to suspend production in the meantime, and made impairments for KM Oil Field's fixed assets and KSO concession rights in the results report for the fourth quarter of 2016. The Company could not sustain such loss making positions without a concrete proof that the situation can turn around, after many attempts to streamline costs.

This impairment was made in consideration to the poor production performance, the sluggish economic climate within the Oil and Gas industries in Indonesia, as well as the failure of the KSO cost recovery approach to achieve profitability.

OIL FIELD SERVICES AND TRADING

Meanwhile, the Group is still actively assessing the development of oil trading activities through Acrux Procurement (Singapore) Pte. Ltd. amidst uncertain market prices.

CAMBODIA BLOCK D

As there is little positive development in reviving Block D, the management of the associate had decided not to continue with the operations at its Cambodian office (CPHLC).

CORPORATE ACTIVITIES

The Group recorded total revenue of US$0.6 million in FY2016, compared to a total revenue of US$2.1 million in FY2015. This was due to a lower range of Indonesian Crude Price (ICP) recorded in FY2016, versus that in FY2015 that was ranging between USD34 to USD59 per barrel of oil. There was also lower oil production volume as the Company try to contain costs on the loss making production.

It is no doubt that we have to bring in new business to turn the Company around, in order to sustain its operations. This is indeed an uphill tasks considering that the Company has been put in the Singapore Exchange watch-list in December 2015, which was always part of the uncertainty in our discussions with potential merger and acquisition partners. There will be proper disclosures to all shareholders only in the event of a confirmed acquisition plan.

STATUS REPORT FOR THE USE OF PROCEEDS FROM PLACEMENT AND CONVERTIBLE LOANS ISSUE IN 2013

The following table is the status report for the use of proceeds from drawdown of Loans Issue passed by resolutions on 9 October 2013. The company has raised a total of US$37.46 million from the placement and the loans issue in by the end of December 2014.

	USD' million
Net proceeds from drawdown of loans and placement	37.46
Less use of proceeds:	
Repayment of senior bonds due April 2014	17.44
Investment in 10% stake in Gunung Indah Lestari Limited	3.00
Loan to associate Company Gunung Indah Lestari	0.88
Exploration, drilling and testing activities at KM Field	5.68
Working Capital	8.59
Temporary loan to CPHL Cambodia Limited	0.00
BALANCE FROM NET PROCEEDS	**1.87**

ACKNOWLEDGEMENT

Last but not least, I would like to thank Mirach employees for their dedication and hard work.

WILLIAM CHAN
Executive Chairman and
Chief Executive Office
03 April 2017

FINANCIAL HIGHLIGHTS

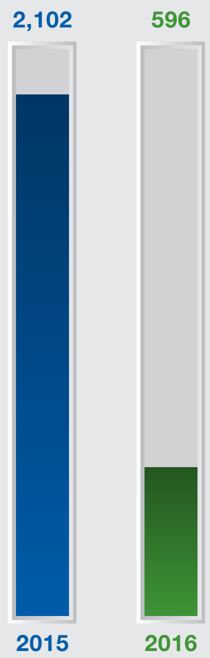
GROUP INCOME STATEMENT (US$'000)	**2015**	**2016**
Revenue	2,102	**596**
Loss After Tax	(32,190)	**(14,959)**
EBITDA	(30,445)	**(13,888)**

GROUP BALANCE SHEET (US$'000)	**2015**	**2016**
Property, Plant and Equipment	467	**435**
Oil and Gas Properties	7,263	**3,020**
Intangible Assets	7,310	**–**
Amount Due from Associates	943	**1,701**
Investment in Associates	2,708	**2,664**
Pledged Fixed Deposit	2,501	**–**
Cash & Cash Equivalents	3,522	**4,696**
Other Current Assets	1,581	**1,732**
Total Assets	26,295	**14,248**
Shareholder's Equity	17,526	**3,407**
Non-Controlling Interests	(504)	**(1,216)**
Current Liabilities	8,725	**8,443**
Contract Deposits	3,000	**–**
Provision for Decommissioning (non-current)	539	**603**
Deferred Tax Liabilities	9	**11**
Total Liabilities	9,273	**12,057**
Total Equity & Liabilities	26,295	**14,248**

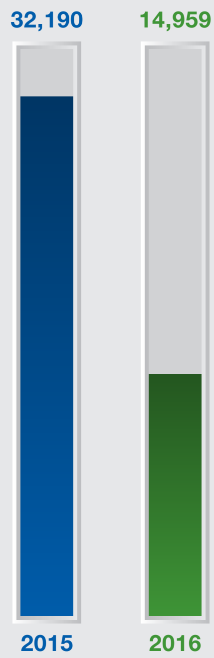
PER SHARE DATA (US$ CENTS)	**2015**	**2016**
Loss Per Share	(26.91)	**(11.97)**
Net Asset Value	14.73	**2.86**
Net Cash Holding	2.96	**3.95**

FINANCIAL RATIO	**2015**	**2016**
Current Ratio (times)	0.69	**0.96**
Gross Gearing (%)	13	**66**

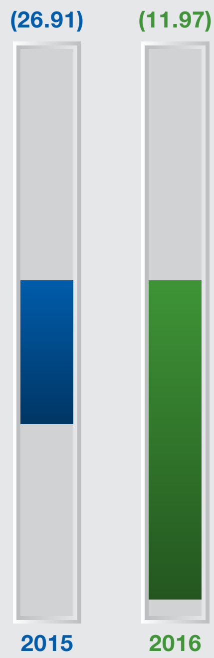
REVENUE (USD '000)



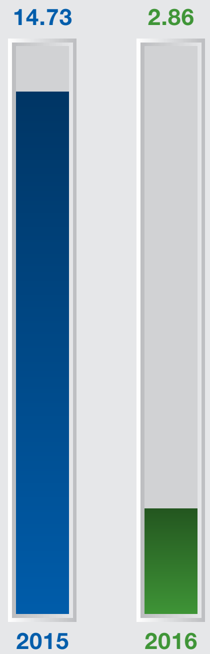
NET LOSS (USD '000)



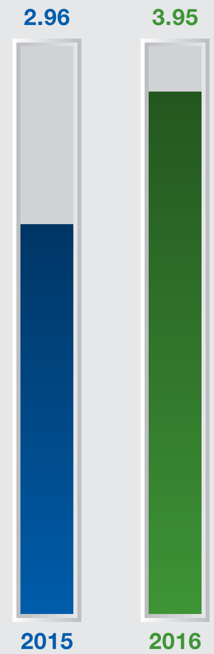
LOSS PER SHARE (USD cents)



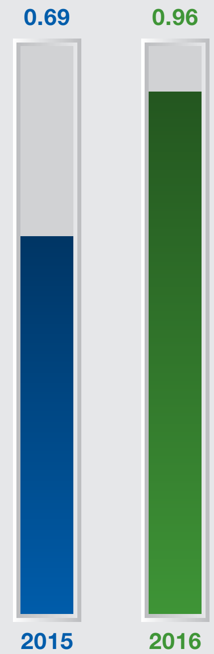
NET ASSET VALUE PER SHARE (USD cents)



NET CASH HOLDING PER SHARE (USD cents)



CURRENT RATIO (times)



OPERATIONS REVIEW

Despite the steady increase in monthly average Indonesian Crude Price (ICP) from US$25.62 per barrel in January 2016 to US$48.33 per barrel in December 2016, the sluggish economic climate in the Indonesian Oil Exploration sector especially over the majority of the aged oil fields led to huge losses incurred by most KSO operators. These losses were caused by the high costs of maintaining the aged fields.

GROUP INCOME REVIEW

REVENUE	FY2016	FY2015	% Change +/(-)
(USD'000)			
Oilfield Services	–	1,043	(100)
Exploration and Production (E&P)	596	1,059	(44)
Total Revenue	**596**	**2,102**	**(72)**

Total revenue for the Group reported US$0.60 million for the financial year ended 31 December 2016.

No technical oilfield services fee had been recognized throughout FY2016 since the impairment of CPHL (Cambodia) Co. Limited ("CPHLC") in FY2015.

The revenue came solely from the Group's Exploration and Production (E&P) activities in Kampung Minyak Oil Field.

All prior NSO shortfall at Kampung Minyak Oil Field ("KM Field") had been fully repaid, and there was no such shortfall throughout FY2016.

FY2016 revenue for Exploration and Production (E&P) decreased by 44% as compared to that of FY2015. This was due to a slow-down of E&P activities compared to that of FY2015.

Despite the steady increase in monthly average Indonesian Crude Price (ICP) from US$25.62 per barrel in January 2016 to US$48.33 per barrel in December 2016, the sluggish economic climate in the Indonesian Oil Exploration sector especially over the majority of the aged oil fields led to huge losses incurred by most KSO operators. These losses were caused by the high costs of maintaining the aged fields.

4Q2016 production was weak and lacked the economies of scale to cover high production cost.

COST AND EARNING ANALYSIS

Other income relates mainly to interest income which decreased by US$0.02 million or 19% for FY2016 as compared to FY2015, was derived from cash pledged as well as fixed deposit placements.

Production expenses fell by US$2.62 million or 66% for FY2016 in comparison with FY2015. This was mainly due to the Group adopting a strategy of efficiency in the utilization of both capital and operational expenditure, especially in areas like developing proper well drilling programs, improved work over and well services, renegotiation of contractual procurement terms and the stringent review of the commercial viability of projects.

Staff cost was US$2.12 million in FY2016 as compared to US$2.50 million in FY2015. This was a decrease of US$0.38 million or 15% lower as compared to FY2015. In view of challenging economic climate and high costs of production, the Group embarked on streamlining back-room processes and maintained just enough productive headcount, both at the KM Oilfield as well as at its corporate offices.

There was a decrease in the depreciation of oil and gas properties. As such, depreciation and amortisation decrease by US$0.69 million or 40% for FY2016 in comparison with FY2015.

Other expenses decreased by US$0.25 million or 14% mainly due to a slight increase in unrealised gain in IDR/USD.

The finance costs represented the accretion of asset restoration obligations for 10 new wells annually of which their costs are discounted back to present value. There was a 10% increase in FY2016 versus FY2015, the value of US$0.006 million is insignificant and due to accretion of the asset retirement obligations.

The share of losses on associates reported at US$0.044 million for FY2016 as compared to US$0.479 million, which was a significant 91% decrease. This was due to the state of dormancy of CPHLC since the FY2015 write-off.

Despite successful efforts by the Group to reduce costs to sustain business operations in the weak economic conditions, the total loss for FY2016 was US$14.96 million.

This loss was largely due to the impairment of Kampung Minyak (US$3.996 million) and its KSO concession rights (US$6.617 million). The decision by the management to provide impairment stemmed from the below par production of the Kampung Minyak Field. This was shown by decreasing production and lower revenues in FY2016.

FINANCIAL POSITION AND LIQUIDITY

The current assets of the Group as at 31 December 2016 increased by US$2.08 million as compared to 31 December 2015. This was largely due to a net increase in cash and short-term deposits by US$1.17 million.

Amount due from associates increased by US$0.76 million as at 31 December 2016 as compared to 31 December 2015. This was due to a receipt in Petroservice Engineering Inc from a contracted service provider.

The Group had impaired non-current assets and the intangible assets (KSO concession rights) of Kampumg Minyak Oil Field. This resulted in a sharp drop in non-current assets value from US$20.25 million in FY2015 to US$6.12 million in FY2016.

There were no major variances over the current liabilities of the Group comparing FY2016 to previous year. The only key difference under non-current liabilities would be the inclusion of a US$3.00 million Contract Deposit from a contracted service provider from Petroservice Engineering Inc.

As at 31 December 2016, the Group still has outstanding Firm Commitment to Pertamina over the Kampung Minyak Oilfields amounting to US$3.21 million.

CASH FLOW & LIQUIDITY (US$'000)	**FY2016**	**FY2015**
Cash used in operating activities	(4,781)	(5,663)
Cash used in investing activities	(92)	(451)
Cash generated from/(used in) financing activities	6,088	(2,413)
Net increase/(decrease) in cash and cash equivalents	1,215	(8,527)
Effect of exchange rate changes on cash and cash equivalents	(41)	(578)
Cash and cash equivalents at beginning of period	3,522	12,627
Cash and cash equivalents at end of period	4,696	3,522

Cash and cash equivalent position (inclusive of exchange effects) saw an increase of US$1.174 million for FY2016 as compared with FY2015.

Cash used in operating activities was US$4.781 million for FY2016 as compared to US$5.663 million for FY2015.

FY2016 had generated more cash flows from financing activities as compared to FY2015.

The return of the banker's guarantee of US$2.501 million from Kampung Minyak and the receipt of a contract deposit for US$3.000 million led to the increase in cash and cash equivalents in FY2016.

OPERATIONS REVIEW

SUSTAINABILITY

Besides corporate governance which will be spelt out under a separate section, the other material sustainability initiatives of the Group is to safeguard the environment and uphold social responsibility so as to ensure accountability and confidence of the organization now and into the future.

ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

The Group has a EHSS policy and conducts weekly meetings to review the Group's activities that may impact EHSS. A weekly report will be circulated to the CEO/Chairman for his review. HSSE inspections are conducted on a regular basis to ensure the EHSS policy is complied. The Group also complies with the regulatory requirements of the countries it operates in. The Group also made a provision for decommissioning of wells amounting to US$603,000 (2015: US$539,000) in 2016.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group firmly uphold fair employment practices and values each employee in the organization. The Group is committed in developing each employee to its full potential by providing equality of opportunities and promoting a healthy, positive and cohesive environment. The Group strives to also contribute in each country it is in. With more resources in future, the Group hopes to embark on some volunteer work or even donations to do our part for the society.

BOARD OF DIRECTORS

MR. CHAN SHUT LI, WILLIAM

Executive Chairman and Chief Executive Officer

Mr. Chan is the Chairman and Chief Executive Officer of Mirach Energy Limited. He is largely responsible for setting the strategic direction and leading the Mirach Energy Group of Companies into an oil and gas exploration and production group in Asia. He is also largely responsible for the development of the Group's business operations, where he is engaged in business development activities and their subsequent implementation. Mr. Chan is also the Chairman of CPHL (Cambodia) Co. Ltd. He holds a Master's Degree in Business Administration from Murdoch University in Australia and is a member of the Society of Petroleum Engineers USA. Mr Chan is also a member of the UK Institute of Financial Accountants, as well as a full member of the Society of Registered Financial Planners of Hong Kong. Mr. Chan joined the Board on 18 June 2003 and is an Executive Director of the Company. Mr. Chan was last re-elected as a Director on 28/4/15.

MS. LIU MEI LING, RHODA

Independent Director

Ms. Rhoda Liu has more than two decades of experience in accounting, auditing and financial advisory services in Hong Kong and Canada. She was appointed to the Board in 2007 and last re-elected as a Director on 28/4/2016. She is also an independent director and acts as chairman of audit committee and a member of remuneration committee and nomination committee of Modern Beauty Salon Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited. Currently, she serves as a Senior Partner at Liu and Wong, CPA, where she is involved in planning, supervision and business advisory services. She had worked for Coopers & Lybrand (HK) and Ernst & Young (Canada) for several years, then worked for two local CPA firms in HK since 1992, and was promoted to partner in 1996. She holds a Bachelor of Arts Degree in Commercial Study from University of Western Ontario, Canada, where she majors in Economic and Finance, and a Master Degree in Business Administration from McMaster University, Canada. She also holds the Professional Degree in China Law Program with Tsing Hwa University in China in 2008. She is a member of the Canadian Institute of Chartered Accountants, a fellow practicing member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Hong Kong Taxation Institute and a fellow member of the Hong Kong Institute of Directors. She was awarded the "Outstanding Accountant Ambassador 2003" by the HKICPA and Certificate of Commendation from Hong Kong Home Affair Bureau in 2008.

MR. LIM JUN XIONG, STEVEN

Independent Director

Mr. Lim started his career as an accountant in PricewaterhouseCoopers and has close to three decades of experience in the wealth management industry. He joined the Board as an Independent Director in 2009 and re-elected as a Director on 28/4/15. He holds a Bachelor Degree in Commerce from the University of Newcastle, Australia, majoring in Accounting and Finance. He is a fellow member of two renowned accounting bodies, namely the Institute of Singapore Chartered Accountants and CPA Australia ("CPAA") and was a Director of CPAA's Board as well as the President of its Singapore Division. In addition, he chaired CPA Australia's International Corporate Sector Advisory Committee and was a member of its nominating committee. He is also a member of Society of Trust and Estate Practitioners, Singapore Branch and was its Deputy President for a number of years.

BOARD OF DIRECTORS

MR. RICHARD TAN KHENG SWEE

Lead Independent Director

Mr. Richard Tan Kheng Swee was appointed our Independent Director on 1 July 2013 and last re-elected as a Director on 28/4/14. He has more than a decade of experience in legal practice as a corporate and commercial lawyer and is currently the Managing Director of Barker Henley LLC, a Singapore law corporation and a partner at Barker Henley Australia, an Australian law practice. His practice includes advising and representing companies in a wide range of commercial and intellectual property transactions in relation to asset acquisitions, initial public offerings and other fund raising exercises, mergers and acquisitions, corporate advisory and compliance involving both listed and private companies. Prior to Mr. Tan's current appointments, he previously practised in a mid-sized Singapore law practice as well as a mid-sized Australian law practice in the state of Victoria.

Mr. Tan currently serves as an independent director of Jumbo Group Limited which is listed on the Catalist of the SGX-ST.

Mr. Tan obtained a Bachelor of Laws (Honours) from the National University of Singapore in 2003 and a Bachelor of Science (Honours) from the University of Melbourne, Australia, in 2000. He is an Advocate & Solicitor of the Supreme Court of Singapore, a Barrister & Solicitor of the Supreme Court of Victoria, Australia, a Solicitor of the Supreme Court of New South Wales, Australia and a Barrister & Solicitor of the High Court of Australia.

CORPORATE GOVERNANCE **STATEMENT**

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practised throughout Mirach Energy Limited and its subsidiaries ("the Group") as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to confirm that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") where it is applicable and practical. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set out below are the policies and practices adopted and practised by the Group to comply with the principles and spirit of the Code. The Board confirmed that the Group has generally complied with the principles of the Code.

THE CODE

The Code is divided into 4 main sections, namely:

(A) Board Matters
(B) Remuneration Matters
(C) Accountability and Audit
(D) Shareholders Rights and Responsibilities

(A) BOARD MATTERS

Principle 1:
Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The principal functions of the Board are:

1. reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;

2. reviewing the adequacy and integrity of the Company's internal control, risk management systems, and financial information reporting system;

3. establishing a framework of prudent and effective controls which enable risks to be properly assessed and managed; including safeguarding of shareholders' interests and company's assets;

4. identifying the key stakeholder groups and recognise that their perceptions affect the company's reputation;

5. ensuring the Group's compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;

6. approving the nominations to the Board of directors by the Nominating Committee, and endorsing the appointments of management team and/or external auditors;

7. reviewing and approving the remuneration packages recommended by the Remuneration Committee for the Board and key executives;

8. reviewing and approving share options granted under the Mirach Energy Employee Share Option Scheme and Mirach Performance Share Plan;

CORPORATE GOVERNANCE **STATEMENT**

9. ensuring accurate, adequate and timely reporting to, and communication with shareholders; and

10. considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Matters which are specifically reserved to the Board for decision include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions.

The Board has delegated specific responsibilities to 3 subcommittees (Audit, Nominating and Remuneration Committees), the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. The Constitution allows a Board meeting to be conducted by way of a tele-conference and a video-conference. All Board members bring about an independent judgment and diversified knowledge and experiences to bear on the issues of strategy, performance, resources and standards of conduct. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings, is shown on page 25.

The Board ensures that incoming new directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties.

Principle 2:
There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.

The Board comprises 4 members, 1 of whom is executive director and 3 are independent directors, making up more than one-half of the Board, in accordance with the Code. Together, the directors bring about wide-ranging business and financial experiences relevant to the Group. A brief description of the background of each director is presented on "Board of Directors" section.

The Board considers the current board size as adequate for its present operations. As more than half of the Board are independent directors, no individual or group is able to dominate the Board's decision-making process. There is also balance within the Board in the presence of independent directors of calibre essential to provide diverse perspectives for Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the group conducts business.

The investment of minority shareholders is fairly reflected through Board representation.

The duties and responsibilities of the executive directors are clearly set out in their service agreements. Board members are encouraged to attend seminars and receive training in connection with their duties as directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

CORPORATE GOVERNANCE **STATEMENT**

As at the date of this report, Ms Rhoda Liu Mei Ling has served on the Board beyond nine years from the date of her first appointment effective from 1 April 2007. The Board has subjected her independence to rigorous review. The Board, taking into account the views of the Nominating Committee, considers her to be able to exercise independent and objective judgement and there are no relationships or circumstances which affect her judgment and ability to discharge her duties and responsibilities as an independent director.

Principle 3:
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.

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure for the current operations i.e. where the CEO and the Executive Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda. The Executive Chairman reviews the board papers prior to presenting them to the Board. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. While the Nominating Committee has 1 executive director, the rest are independent directors; the Remuneration Committee comprises 3 independent directors. As recommended by the Code, the Board has appointed Mr Richard Tan Kheng Swee, as the Lead Independent Director of the Company. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

Principle 4:
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

NOMINATING COMMITTEE

The Nominating Committee comprises 3 members, majority of whom are independent. The members of the Nominating Committee are:–

Mr Lim Jun Xiong, Steven	(Chairman and Independent Director)
Mr Chan Shut Li, William	(Executive Chairman and Chief Executive Officer)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

In 2016 the Nominating Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 25.

CORPORATE GOVERNANCE **STATEMENT**

The key terms of reference for the Nominating Committee are to:

- set a framework to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all executive management positions; and directors to fill the seats on Board committees;

- oversee the management development and succession planning of the Group, including appointing, training and mentoring senior management;

- determine the objective criteria on evaluating the Board's performance; assess the effectiveness of the Board and its committees as a whole and the contribution by each director to the Board;

- review the independence of director who has served on the Board for more than 9 years; and set and review the maximum number of listed company a director of the Company may sit on.

ELECTION AND RE-ELECTION

New directors are appointed by way of a board resolution, upon their nomination from Nominating Committee. In accordance with the Company's Constitution, these new directors who are appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

The Nominating Committee made recommendation to the Board to have at least 3 directors, the majority of whom, including the Chairman, should be independent. The Lead Independent Director, if any, should be a member of the Nominating Committee.

Key information of the Board members is set out in the "Board of Directors" section of this Annual Report.

Principle 5:
There should be a formal 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 Nominating Committee assesses the effectiveness of the Board collectively. In this aspect, both quantitative and qualitative criteria were adopted. The criteria adopted include the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board. The Nominating Committee also considers the required mix of skills, experience and core competencies of the members should bring to the Board, during this assessment.

CORPORATE GOVERNANCE **STATEMENT**

Principle 6:
In order to fulfill their responsibilities, Board members 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 recognises the importance of ensuring the flow of information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and board committee papers are distributed to directors in advance to allow sufficient time for directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

Directors have separate and independent access to the Company Secretary. The Company Secretary assists in, among other things, ensuring that Board procedures are observed and that Company's Constitution, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with.

The Company Secretary and/or her representative attends and prepares minutes for all Board meetings. The Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings. The appointment and the removal of the Company Secretary is subject to the Board's approval.

Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

(B) REMUNERATION MATTERS

Principle 7:
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.

REMUNERATION PROCEDURE

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of individual, with a Remuneration Committee making recommendations to the Board.

The Company adopted the objective as recommended by the Code to determine the remuneration for a director so as to ensure that the Company attracts and retains the directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance in the case of executive directors and key management personnel.

CORPORATE GOVERNANCE **STATEMENT**

REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, all of whom are independent. The members of the Remuneration Committee are:–

Mr Richard Tan Kheng Swee	(Chairman and Lead Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Ms Liu Mei Ling, Rhoda	(Independent Director)

The principal responsibilities of Remuneration Committee are:

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind;

- review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel;

- consult professional consultancy firm or public information where necessary in determining remuneration packages;

- consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

In 2016 the Remuneration Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 25 of this Annual Report.

Principle 8:
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) 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.

In making its recommendations to the Board on the level and mix of remuneration, the Remuneration Committee seeks to be competitive in order to attract, motivate and retain high-performing executives to drive the Group's businesses whilst operating within the Group's risk parameters, so as to maximise long-term shareholder value. In its deliberation of remuneration level and mix, the Remuneration Committee takes into consideration industry practices and benchmarks against relevant industry players as well as comparable positional responsibilities to ensure that its remuneration practices are competitive. The Company adopts a performance-driven and meritocratic approach to compensation, with rewards linked to individual and corporate performance to align interests of Management with those of Shareholders and promote the long-term success of the Company. Such performance-related remuneration should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

The Company's remuneration framework comprises a fixed component in the form of a basic salary, a discretionary variable component linked to the performance of the individual and the Company, and a long-term incentive. The executive Director's and executive Management's service contract does not contain onerous removal clauses. Going forward, the Company will consider adding contractual provisions to allow the Issuer to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Issuer. This should further safeguard the financial interest of the Company from material errors and/or gross misconduct of employees whom have been wrongfully remunerated.

CORPORATE GOVERNANCE STATEMENT

Principle 9:
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 Remuneration Committee recommends to the Board the framework of executive remuneration, and the remuneration package for each executive director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board as well, the remuneration packages are ultimately approved by the entire Board.

REMUNERATION PACKAGE

The remuneration package of directors and key management personnel includes the following:

(a) Basic salary

The basic salary (inclusive of statutory employer contributions like the Central Provident Fund, if applicable) for each executive director/key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable organisations.

(b) Fees

The fees paid/payable to independent directors take into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of independent directors are submitted for approval at the Annual General Meeting. Executive directors do not receive directors' fees.

(c) Bonus scheme

The Group operates a bonus scheme for all employees, including the executive directors and key management personnel. The criteria for the scheme is the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of corporate and individual's performance during the year. Bonuses payable to the executive directors/key management personnel are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

(d) Benefits in kind

Other customary benefits (such as private medical cover, housing, car) are made available as appropriate.

(e) Service contract

The notice period for the termination of Executive Directors' service contracts by either party giving not less than 3 months to 6 months' notice to the other.

CORPORATE GOVERNANCE **STATEMENT**

(f) Mirach Energy Employee Share Option Scheme and Mirach Energy Performance Share Plan

The Remuneration Committee administers the Company's share-based remuneration incentive plans namely, the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme") and Mirach Energy Performance Share Plan (the "Mirach PSP").

The Group has granted options and performance shares to senior executives and Independent Directors of the Group under the Mirach ESOS Scheme and Mirach PSP in financial year 2016. Matters relating to the Mirach ESOS Scheme and Mirach PSP were administered by the Remuneration Committee.

REMUNERATION MATTERS

The full remuneration of each individual director and aggregate of top key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the sensitivity and confidentiality of remuneration matters. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A breakdown showing the level and mix of each individual director's remuneration payable for FY 2016 is as follows:

	2015	**2016**
$500,000 and above	–	**–**
$250,000 to below $500,000	–	**–**
Below $250,000	5	**5**
Total	5	**5**

Name	Remuneration Band S$	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S$250,000	86	14%	–	–	100
Liu Mei Ling, Rhoda	Below S$250,000	–	–	–	100	100
Lim Jun Xiong, Steven	Below S$250,000	–	–	–	100	100
Chu Ming*	Below S$250,000	86	14%	–	–	100
Richard Tan Kheng Swee	Below S$250,000	–	–	–	100	100

* Mr Chu Ming ceased as an Executive Director and was re-designated as Consultant of the Company with effect from 1 March 2017.

The Company has 5 Key Management Personnel (who are not directors) within its organisation structure and the Remuneration of the 5 Key Management Personnel is as follows:

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Lee Juin Lian (Li Junlian)	Below S$250,000	86	14%	–	–	100
Wang Jue	Below S$250,000	100	–	–	–	100
Kholid Alatas	Below S$250,000	100	–	–	–	100
Low Chiew Leng	Below S$250,000	86	14%	–	–	100
Li Youqing	Below S$250,000	100	–	–	–	100

The Company does not have any employee who is an immediate family member of a Director or CEO.

CORPORATE GOVERNANCE STATEMENT

(C) ACCOUNTABILITY AN AUDIT

Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operation review and related explanation together with the financial statements on a quarterly basis and as the Board may require from time to time. The Audit Committee reviews the financial statements and reports to the Board for approval.

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. In preparing the financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; there were compliance with legislative and regulatory requirements, including under the listing rules of the SGX-ST; and
- prepared financial statements on an going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Principle 11:
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.

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Chief Financial Officer and/or Finance Manager performs detailed work to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management.

The Board received assurance from the Executive Chairman and the Chief Financial Officer and/or Finance Manager that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company risk management and internal control systems in place are effective.

The Board, with the concurrence of the Audit Committee, recognises that there are adequate internal controls, including financial, operational and compliance control, and risk management system in the Company.

CORPORATE GOVERNANCE **STATEMENT**

The Company regularly reviews and improves its business and operational activities and has engaged an Enterprise Risk Management Consultant to review and identify areas of significant business risks and take measures to control and mitigate these risks.

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

AUDIT COMMITTEE

The Audit Committee comprises 3 members, all of whom, including the Chairman are independent. At the date of this report, the Audit Committee comprises the following members:

Ms Liu Mei Ling, Rhoda	(Chairman and Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

The key terms of reference of the AC include:

- to review the financial statements of the Company and the consolidated financial statements of the Group, and any announcements relating to the Company's financial performance, before submission to the Board of Directors;

- to review the external auditor's audit plans;

- to review with the external auditor, his evaluation of the system of internal accounting controls and the effectiveness of the Company's internal audit functions;

- to nominate external auditors for re-appointment;

- to review the scope and results of the internal audit procedures and ensure the adequacy of the internal audit function;

- to review interested person transactions.

The Audit Committee has recommended the nomination of Messrs Ernst & Young LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that there is no non-audit services that will not prejudice the independence and objectivity of the external auditors before confirming their recommendation.

During the year under review, approximately US$115,000 (2015: approximately US$110,000) and approximately US$97,000 (2015: approximately US$71,000) were paid/payable to the independent auditors of the Company and other auditors. No non-audit fees (relating to professional tax services rendered) was paid/payable to the independent auditors of the Company during the year under review (2015: NIL).

The Group appointed the same auditors for its overseas subsidiaries and/or significant associated companies. The Board and the Audit Committee have reviewed the appointment of auditors from the same global audit firm for its subsidiaries and/or significant associated companies and were satisfied with their appointment for the audit of the Group.

The Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual in relation to the independent auditors.

CORPORATE GOVERNANCE STATEMENT

In 2016 the Audit Committee had 4 meetings. The Executive Chairman and the Chief Financial Officer/Finance Manager were invited to attend the meetings.

In the course of financial year 2016 and since its appointment, the Audit Committee carried out the following activities:

- review with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss (in the absence of management, where necessary);
- make recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
- monitor interested person transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity. The Audit Committee is also required to ensure that Directors' statement such transactions annually to shareholders via the annual report;
- review quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board, focusing on:–
    - going concern assumption;
    - compliance with accounting standards and regulatory requirements;
    - any changes in accounting policies and practices;
    - significant issues arising from the audit;
    - major judgmental areas; and
    - any other functions which may be agreed by the Audit Committee and the Board.

The Audit Committee has access to the independent auditors and meets them at least once a year without the presence of the Management.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor.

The Company has adopted a Whistle-Blowing Policy to provide a channel for employees of the Group to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy adopted provides procedures to validate concerns and for investigation to be carried out independently. The Whistle-Blowing Policy has been circulated to its global offices for all employees after its implementation. There were no whistle-blowing reports made during the year under review.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions were made with the external auditors when they attend the Audit Committee meetings.

CORPORATE GOVERNANCE **STATEMENT**

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

In view of the Company's strategy to increase in scale and complexity of operations, the Board had engaged an external party to conduct an internal audit for the Company during the financial year ended 31 December 2016. The outsourced internal auditors reviewed the Group's internal controls risk management and compliance systems. Thereafter report findings and recommendations were made to the Board and Audit Committee. The independent auditor was another system of alert that the board had used.

The Company had engaged an external party to conduct an Enterprise Risk Management report which was completed, and followed with internal audit exercises. Based on the internal controls identified in the Enterprise Risk Management report, enhancement in the finance team and engagement with the Company's independent auditors, assurance from Management, our Board with the concurrence of our Audit Committee is of the opinion that our Group's system of risk management and internal controls, addressing financial, operational, compliance and information technology risks, which our Group considers relevant and material to its current business scope and environment was adequate as at 31 December 2016, with certain areas marked for further improvements. However, our Board is also aware that such a system can only provide reasonable, but not absolute assurance that our Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. Our Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision making, losses, fraud and other irregularities.

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

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

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. The Company does not practise selective disclosure. Results and annual reports are announced or issued to the public through SGXNET within the mandatory period. The Group values dialogue with investors.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the Annual General Meeting. The Company's Constitution allows a shareholder to appoint multiple proxy or proxies to attend and vote on behalf of a shareholder at the Annual General Meeting. Shareholders who hold shares through nominees such as CPF and custodian banks are also allowed to the Annual General Meeting as proxy.

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

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

CORPORATE GOVERNANCE **STATEMENT**

Material information is disclosed in an adequate, accurate and timely manner via SGXNET, press release and corporate website by the Investor Relations Director and the Chief Financial Officer and/or Finance Manager, in consultation with the Board.

The Company does not have a formal dividend policy. The Company may declare an annual dividend with the approval of the shareholders in a general meeting.

Principle 16:
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.

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive directors and, where appropriate, the Chairman of the Audit, Nominating and Remuneration Committees are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the shareholders with a written answer to any significant question that cannot be readily responded on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the Listing Rule 1207(19) of the Listing Manual applicable to all its officers in relation to dealing in the Company securities. Its officers are not allowed to deal in the Mirach Energy Limited's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are advised not to deal in the Company's securities on short term consideration and expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

SUMMARY OF BOARD AND BOARD COMMITTEES MEETINGS HELD IN FY2016

	Board of Directors			Audit Committee			Nominating Committee			Remuneration Committee		
	Number of Meetings			Number of Meetings			Number of Meetings			Number of Meetings		
	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended	Position	Held	Attended
Executive Director												
Chan Shut Li William	C	4	4	–	–	–	M	1	1	–	–	–
Executive Director												
Chu Ming*	M	4	4	–	–	–	–	–	–	–	–	–
Independent Directors ('ID')												
Richard Tan Kheng Swee (Lead ID)	M	4	4	M	4	4	M	1	1	C	1	1
Lim Jun Xiong, Steven	M	4	4	M	4	4	C	1	1	M	1	1
Liu Mei Ling, Rhoda	M	4	4	C	4	4	–	–	–	M	1	1

Denotes:
C – Chairman
M – Member

* Mr Chu Ming ceased as an Executive Director and was re-designated as Consultant of the Company with effect from 1 March 2017.

CORPORATE GOVERNANCE **STATEMENT**

MATERIAL CONTRACTS

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and its subsidiaries involving the interests of any director or controlling shareholders subsisting at the end of the financial year ended 31 December 2016.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 31 December 2016.

QUALIFIED PERSON'S REPORT

In compliance with rule 1207, the Company has commissioned a Qualified Person to review our Company's oil fields and has obtained a competent Person's Report dated 28 March 2017.

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) 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 in office at the date of this statement are:

Chan Shut Li, William
Liu Mei Ling, Rhoda
Lim Jun Xiong, Steven
Richard Tan Kheng Swee

In accordance with Article 91 of the Company's Constitution, Chan Shut Li, William and Richard Tan Kheng Swee retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year or date of appointment**	**At the end of the financial year**	**At the beginning of financial year or date of appointment**	**At the end of the financial year**
Ordinary shares of the Company				
Chan Shut Li, William	18,569,673	18,569,673	–	–
Liu Mei Ling, Rhoda	20,000	20,000	–	–
Richard Tan Kheng Swee	2,000	2,000	–	–
Share options of the Company				
Lim Jun Xiong, Steven	–	500,000	–	–
Liu Mei Ling, Rhoda	–	500,000	–	–
Richard Tan Kheng Swee	–	500,000	–	–

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Options and Performance share plan

Mirach Energy Limited has the following share options and share plan:

1. Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme")
2. Mirach Energy Performance Share Plan (the "Mirach PSP")

All share options and share plan are administered by the Remuneration Committee ("RC"), which comprises the following directors:

Richard Tan Kheng Swee (Chairman)
Lim Jun Xiong, Steven
Liu Mei Ling, Rhoda

The share options and share plan shall continue to be in force at the discretion of RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

DIRECTORS' STATEMENT

Options

The Mirach ESOS Scheme was approved on 30 July 2014. Under the scheme, non-transferable options to subscribe for ordinary shares in the capital of the Company are granted to eligible executive directors, non-executive directors, controlling shareholders and their associates.

During the financial year, the Company has granted 2,960,000 share options under Mirach ESOS Scheme. These options expire on 15 June 2018 and are exercisable if the employee remains in service throughout the validity period and that certain market conditions as detailed in Note 21 to the financial statements are met.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Mirach ESOS Scheme as at 31 December 2016 are as follows:

Expiry date/Name	Balance as at 1 January 2016	Number of options granted during financial year	Balance as at 31 December 2016
15 June 2018			
Lim Jun Xiong, Steven	–	500,000	**500,000**
Liu Mei Ling, Rhoda	–	500,000	**500,000**
Richard Tan Kheng Swee	–	500,000	**500,000**
Other employees	–	1,460,000	**1,460,000**
	–	2,960,000[1]	**2,960,000**

1 These options are exercisable between the periods from 16 June 2016 to 15 June 2018 at the exercise price of S$0.11 if the vesting conditions are met.

Other than as disclosed above, since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total options available under the Mirach ESOS Scheme;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted;
- No options have been granted at a discount.

Performance share plan

Under the Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees, directors of the Company and subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievement of the prescribed performance targets and upon expiry of the prescribed performance period, either new shares will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

DIRECTORS' **STATEMENT**

During the financial year, the Company has granted 2,940,000 shares under Mirach PSP. The details are as follows:

Date of grant/Name	Balance as at 1 January 2016	Number of share award granted during financial year	Balance as at 31 December 2016
16 June 2016			
Chan Shut Li, William	–	1,500,000	**1,500,000**
Other employees	–	1,440,000	**1,440,000**
	–	2,940,000	**2,940,000**

Other than as disclosed above, since the commencement of the Mirach PSP till the end of the financial year:

- No share awards were granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total number of shares or awards available under the Mirach PSP;
- No directors and employees of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Mirach PSP; and
- No share awards have been granted to directors and employees of the holding company and its subsidiaries.

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors
- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

DIRECTORS' STATEMENT

- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

As there was no non-audit service provided by the external auditor to the Group, the AC is satisfied with the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP has expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Chan Shut Li, William
Director

Liu Mei Ling, Rhoda
Director

3 April 2017

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statements of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

We draw attention to Note 1 to the financial statements. The Group incurred a net loss of US$14,959,000 and negative operating cash flow of US$4,781,000 during the year ended 31 December 2016 and as at that date, the Group's current liabilities exceeded its current assets by US$314,000.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern depends on the expectation that the contract deposit of US$3.0 million will not be repaid within the next twelve months from the end of the financial year, and further receipt of contract deposits of US$3.0 million from the contracted service provider to meet the Group's forecasted future cash obligations as and when they fall due. In addition, the Group does not expect additional outlay to fund its capital commitments as management is confident that the application process to substitute the capital commitment in its KSO contract would be approved by the authorities. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report, including in relation to the matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of oil and gas properties and unproved concessionary rights

At 31 December 2016, the carrying amounts of non-current oil and gas properties and unproved concessionary rights were US$7.0 million and US$6.6 million respectively, before impairment losses. The low crude oil prices has given rise to heightened risk of impairment of these assets. The assessment of the carrying amount of these assets requires management to exercise judgment in identifying existence of any indicators of impairment. When such indicators are identified, management exercises further judgment in making an estimate of the recoverable amount of these assets against which to compare their carrying values. The estimation of the recoverable amount of these assets are based on management's views of variables such as long-term oil prices (considering current oil prices and outlook in oil prices), discount rates, inflation rates, future capital requirements, decommissioning costs and estimation of its oil and gas reserves. The Group recognised impairment losses of US$4.0 million and US$6.6 million for its oil and gas properties and unproved concessionary rights respectively, during the year ended 31 December 2016.

Our audit procedures, included amongst others, assessing the appropriateness of management's identification of cash generating units (CGUs). We examined the Group's process for identifying impairment indicators, evaluated management's assessment of impairment indicators and whether an estimate of recoverable amount was required for each of these CGUs.

Our audit work in assessing the reasonableness of management's estimations of the recoverable amount of those CGUs subjected to impairment test included the following procedures:

- benchmarking and analysis of oil price assumptions against forward curves and other market data;
- agreement of hydrocarbon production profiles to approved budgets and proved and probable reserves to third party reserve reports;
- assessed the objectivity and competence of external experts who prepared the reserve reports;
- compared estimated future costs to budgets approved by the Board of Directors; and
- recalculation and benchmarking of discount rates and inflation rates applied against third party data.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF MIRACH ENERGY LIMITED

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Yew Kiang.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

3 April 2017

CONSOLIDATED **INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Revenue	4	**596**	2,102
Other income		**88**	108
Production expenses		**(1,368)**	(3,991)
Staff cost		**(2,116)**	(2,497)
Depreciation and amortisation		**(1,041)**	(1,734)
Other expense		**(1,545)**	(1,793)
Impairment loss on investment in associate	13	**–**	(2,360)
Allowance for amount due from an associate	15	**–**	(21,427)
Reversal of allowance for amount due from an associate	15	**1,345**	–
Impairment loss on oil and gas properties	9	**(3,996)**	–
Impairment loss on intangible assets	11	**(6,617)**	–
Impairment loss on property, plant and equipment	10	**(7)**	–
Impairment loss on trade and other receivables	16	**(155)**	–
Finance costs	5	**(64)**	(58)
Share of loss of associates	13	**(44)**	(479)
Loss before income tax	6	**(14,924)**	(32,129)
Income tax	7	**(35)**	(61)
Total loss for the financial year		**(14,959)**	(32,190)
Loss for the year attributable to:			
Equity holders of the Company		**(14,247)**	(32,027)
Non-controlling interests		**(712)**	(163)
		(14,959)	(32,190)
Losses per share (US$ cents per share)			
Basic	8	**(11.97)**	(26.91)
Diluted	8	**(11.97)**	(26.91)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Loss for the financial year		**(14,959)**	**(32,190)**
Other comprehensive income:			
Item that will not be reclassified to income statement			
Currency translation arising from presentation currency		**63**	(1,507)
Item that may be reclassified subsequently to income statement			
Currency translation arising from translation of financial statements of foreign subsidiaries		**(10)**	433
Other comprehensive income for the year, net of tax		**53**	(1,074)
Total comprehensive income for the year		**(14,906)**	(33,264)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(14,194)**	(33,101)
Non-controlling interests		**(712)**	(163)
		(14,906)	(33,264)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 US$'000	Group 2015 US$'000	Company 2016 US$'000	Company 2015 US$'000
Non-current assets					
Oil and gas properties	9	**3,020**	7,263	**–**	–
Property, plant and equipment	10	**435**	467	**48**	68
Intangible assets	11	**–**	7,310	**–**	–
Investment in subsidiaries	12	**–**	–	**1**	17
Investment in associates	13	**2,664**	2,708	**–**	–
Amounts due from subsidiaries	14	**–**	–	**–**	30,353
Pledged fixed deposit	17	**–**	2,501	**–**	–
		6,119	20,249	**49**	30,438
Current assets					
Inventories		**189**	43	**–**	–
Trade and other receivables	16	**1,496**	1,403	**77**	144
Prepayment		**47**	135	**9**	12
Amounts due from subsidiaries	14	**–**	–	**3,661**	3,919
Amounts due from associates	15	**1,701**	943	**–**	–
Cash and short-term deposits	18	**4,696**	3,522	**570**	1,718
		8,129	6,046	**4,317**	5,793
Current liabilities					
Trade and other payables	19	**7,330**	7,356	**2,212**	2,156
Accrued operating expenses		**950**	1,183	**12**	110
Amounts due to subsidiaries	14	**–**	–	**1,666**	1,983
Income tax payable		**163**	186	**–**	–
		8,443	8,725	**3,890**	4,249
Net current (liabilities)/assets		**(314)**	(2,679)	**427**	1,544
Non-current liabilities					
Contract Deposit	23	**3,000**	–	**–**	–
Provision for decommissioning	20	**603**	539	**–**	–
Deferred tax liabilities		**11**	9	**–**	–
		3,614	548	**–**	–
Net assets		**2,191**	17,022	**476**	31,982
Equity attributable to owners of the Company					
Share capital	21	**81,249**	81,249	**81,249**	81,249
Accumulated losses		**(76,128)**	(61,881)	**(77,289)**	(46,901)
Other reserves	22	**(1,714)**	(1,842)	**(3,484)**	(2,366)
		3,407	17,526	**476**	31,982
Non-controlling interests		**(1,216)**	(504)	**–**	–
Total equity		**2,191**	17,022	**476**	31,982

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company						
	Share capital US$'000	Merger reserve (Note 22a) US$'000	Equity and share options reserve (Note 22b) US$'000	Foreign currency translation reserve (Note 22c) US$'000	Accumulated losses US$'000	Non-controlling interests US$'000	Total equity US$'000
2016							
Group							
At 1 January 2016	81,249	763	467	(3,072)	(61,881)	(504)	17,022
Loss for the year	–	–	–	–	(14,247)	(712)	(14,959)
Other comprehensive income							
Currency translation arising from:							
Presentation currency	–	–	–	63	–	–	63
Translation of financial statements of foreign subsidiaries	–	–	–	(10)	–	–	(10)
Other comprehensive income for the year, net of tax	–	–	–	53	–	–	53
Total comprehensive income for the year	–	–	–	53	(14,247)	(712)	(14,906)
Grant of equity settled share options to employee	–	–	75	–	–	–	75
At 31 December 2016	81,249	763	542	(3,019)	(76,128)	(1,216)	2,191

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company						
	Share capital US$'000	Merger reserve (Note 22a) US$'000	Equity and share options reserve (Note 22b) US$'000	Foreign currency translation reserve (Note 22c) US$'000	Accumulated losses US$'000	Non-controlling interests US$'000	Total equity US$'000
2015							
Group							
At 1 January 2015	81,249	763	467	(1,998)	(29,854)	(341)	50,286
Loss for the year	–	–	–	–	132,027	(163)	(32,190)
Other comprehensive income							
Currency translation arising from:							
Presentation currency	–	–	–	(1,507)	–	–	(1,507)
Translation of financial statements of foreign subsidiaries	–	–	–	433	–	–	433
Other comprehensive income for the year, net of tax	–	–	–	(1,074)	–	–	(1,074)
Total comprehensive income for the year	–	–	–	(1,074)	(32,027)	(163)	(33,264)
At 31 December 2015	81,249	763	467	(3,072)	(61,881)	(504)	17,022

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital U$'000	Equity and share options reserve (Note 22b) U$'000	Foreign currency translation reserve (Note 22c) US$'000	Accumulated losses US$'000	Total equity U$'000
2016					
Company					
At 1 January 2016	**81,249**	**467**	**(2,833)**	**(46,901)**	**31,982**
Loss for the year	–	–	–	**(30,388)**	**(30,388)**
Other comprehensive income					
Currency translation from presentation currency	–	–	**(1,193)**	–	**(1,193)**
Total comprehensive income for the year	–	–	**(1,193)**	**(30,388)**	**(31,581)**
Grant of equity settled share options to employee	–	**75**	–	–	**75**
At 31 December 2016	**81,249**	**542**	**(4,026)**	**(77,289)**	**476**
2015					
At 1 January 2015	81,249	467	(1,255)	(25,597)	54,864
Loss for the year	–	–	–	(21,304)	(21,304)
Other comprehensive income					
Currency translation from presentation currency	–	–	(1,578)	–	(1,578)
Total comprehensive income for the year	–	–	(1,578)	(21,304)	(22,882)
At 31 December 2015	81,249	467	(2,833)	(46,901)	31,982

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 US$'000	2015 US$'000
Operating activities			
Loss before tax		**(14,924)**	(32,129)
Adjustments for:			
– Depreciation of property, plant and equipment	10	**139**	113
– Depreciation of oil and gas properties	9	**209**	928
– Amortisation of intangible assets	11	**693**	693
– Finance costs	5	**64**	58
– Interest income		**(69)**	(108)
– Share of results of associates		**44**	479
– Repayment of non-shareable oil liability	19	**–**	(183)
– Impairment loss on investment in associate	13	**–**	2,360
– Allowance for amount due from associate	15	**–**	21,427
– Grant of equity settled share options to employee	21	**75**	–
– Unrealised exchange loss		**77**	225
– Reversal of allowance for amount due from associate	15	**(1,345)**	–
– Impairment loss on trade and other receivables	16	**155**	–
– Impairment loss on property, plant and equipment	10	**7**	–
– Impairment loss on oil and gas properties	9	**3,996**	–
– Impairment loss on intangible assets	11	**6,617**	–
Operating cash flows before changes in working capital		**(4,262)**	(6,137)
Changes in working capital			
Increase in inventories		**(146)**	(43)
Increase in trade and other receivables		**(160)**	(59)
(Decrease)/increase in trade and other payables		**(259)**	468
Cash flows used in operations		**(4,827)**	(5,771)
Income tax paid		**(23)**	–
Interest received		**69**	108
Net cash flows used in operating activities		**(4,781)**	(5,663)
Investing activities			
Purchase of property, plant and equipment	10	**(113)**	(374)
Proceeds from disposal of property, plant and equipment		**–**	1
Usage/(additions) of spare parts	9	**21**	(78)
Net cash flows used in investing activities		**(92)**	(451)
Financing activities			
Decrease in pledged fixed deposit	17	**2,501**	–
Proceeds from Contract Deposit	23	**3,000**	–
Increase in amounts due from associates		**587**	(2,413)
Net cash flow generated from/(used in) financing activities		**6,088**	(2,413)
Net increase/(decrease) in cash and cash equivalents		**1,215**	(8,527)
Effect of exchange rate changes on cash and cash equivalents		**(41)**	(578)
Cash and cash equivalents at beginning of the financial year		**3,522**	12,627
Cash and cash equivalents at end of the financial year	18	**4,696**	3,522

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

Mirach Energy Limited (the Company) is a public limited company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 96 Robinson Road, #17-01 SIF Building, Singapore 068899.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

Fundamental accounting concept

The Group incurred a net loss of US$14,959,000 (2015: US$32,190,000) and negative operating cash flow of US$4,781,000 (2015: US$5,663,000) during the year ended 31 December 2016 and as at that date, the Group's current liabilities exceeded its current assets by US$314,000 (2015: US$2,679,000). The loss incurred in 2016 is primarily due to impairment losses on intangible assets, oil and gas properties, property, plant and equipment, and trade and other receivables.

These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as going concern.

Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis because the Group has examined its analysis of cash requirements for the Group till 30 June 2018, and the contract deposit of US$3.0 million (Note 23) is not expected to be repaid within the next twelve months from the end of the financial year. The Group expects to further receive contract deposits of US$3.0 million from the contracted service provider, that will allow the Group to meet its forecasted future cash obligations as and when they fall due. In addition, management is confident that there should be no additional outlay to fund the capital commitments in relation to the work program as disclosed in Note 26. The Group is also looking at various other options to diversify its portfolio.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statements of financial position and statements of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (US$) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for the annual periods beginning on or after 1 January 2018. The Group is currently still assessing the possible impact of implementing IFRS 1 and plans to adopt the new standard on the required effective date.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards that have been issued but not yet effective and relevant to the Group:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (December 2016)	
– Amendments to FRS 112: *Classifications of the Scope of the Standard*	1 January 2017
– Amendments to FRS 28: *Measuring an Associate or Joint Venture at fair value*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective (Continued)*

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 116 is described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory.

FRS 109 requires the Group to record expected credit losses on all of its trade and other receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group has entered into commercial leases on certain office buildings of between one to three years.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 *Basis of consolidation and business combinations*

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation and business combinations (Continued)*

(a) Basis of consolidation (Continued)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if the results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combination

Business combinations are accounted for by applying the acquisition method. Identified assets acquired and liabilities assumed in business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which costs are incurred and the services received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation and business combinations (Continued)*

(b) Business combination (Continued)

The Group elects for each individual business combination, whether non-controlling Interest in the acquire (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 *Foreign currency*

The Group's consolidated financial statements are presented in US$, which is different from the Company's functional currency of Singapore Dollar (S$). The Group has presented its consolidated financial statements in US$ so that it will be comparable to other oil and gas companies since most of the companies in this industry present their results and financial position in US$.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 *Foreign currency* *(Continued)*

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the US$ convenience translation amounts included in the accompanying consolidated financial statements, the S$ equivalent amounts have been translated into US$ at the rate of S$1.4473 = US$1.00 and S$1.4159 = US$1.00, the rate quoted by http:///www.x-rates.com at the close of business on 31 December 2016 and 2015 respectively.

No representation is made that the S$ amounts could have been, or could be, converted into US$ at that rate or at any other rate prevailing on 31 December 2016 and 2015 or any other date.

2.7 *Oil and gas properties and property, plant and equipment*

(i) ***Initial recognition***

All oil and gas properties and other property, plant and equipment are initially recorded at cost. Subsequent to recognition, oil and gas and other property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Oil and gas properties and property, plant and equipment (Continued)*

(ii) ***Depreciation/amortisation***

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced assets and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	–	5 years
Furniture, fixtures and office equipment	–	5 years
Motor vehicles	–	5 to 10 years
Oilfield equipment	–	4 years

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

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The carrying values of oil and gas properties and other property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 *Other intangible assets*

Other intangible assets relate to concessionary rights arising from an operations cooperation agreement ("KSO") for an oilfield in Indonesia.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over the period of the concessionary rights) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment as at annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the consolidated income statement in the period in which the expenditure is incurred.

The concessionary rights is amortised on a straight-line basis over the useful economic life or concessionary rights period of 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

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

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specifically for unproved concessionary rights, future cash flows are estimated using risk assessments on field and reservoir performance and include outlook on proved and unproved reserves, which are then discounted or risk weighted utilising the results from projection of geological, production, recovery and economic factors.

Impairment losses are recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 *Impairment of non-financial assets (Continued)*

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of these policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's income in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial asset upon initial recognition at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial liability upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 *Financial instruments (Continued)*

(b) Financial liabilities (Continued)

De-recognition

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

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 *Cash and short-term deposits*

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and short-term deposits exclude restricted cash, which is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, as they are considered an integral part of the Group's cash management.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Materials; purchase costs on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.16 *Provisions*

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Provisions (Continued)*

Decommissioning liability (Continued)

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of oil are expensed as incurred.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as a finance cost. The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

2.17 *Financial guarantees*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.18 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction of production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 *Employee benefits*

(i) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in which the related service is performed.

(ii) Employee share option plans

Certain employees of the Company, including directors, receive remuneration in the form of share options and/or shares of the Company as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *Leases*

As lessee

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.21 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Oilfield services

Revenue from fixed-price consulting agreement is recognised over the contract period based upon output basis.

(b) Production of oil

Revenue from the production of oil, in which the Group has an interest with other participants, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Under the Kerja Sama Operasi ("KSO") contract with PT Pertamina EP, the Group is entitled to the share of oil above a baseline production defined in the contract and revenue is derived from cost recovery and partner share of profit of sale of oil and gas. Generally, cost recovery oil and gas allows the operator to recover its capital and non-capital costs related to production up to 80% of the incremental oil production. The Group will provide for any additional shortfall in baseline production in the year as production cost and will recognise revenue in the year the baseline production shortfall is settled.

(c) Interest income

Interest income is recognised using the effective interest method.

2.22 *Taxes*

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Taxes (Continued)*

(a) Current income tax (Continued)

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Taxes (Continued)*

(b) Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.23 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to management who is responsible for allocating resources and assessing performance of the operating segments. Segment revenue and segment results are also measured on a basis that is consistent with the internal reporting.

The Group’s business are organised into oilfield services and oil exploration and oilfield development segments.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in US$ for most entities of the Group.

Management had concluded that the Company's functional currency is S$ as S$ is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company.

(b) Hydrocarbon reserves and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its prospective reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The average oil price assumption used in the estimation of prospective reserves is US$73/bbl (2015: US$70/bbl). The future oil prices for 2017 to 2023 (2015: 2016 to 2023) are between US$50/bbl to US$82/bbl (2015: US$42/bbl to US$82/bbl) and are forecasted based on data obtained from an external pricing data provider for Brent crude oil adjusted for price differential, and extrapolated beyond that for forecasted inflation of 2% (2015: 2%) per annum. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2015: 10%). The carrying amount of oil and gas development and production assets at 31 December 2016 is shown in Note 9.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.1 *Judgments made in applying accounting policies (Continued)*

(b) Hydrocarbon reserves and resource estimates (Continued)

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties which may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units-of-Production (UOP) method, or where the useful life of the related assets change
- Provisions for decommissioning may require revision where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

(c) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable the taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has $3,563,000 (2015: $3,455,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax asset on the tax losses carried forward. Further details on taxes are disclosed on Note 7.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Recoverability of oil and gas assets

The Group assesses each asset or cash-generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) at each reporting period to determine any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amounts is made, which is considered to be the higher of fair value less costs to sell and value in use. These assessment require the use of estimates and assumptions, such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGU.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. The carrying amounts of oil and gas properties are disclosed in Note 9.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group’s loans and receivables at the end of the reporting period is disclosed in Note 16.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty* *(Continued)*

(c) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required. The carrying amount for the provision for decommissioning costs is disclosed in Note 20.

(d) Units-of-production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves. The carrying amount of oil and gas development and production assets at 31 December 2016 is shown in Note 9.

4. REVENUE

	Group	
	2016	**2015**
	US$'000	**US$'000**
Rendering of oilfield services	**–**	1,043
Sale of crude oil	**596**	1,059
	596	2,102

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. FINANCE COSTS

	Group	
	2016	**2015**
	US$'000	**US$'000**
Decommissioning discount adjustment (Note 20)	**64**	58
	64	58

6. LOSS BEFORE INCOME TAX

The following items have been included in arriving at loss before tax:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Audit fees:		
– Auditors of the Company	**115**	110
– Other auditors	**97**	71
Depreciation of oil and gas properties (Note 9)	**209**	928
Depreciation of property, plant and equipment (Note 10)	**139**	113
Amortisation of intangible assets (Note 11)	**693**	693
Employee benefits (Note 24)	**2,116**	2,497
Operating lease expense (Note 26)	**361**	491
Legal and other professional fees	**252**	304
Fees paid to a company in which a director was a member	**–**	6
Foreign exchange (gain)/loss, net	**(20)**	145

7. INCOME TAX

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Consolidated income statement:		
Current income tax:		
– Current income taxation	**35**	61
Income tax expense recognised in consolidated income statement	**35**	61

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. INCOME TAX (CONTINUED)

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016 US$'000	2015 US$'000
Loss before taxation	**14,924**	32,129
Tax at the domestic rates applicable to profits in countries where the Group operates	**(5,095)**	(3,645)
Adjustments:		
Non-deductible expenses	**5,290**	3,399
Income not subject to taxation	**(248)**	(23)
Deferred tax assets not recognised	**88**	330
Income tax expense recognised in consolidated income statement	**35**	61

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction. The statutory tax rate of Singapore and Indonesia is 17% and 25% respectively (2015: 17% and 25%).

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $3,563,000 (2015: $3,455,000) of which $2,220,000 (2015: $2,163,000) were available for a period of 5 years while the remaining have no expiry date. These tax losses are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability.

The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

8. LOSSES PER SHARE

Basic losses per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. LOSSES PER SHARE (CONTINUED)

The following tables reflect the loss and share data used in the computation of basic and diluted losses per share for the years ended 31 December:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Loss, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share	**14,247**	32,027
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic and diluted losses per share computation	**119,012**	119,012

During the financial year, the share options granted to employees, senior executives and directors under the existing employee share option plans are anti-dilutive as their conversion to ordinary shares would decrease loss per share.

Since the end of the previous financial year, no senior executives and directors have exercised the options to acquire ordinary shares. There have been no other transactions involving ordinary shares of potential ordinary shares since the reporting date and before the completion of these financial statements.

9. OIL AND GAS PROPERTIES

	Group	
	2016	**2015**
	US$'000	**US$'000**
Cost:		
At 1 January	**9,284**	9,206
(Usage)/additions of spare parts	**(21)**	78
At 31 December	**9,263**	9,284
Accumulated depreciation and impairment:		
At 1 January	**2,021**	1,093
Charge for the financial year	**209**	928
Impairment loss	**3,996**	–
Exchange realignment	**17**	–
At 31 December	**6,243**	2,021
Net carrying amount:		
At 31 December	**3,020**	7,263

During the financial year, an impairment loss of US$3,996,000 (2015: Nil) was recognised to write down the oil and gas properties' carrying amount to its recoverable amount. The recoverable amount of oil and gas properties was based on its value in use and the pre-tax discount rate used was 10% (2015: 10%).

10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment US$'000	Furniture, fittings and office equipment US$'000	Motor vehicle US$'000	Oilfield equipment US$'000	Total US$'000
Group					
Cost:					
At 1 January 2015	32	301	26	115	474
Additions	2	3	162	207	374
Disposals	(2)	–	–	–	(2)
At 31 December 2015 and 1 January 2016	32	304	188	322	846
Additions	–	–	–	113	113
At 31 December 2016	32	304	188	435	959
Accumulated depreciation and impairment:					
At 1 January 2015	23	173	19	42	257
Depreciation charge for the financial year	6	45	21	41	113
Disposals	(1)	–	–	–	(1)
Exchange realignment	1	9	–	–	10
At 31 December 2015 and 1 January 2016	29	227	40	83	379
Depreciation charge for the financial year	2	23	17	97	139
Impairment loss	1	6	–	–	7
Exchange realignment	–	(1)	–	–	(1)
At 31 December 2016	32	255	57	180	524
Net carrying amount:					
At 31 December 2015	3	77	148	239	467
At 31 December 2016	–	49	131	255	435

Cash outflow for the purchase of property, plant and equipment was US$113,000 (2015: US$374,000).

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer equipment US$'000	Furniture, fittings and office equipment US$'000	Total US$'000
Company			
Cost:			
At 1 January 2015	30	185	215
Additions	–	4	4
At 31 December 2015, 1 January 2016 and 31 December 2016	30	189	219
Accumulated depreciation:			
At 1 January 2015	23	91	114
Depreciation charge for the financial year	6	31	37
At 31 December 2015 and 1 January 2016	29	122	151
Depreciation charge for the financial year	1	19	20
At 31 December 2016	30	141	171
Net carrying amount:			
At 31 December 2015	1	67	68
At 31 December 2016	–	48	48

11. INTANGIBLE ASSETS

	Unproved concessionary rights US$'000
Group	
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,400
Accumulated amortisation and impairment:	
At 1 January 2015	2,397
Amortisation charge during the financial year	693
At 31 December 2015 and 1 January 2016	3,090
Amortisation charge during the financial year	693
Impairment loss	6,617
At 31 December 2016	10,400
Net carrying amount:	
At 31 December 2015	7,310
At 31 December 2016	–

11. INTANGIBLE ASSETS (CONTINUED)

	Group 2016 US$'000	Group 2015 US$'000
Amount to be amortised:		
– Not later than one year	–	693
– Later than one year but not later than five years	–	2,772
– Later than five years	–	3,845

Unproved concessionary rights relate to the operations cooperation agreement ("KSO") for an oilfield in Indonesia, which has 15 years useful life from the date of signing of the KSO.

As of 31 December 2016, an impairment loss of US$6,617,000 was recognised to fully write down the unproved concessionary rights due to unfavourable economics.

12. INVESTMENT IN SUBSIDIARIES

	Company 2016 US$'000	Company 2015 US$'000
Unquoted shares, at cost	**5,764**	5,764
Impairment loss	**(5,763)**	(5,747)
Unquoted shares, at cost	**1**	17

As of 31 December 2016, the Company impaired its investment in subsidiaries which are UniTEQ Energy Services Pte. Ltd. which is to provide service activities incidental to oil and gas extraction, and Acrux Procurement (Singapore) Pte. Ltd. which is for procuring and distributing oil and related goods and products.

NOTES TO THE **FINANCIAL STATEMENTS**

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12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The Company has the following investment in subsidiaries:

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest 2016 %	2015 %
Held by the Company:				
Acrux Procurement (Singapore) Pte. Ltd.(1)	Singapore	Procuring oil and related products and distributing goods	**100**	100
Petroservice Engineering Inc.(4)	British Virgin Islands	Provision of technical oilfield and advisory services	**100**	100
CPHL (HK) Limited(2)	Hong Kong	Investment holding	**100**	100
UniTEQ Energy Services Pte. Ltd.(1)	Singapore	Service activities incidental to oil and gas extraction (excluding surveying)	**100**	100
Held by subsidiaries:				
Beijing Petroservice Engineering Inc.(4)	Republic of China	Provision of technical oilfield and enhanced oil recovery services	**100**	100
East Energy Group Inc.(4)	British Virgin Islands	Investment holding	**100**	100
East Energy Inc. Ltd.(2)	Hong Kong	Investment holding	**100**	100
Prisma Kemuning Mandiri Limited(4)	British Virgin Islands	Investment holding	**95**	95
Prisma Kampung Minyak Limited(4)	British Virgin Islands	Investment holding	**97.5**	97.5
PT Prima Petrolium Service(3) (Previously known as PT Kampung Minyak Energy)	Indonesia	Oil production services	**100**	100
BUT KSO PT Pertamina EP-Prisma Kampung Minyak Ltd(3)	Indonesia	Oil production	**97.5**	97.5

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of Ernst & Young Global in the respective countries.

(3) Not required to be audited by law in its country of incorporation. These entities were audited by member firms of Ernst & Young Global for group reporting purposes.

(4) Not required to be audited by law in its country of incorporation. These entities are not material to the Group.

13. INVESTMENT IN ASSOCIATES

The Group's and the Company's material investments in associates are summarised below:

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
CPHL (Cambodia) Co., Ltd				
Investment in associate, at cost at beginning	**7,486**	7,486	**7,486**	7,486
Share of post-acquisition reserves	**(5,126)**	(5,126)	**–**	–
Unquoted equity share, net	**2,360**	2,360	**7,486**	7,486
Less: Impairment	**(2,360)**	(2,360)	**(7,486)**	(7,486)
Unquoted equity share, net	**–**	–	**–**	–

In 2015, the Group had impaired its investment in associates amounting to US$2,360,000.

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Gunung Indah Lestari Limited				
Investment in associate, at cost at beginning	**3,000**	3,000	**–**	–
Share of post-acquisition reserves	**(336)**	(292)	**–**	–
Unquoted equity share, net	**2,664**	2,708	**–**	–
Total investment in associates	**2,664**	2,708	**–**	–

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest 2016 %	2015 %
Held through Company:				
CPHL (Cambodia) Co., Ltd[(1)]	Kingdom of Cambodia	Oil and gas exploration and production	**48**	48
Held through subsidiary:				
Gunung Indah Lestari Limited[(2)]	Indonesia	Oil and gas exploration and production	**10**	10

(1) Audited by member firm of Ernst & Young Global in Cambodia.

(2) Accounted for as an associate as the Group has significant influence over financial and operating policy decisions of the investee.

NOTES TO THE **FINANCIAL STATEMENTS**

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13. INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of CPHL (Cambodia) Co., Ltd and Gunung Indah Lestari Limited, based on their FRS financial statements is as follows:

	CPHL (Cambodia) Co., Ltd	
	2016	**2015**
	US$'000	**US$'000**
Summarised statement of financial position		
Current assets	**8**	1,503
Non-current assets	**20,479**	20,409
Total assets	**20,487**	21,912
Current and total liabilities	**29,720**	31,052
Summarised statement of comprehensive loss		
Total comprehensive loss	**142**	899
Group's proportion of ownership interest	**48%**	48%
Group's share of associate's loss for the year	**–**	431

The Groups has not recognised its share of losses of $68,000 (2015: Nil) in relation to CPHL (Cambodia) Co., Ltd where its share of losses exceed the Group's investment in this associate, of which $68,000 (2015: Nil) was the share of the current year's losses. The Group has no obligation in respect of these losses.

	Gunung Indah Lestari Limited	
	2016	**2015**
	US$'000	**US$'000**
Summarised statement of financial position		
Current and total assets	**3,125**	3,449
Current and total liabilities	**7,042**	6,930
Summarised statement of comprehensive loss		
Total comprehensive loss	**436**	477
Group's proportion of ownership interest	**10%**	10%
Group's share of associate's loss for the year	**44**	48

14. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from subsidiaries are unsecured, non-interest bearing and to be settled in cash on demand except for a non-current portion of US$30,353,000 in 2015 which is not expected to be repaid within the next 12 months.

The amounts due to subsidiaries are unsecured, non-interesting bearing and to be settled in cash on demand.

Receivables that are impaired

The Company has provided US$30,338,000 (2015: Nil) for the amount due from subsidiaries as subsidiaries are determined to be in significant financial difficulties.

15. AMOUNTS DUE FROM ASSOCIATES

Amounts due from associates – current of US$1,701,000 (2015: US$943,000) are unsecured, non-interest bearing, to be settled in cash and are expected repayable on demand within the next 12 months.

Receivables that are impaired

In the previous year, the Group provided US$21,427,000 for the amounts due from an associate. A reversal of allowance for amount due from an associate amounting to $1,345,000 (2015: Nil) was recognised as such sums were collected during the year.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Trade and other receivables (current):				
Trade receivables	**128**	102	**–**	–
Other receivables	**207**	210	**77**	144
Deposits	**136**	164	**–**	–
Amount due from tax authority	**1,025**	927	**–**	–
	1,496	1,403	**77**	144
Amounts due from subsidiaries (Note 14)	**–**	–	**3,661**	3,919
Amounts due from associates (Note 15)	**1,701**	943	**–**	–
	3,197	2,346	**3,738**	4,063
Other receivables (non-current):				
Amounts due from a subsidiary (Note 14)	**–**	–	**–**	30,353
Total trade and other receivables (current and non-current)	**3,197**	2,346	**3,738**	34,416
Add: Pledged fixed deposit (Note 17)	**–**	2,501	**–**	–
Cash and short-term deposits (Note 18)	**4,696**	3,522	**570**	1,718
Total loans and receivables	**7,893**	8,369	**4,308**	36,134

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group does not have trade receivables that are past due at the end of the reporting period but not impaired. All trade receivables are not secured by any collateral or credit enhancements.

Receivables that are impaired

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Except for the amounts due from subsidiaries and amounts due from an associate as disclosed in Note 14 and Note 15 respectively, the Group does not have trade receivables that are impaired at the end of the reporting period.

As of 31 December 2016, the Group and the Company had provided impairment for trade and other receivable amounting to US$155,000 and US$64,000 respectively (2015: Nil and Nil).

17. PLEDGED FIXED DEPOSIT

The fixed deposit held by a subsidiary was pledged to bank for a bank guarantee to PT Pertamina EP from PT Kampung Minyak Energy, for the oil exploration rights acquired, as part of the requirement of the operations cooperation agreement ("KSO") signed in July 2011. The pledged fixed deposit was classified as non-current.

The bank guarantee had expired and the pledged fixed deposit was released during the year.

The pledged fixed deposit bears an average interest rate of 2.25% (2015: 2.75%) per annum.

18. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Cash at banks and on hand	**4,696**	2,816	**570**	1,012
Short-term deposits	**–**	706	**–**	706
Cash and short-term deposits	**4,696**	3,522	**570**	1,718

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and the Company, and earn interests at around 1% (2015: 1%) per annum.

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Trade and other payables:				
Trade payables	**4,377**	4,327	**–**	–
Other payables	**1,355**	1,396	**614**	523
Amount due to a related party	**1,598**	1,633	**1,598**	1,633
	7,330	7,356	**2,212**	2,156
Amounts due to subsidiaries (Note 14)	**–**	–	**1,666**	1,983
Total trade and other payables	**7,330**	7,356	**3,878**	4,139
Add: Accrued operating expenses	**950**	1,183	**12**	110
Contract Deposit (Note 23)	**3,000**	–	**–**	–
Total financial liabilities carried at amortised cost	**11,280**	8,539	**3,890**	4,249

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables are unsecured, non-interest bearing, to be settled in cash and repayable on demand.

Amount due to a related party is non-trade related, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

Non-shareable oil liability arises when the Group does not achieve incremental oil under the KSO with Pertamina EP for the financial year. During the previous financial year, the Group repaid US$183,000 of the shortfall with its production.

20. PROVISION FOR DECOMMISSIONING

	Group	
	2016	2015
	US$'000	US$'000
At 1 January	**539**	481
Accretion of decommissioning provision	**64**	58
At 31 December	**603**	539

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities.

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20. PROVISION FOR DECOMMISSIONING (CONTINUED)

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2026 which is when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate used in the calculation on the provision as at 31 December 2016 was 12.0% (2015: 12.0%).

21. SHARE CAPITAL

	Group and Company	
	No. of shares '000	US$'000
Issued and fully paid ordinary shares:		
At 1 January 2016	**119,012**	81,249
At 31 December 2016	**119,012**	81,249

	Group and Company	
	No. of shares '000	US$'000
Issued and fully paid ordinary shares:		
At 1 January 2015	**1,190,122**	81,249
Share consolidation resulted in every 10 shares into 1 share	**(1,071,110)**	–
At 31 December 2015	**119,012**	81,249

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 3 March 2015, the Board of Directors announced the proposed consolidation of every ten existing ordinary shares in the capital of the Company (including treasury shares) held by shareholders in the capital of the Company ("Proposed Share Consolidation") into one ordinary share. The Proposed Share Consolidation is expected to rationalise the share capital of the Company. The Proposed Share Consolidation is subject to both the approval from Singapore Exchange Securities Trading Limited ("SGX-ST") and the approval from shareholders at an Extraordinary General Meeting.

The Proposed Share Consolidation was completed on 13 May 2015.

22. OTHER RESERVES

(a) Merger reserve

The merger reserve represents to the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting in prior years.

(b) Equity and share options reserve

The equity and share options reserve represents the fair value of share options measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the results and financial position of the Company into the presentation currency, and the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

23. CONTRACT DEPOSIT

On 29 April 2016, the Group entered into a contract with a service provider to jointly manage the Kampung Minyak Oil Block ("KM") and the Sungai Taham – Batu Keras – Suban Jeriji Block ("ST-BK-SJ") from 1 May 2016 to 31 December 2019 (3 years and 8 months). The Group is relying on the contracted service provider's technical expertise to increase the production volume in both blocks through the reactivation of at least 30 old wells.

The key terms are:

(1) The contracted service provider will pay the Group 3 tranches of contract deposits totalling US$6 million – US$3 million (already received) in Year 1; US$2 million in Year 2; US$1 million in Year 3.

(2) The Group commits to fund US$560,000 monthly (from June/July 2016 to December 2016) and US$360,000 monthly (from January 2017 onwards till December 2019) for the operations of both blocks.

(3) The Group will pay a net monthly management fee of US$40,000 to the contracted service provider.

(4) Depending on the production volume, the contract deposits will either be:

  (i) fully converted into the shares in a subsidiary and an associate; or

  (ii) partially converted into the shares in a subsidiary and an associate with the remaining to be refunded to the contracted service provider; or

  (iii) fully refunded to the contracted service provider.

Management does not expect the contract deposit to be repaid within the next 12 months.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. EMPLOYEE BENEFITS

	Group	
	2016	**2015**
	US$'000	**US$'000**
Employee benefits expense (including directors):		
Salaries and bonus	**1,837**	2,237
Central Provident Fund contributions	**40**	52
Share-based payments	**75**	–
Other short-term benefits	**164**	208
	2,116	2,497

Employee share option plan

The Mirach ESOS Scheme was approved on 30 July 2014 under which options to subscribe for the Company's ordinary shares have been granted to selected employees and directors of the Company and its subsidiaries (including non-executive directors) and controlling shareholders and/to their associates.

The expense recognised in profit or loss granted under Mirach ESOS Scheme during the financial year is US$20,000 (2015: Nil). The weighted average fair value of options granted during the financial year was S$0.098 (2015: Nil). The remaining contractual life for these options is 2 years (2015: Nil). No options was exercised during the financial year.

Performance shares

The Company has a performance share plan known as Mirach Performance Share Plan ("Mirach PSP"). Under the terms of Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees, directors of the Company and subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievement of the prescribed performance targets and upon expiry of the prescribed performance period, either new share will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

There has been no cancellation or modification to Mirach Energy Scheme, Mirach ESOS Scheme and Mirach PSP during both 2016 and 2015.

The expense recognised in profit or loss granted under Mirach PSP during the financial year is US$55,000 (2015: Nil). No Mirach PSP granted under this plan had vested at the end of the reporting period (2015: Nil).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. EMPLOYEE BENEFITS (CONTINUED)

Fair value of share options granted

On 16 June 2016, the Company issued 2,960,000 share options to various grantees, granting them rights to purchase common shares of the Company pursuant to the Mirach ESOS Scheme.

Details of the Mirach ESOS Scheme as below:–

Issue Date	:	16 June 2016
Expiry Date	:	15 June 2018
Closing price of subject shares at the date of grant	:	S$0.098
Total number of share options granted	:	2,960,000
Option shares	:	1
Transferrable	:	No
Vesting period	:	50% of the share options are exercisable from the date of grant to the day before the first anniversary of the date of grant.
	:	100% of the share options are exercisable from the first anniversary of the date of grant to expiry date

The fair value of the share options granted under Mirach ESOS Scheme is estimated at the grant date using a Black-Scholes Option Pricing Model, taking into consideration the terms and conditions upon which the share options were granted.

Below is a detailed summary of the valuation:

	Company	
	Batch 1	**Batch 2**
Summary of Valuation		
Spot Price	S$0.098	S$0.098
Strike Price	S$0.11	S$0.11
Risk Free Rate	0.912%	0.695%
Number of option shares	1,480,000	1,480,000
Volatility	89.153%	91.837%
Vesting Date	16 June 2016	16 June 2017
Expiry Date	15 June 2018	15 June 2018
Dividend Yield	0%	0%
Value	S$65,000	S$46,000

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. RELATED PARTY TRANSACTIONS

(a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

	Group	
	2016	**2015**
	US$'000	**US$'000**
Service fees rendered to an associate	**–**	960
Management fee from an associate	**–**	11
Interest income from an associate	**–**	20

(b) Compensation of key management personnel

	Group	
	2016	**2015**
	US$'000	**US$'000**
Short-term employee benefits	**931**	1,171
Central Provident Fund contributions	**34**	42
	965	1,213
Comprise amounts paid to:		
Directors of the Company	**468**	540
Other key management personnel	**497**	673
	965	1,213

26. COMMITMENTS

(a) Operating lease commitments

The Group has entered into commercial leases on certain office buildings. These leases have remaining non-cancellable lease terms of between one to three years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the leased offices to third parties.

Minimum lease payments recognised as an expense in the consolidated income statement for the financial year ended 31 December 2016 amounted to US$361,000 (2015: US$491,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. COMMITMENTS (CONTINUED)

(a) Operating lease commitments (Continued)

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Not later than one year	**324**	325
Later than one year but not later than five years	**185**	148
	509	473

(b) Capital commitment

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016	**2015**
	US$'000	**US$'000**
Capital commitments in relation to the work program project by subsidiary, Prisma Kampung Minyak Limited[1]:		
– Not later than one year	**3,210**	9,610

Note:

(1) Work program project represents the required technical assessment and operational costs associated with the drilling process in oilfield of Indonesia to be carried out by Prisma Kampung Minyak Limited, a subsidiary of the Group, during the exploration period between 15 July 2011 to 14 June 2014 and subsequently extended till 14 July 2016 in accordance with the clauses under the KSO. The above commitment was based on the original work plans with Pertamina EP. The Group has been in discussions with Pertamina EP in fulfilling the work plans and progress has been favourable. The Group is confident that there should be no additional capital outlay essentially to fund these requirements.

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27. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed

Trade and other receivables, trade and other payables, accrued operating expenses and amounts due from/(to) subsidiaries and associates (current)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

Pledged fixed deposit

The carrying amount of pledged fixed deposit closely approximates its fair value as the interest rate of this financial asset approximates its market rate on or at the end of the reporting period.

(c) Assets and liabilities not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

Amounts due from subsidiaries and associates (non-current) and Contract Deposit

The non-current amounts due from subsidiaries and associates have no fixed terms of repayment. Accordingly, the fair values cannot be measured reliably as the timing of e future cash flows cannot be determined.

Contract Deposit has no fixed terms of repayment. Accordingly, the fair values cannot be measured reliably as the Contract Deposit is interest-free.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, cash and short-term deposits. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by contract area on an on-going basis. At the end of the reporting period, approximately:

– 100% (2015: 100%) of the Group's trade receivables was due from 1 major customer (2015: 1), who is in the oil and gas industry located in Indonesia.

– 53% (2015: 40%) of the Group's trade and other receivables were due from related parties while almost all of the Company's trade receivables were due from related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivables).

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to monitor and maintain a level of cash and cash equivalents deems adequate by its management to finance its operations and meet its financial obligations on a timely manner.

The Group's current funding is mainly from share placements and the Contract Deposit (Note 23).

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* *(Continued)*

	Group			
	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2016				
Financial assets:				
Amount due from associates	**1,701**	**–**	**–**	**1,701**
Trade and other receivables	**1,496**	**–**	**–**	**1,496**
Cash and short-term deposits	**4,696**	**–**	**–**	**4,696**
Total undiscounted financial assets	**7,893**	**–**	**–**	**7,893**
Financial liabilities:				
Trade and other payables	**7,330**	**–**	**–**	**7,330**
Accrued operating expenses	**950**	**–**	**–**	**950**
Contract Deposit	**–**	**3,000**	**–**	**3,000**
Total undiscounted financial liabilities	**8,280**	**3,000**	**–**	**11,280**
Net undiscounted financial liabilities	**(387)**	**(3,000)**	**–**	**(3,387)**

	Group			
	1 year or less US$'000	1 to 5 years US$'000	More than 5 years US$'000	Total US$'000
2015				
Financial assets:				
Amount due from associates	943	–	–	943
Pledged fixed deposit	–	–	2,501	2,501
Trade and other receivables	1,403	–	–	1,403
Cash and short-term deposits	3,522	–	–	3,522
Total undiscounted financial assets	5,868	–	2,501	8,369
Financial liabilities:				
Trade and other payables	7,356	–	–	7,356
Accrued operating expenses	1,183	–	–	1,183
Total undiscounted financial liabilities	8,539	–	–	8,539
Net undiscounted financial (liabilities)/assets	(2,671)	–	2,501	(170)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** *(Continued)*

	Company			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2016				
Financial assets:				
Trade and other receivables	**77**	**–**	**–**	**77**
Amounts due from subsidiaries	**3,661**	**–**	**–**	**3,661**
Cash and short-term deposits	**570**	**–**	**–**	**570**
Total undiscounted financial assets	**4,308**	**–**	**–**	**4,308**
Financial liabilities:				
Trade and other payables	**2,212**	**–**	**–**	**2,212**
Accrued operating expenses	**12**	**–**	**–**	**12**
Amounts due to subsidiaries	**1,666**	**–**	**–**	**1,666**
Total undiscounted financial liabilities	**3,890**	**–**	**–**	**3,890**
Net undiscounted financial assets	**418**	**–**	**–**	**418**

	Company			
	1 year or less US$'000	**1 to 5 years US$'000**	**More than 5 years US$'000**	**Total US$'000**
2015				
Financial assets:				
Trade and other receivables	144	–	–	144
Amounts due from subsidiaries	3,919	–	30,353	34,272
Cash and short-term deposits	1,718	–	–	1,718
Total undiscounted financial assets	5,781	–	30,353	36,134
Financial liabilities:				
Trade and other payables	2,156	–	–	2,156
Accrued operating expenses	110	–	–	110
Amounts due to subsidiaries	1,983	–	–	1,983
Total undiscounted financial liabilities	4,249	–	–	4,249
Net undiscounted financial assets	1,532	–	30,353	31,885

The maximum amount of the financial guarantee contracts allocated to the earliest period, which is within the next financial year, in which the guarantee could be called is US$Nil (2015: US$2,501,000).

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Foreign currency risk*

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily US$, Singapore Dollar (S$), Indonesia Rupiah (IDR) and Hong Kong Dollar (HKD$). The foreign currencies in which these transactions are denominated are mainly in US$ and IDR. The Group's trade receivables are denominated in US$. The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries.

The exchange rate of the HKD$ to the US$ has been pegged at an official rate of HKD$7.8 to US$1.0 by the Hong Kong Government with a minimal trading band. The Company, therefore, is of the view that the Group's exposure to foreign exchange currency risk for changes in exchange rate of HKD$ against US$ is limited and which is not included in the foreign exchange risk analysis.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes.

The Group uses foreign currency denominated assets as a natural hedge against its foreign currency denominated liabilities. It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging or speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore. The Group's net investments are not hedged as currency positions in US$ are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the RMB, IDR, and S$ exchange rates against US$, with all other variables held constant.

		Group	
		2016 US$'000	2015 US$'000
		Loss before tax	Loss before tax
US$/RMB	– strengthened 4% (2015: 4%)	(1)	(8)
	– weakened 4% (2015: 4%)	1	8
US$/IDR	– strengthened 4% (2015: 4%)	(12)	(22)
	– weakened 4% (2015: 4%)	12	22
US$/S$	– strengthened 4% (2015: 4%)	(5)	(68)
	– weakened 4% (2015: 4%)	5	68

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29. CAPITAL MANAGEMENT

Capital includes debts and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, accrued operating expenses, and Contract Deposit less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	Group	
	2016	**2015**
	US$'000	**US$'000**
Trade and other payables (Note 19)	**7,330**	7,356
Accrued operating expenses	**950**	1,183
Contract Deposit (Note 23)	**3,000**	–
Less:		
Pledged fixed deposit (Note 17)	**–**	(2,501)
Cash and short-term deposits (Note 18)	**(4,696)**	(3,522)
Net debt	**6,584**	2,516
Equity attributable to the owners of the Company, representing total capital	**3,407**	17,526
Capital and net cash	**9,991**	20,042
Gearing ratio	**66%**	13%

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

I. Oilfield services segment is provision of oilfield services and sale of hardware products and equipment.

II. Oil exploration and oilfield development segment involves petroleum operations in an offshore area of Cambodia and Indonesia.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

There are inter-segment transactions.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. **SEGMENT INFORMATION** (CONTINUED)

	Oilfield services		Oil exploration and oilfield development		Adjustments		Note	Total	
	2016	2015	2016	2015	2016	2015		2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue:									
External customers	**9**	1,043	**587**	1,059	**–**	–		**596**	2,102
Inter-company	**317**	337	**–**	–	**(317)**	(337)	A	**–**	–
Total revenue	**326**	1,380	**587**	1,059	**(317)**	(337)		**596**	2,102
Segments results									
Interest income	**58**	65	**2**	4	**9**	39		**69**	108
Finance costs	**–**	–	**(64)**	(58)	**–**	–		**(64)**	(58)
Depreciation and amortisation	**(2)**	(28)	**(1,000)**	(1,666)	**(39)**	(40)		**(1,041)**	(1,734)
Share of loss of associates	**–**	–	**(44)**	(479)	**–**	–		**(44)**	(479)
Impairment loss on oil and gas properties	**–**	–	**(3,996)**	–	**–**	–		**(3,996)**	–
Impairment loss on intangible asset	**–**	–	**(6,617)**	–	**–**	–		**(6,617)**	–
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**(7)**	–		**(7)**	–
Impairment loss on trade and other receivables	**–**	–	**–**	–	**(155)**	–		**(155)**	–
Other non-cash income	**–**	–	**–**	183	**–**	–	B	**–**	183
Segment loss	**(975)**	(172)	**(13,788)**	(5,126)	**(196)**	(26,892)	C	**(14,959)**	(32,190)
Investment in associates	**–**	–	**2,664**	2,708	**–**	–		**2,664**	2,708
Additions to non-current assets	**–**	2	**113**	450	**–**	–	D	**113**	452
Segment assets	**4,408**	3,010	**5,293**	17,390	**4,547**	5,895	E	**14,248**	26,295
Segment liabilities	**3,678**	1,045	**6,091**	5,889	**2,288**	2,339	F	**12,057**	9,273

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT INFORMATION (CONTINUED)

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-company revenue is eliminated on consolidation.

B Other non-cash expenses consist of repayment of non-shareable oil liability and provision for decommissioning as presented in the respective notes to the financial statements.

C The following are added to/(deducted from) segment income statement to arrive at "Loss before tax" presented in the consolidated income statement:

	2016 US$'000	2015 US$'000
Interest income	**(9)**	(39)
Depreciation and amortisation	**39**	40
Impairment loss on property, plant and equipments	**7**	–
Impairment loss on trade and other receivables	**155**	–
Impairment loss on investment in associate	**–**	2,360
Allowance for amount due from associate	**–**	21,427
Reversal of allowance for amount due from an associate	**(1,345)**	–
Unallocated corporate expenses	**1,349**	3,104
	196	26,892

D Additions to non-current assets consist of additions to property, plant and equipment, oil and gas properties and intangible assets.

E The following items are added to segment assets to arrive at total assets reported in the statement of financial position:

	2016 US$'000	2015 US$'000
Property, plant and equipment	**177**	165
Cash and short-term deposits	**710**	1,960
Others	**3,660**	3,770
	4,547	5,895

F The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2016 US$'000	2015 US$'000
Other payables	**2,240**	2,178
Accrued operating expenses	**48**	161
	2,288	2,339

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenue	
	2016	**2015**
	US$'000	**US$'000**
Indonesia	**596**	1,131
Cambodia	**–**	971
	596	2,102

	Non-current assets	
	2016	**2015**
	US$'000	**US$'000**
Singapore	**177**	225
Indonesia	**3,278**	17,316
	3,455	17,541

Non-current assets information presented above consist of property, plant and equipment, oil and gas properties, intangible assets, exploration and evaluation assets and pledged fixed deposit.

Information about major customers

Revenue from an associated company in the oilfield services segment accounted for Nil% (2015: 93%) of the Group's sales in that segment.

Revenue from one major customer in the oil exploration and oilfield development segment accounted for 100% (2015: 100%) of the Group's sales in that segment.

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 3 April 2017.

COMPETENT PERSON'S **REPORT**

Competent Person's Report

Assessment of the Oil Potential in Kampung Minyak Oilfield, Indonesia

As of 31 December 2016

Prepared for: Prisma Kampung Minyak Limited (PKM)

Austar Gas Pty Ltd

Suit 604, Tower B, The Zenith, 821 Pacific Highway, Chatsood, NSW 2067 Australia

Document Control

Field Name/Location	Company	Client Name Representative	Austar Gas Job /Date
Kampung Minyak Oilfield, Indonesia	PKM	Mr Shut Li (William) Chan	Alan Teimoori

Approvals

Activity	Name – Signature	Signature	Date
Prepared by	Dr Alan Teimoori	A.T	28 March 2017
Prepared by	Mrs. Parisa Rahbarian	PR	28 March 2017
Peer Reviewed By	Dr Xingjin Wang	Wxingjin	28 March 2017
Authorised for released by	Dr Xingjin Wang	Wxingjin	28 March 2017

COMPETENT PERSON'S **REPORT**

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COMPETENT PERSON'S **REPORT**

1 Executive summary

PKM has commissioned Austar Gas Pty ltd to provide a resource estimate for its interest in the Prisma Kampung Minyak (KM) asset in Indonesia. The evaluation was performed in February 2017 using the updated field production data until 31st December 2016 and technical information provided by PKM.

On 15th July 2011, a 15-year production enhancement contract (KM KSO contract) was signed for KM field in Indonesia between Pertamina and Prisma Kampung Minyak companies. Kampung Minyak was later acquired by PKM and thus PKM is entitled to receive 25% of any extra oil production above the baseline oil forecast after cost recovery.

KM Oilfield was discovered in 1896 and has a producing area of 45 square kilometres. The field is located approximately 200 km south of Palembang City in South Sumatra Island, Indonesia. There are nearly 330 vertical wells in this area and 30 wells online in 2016 with oil production. During the development, operators have tried technologies such as water reinjection and hydraulic fracturing to advance field production. However, despite success from some of the water injection trials, oil production remained in a low level due to lack of proper understanding of reservoirs and inconsistency in water injection. PKM has started a work program since the start of its contract to enhance oil production by drilling new injectors/producers and recompletion (water shut-off, artificial lift design) of key old producers.

Detailed Geophysical and petrophysical studies on the existing seismic data and log correlations over KM field has divided the KM field into 9 separate blocks from north west to south east. The entire KM field appears to be affected by faulting and has a limited reservoir continuity between the blocks.

There are two main geological formations present in the KM field, the Muara Enim Formation and the Air Benakat Formations. KM has an original estimate of approximately 65.92 million barrels of original oil in place (OOIP) which are mainly located in Muara Enim Formation (named as STC to S7 layers) with a depth range from 90m to about 470m. Reservoir layers in Muara Enim Formation are channel sand bodies belong to water delta and generally have good thickness and reservoir properties. Muara Enim Formation contains layers with varying thickness (up to 12m) and has an average porosity of 28% with permeability ranging from 50 to 120md. Air Benakat Formation consists of deeper formations (S8 to S13) with poor reservoir properties. Among those, layer S8 has been productive with some production history and it has been included to the main package for the contingent resource estimate. Productivity and reservoir characteristic of layers S9-S13 are yet to be confirmed through further production testing and technology trials.

API gravity is ranging from 35 to 45 which suggests that KM oil is a good quality. A constant formation volume factor of 1.15 was used for all zones as reported by PKM. There is also very small amount of gas produced which is not normally measured by the company. The average porosity in Muara Enim Formation ranging from 31% in STC to 24% in S7 and is equal to 16% in S8-S13. Initial water saturation was derived by client as 35% in STC-S7 and 40-45% in S8-S13 which are considered reasonable. Due to shortage of time, Austar Gas has used the information from the top structure

COMPETENT PERSON'S **REPORT**

and the net pay maps provided by PKM but it has adjusted the net pay in S1-S7 using the correction factors suggested in the previous independent reserves review report from 2015.

KM field is a mature field with ~330 wells drilled at dense spacing (10 to 30 acres depends on the zone/block) with cumulative production over 12 million barrels (~18.5% of OOIP). However, lack of consistent reservoir management during the water injection trials and issues regarding artificial

lifting in some of the blocks has lowered the production performance at KM. Since 2011, PKM has brought online nine new wells and carried out over 30 workovers (mainly re-perforation or pump replacement in existing producers) that in most cases resulted in production gains. As of 31 December 2016, there were 30 existing oil producers in KM field.

The proposed development plan for KM field by Austar Gas is based on the information provided by PKM and the cost assumptions provided in the previous reserves estimate in 2015. The proposed development plan includes workover of existing wells and drilling new producing and water injection wells at KM filed. Austar Gas suggests that PKM should also consider other technologies such as radial drilling/ jetting, hydraulic fracturing, liquid Nitrogen injection and propellant stimulation trials to unlock the potential from Muara Enim and the Air Benakat Formations.

Well costs including completion and connection to surface facilities are approximately US$400,000/- for new wells and US$80,000/- for recompletion of existing wells. For the base case (2C) the proposed program requires drilling of 4 new producers and recompletion of 30 existing producers. For 1C the program requires drilling of 3 new wells, 31 recompletions of existing wells and 2 injectors and for 3C it requires drilling of 12 wells, recompletion of 75 existing wells and 40 water injection wells. As of 31 December 2016, there were 30 wells producing with oil production. Figure 1 shows a summary of field deliverability outputs which was resulted for KM field oil production forecast from 2017 to 2035.

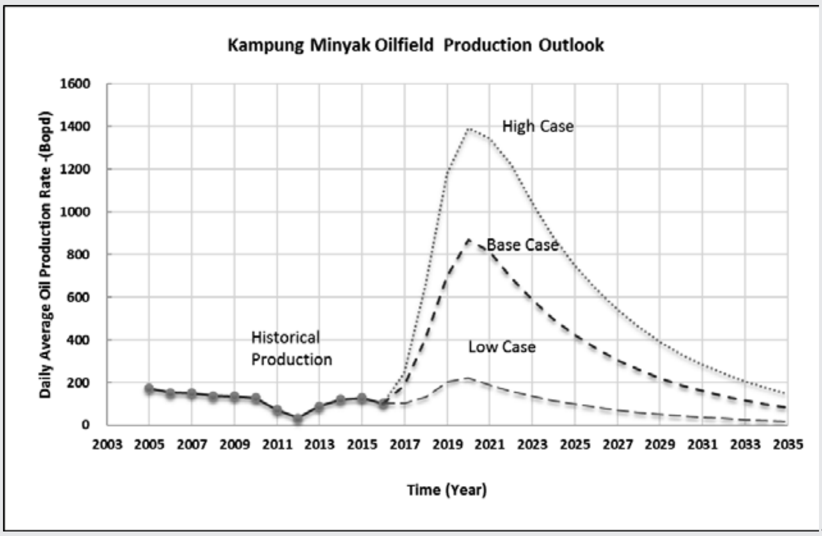

Figure 1. KM oilfield deliverability forecast for 1C, 2C & 3C production outlook

Austar Gas has estimated contingent resources for Kampung Minyak based on the volumetric calculations for oil in place and total field production forecast (low/mid/high cases of field production forecast data which is presented in Figure 1) on a property gross basis. Austar Gas has used the information provided by PKM and checked against the actual field data or independent reports provided by other companies. As the current oil production from KM field is not economical, contingent resources were assigned to Air Benakat at this stage. A summary of contingent resources assigned to KM field are presented in Table 1.

Table 1. PKM Contingent Resource- Kampung Minyak Oilfield, Indonesia

Contingent Resources - Kampung Minyak Field **Total Crude Oil (2017 to 2026)**	Low Case (1C)	Base Case (2c)	High Case (3C)
Property Gross Oil Production (MBbl): (Includes baseline production)	525	2,020	3,417
Company Gross Share (Mbbl): (Based on company's working interest less the baseline production)	427	1,922	3,319
Company Net Share (Mbbl): (Based on company share of total Recoverable Cost and Profit oil reserves)	363	990	1,484

PKM's share of the net present values of the contingent resources has been calculated based on the capital cost, operating cost provided by the company and the updated forecast oil prices as shown in Table 2.

Table 2. PKM Contingent Resource Net Present Value- Kampung Minyak Oilfield, Indonesia

Summary of Company Share of Net Present Values in $M US Dollars:					
Reserve Category	**0.0%**	**5.0%**	**10.0%**	**15.0%**	**20.0%**
Low Side Estimate Case:	(5,487)	(7,166)	(8,251)	(8,962)	(9,433)
Best Estimate Case:	11,571	6,579	3,020	416	(1,533)
High Side Estimate Case:	21,892	14,232	8,865	4,996	2,138

Prospective resource for oil and gas recovery was assigned to key reservoirs from S9-S13 layers in Air Banakat Formation in the previous reserves report from March 2015 provided to us by PKM. Due to lack of new technical or financial information and shortage of time for this update, Austar Gas has decided not to perform its own analysis. Instead, it has reviewed the input parameters from the probabilistic approach provided by PKM and in general supports the range of values used for S9-S13 reservoirs. The estimated original oil in place in S9-S13 layers from Air Benakat formation is 111 using probabilistic method.

2 Background

Kampung Minyak ("KM") oil field was discovered by the Muara Enim Petroleum in 1896 which was then took over by Shell. KM filed is in South Sumatra in Indonesia and covers an area of 45 square kilometres with nearly 330 wells and cumulative oil production of approximately 12 million barrels. A map showing the KM block and the South Sumatra Area is presented in Figure 2.

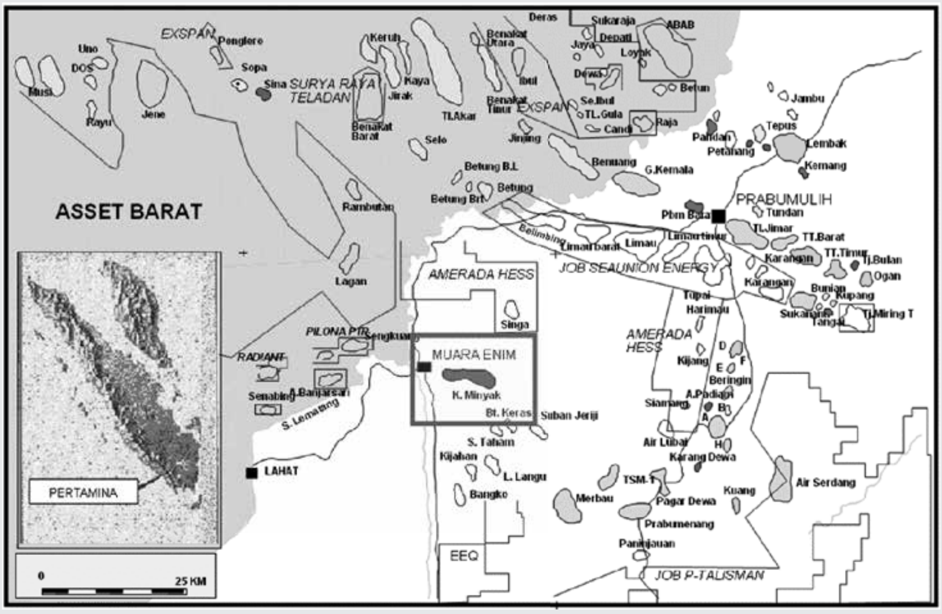

Figure 2 Kampung Minyak (KM) Oilfield in Indonesia(Mirach provided)

The main development of KM field was performed by Shell which drilled over 250 wells and produced approximately nine million barrels of oil during 1896 and 1932. The field was mainly suspended with little reported activity from 1932 and 1990s with the start of water injection by Triton. In 1996 operatorship of KM field was taken over by Pertamina (a local company). On July 15, 2011 Pertamina has signed a 15-year production enhancement contract with PKM.

Since 2011, PKM has started a number of activities and has performed ~30 workover on existing wells, carried out basic maintenance on existing surface facilities, drilling of 9 infill wells within blocks 3-5 and targeting deeper formations (S8-S13). The company has long-term plans to perform these activities in key blocks within KM oilfield. PKM has provided an activity plan for the 2015 reserves report which will be followed in this report with some adjustment to cover the activities from 2015 to 2017.

PKM has continued with water injection to dispose produced water into a number of wellbores. Since 2013 the company has tried to concentrate its water injection in blocks 3, 4 & 5 and has worked out a pattern within those blocks that makes the water injection efficient. Several workover activities on existing producers and drilling of water injection well are required in low, mid and high cases presented in this report.

2.1 Source and Quality of Data

KM oilfield has had several operators over 130 years. However, there is poor-quality data available from historical production, geology and reservoirs engineering.

PKM has performed a detail geophysical, geological studies in 2014 and 2015 using the latest petrophysical logs and seismic information in KM oilfield. The company has provided top structure and thickness maps in digital format as wells latest field production data and generally information were reasonable.

Oil & Water production history, zone allocations, water injection data, reservoir pressure and permeability data sets are generally poor. Austar Gas has based this report on the information provided by PKM and has compared in information against field data or studies from the independent consultants from 2014 and 2015 whenever possible.

The net pay values have been adjusted by applying a correction factor to net pay from S1 to S7 layers to account for the miss match of actual log data with the mapped net coal in the area as advised in previous reserves report from March 2015. The applied correction factors for net pay are 40% reduction in S1 & S2, 30% reduction for S3b, 25% reduction in S5&S6, 50% in S7a, 35% in S7b and 10% in S7c.

2.2 Geological Setting

Sequence stratigraphy and regional geology of KM area are presented in

Figure 3and Figure 4.

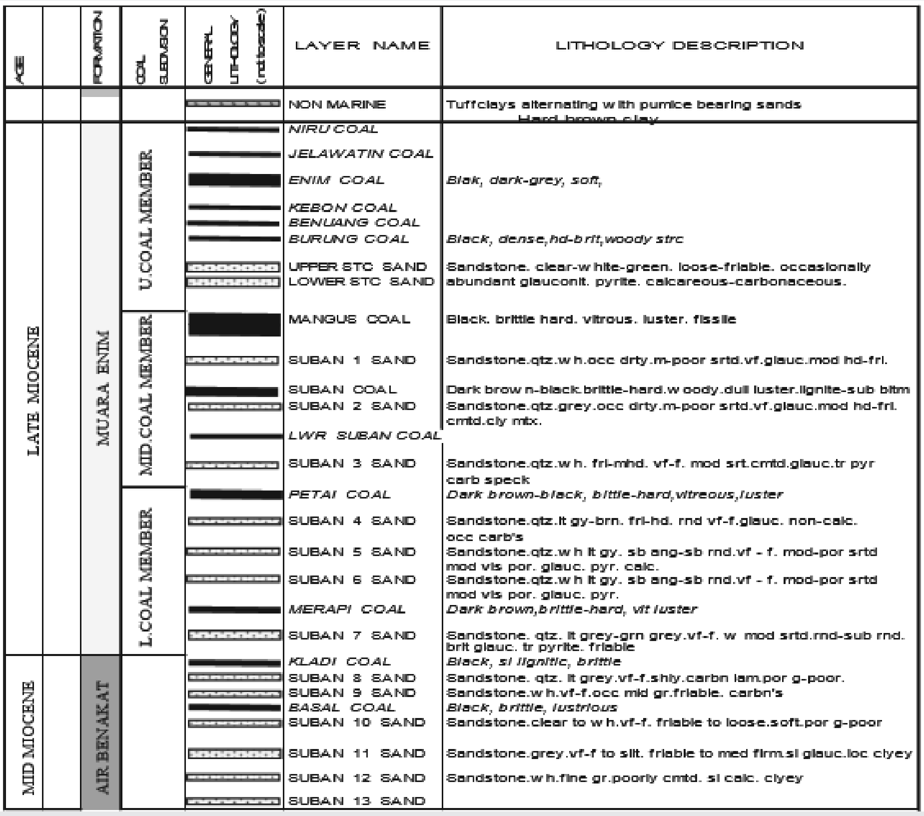

Figure 3 Sequence lithology on Kampung Minyak area (Mirach provided)

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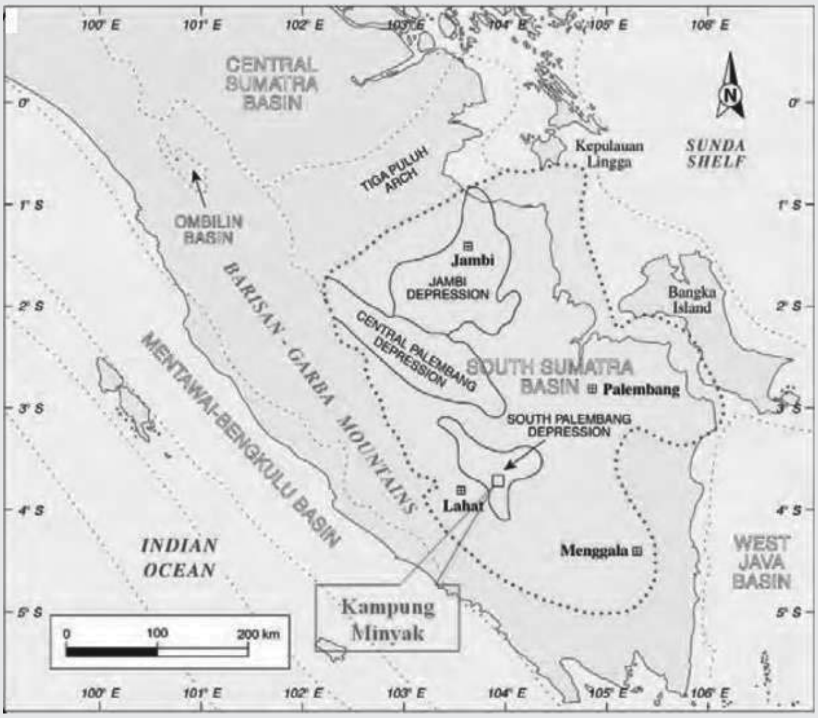

Figure 4 Regional Geology, South Sumatra Basin (Mirach Provided)

2.2.1 Permit Structure and Formation Thickness

Structure maps and net pay maps were provided by PKM in digital format and in general Austar Gas does not take any responsibility for accuracy of the information provided by PKM. Figure 5 and Figure 6 present top structure and net pay maps of Lower STC layer. The maps clearly show the presence of LSTC layer in different zone blocks with KM field.

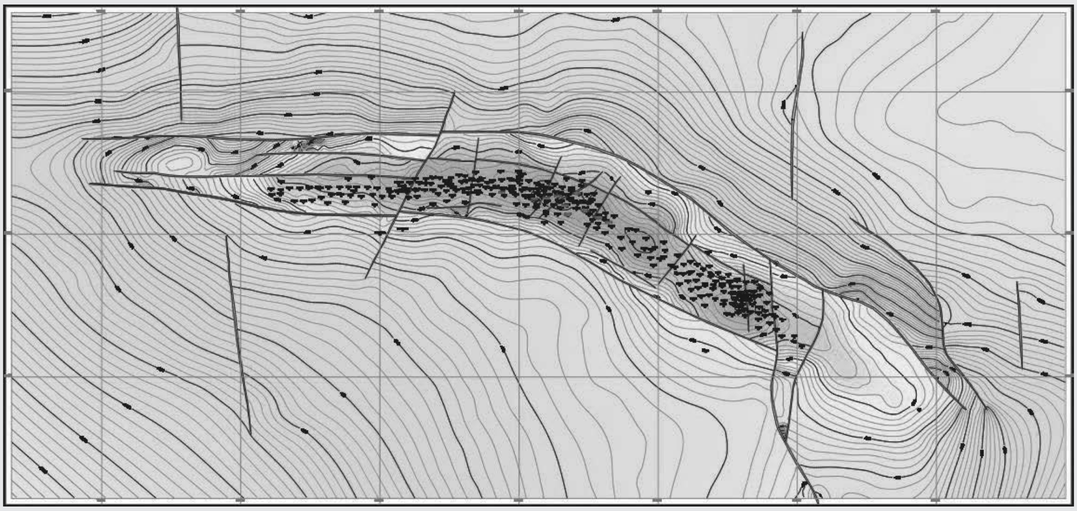

Figure 5 Top structure map of LSTC formation (Mirach Provided)

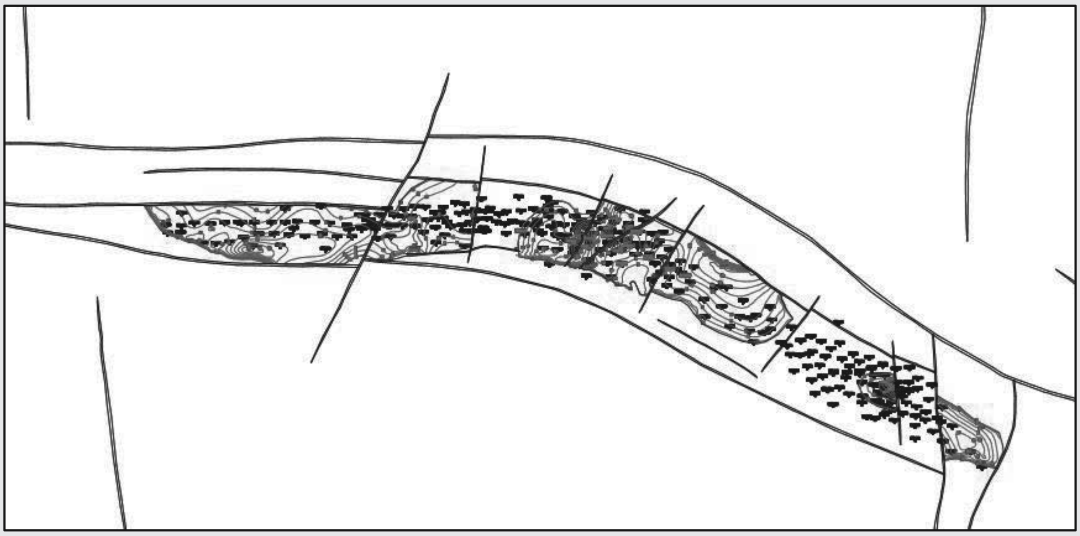

Figure 6 Net Pay Map of LSTC formation (Mirach Provided)

Similarly, Figure 7 and Figure 8 show the top structure map and net pay maps of later S7A within different blocks.

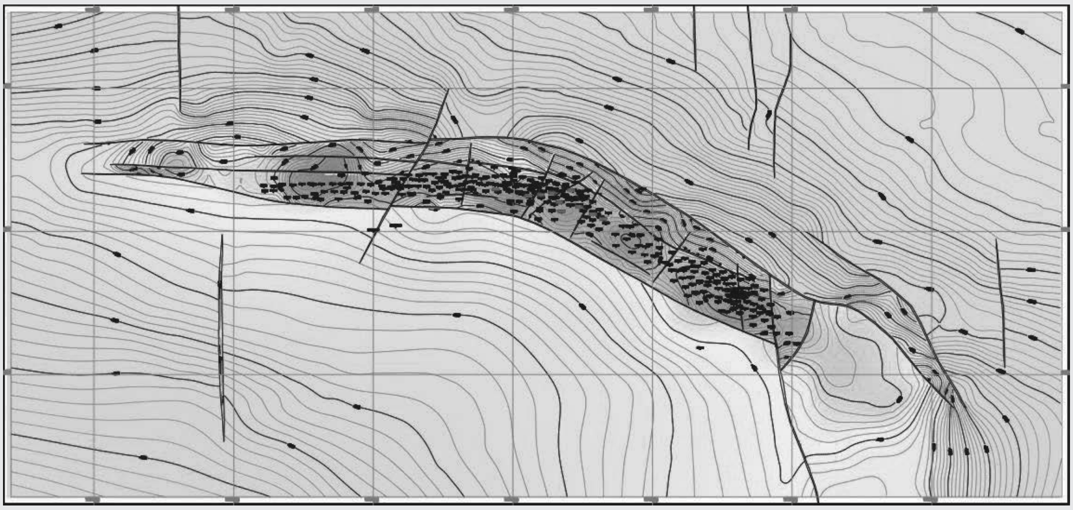

Figure 7 Top structure map of S3A formation(Mirach Provided)

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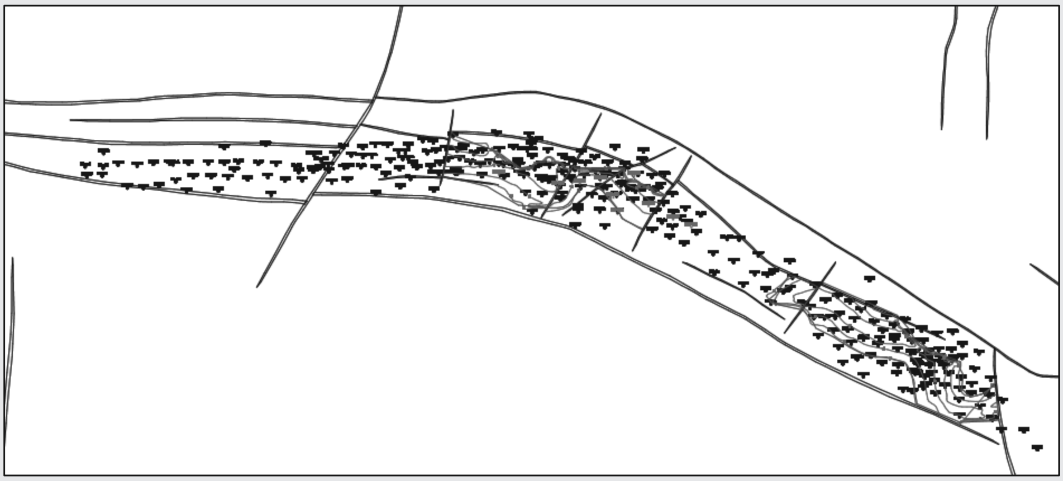

Figure 8 Net Pay Map of LSTC formation (Mirach Provided)

The above figures clearly demonstrate the presence of major faulting and image of reservoir continuity in the reservoir formations within MUARA ENIM sub-group.

2.2.2 Rock properties

Rock properties including porosity, permeability, water saturation were averaged in each layer by Austar Gas and presented in 3.

Figure 9 and Figure 10 show the variation of key rock properties by depth. Austar Gas has excluded some of permeability data points that were not consistent with other data points within each zone.

Graphs show a depth trend for changes in porosity and permeability MUARA ENIM sub-group. These trends could be also extended to include the deeper layers as more data becomes available.

Table 3. Mean rock properties from reservoir layers within KM field

Layer	TVD (m)	GROSS (m)	NET (m)	POR (Fraction)	PERM* (mD)
USTC	130.2	11.20	5.67	0.33	132.60
LSTC	149.9	7.81	5.15	0.32	103.38
S1	197.0	3.58	2.65	0.31	102.70
S2	256.7	3.09	1.50	0.29	70
S3A	264.2	6.30	3.50	0.30	80.55
S3B	285.7	8.17	4.33	0.28	85.50
S3C	290.1	4.47	2.31	0.28	50.62
S4	331.4	7.51	3.56	0.26	50.14
S5	348.3	3.68	2.17	0.26	59.73
S6	339.7	4.31	3.35	0.27	70.68
S7	384.3	2.29	1.31	0.29	33.88
S7A	403.9	5.86	3.61	0.27	57.27
S7B	414.7	12.46	7.67	0.25	80.08
S7C	399.9	9.17	4.71	0.27	53.99
* Filtered permeability data points from selective tests.					

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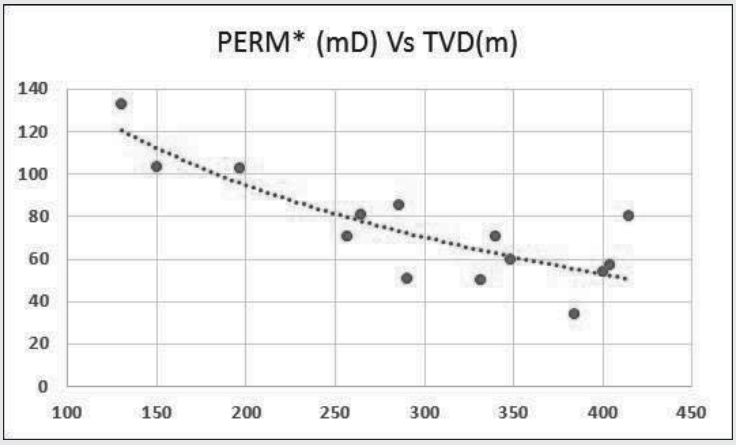

Figure 9. Permeability versus Depth Trend in MUARA ENIM formation

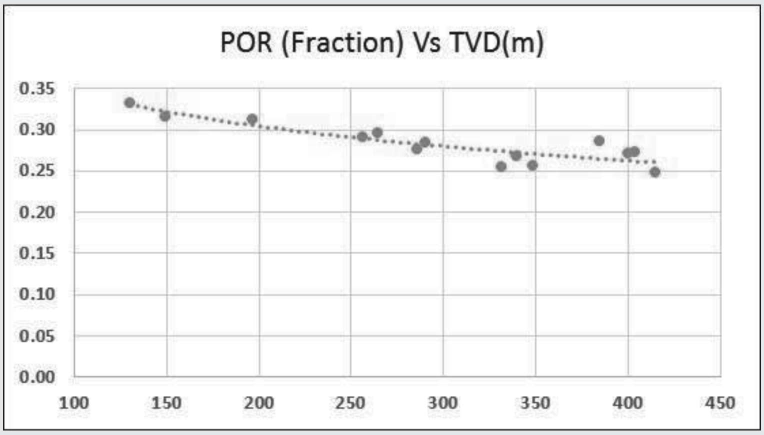

Figure 10. Porosity versus Depth Trend in MUARA ENIM formation

2.3 Original Oil in Place Estimation

Austar Gas has estimated original oil in place in each layer within KM oilfield using the information provided by PKM. A summary of OOIP estimation and the key reservoir parameters that were used in volumetric calculation are summarised in 4. Appendix B presents the detail information about the detail layer reservoir parameters used for volumetric OOIP estimation in this report. Table 5 also provides the arithmetic addition of OOIP estimation in layers STC to S8 and the updated production data from Air Benakat formation. OOIP results are comparable with the estimation from the previous reserves report from 2015 with the total OOIP of 64.9 MMBbl.

Table 4. KM field OOIP results and the averaged reservoir parameters for layers STC to S8

LAYER	AREA(Km2)	AREA(ac)	Net (m)	Porosity (f)	Swi	OOIP (MSTB)
USTC	3.4	842	43	0.31	0.4	16865
LSTC	3.3	815	42	0.31	0.4	21204
S1	2.0	483	21	0.30	0.4	2591
S2	0.3	81	4	0.28	0.4	775
S3A	1.9	470	17	0.29	0.4	3314
S3B	1.7	417	18	0.27	0.4	4122
S3C	0.1	34	4	0.31	0.4	501
S4	0.4	100	6	0.25	0.4	1241
S5	2.0	490	12	0.25	0.4	2274
S6	1.5	358	19	0.26	0.4	1949
S7A	1.1	276	11	0.26	0.4	1148
S7B	1.6	386	41	0.24	0.4	4550
S7C	0.8	187	21	1.82	0.4	1847
S8	2.1	519	4	0.16	0.4	3535
Total:						65,915

Table 5. OOIP and Cumulative Production per layer- KAMPUNG MINYAK OILFIELD

Layer		SUB-Layer	OOIP (MMBbl)	Cumulative Production		Cum Production (MMBbl)	Cumulative Recovery Factor (%)
				To 31/12/2014 (MMBbl)	After 31/12/2014 (MMBbl)		
Muara Enim	**STC**	USTC	16.87	0.01	0.0540	0.0648	0.4%
		LSTC	21.20	5.50	0.4328	5.9328	28%
	S1	S1	2.59	0.57	0.0528	0.6218	24%
	S2	S2	0.78	0.10	0.0201	0.1191	15%
	S3	S3A	3.31	1.26	0.0019	1.2615	38%
		S3B	4.12	1.58	0.0019	1.5813	38%
		S3C	0.50	0.13	0.0019	0.1299	26%
	S4	S4	1.24	0.40	0.0022	0.4012	32%
	S5	S5	2.27	0.98	0.0029	0.9837	43%
	S6	S6	1.95	0.68	0.0020	0.6780	35%
	S7	S7A	1.15	0.25	0.0004	0.2476	22%
		S7B	4.55	0.34	0.0004	0.3423	8%
		S7C	1.85	0.17	0.0004	0.1724	9%
	S8	S8	3.53	0.01	0.0020	0.0122	0.3%
	Sub-Total		**65.92**	**11.973**	**0.576**	**12.549**	**0.19**

Due to high level of uncertainty and insufficient reservoir parameters for Air Benakat formation (for layers S9-S13) Austar Gas has not performed an arithmetic calculation to estimate OOIP in these layers.

3 Reservoir Engineering

3.1 Reservoir Pressure and Water Injection

The KM oil field generally has low formation pressure with wells producing at low rate with high water cut using artificial lift. There is no original formation pressure data, but using the information

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from pressure test data in 32 production wells, PKM has estimated that the current static pressure gradient (0.49 psi/ft) is only half of the original pressure gradient and even lower.

Water injection has proven to be an effective method for maintaining the reservoir pressure at KM field which in most cases has resulted in gain in oil production. After stopping water injection in 1997 reservoir pressure started declining and resulted in significant drop in oil production in a few blocks. Production data from 1989 to 2014, has shown that the water cut in the production wells is ranging from 70% to 100%, with a current average of 85.3% and is mainly belong to the formation water. In May 1989, there were 71 wells in total and opened 26 wells with an average fluid production at 76.6bbl per day per well and with an average oil production at 29.9bbl per day per well. In 2016, there are 30 producing wells, with only 3.4bbl oil production per well per day. PKM has a work program to drill a number of infill production wells and water injection wells in blocks 3, 4 and 5 and to optimise the current injection pattern to maintain reservoir pressure at optimum rate.

3.2 Historical Production and Production Modelling

3.2.1 Production Performance

The recent production history for the KM field based on individual well performance is presented in Figure 11. The red line on the graph is showing the average daily oil production rate in the last two years. The average daily oil production rate in 2014 was 121 bbl with an average well production of 4.6 bbl/well compared with 3.4bbl/well in 2016. This results an average decline rate of 15% per annum. Poor quality data sets and lack of consistency in production, pressure and injection data has made it difficult to draw solid conclusions. However, the production analysis are used to derive initial rate and decline rate for future wells in low/mid/high cases.

In recent years, production allocation to individual zone has become a challenging task as the newly drilled wells are completed across the S1 to S7 to maximize production. Austar Gas has attempted to analyse production history in each block to understand the average rates and production potential in each block. A summary of individual well production history and the average well in each block is presented in APPENDIX C

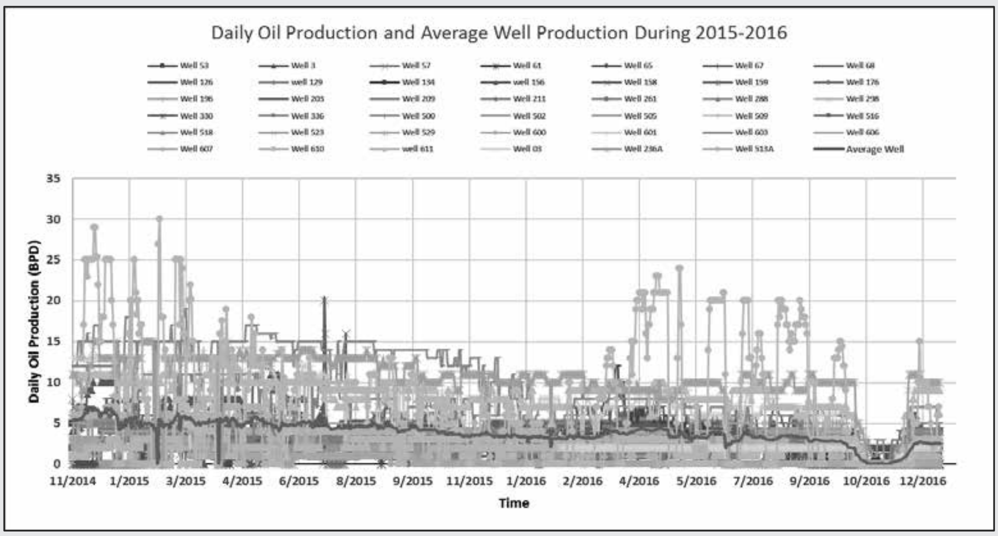

Figure 11. KM Oilfield recent production history

The KM field's average monthly oil production and the water-cut is presented in Figure 12.

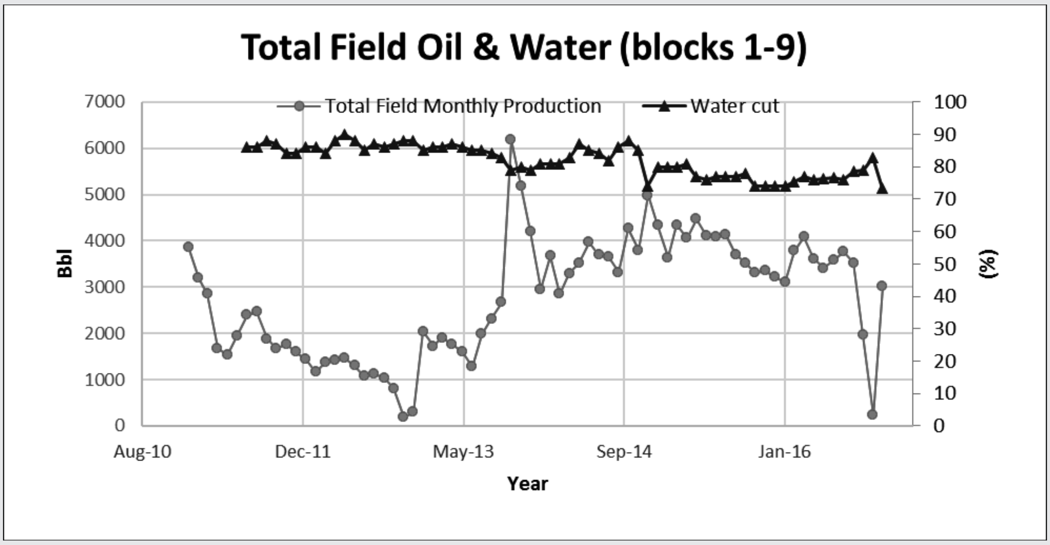

Figure 12 Total Field Monthly Oil production and water cut in

3.3 Field Production Forecast

Figure 13 presents the KM field deliverability forecast for low, mid and high case production outlook.

Generally, a 15% percent decline has been observed in the production data which has been used as decline rate for future production forecast. The high decline rate is also related to a number of reservoir and operational issues at the field which needs to be improved by PKM. Austar Gas has analyse production and water injection data for the wells within each block and at the field scale.

Table 6 presents a summary of total field production from the reported data since the start of production.

Table 6. KM Oilfield Production Summary

		Total Field
KM Oilfield Historical Production	Original Oil in Place, Mbbl	65,915
	Cumulative Production, Mbbl	12,549
	Cumulative Recovery, %	0.19
	Wells with Production	278
	Existing Producers	30
	End Dec 2014 Production Rate, bopd	102
	Cum Oil per Prod. Well, Mbbl	45

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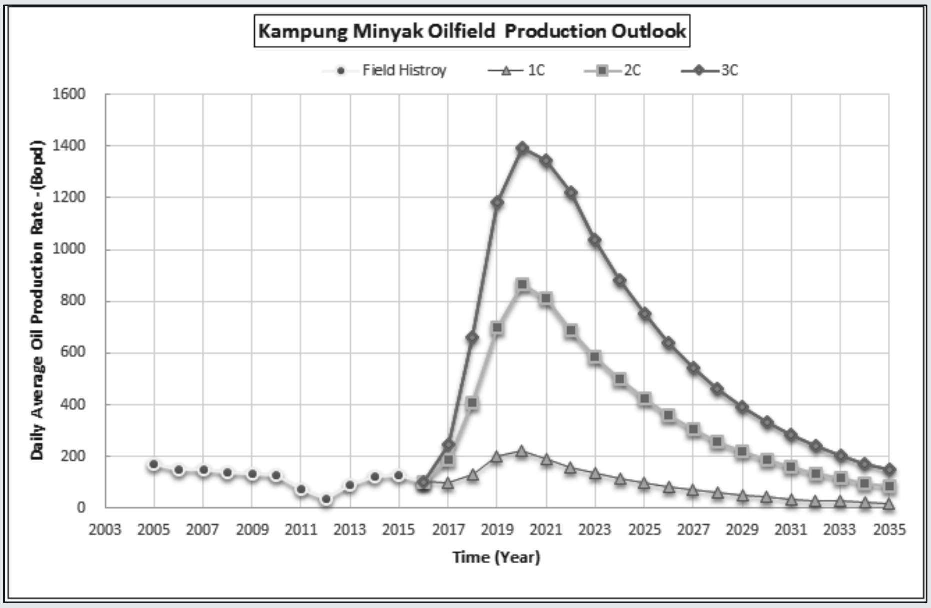

Figure 13. KM oilfield deliverability forecast for 1C, 2C & 3C production outlook.

Table 7. KM Field production forecast and number of well (producers, injectors) requirements

.

Low Contingent Resources (1C)				
	Recoverable Oil until Dec 2035		12715	
	Field Recovery Factor By Dec 2035		19.3%	
	Oil Recoverable Until 2025, Mbbl		525	
Best Estimate Contingent Resources (2C)				
	Recoverable Oil until Dec 2035		14,651	
	Field Recovery Factor By Dec 2035		22.2%	
	Oil Recoverable Until 2025, Mbbl		2,020	
High Estimate Contingent Resources (3C)				
	Recoverable Oil until Dec 2035		16489	
	Field Recovery Factor By Dec 2035		25.0%	
	Oil Recoverable Until 2025, Mbbl		3417	
Well Requirement Summary		**1C**	**2C**	**3C**
Total Producing Wells Required		64	96	118
Recompletion of Existing Wells		31	60	76
New Producers		3	6	12
Water Injectors Required		16	40	52
New Water Injectors		4	2	37
Average Well Productivity, bopd/w		5	13	18
Total Field Productivity, bopd		302	1,206	2,081

A summary of field production forecast and the well requirements are presented in

. It highlights the forecasted production and recovery factor for low, base and high case based on the defined activity for each scenario that used in economic evaluation.

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3.4 Capital Cost Assumptions

Net present value for the contingent resource were estimated for low, base and high cases based on future production and revenue in US Dollars including Indonesia taxes. Production forecast is based on production of existing wells, recompletion of oil producers and new infill wells using an average decline rate of 15% across all categories. Future crude oil revenue where estimated using the price differential between Brent oil price forecast on October 2016 and the field price to consider the transportation cost, quality and marketing fees.

The capital cost assumptions were used by Austar Gas with consultation with PKM. Well costs including completion and surface facilities are approximately US$400,000/- for new wells and US$80,000/- for recompletion of existing wells. Total cost for drilling of any new producing/injection well plus recompletion of existing well and improving the oil and water injection facilities for low, base and high case are US $5.1, $11.3 and $17.3 million, respectively. Other assumptions are consistent with the cost assumptions from previous reserves report and similarly no allowance has been included in the economical calculations for future abandonment.

3.5 Resource Assessment

3.5.1 Contingent Resource

Reserves and resource definitions are based on 2007 Petroleum Resource Management System (PRMS) and Society of Petroleum Engineers (SPE) which is described in Appendix A.

Austar Gas has assigned contingent resource to Kampung Minyak oilfield based on the volumetric calculations for oil in place and total field production forecast on a property gross basis. This estimate was performed considering the current field production performance and the potential production from recompletion of key old wells, drilling of new production and injection wells. As the current oil production from KM field is not economical, contingent resources were assigned to Air Benakat at this stage.

Amongst other trials, water injection has proven to be an efficient technique in maintaining the reservoir pressure at KM field. However, the existing water injection program is mainly a water disposal program and has not been designed in a pattern to maintain the reservoir pressure. PKM needs to design a more sophisticated program with pattern of injector in each zone block. However, lack of such program in the coming years will move the contingent resources into unrecoverable category. Austar Gas suggest that other technologies such as radial jetting and propellant stimulation and optimizing artificial lift program needs to considered from the analogue oilfields in the region. A summary of contingent resources assigned to KM field are presented in Table 8.

Table 8. PKM Contingent Resource- Kampung Minyak Oilfield, Indonesia

Contingent Resources - Kampung Minyak Field **Total Crude Oil (2017 to 2026)**	Low Case (1C)	Base Case (2c)	High Case (3C)
Property Gross Oil Production (MBbl): (Includes baseline production)	525	2,020	3,417
Company Gross Share (Mbbl): (Based on company's working interest less the baseline production)	427	1,922	3,319
Company Net Share (Mbbl): (Based on company share of total Recoverable Cost and Profit oil reserves)	363	990	1,484

3.5.2 Net present Values of the contingent resources

A summary of the calculated net present value for KM field is presented by Austar Gas in Table 9. Based on KM KSO contract, profit outcomes split between the Indonesian government, Pertamina and PKM and a corporate tax is payable at rate of 40.5% on any partner profit. There is a DMO of up to 25 percent of the partner's profit oil production at a price equivalent to 25 percent of the normal selling price.

Table 9. PKM Contingent Resource Net Present Value- Kampung Minyak Oilfield, Indonesia

Summary of Company Share of Net Present Values in $M US Dollars:					
Reserve Category	**0.0%**	**5.0%**	**10.0%**	**15.0%**	**20.0%**
Low Side Estimate Case:	(5,487)	(7,166)	(8,251)	(8,962)	(9,433)
Best Estimate Case:	11,571	6,579	3,020	416	(1,533)
High Side Estimate Case:	21,892	14,232	8,865	4,996	2,138

The probabilistic analysis has used a 95 percent chance of discovery for the deeper zones (S9-S13) as well as a 50% reservoir and structural risks. However, the estimate did not include the chance of commercial success which is very difficult to estimate at this stage.

4 Appendix A

4.1 Petroleum Resources Management System (PRMS) Principles and Definitions

The estimation of petroleum resource quantities involves the interpretation of volumes and values that have an inherent degree of uncertainty. These quantities are associated with development projects at various stages of design and implementation. Use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios according to forecast production profiles and recoveries. Such a system must consider both technical and commercial factors that impact the project's economic feasibility, its productive life, and its related cash flows.

4.1.1 Petroleum Resources Classification Framework

Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid phase. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulphide and sulphur. In rare cases, non-hydrocarbon content could be greater than 50%.

The term "resources" as used herein is intended to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "conventional" or "unconventional."

Figure 14 is a graphical representation of the SPE/WPC/AAPG/SPEE resources classification system. The system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum.

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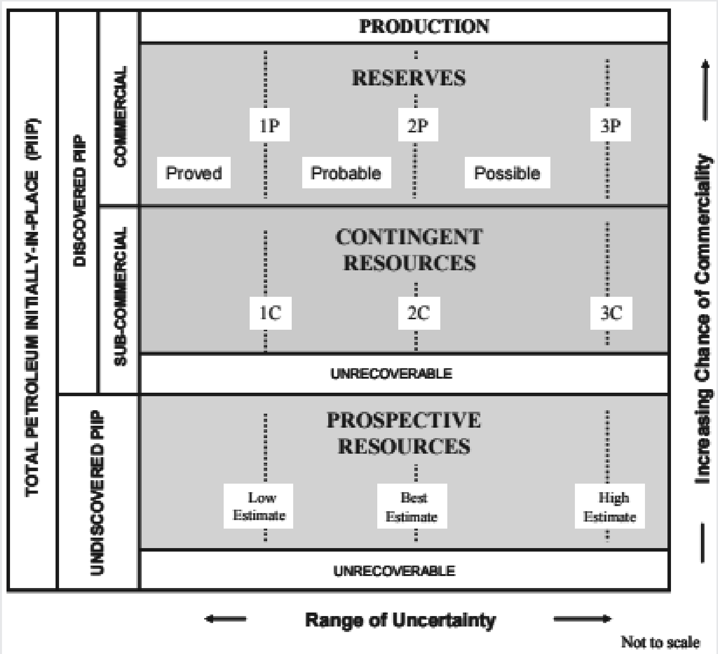

Figure 14.Resources Classification Framework

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality, that is, the chance that the project that will be developed and reach commercial producing status. The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources").

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Production Measurement, section 3.2).

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum 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: they must be discovered, recoverable,

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commercial, and remaining (as of the evaluation date) based on the development project(s) applied. 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.

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 due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no 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.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, alternative terminology has been used; the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

(Source: http://www.spe.org/industry/docs/Petroleum_Resources_Management_System_2007.pdf)

5 Appendix B

Detail Reservoir Parameters for OOIP Calculation- KM Field

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NO	LAYER	BLOK	AREA(Km2)	Net (m)	Porosity (f)	So Saturation (f)	Bo (STB/RB)	OOIP (MSTB)
1	USTC	I	0.890	4.5	0.31	0.65	1.15	4411.8
		II	0.463	4.1	0.31	0.65	1.15	2089.9
		III	0.538	3.8	0.31	0.65	1.15	2250.5
		IV	0.185	7.8	0.31	0.65	1.15	1590.0
		V	0.319	4.6	0.31	0.65	1.15	1617.5
		VI	0.556	4.2	0.31	0.65	1.15	2574.9
		VII-1	0.186	2.4	0.31	0.65	1.15	491.1
		VII-2	0.168	7.2	0.31	0.65	1.15	1335.0
		VIII	0.102	4.5	0.31	0.65	1.15	504.6
Sum:	USTC		3.41	43.10	0.31	0.65	1.15	16865.4
2	LSTC	I	0.930	6.2	0.31	0.65	1.15	6355.4
		II	0.550	4.4	0.31	0.65	1.15	2667.1
		III	0.261	4.6	0.31	0.65	1.15	1321.3
		IV	0.185	6.2	0.31	0.65	1.15	1266.6
		V	0.315	4.3	0.31	0.65	1.15	1494.1
		VI	0.720	7.8	0.31	0.65	1.15	6187.2
		VII	0.092	2.4	0.31	0.65	1.15	242.2
		IX	0.245	6.2	0.31	0.65	1.15	1670.4
Sum:	LSTC		3.30	42.10	0.31	0.65	1.15	21204.3
3	S1	I	0.084	2.2	0.3	0.63	1.15	114.5
		II	0.350	2.8	0.3	0.63	1.15	608.0
		III	0.322	1.8	0.3	0.63	1.15	359.1
		IV	0.083	3.2	0.3	0.63	1.15	164.4
		V	0.066	1.5	0.3	0.63	1.15	61.0
		VI-1	0.219	2.2	0.3	0.63	1.15	299.0
		VI-2	0.043	1.2	0.3	0.63	1.15	32.2
		VII	0.503	2.1	0.3	0.63	1.15	654.9
		VIII	0.077	1.9	0.3	0.63	1.15	90.7
		IX	0.209	1.6	0.3	0.63	1.15	206.9
Sum:	S1		1.96	20.50	0.3	0.63	1.15	2590.7
4	S2	II	0.242	2.8	0.28	0.63	1.15	652.7
		IV	0.084	1.5	0.28	0.63	1.15	121.9
Sum:	S2		0.33	4.30	0.28	0.63	1.15	774.6
5	S3A	II	0.332	3.6	0.29	0.61	1.15	693.8
		III	0.540	3.4	0.29	0.61	1.15	1065.8
		IV	0.094	2.7	0.29	0.61	1.15	146.5
		V	0.089	2.5	0.29	0.61	1.15	129.6
		VII	0.568	2.6	0.29	0.61	1.15	857.1
		VIII	0.279	2.6	0.29	0.61	1.15	421.5
Sum:	S3A		1.90	17.40	0.29	0.61	1.15	3314.3
6	S3B	III	0.385	1.8	0.27	0.61	1.15	437.3
		V	0.121	1.3	0.27	0.61	1.15	98.9
		VI-1	0.071	2.2	0.27	0.61	1.15	98.7
		VI-2	0.269	2.6	0.27	0.61	1.15	441.5
		VII	0.605	6.5	0.27	0.61	1.15	2478.0
		VIII	0.237	3.8	0.27	0.61	1.15	568.0
Sum:	S3B		1.69	18.20	0.27	0.61	1.15	4122.4

Continued: Detail Reservoir Parameters for OOIP Calculation- KM Field

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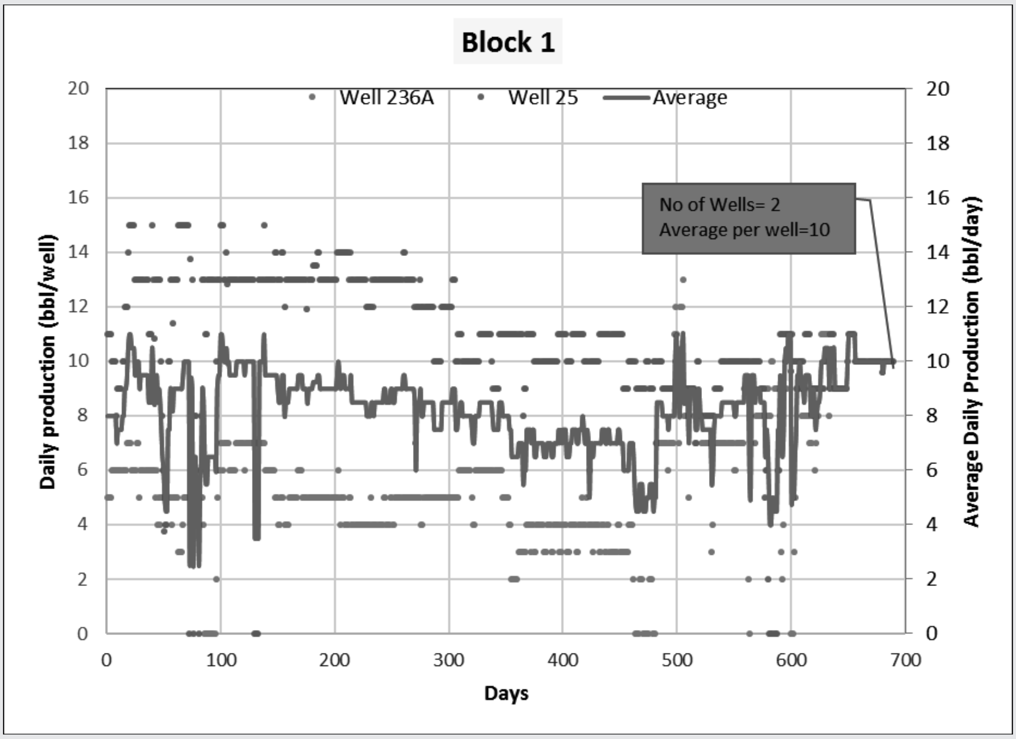
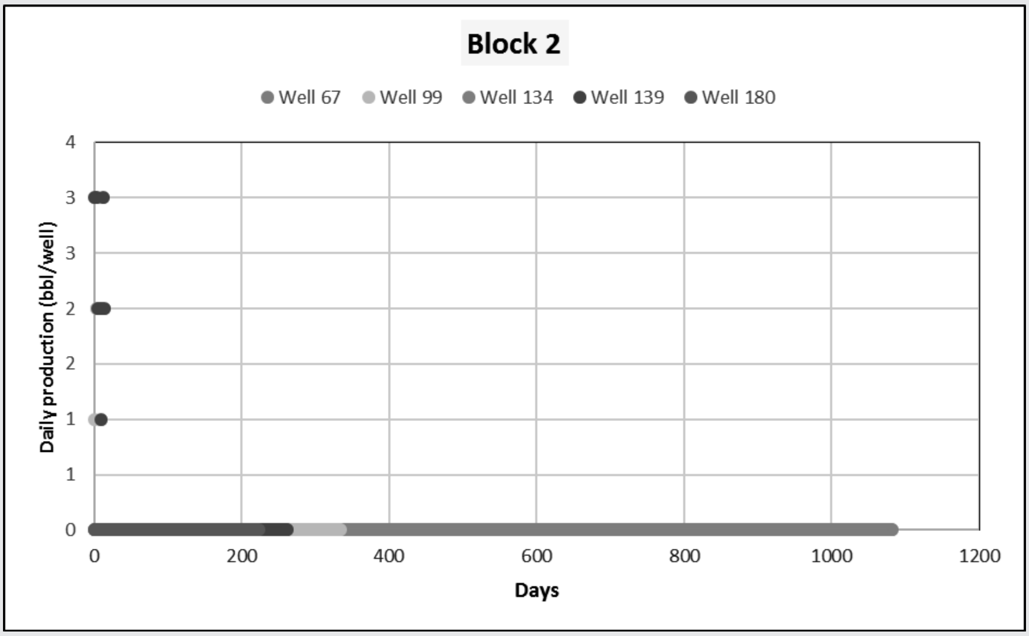
NO	LAYER	BLOK	AREA(Km2)	Net (m)	Porosity (f)	So Saturation (f)	Bo (STB/RB)	OOIP (MSTB)
7	S3C	VIII	0.138	3.5	0.31	0.61	1.15	500.6
Sum:	S3C		0.138	3.500	0.310	0.610	1.15	500.6
8	S4	VII	0.357	4.1	0.25	0.58	1.15	1160.8
		VIII	0.046	2.2	0.25	0.58	1.15	79.7
Sum:	S4		0.40	6.30	0.25	0.58	1.15	1240.5
9	S5	I	0.445	3.1	0.25	0.56	1.15	792.2
		II	0.242	2.1	0.25	0.56	1.15	291.3
		III	0.373	1.8	0.25	0.56	1.15	385.5
		V	0.138	1.7	0.25	0.56	1.15	134.4
		VI	0.088	1.4	0.25	0.56	1.15	71.0
		VII+VIII	0.697	1.5	0.25	0.56	1.15	600.0
Sum:	S5		1.98	11.60	0.25	0.56	1.15	2274.3
10	S6	II	0.135	3.2	0.26	0.57	1.15	262.8
		III	0.172	2.9	0.26	0.57	1.15	303.6
		IV	0.054	4.2	0.26	0.57	1.15	137.5
		V	0.125	3.6	0.26	0.57	1.15	273.9
		VI-1	0.149	2.1	0.26	0.57	1.15	190.3
		VI-2	0.098	1.4	0.26	0.57	1.15	83.6
		VII+VIII	0.717	1.6	0.26	0.57	1.15	697.1
Sum:	S6		1.45	19.00	0.26	0.57	1.15	1948.8
11	S7A	III	0.293	2.5	0.26	0.65	1.15	338.1
		IV	0.081	1.9	0.26	0.65	1.15	70.9
		V	0.129	2.1	0.26	0.65	1.15	125.3
		VI	0.060	1.8	0.26	0.65	1.15	49.9
		VII+VIII	0.554	2.2	0.26	0.65	1.15	563.4
Sum:	S7A		1.12	10.50	0.26	0.65	1.15	1147.5
12	S7B	II	0.266	6.5	0.24	0.63	1.15	929.1
		III	0.281	5.8	0.24	0.63	1.15	874.3
		IV	0.065	6.9	0.24	0.63	1.15	240.7
		V	0.143	4.2	0.24	0.63	1.15	323.9
		VI-1	0.081	2.2	0.24	0.63	1.15	96.3
		VI-2	0.087	5.6	0.24	0.63	1.15	261.6
		VII+VIII	0.588	5.4	0.24	0.63	1.15	1705.5
		IX	0.053	4.2	0.24	0.63	1.15	118.9
Sum:	S7B		1.56	40.80	0.24	0.63	1.15	4550.3
13	S7C	II	0.232	4.1	0.26	0.60	1.15	730.9
		III-1	0.070	4.6	0.26	0.60	1.15	247.6
		III-2	0.131	3.8	0.26	0.60	1.15	380.8
		IV	0.071	1.6	0.26	0.60	1.15	87.0
		V	0.137	1.5	0.26	0.60	1.15	158.2
		VI	0.062	1.9	0.26	0.60	1.15	90.3
		VII+VIII	0.052	3.8	0.26	0.60	1.15	151.6
Sum:	S7C		0.755	21.30	1.8	0.6	1.15	1846.5
14	S8		2.100	3.6	0.16	0.60	1.16	3534.6
Sum:	S8		2.100	3.600	0.16	0.600	1.16	3534.6
Total:								**65915**

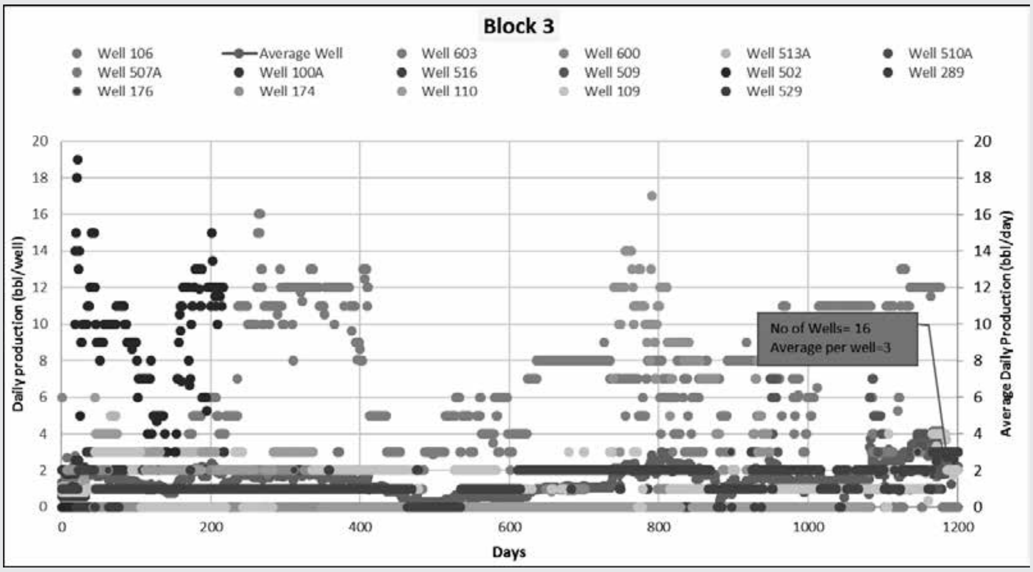
6 Appendix C

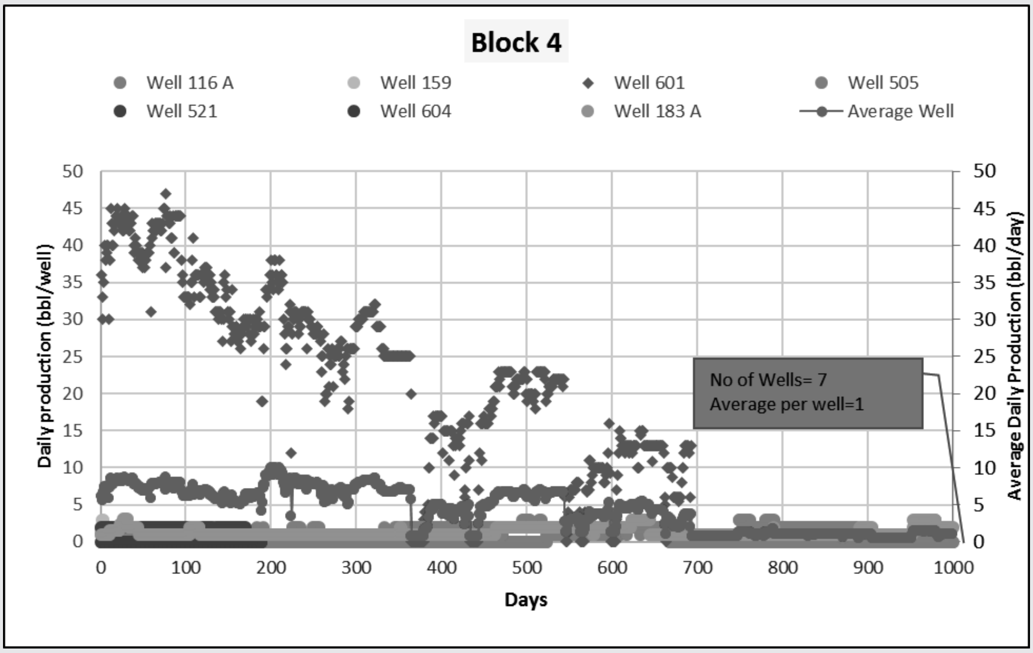
Recent production history of KM oilfield analysed in individual blocks 1-9:





Production from individual wells and average well production in Blocks 1 and 2 of KM Oilfield.





Production from individual wells and average well production in Blocks 3 and 4 of KM Oilfield.

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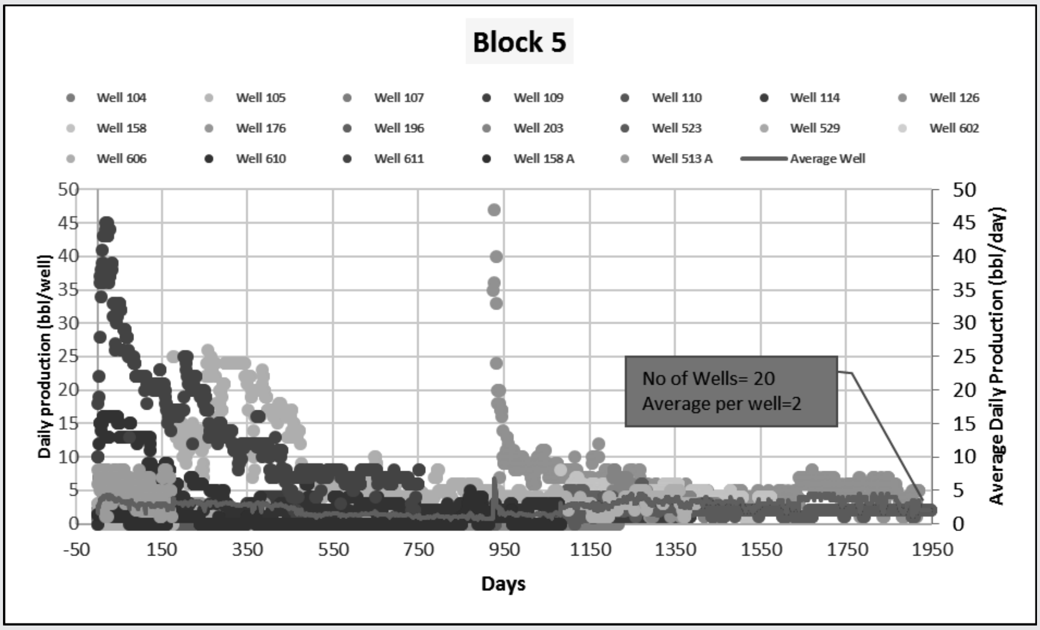

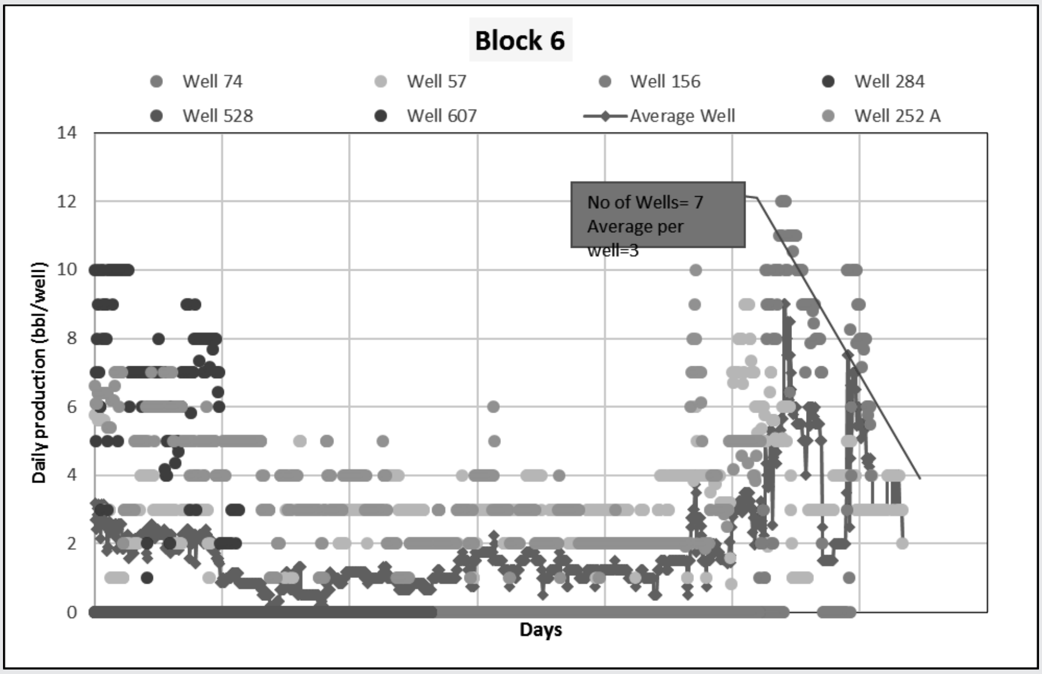

Production from individual wells and average well production in Blocks 5 and 6 of KM Oilfield.

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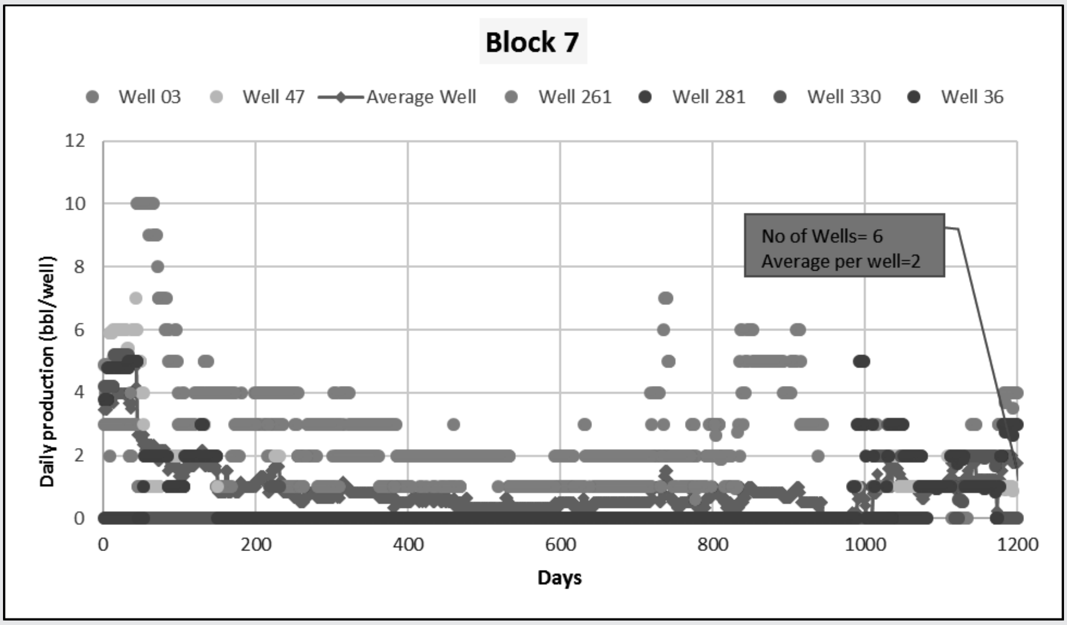

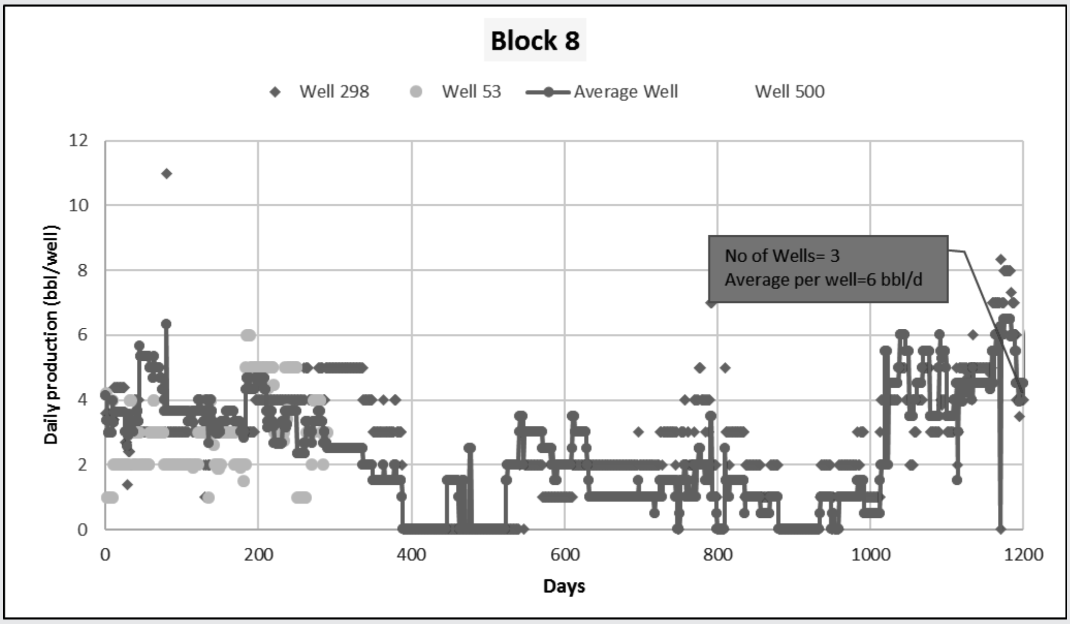

Production from individual wells and average well production in Blocks 7 and 8 of KM Oilfield.

Block 9 had no recent production history in OFM data files.

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Declaration

In accordance with request of Prisma Kampung Minyak Limited ("PKM"), Austar Gas Pty Ltd (Austar) commissioned to provide an independent assessment of its interest in the Prisma Kampung Minyak (KM) asset in Indonesia

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to Austar are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, Austar has considered and relied upon information obtained from PKM. The information provided to Austar has been supplemented with discussions between Austar and key PKM staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, neither Austar nor its servants accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. In particular, we have not independently verified property title, encumbrances, regulations and expenditure commitments that apply to this asset(s).

We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Austar has no pecuniary interest, other than to the extent of the professional fees receivable for the preparation of this report, or other interest in the assets evaluated, that could reasonably be regarded as affecting our ability to give an unbiased view of these assets.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

Confidentiality

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STATISTICS OF **SHAREHOLDERS**

As at 13 March 2017

DISTRIBUTION OF SHAREHOLDERS AS AT 13 MARCH 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	13	0.32	578	0.00
100 – 1,000	1,040	25.32	721,840	0.61
1,001 – 10,000	2,110	51.37	9,824,820	8.26
10,001 – 1,000,000	933	22.72	50,823,226	42.70
1,000,001 and above	11	0.27	57,641,774	48.43
Total	**4,107**	**100.00**	**119,012,238**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 13 MARCH 2017

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	MAYBANK KIM ENG SECURITIES PTE LTD	20,652,290	17.35
2	SEE HOY CHAN INVESTMENT LIMITED	18,080,000	15.19
3	OCBC SECURITIES PRIVATE LTD	5,088,491	4.28
4	CITIBANK NOMINEES SINGAPORE PTE LTD	3,584,670	3.01
5	KOH YEW CHOO	2,698,390	2.27
6	PHILLIP SECURITIES PTE LTD	1,509,000	1.27
7	GOH HOON LEONG	1,500,000	1.26
8	TAN HEE NAM	1,230,000	1.03
9	DBS VICKERS SECURITIES (S) PTE LTD	1,188,000	1.00
10	DBS NOMINEES PTE LTD	1,074,800	0.90
11	UOB KAY HIAN PTE LTD	1,036,133	0.87
12	BOEY YIN CHIANG	825,200	0.69
13	TAN SOO CHONG	800,000	0.67
14	KUM HUN KAI PTE LTD	780,000	0.66
15	LIM YI SHENN	773,068	0.65
16	RHB SECURITIES SINGAPORE PTE LTD	740,900	0.62
17	RAFFLES NOMINEES (PTE) LTD	718,030	0.60
18	ABN AMRO CLEARING BANK N.V.	676,700	0.57
19	OCBC NOMINEES SINGAPORE PTE LTD	600,700	0.50
20	TAN TIEN SENG	550,000	0.46
	Total	**64,106,372**	**53.85**

STATISTICS OF **SHAREHOLDERS**

As at 13 March 2017

SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares	Direct Interest (%)	No. of Shares	Deemed Interest (%)
Chan Shut Li, William	18,569,673	15.60	–	–
See Hoy Chan Investment Limited	18,080,000	15.19	–	–
Lee Beng Tee	18,080,000	–	–	15.19*

* By virtue of his interest in See Hoy Chan Investment Limited pursuant to Section 7 of the Companies Act, Chapter 50.

Percentage is calculated based on the total number of issued shares of 119,012,238 as at 20 March 2017.

DIRECTORS/CHIEF EXECUTIVE OFFICER

	Direct Interest		Deemed Interest	
Name	Holdings beginning of year	Holdings end of year	Holdings beginning of year	Holdings end of year
Chan Shut Li, William	18,569,673	18,569,673	–	–
Liu Mei Ling, Rhoda	20,000	20,000	–	–
Richard Tan Kheng Swee	2,000	2,000	0	0

NOTICE OF ANNUAL GENERAL MEETING

MIRACH ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200305397E)

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at Esplanade Room 3&4 Level 4, Carlton Hotel, 76 Bras Basah Road, Singapore 189558 on Thursday, 27 April 2017 at 10:00 a.m. to transact the following business:–

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of US$106,378.34 for the financial year ended 31 December 2016 (2015: US$115,823.65). **(Resolution 2)**

3. To re-elect Mr Richard Tan Kheng Swee retiring pursuant to Article 91 of the Company's Constitution.

   (See Explanatory Note 1) **(Resolution 3)**

4. To re-elect Mr Chan Shut Li, William retiring pursuant to Article 91 of the Company's Constitution.

   (See Explanatory Note 1) **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:–

6. **Authority to allot and issue shares**

(a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

   (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares.

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(See Explanatory Note 2) **(Resolution 6)**

7. **Authority to grant options and to issue shares under Mirach Energy Employee Share Option Scheme**

(a) "That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Mirach ESOS Scheme, provided that the aggregate number of shares to be issued pursuant to the Mirach ESOS Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Scheme."

(b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 3) **(Resolution 7)**

NOTICE OF **ANNUAL GENERAL MEETING**

8. **Authority to grant awards and to allot and issue shares under Mirach Energy Performance Share Plan**

(a) That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of the Mirach Energy Performance Share Plan (the "Mirach PSP"), and pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company (the "Award Shares") as may be required to be allotted, issued, and/or delivered pursuant to the vesting of the Awards Shares under the Mirach PSP, provided always that the aggregate number of Award Shares issued and/or issuable pursuant to the Mirach PSP, when aggregated together with the number of Ordinary Shares to be allotted and issued pursuant to the Mirach Energy Employee Share Option Scheme and any other existing share schemes of the Company shall not exceed fifteen (15) per cent of the total number of issued shares of the Company (excluding treasury shares) from time to time.

(b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note 4) **(Resolution 8)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

12 April 2017

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy needs not be a member of the Company. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company at 96 Robinson Road, #17-01, SIF Building, Singapore 068899, not later than 48 hours before the time set for the Annual General Meeting.

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:–

1. Key information on the retiring directors can be found on pages 11 & 12 of the Annual Report.

2. The ordinary resolution no. 6 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

3. The ordinary resolution no. 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant options under the Mirach Energy Employee Share Option Scheme (the “Mirach ESOS Scheme”) (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such options under the Mirach ESOS Scheme and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.

4. The ordinary resolution proposed in item no. 8, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant awards under the Mirach Energy Performance Share Plan (“Mirach PSP”) (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such awards under the Mirach PSP, provided that the aggregate number of shares to be issued under the Mirach PSP and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.

MIRACH ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200305397E)

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors are requested to contact their respective Agent Banks for any queries they may have with regard to their appointment as proxies.

PROXY FORM

*I/We ________________________________ (Name) NRIC/Passport No. ____________________

of ____ (Address)
being *a member/members of MIRACH ENERGY LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 27 April 2017 at Esplanade Room 3&4 Level 4, Carlton Hotel, 76 Bras Basah Road, Singapore 189558 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2016 and the Report of Auditors thereon.		
2.	To approve the Directors' fees of US$106,378.34 for the financial year ended 31 December 2016		
3.	To re-elect Mr Richard Tan Kheng Swee pursuant to Article 91 of the Company's Constitution.		
4.	To re-elect Mr Chan Shut Li William pursuant to Article 91 of the Company's Constitution.		
5.	To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To authorise Directors to grant options and to issue shares under Mirach Energy Employee Share Option Scheme.		
8.	To authorise Directors to issue shares under Mirach Energy Performance Share Plan.		

Dated this ________ day of ________________ 2017

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

*** Delete accordingly**

IMPORTANT. Please read notes below

Notes:–

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. A proxy needs not be a member of the Company. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company,

2. Pursuant to Section 181(1C) of the Companies Act, Chapter 50 (the "Act"), a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

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AFFIX
STAMP

TRICOR BARBINDER SHARE REGISTRATION SERVICES

The Company Secretary
MIRACH ENERGY LIMITED
80 Robinson Road
#11-02
Singapore 068898

Second fold

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company at 96 Robinson Road, #17-01, SIF Building, Singapore 068899, not later than 48 hours before the time set for the Annual General Meeting.

6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

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