interraresources

Fundamentally Focused

ANNUAL REPORT 2016

DISCLAIMER

This Annual Report may contain forward-looking statements that are not statements of historical facts, and are subject to risk factors associated with the upstream petroleum and mining businesses. Actual future results, performance and outcomes may differ materially from those anticipated, expressed or implied in such forward-looking statements as a result of a number of risks, uncertainties and/or assumptions including but not limited to petroleum price fluctuations, actual petroleum demand, currency fluctuations, drilling and production results, reserve estimates, loss of contracts, industry competition, credit risks, environmental risks, geological risks, political risks, legislative, fiscal and regulatory developments, general industry conditions, economic and financial market conditions in various countries and regions, project delay or advancement, cost estimates, changes in operating expenses, cost of capital and capital availability, interest rate trends and the continued availability of financing in the amounts and the terms necessary to support future business. Undue reliance must not be placed on these forward-looking statements, which are based on current developments, events or circumstances, and may not be updated or revised to reflect new information or events.

Fundamentally Focused

Staying focused and driven in the face of adverse market conditions, Interra Resources aims to capitalise on our good fundamentals, optimise our strengths and exercising prudence to weather challenges and remain resilient.

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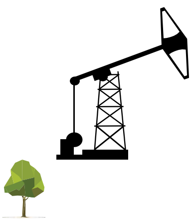
corporate **profile**

ABOUT INTERRA

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

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

MYANMAR: CHAUK AND YENANGYAUNG FIELDS



In central Myanmar, we hold 60% of the rights and interests to two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs). The IPRCs with the Myanma Oil and Gas Enterprise (MOGE) commenced on 4 October 1996 for a term of 20 years and 6 months. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol Joint Operating Company Inc. The adjacent Myanmar concessions extend over a total area of approximately 1,800 square kilometres and are located along the Ayeyawady River, approximately 580 kilometres north of Yangon. During 2016, the combined gross production for both fields was 907,849 barrels of oil.

INDONESIA: LINDA-SELE FIELDS

In the province of West Papua, we have a 53.99% effective interest in the Linda-Sele (LS) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 16 November 1998 for a term of 20 years. The LS TAC covers an area of approximately 19 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong. During 2016, the gross production of the onshore fields was 63,048 barrels of oil.

INDONESIA: KUALA PAMBUANG BLOCK

Onshore Central Kalimantan, we have a 67.5% effective interest in an exploration block, namely the Kuala Pambuang (KP) Production Sharing Contract (PSC). The PSC was granted by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) on 19 December 2011 and the initial exploration term is 6 years with an option to extend up to 4 years. The KP PSC spans an area of approximately 4,462 square kilometres and is located around 180 kilometres southwest of Palangkaraya.

INDONESIA: BUKIT PIATU QUARRY

In Bintan, we have a 48.87% effective interest in the Bukit Piatu Mining Business Permit (IUP). The IUP commenced on 20 May 2009 for a term of 5 years and was granted extension for another term of 5 years. The IUP covers an area of 63.72 hectares and is located 30 kilometres east of Tanjung Pinang. During 2016, the production of the quarry was 677,683 tonnes of granite. Disposal of this quarry is pending completion.

financial **highlights**

Group	2012	2013	2014	2015	2016
Financial Performance (US$'000)					
Revenue	30,407	50,163	55,796	23,452	15,173
Cost of production	19,972	26,839	44,641	34,073	9,610
Gross profit/(loss)	10,435	23,324	11,155	(10,621)	5,563
Net profit/(loss)	3,029	7,001	(12,280)	(52,784)	(8,818)
Net profit/(loss) attributable to equity holders	3,029	7,001	(10,794)[a]	(47,368)[a]	(8,041)[a]
Financial Position (US$'000)					
Cash and bank balances	16,735	12,402	18,737	17,828	11,865
Debt and borrowings	-	-	1,189	3,728	3,739
Net current assets	14,538	14,491	21,352	11,378	8,858
Shareholders' equity	70,513	78,625	71,638	29,390	21,492
Cash Flows (US$'000)					
Operating cash flow	7,026	19,340	22,651	8,592	(1,297)
Investing cash flow	(18,526)	(23,670)	(29,094)	(7,851)	(87)
Financing cash flow	16,698	(2)	12,778	(1,326)	(6,662)
Share Statistics (US cents)					
Basic earnings/(losses) per share	0.759	1.571	(2.419)	(9.846)	(1.588)[a,b]
Net asset value per share	15.913	17.622	15.943	5.803	4.244

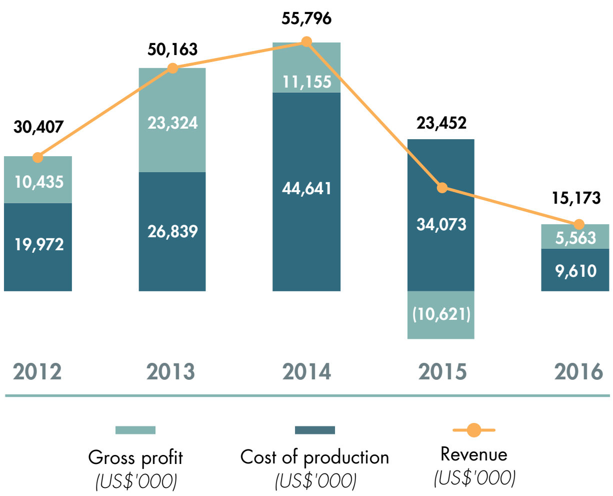
a. Represents figure from continuing operations attributable to equity holders

b. See Note 32 of the Notes to the Financial Statements for more information on (losses)/earnings per share

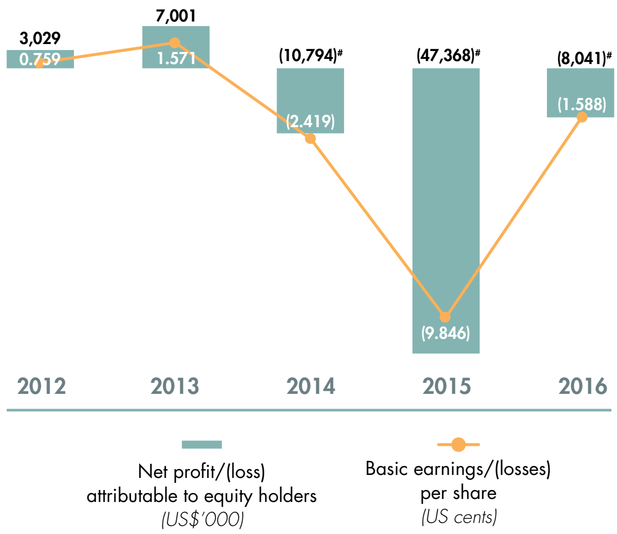
Company	2012	2013	2014	2015	2016
SGX Share Price Information (S$)					
Year-end closing price	0.405	0.415	0.163	0.084	0.076
Average closing price	0.359	0.460	0.329	0.127	0.070
Highest traded price	0.520	0.595	0.440	0.205	0.128
Lowest traded price	0.095	0.390	0.160	0.070	0.045
Year-end market capitalisation	179,467,795	185,160,698	73,244,108	42,541,528	38,489,954
Average market capitalisation	120,447,892	205,138,810	147,836,267	64,092,062	35,687,346

financial **highlights**

Revenue, Cost of production & Gross profit/(loss)

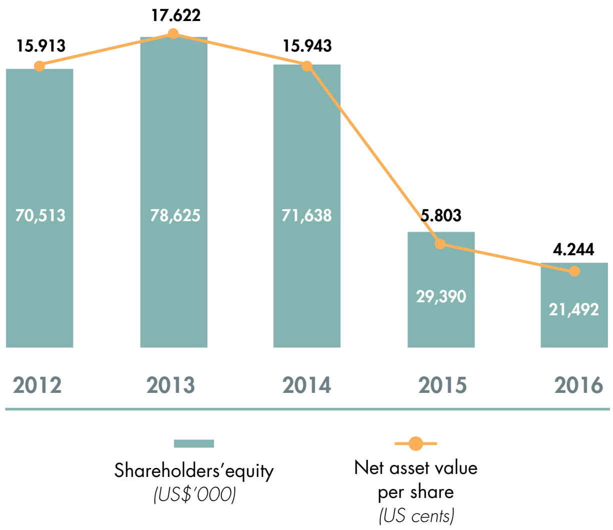


Net profit/(loss) attributable to equity holders & Basic earnings/(losses) per share

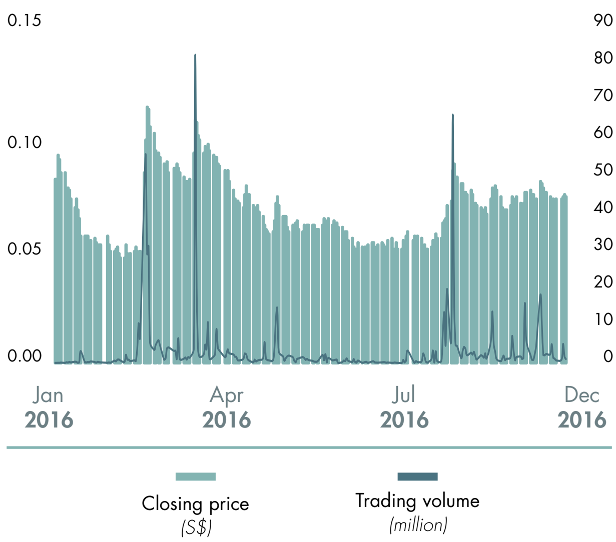


 # Represents figure from continuing operations attributable to equity holders

Shareholders' equity & Net asset value per share



SGX Closing price & Trading volume



chairman's **statement**

TOTAL REVENUE
US$15.17
million

REVENUE FROM MYANMAR
US$9.11
million

REVENUE FROM INDONESIA
US$6.06
million

Dear Shareholders,

For the third year in a row, we faced the challenge of low crude oil prices. As a result, our focus has been on adjusting our cost structures and building our resilience rationally and sustainably. We are seeing the results of our efforts as I present you with the financial statements of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016 ("FY2016"). Net loss from continuing operations after tax narrowed by 83.3% to US$8.82 million from US$52.78 million for the financial year ended 31 December 2015 ("FY2015"). Revenue shrank by 35.3%, from US$23.45 million for FY2015 to US$15.17 million for FY2016, against the backdrop of an extended crude oil price slump.

STAYING RESILIENT

During the year under review, we continued our cost control strategy mentioned in the last annual report. This encompassed cutting capital expenditures, postponing projects, negotiating payment terms with suppliers and instilling discipline of operating in a lower price environment. Amid the massive cost reduction programme, we remained committed to maintaining optimal production levels at our fields and avoid leaving our operations unprepared for a possible return to a higher crude oil price scenario.

In Myanmar, even though only one development well was drilled and completed as a producer in 2016 (2015: five wells), we continued our efforts to optimise production via surface and borehole enhancements combined with scheduled maintenance with the objective of reducing production declines in existing wells. Technical reservoir studies aimed at identifying additional opportunities with respect to increasing production in existing wells and identifying new development locations for future drilling were also ongoing. The combined shareable oil production of the Chauk and Yenangyaung fields decreased by 16.8% from 373,501 barrels for FY2015 to 310,859 barrels for FY2016. This, coupled with further decline in crude oil prices, resulted in a lower revenue contribution of US$9.11 million from Myanmar.

In Indonesia, drilling activities were suspended in view of the weak crude oil prices as well as the contract expiration of the Tanjung Miring Timur ("TMT") field. As a result, revenue from Indonesia fell by 39.9% to US$6.06 million, which corresponded to 39.9% of the Group earnings for FY2016, as compared to US$10.09 million a year ago. Exploration activities at the Kuala Pambuang exploration block continued to centre on delineating several high quality drillable prospects. During the year, extensive technical work was carried out in order to generate quality exploration prospects. Ultimately, we expect to be able to drill an exploratory well to test the hydrocarbon potential of the Pambuang basin.

We continued to exercise discipline when evaluating and negotiating new petroleum investments and contracts. Before the Technical Assistance Contract ("TAC") at TMT in Indonesia ended on 16 December 2016, we had been actively pursuing the continuation of joint operation with PT Pertamina EP ("PEP"). Our negotiations with PEP comprised a variety of compensation models and development proposals with the aim of seeking a mutually beneficial cooperation for both parties. Although the TAC was not extended or renewed, PEP had considered our development proposal for the field and agreed to continue exploring ways to cooperate with us on a pilot enhanced oil recovery project. This opportunity would not only allow us to enhance our working relationship with PEP while we continue our discussion on alternative contractual arrangements, it may also be instrumental in the future establishment of a permanent cooperation agreement with PEP.

Towards the end of the year, our Indonesia-listed subsidiary, PT Mitra Investindo Tbk ("MITI"), received the requisite approvals for its proposed disposal of its granite quarry together with the proposed acquisition of 23.44% of equity interest in PT Benakat Oil ("BO"). In order to raise funds for the acquisition, MITI issued new shares representing 10% of its issued share capital through a private placement at the beginning of this year. Following the share issue, the Company's shareholding in MITI has been diluted from 53.76% to 48.87%. Upon completion of the said acquisition, the Group will control 32.97% of BO, which translates into a total indirect interest of 30.65% in the Benakat Barat onshore field in South Sumatra. Currently, MITI's oil and gas portfolio is composed of 90% interest in the Linda-Sele fields (the Company owns the remaining 10%) and 33.33% interest in the Garung exploration block. We are optimistic that the Group's complementary portfolio of oil and gas assets as a whole will provide a flexible and efficient platform for creating positive economic and enterprise values in the long term.

FOCUS ON FUNDAMENTALS

Although crude oil prices are slowly showing signs of an early recovery towards the end of 2016, we are mindful that the longevity of the positive signs is uncertain given the volatility of the supply-demand dynamics, crude and shale production changes and geopolitical tensions. Moving forward, we will continue to focus on the fundamentals of the business while remaining agile enough to be able to adapt to changing market conditions. We will strive to employ a targeted approach to make the most of our resources and strike a balance between exploration and production, which have very different risk-return profile and capital requirement. We are confident that our current strategic holding of direct and indirect interests in both producing fields and exploration blocks in Myanmar and Indonesia will enable us to navigate this transformative phase of the oil and gas industry.

As at 31 December 2016, the cash and cash equivalents (excluding restricted cash and pledged deposits) and total borrowings of the Group amounted to US$9.87 million (FY2015: US$17.83 million) and US$3.74 million (FY2015: US$3.73 million) respectively. In the year to come, we will continue our strategy of controlling capital and operating expenditures so as to maintain a reasonable level of positive cash flows. Barring any unexpected decline in crude oil prices or change of events, the Group has sufficient cash on hand to meet its work commitments for 2017 and will evaluate and source funding when the need arises.

CORPORATE MATTERS

The Board is mindful of the requirements of the revised minimum trading price ("MTP") exit criteria (effective on 2 December 2016) imposed by the Singapore Exchange on companies placed on its watch-list under the MTP entry criteria. Besides an MTP threshold of S$0.20, the revised criteria now entails an additional average daily market capitalisation threshold of S$40 million. The Company will continue to make efforts and consider various options to meet the requirements within 36 months from 3 March 2016.

All the outstanding options granted under the Interra Share Option Plan ("ISOP") approved by shareholders on 30 April 2007 had expired on 20 January 2017. As at the date hereof, the Board does not intend to grant further option under the ISOP. As the ISOP of which the duration is ten years, will expire on 29 April 2017, the Company is looking into implementing a new share option plan to replace the existing ISOP in due course.

As mentioned in the last annual report, the Board intends to bring awareness and raise corporate transparency on the Company's footprint in the environmental and social realms by implementing a sustainability reporting framework. The Company is currently preparing to embark on sustainability reporting which involves disclosures on the environment and social aspects that are material to its business operations based on a recognised standard. In times to come, we hope to be able to provide shareholders with a holistic three-dimensional account of the Company's performance that encompasses the traditional financial and governance metrics as well as the environmental and social interaction and impact.

HEARTFELT APPRECIATION

As the year begins, we are deeply saddened by the demise of one of our esteemed founding members of the Board, Mr Subianto Sumodikoro. Mr Subianto had always been our pillar of support and source of wisdom in our developmental growth and undertakings throughout the years. Our endearing memory of Mr Subianto as a fine and kind gentleman who was always so full of energy and encouragement will continue to inspire us through our work. I wish to express my personal gratitude to him for his sincerity and loyalty as a business partner and a long-time friend. With the passing of Mr Subianto on 4 January 2017, Mr Pepen Danuatmadja also ceased to be his alternate Director. On behalf of the Board, I would like to thank Mr Pepen for his diligence and commitment.

I am encouraged by the progress made by our employees in these difficult economic conditions to create a competitive and sustainably efficient cost base, and would like to commend the management team for their readiness to take on challenges and the efforts in steering the operations forward. We will continue to work closely with our partners, vendors, local authorities and counterparts, and capitalise on the strong local knowledge and relationships that we have built over time.

Lastly and most importantly, I would like to thank my fellow Directors for their advice and guidance, and our valued shareholders for your confidence and support. With our core strategy remaining in place, I believe our foundation of enduring values will enable us to stand on firmer ground and to face the uncertainties ahead with resilience.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

28 March 2017

board of directors

EDWIN SOERYADJAYA

Chairman (Non-Executive)

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

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

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

MARCEL HAN LIONG TJIA

Executive Director & Chief Executive Officer

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

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

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

NG SOON KAI

Non-Executive Director

Mr Ng Soon Kai is a Non-Executive Director of the Company. He was first appointed to the board on 1 November 2005 and last re-elected on 28 April 2016. Mr Ng also serves as a member of the Nominating Committee and the Remuneration Committee.

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

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

board **of directors**

LOW SIEW SIE BOB

Lead Independent Director (Non-Executive)

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

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

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

ALLAN CHARLES BUCKLER

Independent Director (Non-Executive)

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

Mr Buckler has taken lead roles in the establishment of several large mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership. Currently, he sits on the board of directors of Altura Mining Limited and Sayona Mining Limited, both mining companies listed on the Australian Securities Exchange, as well as Merida Corporation Pte. Ltd.

Mr Buckler holds a Certificate in Mine Surveying and Mining, a First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.

LIM HOCK SAN

Independent Director (Non-Executive)

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

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

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

key **management**

FOO SAY TAIN
Chief Financial Officer

Mr Foo Say Tain joined the Company as Chief Financial Officer in November 2007. He has the overall responsibility for the Group's financial reporting and management accounting, treasury, taxation, audit and compliance matters. He has more than 25 years of experience in accounting, finance and administration in listed companies and foreign multinational corporations.

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

FRANK OVERALL HOLLINGER
Chief Technical Officer

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

Before joining the Company, Mr Hollinger spent 8 years in Myanmar as geophysical consultant for Premier Petroleum Myanmar Ltd., Myanmar Petroleum Resources Ltd. and Goldpetrol JOC Inc. He commenced his career in 1971 while in graduate school as a NASA research assistant at The University of New Mexico. Subsequently, he worked on numerous exploration and development projects in different capacities with oil and gas corporations such as Texaco Inc., Petroleum Exploration Consultants Worldwide Inc., Mapco Production Co., Ladd Petroleum Corp., Enron Oil & Gas, Columbia Gas Development Corporation, and Petronas Carigali Sdn Bhd. He has more than 40 years experience in the petroleum industry.

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

SUGI HANDOKO
Vice President, Operations

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

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

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

HAN LIQIANG
Regional Operations Manager

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

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

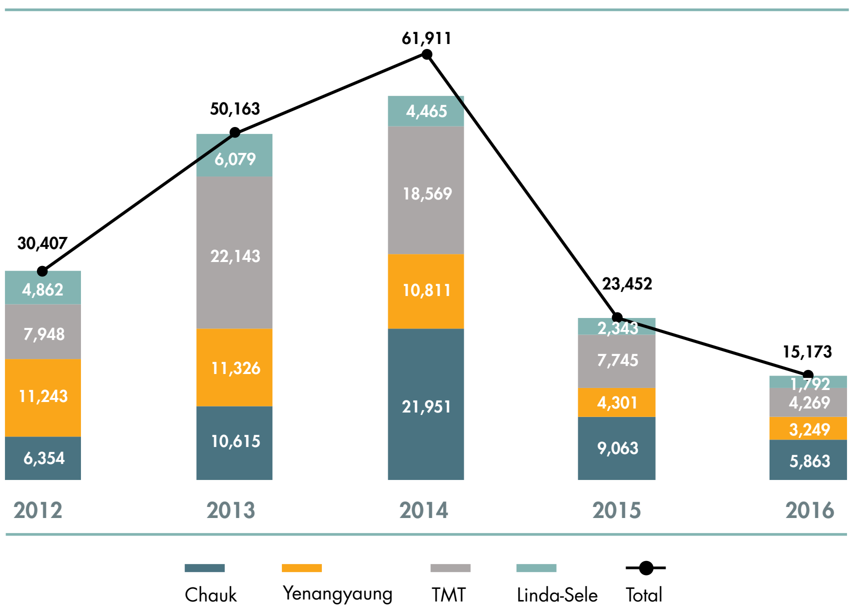
Mr Han studied at the Northwest University in Xi'an and obtained a Bachelor's Degree in Petroleum Geology in 1992.

operating **and financial review**

FINANCIAL PERFORMANCE

The Group's average transacted crude oil price for FY2016 was US$39.03 per barrel, 19.3% lower than US$48.38 per barrel for FY2015. As the Group continued its cost control strategy to achieve sustainable cost efficiency, production output was correspondingly affected. The expiration of the TMT TAC towards the end of the year also brought about an overall lower production number. As a result, crude oil sales of its fields fell by an average of 35.3%. The Group's revenue breakdown by fields for the past five years is charted below.

Revenue Breakdown (US'$000)



** Contract for TMT expired on 16 Dec 2016.*

The various aggressive measures implemented to reduce capital expenditure and operating cost saw a significant drop in production expenses (US$9.25 million) and amortisation charges (US$0.36 million). Hence, the total cost of production for FY2016 decreased by 71.8% to US$9.61 million from US$34.07 million a year ago. These persistent efforts gave rise to a gross profit of US$5.56 million as compared to a gross loss of US$10.62 million suffered in the previous year.

In line with the extensive cost cutting exercise across all operations, administrative expenses and other expenses were lower than the preceding year. The decrease in other income in FY2016 was mainly attributable to a fair value loss on investment properties of US$0.17 million compared to a fair value gain of US$0.11 million in FY2015. The Group incurred impairment charges of US$33.32 million in respect of producing oil and gas properties and intangible assets in FY2015, whereas it only wrote off consumable inventories of US$1.37 million in respect of its Indonesian operations in FY2016. The higher share of losses of associated companies which amounted to US$6.76 million (FY2015: US$0.63 million) was due to an impairment of producing oil and gas properties in respect of an operating unit.

On the whole, the Group posted a net loss of US$8.82 million from its continuing operations for the year under review (FY2015: US$52.78 million). Income tax expense of US$1.03 million was in line with the taxable income. In FY2015, there was a reversal of US$1.03 million due to overpayment of prior years' taxes. The loss from discontinued operations of US$0.04 million for FY2016 (FY2015: US$0.66 million) was incurred by the granite quarry of which the disposal was still pending completion as at year end.

Although the Group's drive to keep costs under tight control proves to be on the right track, the global economic situation and market conditions have not shown any clear signals of recovery. Therefore, the Group will continue to be vigilant and responsive towards changing global developments and the consequent circumstances. However, the pace of cost savings is expected to slow in 2017 and any further deterioration in crude oil prices will likely have a significant impact on its business.

operating **and financial review**

FINANCIAL STRENGTH

As at 31 December 2016, the total assets of the Group added up to US$52.10 million, a decrease of US$13.32 million from US$65.42 million a year ago. This was mainly attributable to lower value of investments in associated companies of US$1.09 million and less cash and cash equivalents (excluding restricted cash and pledged deposits) of US$9.87 million. The US$6.53 million decrease in investment in associated companies in FY2016 was due mainly to the post-acquisition share of losses of associated companies of US$7.38 million. The US$5.96 million decrease in cash and cash equivalents for the year was mostly related to MITI's loan to a non-related party pursuant to the disposal of its granite quarry.

The consumable inventories write-down of US$1.37 million in respect of the Indonesian operations was the main reason for the lower inventories of US$4.88 million at the end of FY2016. Total current and non-current trade and other receivables for the year increased by US$1.67 million to US$15.81 million. The current other receivables in respect of loan to non-related parties of US$7.20 million was pursuant to a revised loan agreement entered into by MITI with a non-related party. The unsecured interest-free loan was increased by US$4.33 million and extended by another 12 months during the year. Reimbursements of value-added tax of US$2.97 million received by the Group resulted in a lower current other receivables from non-related parties of US$1.15 million.

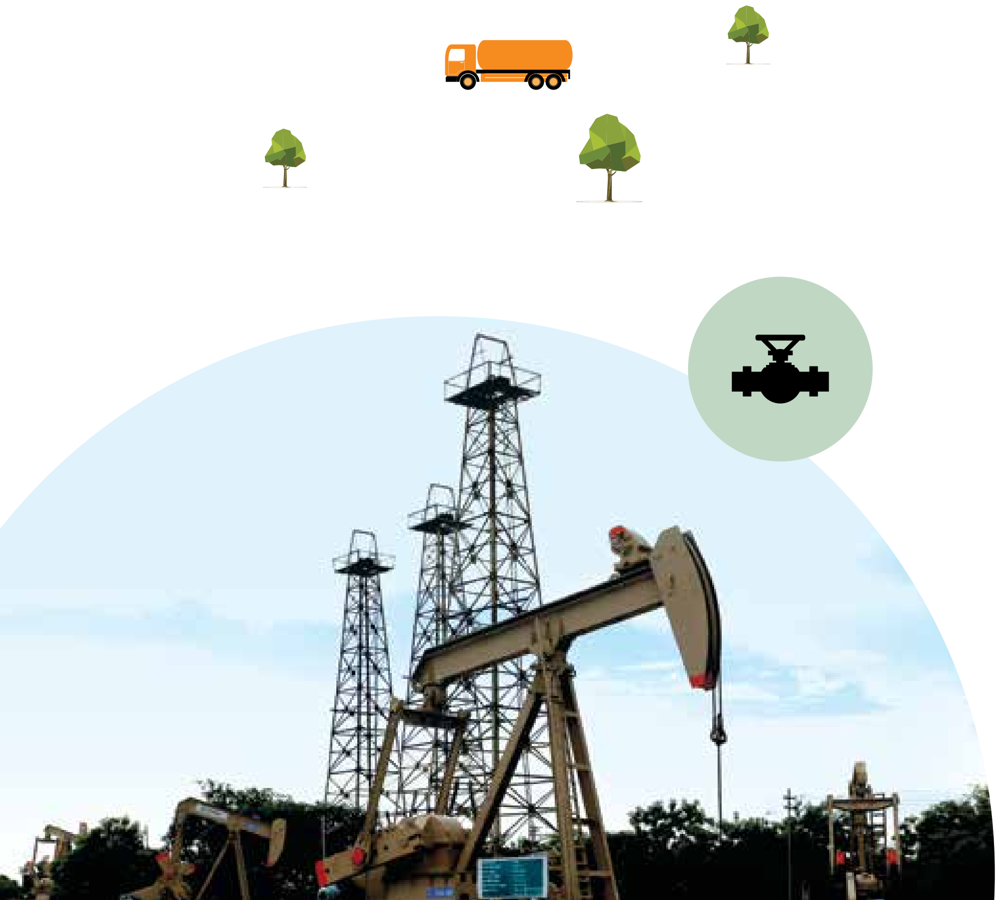
At the end of the year under review, the total liabilities of the Group were down to US$26.76 million as compared to US$32.07 million of the previous year end. This was due primarily to settlement of payment to vendors of US$4.80 million in respect of the Indonesian operations which brought about a lower trade and other payables of US$9.50 million. During the year, the Company's short-term bank loan of US$3.00 million at prevailing interest rate was secured by pledging a fixed deposit of US$2.00 million.

During FY2016, net cash of US$1.30 million was used in operating activities of the Group compared to net cash of US$8.59 million generated in the previous year. Due to minimal drilling activities, a net cash of only US$0.09 million was used in investing activities. Net cash of US$6.66 million used in financing activities was mainly for the pledge of fixed deposit to secure bank loan and loan to non-related parties by MITI. In light of the cost control strategy, the Group's capital expenditure incurred on exploration activities and development and production activities for FY2016 were US$0.10 million and US$0.24 million respectively.

Despite the difficult business environment, the Group managed to minimise its cash outflows and maintain its liquidity position. In the coming year, it is uncertain whether crude oil prices will hold their ground and this poses a major challenge to the Group's business. If the circumstances so require, the Group will source and evaluate funding options to raise capital.

SHARE CAPITAL

As at the end of FY2016, the total issued share capital of the Company remained at 506,446,757 shares. The outstanding number of unissued shares under option was 7,110,000 (FY2015: 7,110,000) and all these options had expired on 20 January 2017. The Interra Share Option Plan approved by shareholders on 30 April 2007 will expire on 29 April 2017. The Company does not have a share purchase mandate and has no treasury shares.



operating **and financial review**

CRUDE OIL PRICES

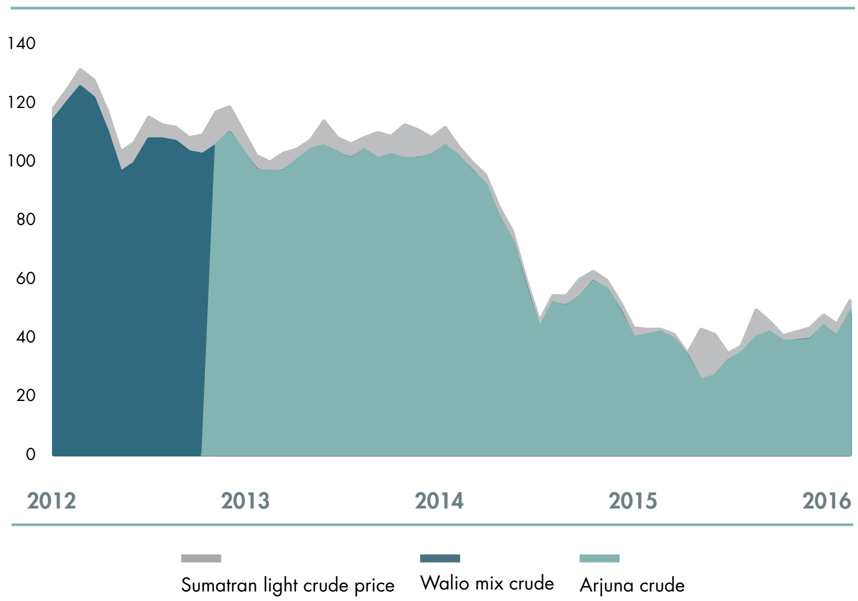
Crude oil prices remained suppressed through much of 2016, resulting in further drop in the average transacted crude oil price for the Group of US$39.03 per barrel (FY2015: US$48.38 per barrel). The Group's weighted average transacted crude oil prices for the past five years are charted on the right.

The Group's business depends primarily on crude oil prices, which have a direct impact on its operating and financial performance. During 2016, crude oil prices hovered around US$40 per barrel until late in the year when the oil producing countries agreed to cut global oil production output. Prices then began to trade above US$50 per barrel in the first two months of 2017, offering some hope that margins may improve if the recent cost and efficiency gains achieved are maintained. Signs of confidence can be seen slowly returning to the market, but these early signs are not strong indicators of a sustainable price recovery and it will not be surprising if volatility returns. The Group does not hedge its exposure to the movements of crude oil prices through financial derivatives.

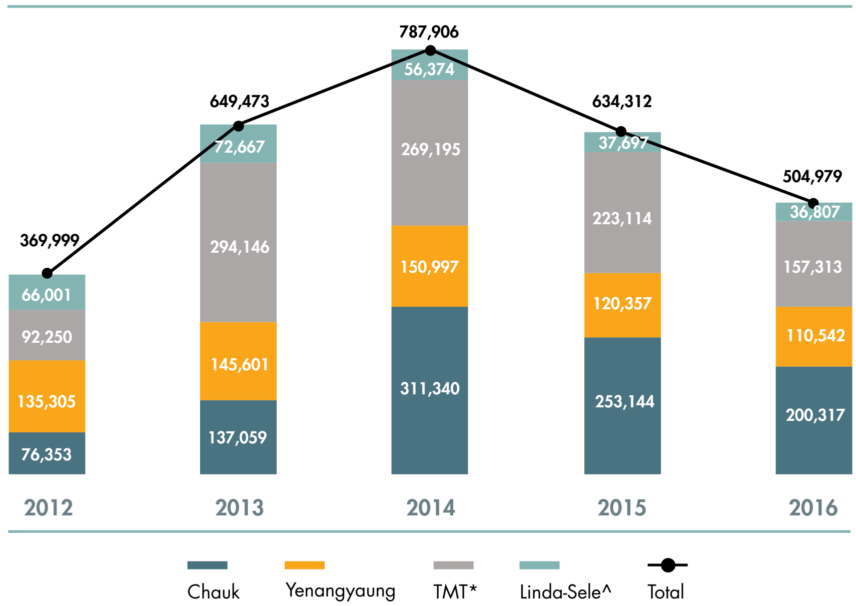
PRODUCTION

In line with the depressed crude oil prices, the Group's shareable production for FY2016 declined by 20.4%, with the Myanmar and Indonesian fields yielding 310,859 barrels (FY2015: 373,501 barrels) and 194,120 barrels (FY2015: 260,811 barrels) respectively. The Group's shareable oil production by fields before application of contractual terms with the respective host governments for the past five years are charted on the right.

Crude Oil Prices (US$ per barrel)



Shareable Oil Production (barrels of oil)



^ Group's effective interest in the shareable oil production of the Linda-Sele fields was 100% before Aug 2014 and 58% from Aug 2014 onwards.

** Contract for TMT expired on 16 Dec 2016.*

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With only one development well drilled in Chauk during the year, the shareable production of the Chauk field fell by 20.9% to 200,317 barrels, which was equivalent to 39.7% of the Group's FY2016 total shareable production. The shareable production of the Yenangyaung field, the more mature of the two adjacent fields, decreased by 8.2% to 110,542 barrels in FY2016. Considering the absence of drilling activities and the economically challenging operating environment, the shareable production of the Linda-Sele fields was only 2.4% less than the year before, generating a total of 36,807 barrels. The Group's 58.38% interest in the Linda-Sele fields will be reduced to 53.99% with the dilution of its MITI shareholding arising from MITI's private share placement announced on 7 February 2017. The TMT field contributed 157,313 barrels to the total shareable production of the Group before the contract ended on 16 December 2016.

Against a backdrop of falling revenues, the operations underwent extensive restructuring to curtail unsustainable expenditures and achieve optimal cost efficiency. Over the past year, the Group strived to realise substantial cost improvements in order to cope with the tremendous downward price pressure. With a leaner cost structure, it is now better positioned to secure future growth when the market conditions stabilise and improve. However, should the oil price downturn continue to extend, capital committed to drilling and development may inevitably be deferred. This could result in a further decline in field production and capital investment, which is a significant challenge beyond the control of the Group.

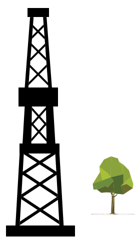
The granite business held under MITI was classified as discontinued operations of the Group following MITI's proposed divestment as announced in November 2015. The final procedural approval for the transaction was obtained in December 2016 and the proposed disposal of the quarry is expected to be completed this year.

OPERATING ACTIVITIES

- **Myanmar – Chauk and Yenangyaung Fields**

Given the continued effects of the worldwide oil price slump, the operator drilled only one development well in Myanmar during 2016 as compared to five wells in the preceding year. The medium depth well was drilled in the Chauk field and completed as an oil producer during the third quarter of the year. The combined gross oil production of the two fields for 2016 was 907,849 barrels, 11.6% lower than 1,027,440 barrels for 2015. The decline, which was directly related to the curtailment of drilling programme, was partially stabilised by the ongoing production optimisation programme aimed at reducing production declines in existing wells. These non-drilling activities included workovers, reactivations, new reservoir perforations, surface and borehole enhancements, facilities enhancements and various scheduled maintenance.

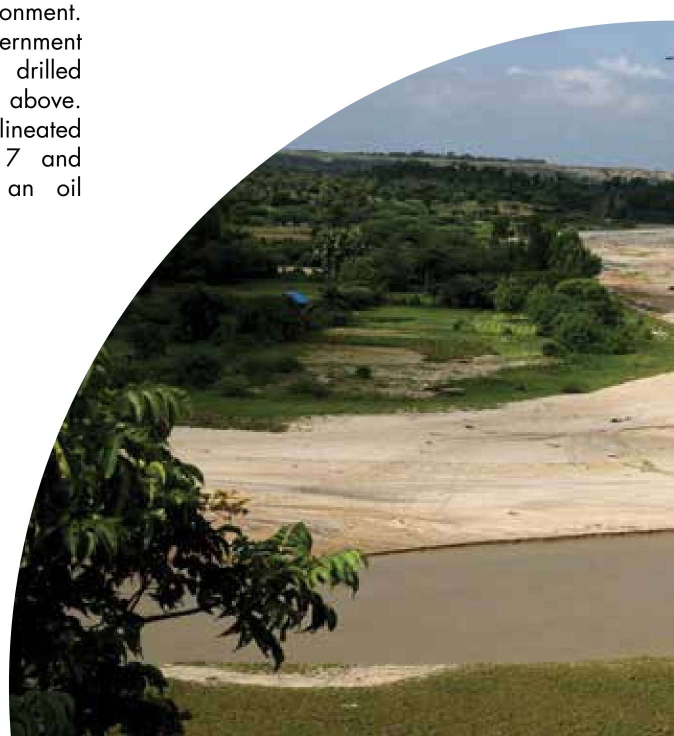
During the year, the operator identified several new drilling locations which meet the necessary parameters with respect to the challenging economic environment. Two of these received government approval and the first was drilled and completed as mentioned above. The second well was delineated for drilling in January 2017 and subsequently completed as an oil producer in February 2017.



In the year ahead, while awaiting extension of the Myanmar contracts which will expire in April 2017, the operator will continue with the low-cost production optimisation programme and the ongoing technical reservoir studies aimed at identifying additional opportunities with respect to increasing production in existing wells and new development locations for future drilling. In addition, advanced work continued jointly with an external research centre with respect to more aggressive future field development plans to include possible 3D seismic data acquisition, water flood studies and the potential for more aggressive drilling.

- **Indonesia – TMT Field**

Suspension of drilling at the TMT field was extended due to the further weakening of crude oil prices and subsequent industry economic conditions as well as the uncertainty of the contract extension. As a result, the gross oil production of the TMT field for 2016 declined by 29.3% to 159,964 barrels from 226,150 barrels for 2015. The lack of production additions from new wells was the key factor for the stated decrease in field production.



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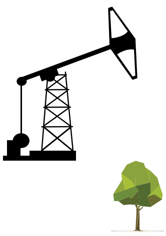
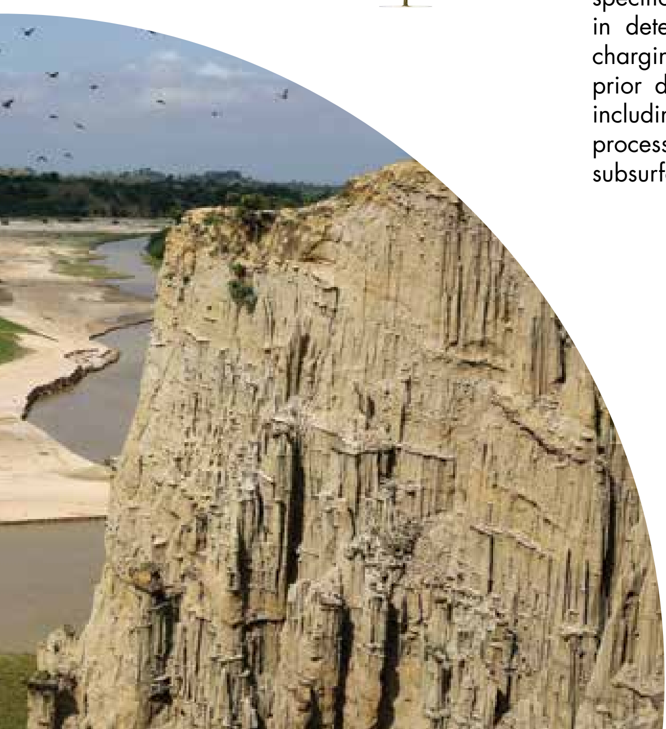
Throughout the year, the operator focused on improving and/or maintaining cost efficiency with respect to operations and production facilities. It also continued to conduct works on existing wells aimed at arresting natural field production decline. These included workovers, surface and borehole improvements, and general and scheduled maintenance. In addition, reservoir studies incorporating seismic, geology and reservoir engineering data with the objective of gaining a more complete understanding of the producing reservoirs were ongoing.

The TMT TAC expired on 16 December 2016. In pursuit of extending the contract, the operator submitted a development proposal to PEP to initiate a pilot project aimed at enhancing production of the TMT field. PEP has agreed to continue exploring possible cooperation scenarios for the pilot project, which involves studies and implementation of a new technology.





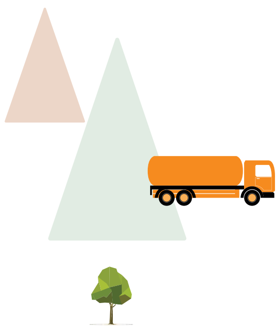
- **Indonesia – Linda-Sele Fields**

At the Linda-Sele fields, the operator's strategy of aggressive production optimisation combined with scheduled maintenance continued through 2016. These activities with the objective of sustaining production levels proved to be effective in alleviating natural field production decline. As a result, the Linda-Sele fields managed to maintain a consistent output of 63,048 barrels (FY2015: 64,572 barrels).

In 2017, the operator is expected to maintain the same strategy of efficient fields operations with respect to production optimisation combined with scheduled maintenance. It will also continue with the geological, geophysical and reservoir studies with respect to evaluating future potential for new wells and new perforations in existing wells, pending favourable future economic conditions.

- **Indonesia – Kuala Pambuang Block**

During 2016, the geoscience team completed geological, geophysical and reservoir work required to generate an integrated sub-surface geologic model and subsequently delineated multiple exploration prospects. As there were several prospective areas with respect to potential hydrocarbon traps, it was decided to acquire prospect-specific passive seismic data to aid in determining possible hydrocarbon charging. This was in addition to prior detailed work accomplished — including advanced 2D seismic data processing, prospect and regional subsurface geologic studies, reservoir and fluid properties studies, first phase passive seismic data acquisition and gravity data mapping. Integration of all technical data has now resulted in a comprehensive geologic model consistent with a carbonate platform with areas of reefal growth. With this model, the geoscience team has delineated several very high quality drillable exploration prospects in the Berai limestone reefs with possible associated shallower clastic reservoirs. These have been confirmed by an external expert to be viable exploration drilling targets with substantial prospective resources. Thus, in 2017, the operator has begun drilling and engineering planning designed to target the exploration prospect with the highest chance of success.



- **Indonesia – Bukit Piatu Quarry**

Total granite production for 2016 was 677,684 tonnes, 21.8% lower than 2015 output of 866,530 tonnes. The proposed disposal of the quarry by MITI was still pending completion at the end of 2016.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORTING

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

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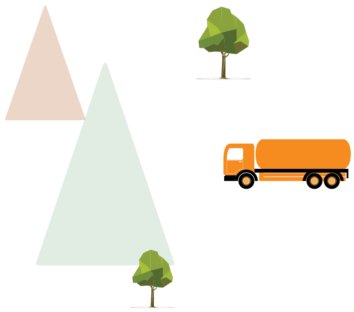
Going forward, it is the intention of the Company to provide shareholders with information in a comprehensive and strategic manner on how the Group's business is conducted with respect to environmental and social aspects and the relevant sustainability into the future. Although the Group has already managed its sustainability issues as part of risk management and good business practice, the Company needs to articulate what is being done in sustainability terms in order to offer a meaningful and effective reporting. Therefore, in the year ahead, it will embark on the implementation of a sustainability reporting framework and this entails adopting a suitable and recognised standard, establishing material factors and scope of reporting, streamlining policies and practices, collating data, measuring performance and setting targets, and determining the format and medium of reporting. The implementation will be conducted in phases and it will take at least a couple of years for the made-to-measure sustainability reporting to be presented in a structured and comprehensive format. Nevertheless, the Company endeavours to carry out sustainability reporting in a progressive manner. An account of the Group's sustainability practices in respect of its operations is summarised below.

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

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

The Group believes that having close and cordial relationship with the local authorities and governments is important and that relationships with local communities are to be conducted sensitively and with mutual respect. The Group actively engages in social and community development through partnerships with local communities and other stakeholders in mutually beneficial activities and movements, such as enhancing labour practices and relations, facilitating relocation and fair compensation of land, supporting the livelihood and welfare of local communities, participating in community events, sponsorship of community programmes and scholarships, and donations towards education, healthcare and infrastructure projects. During the year, the Group's social services included funding and support for building, renovation or repair of school facilities, school fees and scholarship sponsor, provision of livelihood skills training for local communities, building, renovation or repair of government hospitals and community medical centres, medical equipment sponsorship, construction of new road access connecting villages and main roads, and building of sports facilities, sanitation facilities and water supply pipelines.



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RISK FACTORS AND UNCERTAINTIES

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

- **Sales of Crude Oil**

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

- **Sales of Granite**

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

- **Crude Oil Prices**

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

- **Operating Costs**

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

- **Credit Risk**

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

- **Capital Funding and Interest Rate Risk**

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

- **Reserve Replacement**

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

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- **Reserve Diminishment**

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

- **Petroleum Agreements**

A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection. The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms, revenue is not proportionally dependent on gross production and crude oil prices. In addition, there is no guarantee that contract extension or renewal will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value. The Group has three production-sharing contracts expiring in 2017 and 2018 and these agreements may not be extended or renewed upon expiration.

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

- **Taxes**

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

- **Political and Regulatory Risks**

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

- **Exploration Risk**

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

- **Drilling Risk**

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

- **Production Risk**

There are inherent risks involved in the production of hydrocarbons that, in addition to impacting the actual volumes produced, may ultimately affect the reserves (recovered). The performance of the reservoirs may be affected by the use of new technologies and the inability to develop advanced technologies to maximise the recoverability rate of hydrocarbons or gain access to previously inaccessible reservoirs. In addition, continuous disregard for

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industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. In the event that incremental production growth is not sufficient to keep pace with premature natural field decline, the Group's operating and financial performance will be adversely affected.

- **Reserve Estimation Risk**

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

- **Environmental and Operational Hazards**

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

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

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

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

SUMMARY OF GRANITE RESERVES AS OF 31 DECEMBER 2016

The gross granite reserve of the Bukit Piatu quarry was estimated to be 3.81 million tonnes as at 31 December 2016. The reserve estimation of granite deposit provided by MITI has not been certified professionally as granite reserve certification is not a common industry practice. The Group's effective interest in MITI was 53.76% as at 31 December 2016.

SUMMARY OF OIL RESERVES AND RESOURCES AS OF 31 DECEMBER 2016

The following information has been extracted from the qualified person's reports ("QPRs") dated 28 March 2017 prepared by an independent qualified person, ERC Equipoise Pte Ltd ("ERCE"), with respect to the reserves and resources of the various petroleum contracts of the Group. Please also refer to the Appendix of this Annual Report for ERCE's summary of the QPRs.

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

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Category	Gross (mmstb)	Net (mmstb)	Change (%)	Gross (mmstb)	Net (mmstb)	Change (%)	Gross (mmstb)	Net (mmstb)	Change (%)
Oil Reserves		**1P**			**2P**			**3P**	
Myanmar	0.23	0.14	(64.1)	0.24	0.14	(72.0)	0.24	0.15	(74.6)
Indonesia	0.11	0.07	(75.0)	0.12	0.07	(76.7)	0.13	0.07	(78.8)
Oil Contingent Resources		**1C**			**2C**			**3C**	
Myanmar	8.25	4.95	74.3	10.42	6.25	93.4	13.00	7.80	105.8
Indonesia	0.00	0.00	(100.0)	0.00	0.00	(100.0)	0.00	0.00	(100.0)
Oil Prospective Resources		**Low Estimate**			**Best Estimate**			**High Estimate**	
Indonesia									
Unrisked	85.9	58.0	NA	348.5	235.2	NA	1,311.6	885.3	NA
Risked	10.5	7.1	NA	41.1	27.7	NA	150.8	101.8	NA

Notes:
"1P" : Proved
"2P" : Proved plus probable
"3P" : Proved plus probable plus possible
"Change" : Change from the preceding financial year end, which also takes into account actual production, expiration or renewal of contracts and changes in effective interests of the Group
"Gross" : Gross reserves, contingent resources or prospective resources attributable to the contract before the application of contractual terms with the host government
"mmstb" : Million stock tank barrels
"NA" : Not applicable as no data were available for reporting in the preceding financial year
"Net" : Net reserves, contingent resources or prospective resources attributable to the Group before the application of contractual terms with the host government

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

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

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

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

(5) Gross prospective resources refer to 100% of the estimated hydrocarbons potentially recoverable from undiscovered accumulations before taking into account the contractual terms with the host government.

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

(7) Unrisked prospective resources refer to the hydrocarbon quantities estimated from defined viable drilling targets (prospects).

(8) Risked prospective resources are computed by applying reasonable geological chance of success to the unrisked prospective resources.

(9) The above gross reserves, contingent resources and prospective resources data were extracted from the respective QPRs with an effective date of 31 December 2016 prepared in accordance with the requirements set out in paragraph 5 of Practice Note 6.3 to the Listing Manual of the Singapore Exchange Securities Trading Limited and the standards promulgated by the Petroleum Resources Management System (SPE-PRMS) by:
Name of Qualified Person : Stewart Easton of ERCE
Professional Society Affiliation/Membership : Society of Petroleum Engineers/4548670
Date : 28 March 2017

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

Country/ Asset Name	Effective Interest (%)	Development Status	Type of Contract	Contract Expiry Date	Contract Area (km²)	Type of Deposit
Myanmar						
Chauk Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2017	955	Hydrocarbon
Yenangyaung Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2017	845	Hydrocarbon
Indonesia						
Linda-Sele Fields	58.38	Producing	Technical Assistance Contract (TAC)	15 November 2018	19	Hydrocarbon
Kuala Pambuang Block	67.50	Exploration	Production Sharing Contact (PSC)	18 December 2017 (option to extend up to 4 years)	4,462	Hydrocarbon

corporate **governance report**

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

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

BOARD MATTERS

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

The role of the Board includes:

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

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

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

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

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To enable Directors to keep up with regulatory and industry changes, the Company encourages Directors to receive regular training, keeps Directors informed of and makes arrangement for Directors to attend (as applicable) suitable training programmes organised by the Singapore Institute of Directors from time to time, particularly on relevant new laws, regulations and accounting standards as well as changing policies and commercial risks. Directors are also entitled to take up training that they deem suitable at the Company's expense. As the Directors receive relevant training in their own professional fields or through companies in which they hold directorships, they usually do not attend similar training offered by the Company. During the year, the AC Chairman was tasked to attend a seminar relating to the new enhanced auditor's report which took effect from December 2016.

During the year, the Board met formally on two (2) occasions to review and approve various matters relating to business strategies, material transactions, governance matters, operating affairs and financial performance of the Group. Board meetings were scheduled to coincide with quarterly reporting in order to facilitate the review of financial results announcements. Where the attendance of certain Directors was not physically possible, meetings were conducted with these Directors communicating through teleconferencing. The Constitution of the Company provides that the Directors may meet by audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants. In order to gather views and address major concerns without delay, ad hoc Board discussions via electronic means were organised to deliberate material matters and transactions as appropriate, and resolutions of the Board were passed by way of circulating minutes pursuant to the Constitution of the Company.

The attendance of every member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during each member's period of appointment in respect of the financial year ended 31 December 2016 ("FY2016"), is set out as follows:

Name	**Board Meeting Attendance**	**AC Meeting Attendance**	**NC Meeting Attendance**	**RC Meeting Attendance**
Edwin Soeryadjaya *Chairman (Non-Executive)*	1/2	–	–	–
Marcel Han Liong Tjia *Executive Director & Chief Executive Officer*	2/2	–	–	–
Subianto Arpan Sumodikoro *Non-Executive Director (passed away on 4 January 2017)*	1/2	–	–	–
Ng Soon Kai *Non-Executive Director*	2/2	–	1/1	1/1
Low Siew Sie Bob *Lead Independent Director (Non-Executive)*	2/2	2/2	1/1	1/1
Allan Charles Buckler *Independent Director (Non-Executive)*	2/2	2/2	1/1	1/1
Lim Hock San *Independent Director (Non-Executive)*	1/2	0/2	0/1	0/1
Pepen Handianto Danuatmadja *Alternate Director to Subianto Arpan Sumodikoro (cessation of service as alternate director to Mr Subianto following Mr Subianto's demise on 4 January 2017)*	1/2	–	–	–

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

As at the end of FY2016, the Board comprised eight (8) Directors (three (3) of whom are independent) and one (1) alternate Director. The three (3) independent Directors, namely, Mr Low Siew Sie Bob ("Mr Low"), Mr Allan Charles Buckler ("Mr Buckler") and Mr Lim Hock San, formed over one-third of the Board, with Mr Low being the Lead Independent Director. The Board is aware that the Code recommends independent directors to make up at least half of the Board where the Chairman is not an independent director. However, following the demise of Mr Subianto Arpan Sumodikoro ("Mr Subianto"), who was a non-independent and non-executive Director, on 4 January 2017, the Board currently comprises six (6) Directors of whom three (3) are independent. The current composition of the Board complies with the recommendation of the Code that independent directors make up at least half of the Board. The NC is of the view that the present composition of the Board allows it to exercise objective judgement on corporate affairs independently and that no individual or small group of individuals dominates the decisions of the Board.

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

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board and its Board Committees comprise Directors who possess the requisite skills, experience and knowledge across various fields. As a group, the Board, which comprises both local and foreign Directors, provides an appropriate balance and diversity of skills, experience and knowledge that encompass core competencies such as accounting or finance, business or management experience, industry knowledge, law and strategic planning experience. The composition and diversity of the Board is reviewed annually by the NC through skills matrix checklists. The Board is aware of the heightened focus in recent times to broaden the view of diversity when establishing and reviewing board composition, beyond skills, experience, competencies, and knowledge of the Company to include factors such as age, gender, nationality and ethnicity. In consideration of the Company's market capitalisation, revenue and industry, the Board places primary emphasis on its core competencies without increasing its size. It will endeavour to include these additional attributes when there is a need to bring in fresh perspectives and enhancements.

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

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

The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The CEO, who is responsible for the day-to-day operations of the Group, has his role and responsibilities clearly established by the Board and set out in writing under his employment agreement. The Chairman who is a non-executive Director, is responsible for the leadership and objective functioning of the Board, including its effectiveness on all aspects of its role and its progress towards promoting high standards of corporate governance. Their complementary roles provide a pillar of balance for the Board while promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and Management. They are supported by the Company Secretary and Management who assist them in the organisation of essential meeting agenda, timely dissemination of inclusive meeting materials and administration of meeting by allowing adequate time for discussion of all agenda items especially strategic issues.

The Code recommends a lead independent director to be appointed where the Chairman is not an independent Director. In line with the Code, Mr Low has been appointed the Lead Independent Director since 2012. The Lead Independent Director supports the Chairman in his role of facilitating effective contributions of independent Directors and effective communication with shareholders. He is available to shareholders at general meetings where they have concerns for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or is inappropriate. In addition, he takes the lead to arrange discussions (usually held during quarterly meetings) with the independent Directors, formally or informally, without the presence of the other executive and non-independent Directors, and any matters of significance arising from such discussions are conveyed to the Chairman.

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

The NC has been delegated by the Board to be in charge of Board membership matters. It comprises four (4) non-executive Directors, the majority of whom, including the Chairman, are independent Directors. The Lead Independent Director is also a member of the NC. As at the date of this Annual Report, the members of the NC are:

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

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

(a) To review the size and composition of the Board and Board Committees, taking into consideration the independent element, the need for progressive refreshing, the necessity of alternate directorship, core competencies, and balance and diversity of skills, experience, gender and knowledge, and to recommend any changes it considers necessary to the Board.
(b) To develop, implement and maintain a formal and transparent process for the search, nomination, selection, appointment and re-appointment of Directors (including alternate Directors) to the Board.
(c) To review all nominations for the appointment and re-appointment of members of the Board (including alternate Directors), taking into consideration the composition and progressive renewal of the Board and the attributes of each nominee, before making recommendations to the Board.
(d) To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years or in accordance with the requirements of the Constitution of the Company, the Code and the Companies Act, Cap. 50 (the "Act") as amended or modified from time to time.
(e) To determine annually, and as and when circumstances require, whether a Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect the Director's judgement, bearing in mind the years of services, relationships or circumstances set forth in the Code and any other salient factors.

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(f) To develop, implement and maintain a formal process for evaluation of the performance of the Board, Board Committees and Board members.

(g) To decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.

(h) To decide on the maximum number of listed company board representations a Director may hold for the Board's approval.

(i) To assess and report to the Board annually the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual Director to the effectiveness of the Board.

(j) To review the results of the performance evaluation and recommend to the Board on whether to appoint new Directors or to seek resignation of Directors.

(k) To review the succession plans for Directors, in particular, the Chairman and the CEO of the Company.

(l) To review and make recommendations to the Board the training and professional development programme for the Board.

(m) To review the various disclosure requirements on the appointment and resignation of Directors, particularly those required by regulatory bodies such as the SGX-ST.

(n) To retain such professional consultancy firm as the NC may deem necessary to enable it to discharge its duties hereunder satisfactorily.

(o) To undertake such other duties and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the NC.

(p) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

During the year, the NC reviewed the performance of each Director, each Board Committee and the Board as a whole and made the requisite recommendations to the Board on the re-nomination and re-election of Directors in accordance with the Constitution of the Company and as contemplated by the Code. All Directors other than a managing Director are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years, and one-third of the Directors (or if their number is not a multiple of three (3) then the number nearest to one-third) are to retire from office by rotation every year. At the forthcoming annual general meeting of the Company ("AGM"), Mr Edwin Soeryadjaya ("Mr Soeryadjaya") and Mr Low are due to retire by rotation pursuant to Article 89 of the Company's Constitution. Therefore, the NC has recommended to the Board that Mr Soeryadjaya and Mr Low, who being eligible, be nominated for re-election at the AGM and the Board has accepted the recommendations of the NC. Mr Soeryadjaya will, upon re-election as a Director, remain as the non-executive Chairman of the Company. Mr Low will, upon re-election as a Director, remain as the Lead Independent Director of the Company, Chairman of the AC and a member of the NC and the RC. All Directors retiring by rotation have consented to continue in office. The Board has considered and endorsed the recommendations of the NC and accordingly, they will be offering themselves for re-election at the forthcoming AGM.

The NC also reviewed and determined, based on the guidelines set forth in the Code and individual Directors' declarations, that there was no change in the independent status of all three (3) independent Directors. When considering the nomination of Directors for re-election or re-appointment, the NC took into account their competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) as well as their overall contributions to the effectiveness of the Board. These processes are prescribed by its internal guidelines as described below.

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

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

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

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

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

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

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

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

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

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

The Directors have direct and independent access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole. The responsibilities of the Company Secretary include:

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

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

REMUNERATION MATTERS

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

The RC has been delegated by the Board to be in charge of Board remuneration matters. It comprises four (4) non-executive Directors, the majority of whom, including the Chairman, are independent Directors. As at the date of this Annual Report, the members of the RC are:

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

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

(a) To develop, implement and maintain a formal and transparent policy for the determination of Directors' and key management personnel's remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.
(b) To review and recommend to the Board a general framework of remuneration for the Board and Management, and the specific remuneration packages for each Director and key management personnel.

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(c) To structure and propose appropriate performance conditions aimed at rewarding achievements but not poor performance, to be linked to the remuneration of executive Directors and key executives for the Board's approval.

(d) To review the Company's obligations arising in the event of termination of contracts of services of executive Directors and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

(e) To assess and report to the Board annually the performance of executive Directors and key management personnel and whether their performance conditions are met.

(f) To ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities undertaken, but not excessive to the extent that their independence may be compromised.

(g) To administer the share-based incentive scheme(s) of the Company as amended or modified from time to time and to report to the Board annually the important terms of the scheme(s).

(h) To make remuneration recommendations in consultation with the CEO and submit its recommendations for endorsement by the entire Board.

(i) To review the various disclosure requirements on the remuneration of Directors and key management personnel, particularly those required by regulatory bodies such as the SGX-ST, and to ensure that there is adequate disclosure in the financial statements.

(j) To retain such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactorily.

(k) To undertake such other duties as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the RC.

(l) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

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

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

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

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

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

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

A long-term incentive scheme, namely the Interra Share Option Plan ("ISOP"), has been employed to align the remuneration of, *inter alia*, the executive Directors and key management personnel with the interests of shareholders and to promote long-term success of the Company. This scheme, which takes into account the costs and benefits of such incentives, was designed to primarily reward contributions and retain of talents. Options granted from time to time under the scheme are to meet the vesting period requirements under the SGX-ST Listing Manual before they can be exercised. The executive Directors and key management personnel are encouraged to hold their shares for the longer term that is beyond the vesting period where possible, subject to the need to finance any cost of acquiring the shares and associated tax liability. The ISOP, of which the duration is ten (10) years, was approved by shareholders on 30 April 2007 and will expire on 29 April 2017. The RC is contemplating a new share option plan to replace the existing ISOP in due course.

The remuneration packages of the executive Director and key management personnel are reviewed annually by the RC to ensure that the level of compensation remains competitive for attracting, retaining and motivating capable and talented employees. While the use of contractual provisions to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company is not a common industry practice, the RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key management personnel.

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

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

The information on the remuneration of Directors and key management personnel is reported under the Directors' Statement and Note 38 of the Notes to the Financial Statements of this Annual Report and additional disclosure required by the Code is set out on the next page.

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The total remuneration of Directors including CEO for FY2016, which amounted to S$959,103 (FY2015: S$998,549), is summarised as follows:

Name	Directors' Fees	Base/Fixed Salary	Variable Component or Bonuses	Share-based Bonus	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000					
Non-Executive Directors					
Edwin Soeryadjaya	100%	–	–	–	–
Subianto Arpan Sumodikoro *(passed away on 4 January 2017)*	100%	–	–	–	–
Ng Soon Kai	100%	–	–	–	–
Low Siew Sie Bob	100%	–	–	–	–
Allan Charles Buckler	100%	–	–	–	–
Lim Hock San	100%	–	–	–	–
Pepen Handianto Danuatmadja *(cessation of service as alternate director to Mr Subianto following Mr Subianto's demise on 4 January 2017)*	–	–	–	–	–
Above S$500,000					
Executive Director & CEO					
Marcel Han Liong Tjia	–	95%	–	–	5%

The Company has four (4) key management personnel and their total remuneration for FY2016, which amounted to S$1,020,146 (FY2015: S$998,916), is summarised as follows:

Name	Base/Fixed Salary	Variable Component or Bonuses	Share-based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Frank Overall Hollinger	83%	–	–	17%
Han Liqiang	92%	8%	–	–
S$250,000 – S$500,000				
Foo Say Tain	99%	–	–	1%
Sugi Handoko	98%	–	–	2%

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

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

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

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

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ACCOUNTIBILITY AND AUDIT

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

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

Principle 11 – Risk Management and Internal Controls
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

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

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

The CEO and CFO have provided a letter of assurance with respect to FY2016 to the Board confirming that:

(a) the financial statements of the Company (together with its subsidiaries, the "Group") for FY2016 have been prepared in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of business and financial affairs of the Group and of the Company as at 31 December 2016;

corporate **governance report**

(b) the accounting and other financial records required by the Act to be kept by the Company have been maintained in accordance with the provisions of the Act; and

(c) the Company and the Group have put in place and will continue to maintain an effective and reliable system of risk management and internal controls.

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

The AC has been delegated by the Board to oversee matters pertaining to financial reporting, internal and external audit as well as the aforementioned risk management function of the Company. It comprises three (3) non-executive Directors, all of whom, including the Chairman, are independent Directors. In addition, the majority of the AC members, including the Chairman, have relevant accounting or related financial management expertise or experience and accounting qualifications. None of the AC members were previous partners or directors of the existing auditing firm within the previous twelve (12) months and none of them hold any financial interest in the auditing firm. As at the date of this Annual Report, the members of the AC are:

(a) Mr Low Siew Sie Bob (Lead Independent Director) – Chairman;

(b) Mr Allan Charles Buckler (Independent Director); and

(c) Mr Lim Hock San (Independent Director).

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

(a) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.

(b) To review the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risks areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval.

(c) To review the periodic consolidated financial statements and such other financial information required under the SGX-ST Listing Manual, before submission to the Board for approval.

(d) To review the various disclosure requirements for the financial reporting, particularly those required by regulatory bodies such as the SGX-ST and ensure that there is adequate disclosure in the financial statements.

(e) To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced and ensure that the internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

(f) To ensure that the internal audit function is adequately resourced, independent of the activities it audits, has appropriate standing within the Company and is staffed with persons with the relevant qualifications and experience.

(g) To review with the internal auditors, their audit plan, scope of internal control procedures and results of the audit.

(h) To review the adequacy and effectiveness of the internal audit function at least once a year.

(i) To meet with the internal auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the internal auditors.

(j) To review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and internal controls systems, including financial, operational, compliance and information technology controls.

(k) To review with the external auditors, their audit plan, evaluation of the system of internal accounting controls and their audit report.

(l) To review the scope and results of the external audit and appraise the effectiveness of the audit efforts of the external auditors.

(m) To review the independence and objectivity of the external auditors annually and to report the aggregate amount of fees paid to the external auditors, broken down into audit and non-audit services.

(n) To meet with the external auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the external auditors.

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(o) To serve as a channel of communication between the Board and the external auditors on matters relating to and arising out of the external audit.

(p) To make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

(q) To review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

(r) To review and discuss with the external and internal auditors and report to the Board, when appropriate, any suspected fraud or irregularity, or suspected infringement of any laws or regulations or rules of the SGX-ST Listing Manual or any other regulatory authority, which has or is likely to have a material impact on the Company's operating results or financial position and Management's response.

(s) To commission and review the findings of internal or external investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation or where it will be in the best interest of the Company.

(t) To determine and recommend to the Board for its approval, the nature and extent of significant risks in achieving the Board's strategic objectives.

(u) in relation to risk assessment, (i) to keep under review the Company's overall risk assessment processes that form the Board's decision making; (ii) to review regularly and approve the parameters used in these measures and the methodology adopted; and (iii) to set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance.

(v) To advise the Board on proposed strategic transactions, focussing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available.

(w) To ensure that the financial records have been properly maintained and the financial statements give a true and accurate view of the Company's operations and finances.

(x) To monitor the independence of risk management functions throughout the organisation.

(y) To review any interested person transactions subject to the provisions of the Act or falling within the scope of the SGX-ST Listing Manual as may be amended or modified from time to time and such other rules and regulations of the SGX-ST that may be applicable in relation to such matters from time to time.

(z) To review any potential conflicts of interest.

(aa) To take such measures to keep abreast of changes to accounting standards and issues which may have direct impact on financial statements.

(bb) To undertake generally such other functions and duties as may be required by law, the Act, the SGX-ST Listing Manual or the Securities and Futures Act, Cap. 289 and by such amendments made thereto from time to time.

(cc) To ensure the Company complies with requirements under the Act and the SGX-ST Listing Manual and any undertakings given by the Company to the SGX-ST.

(dd) To undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.

(ee) To retain such professional consultancy firm as the AC may deem necessary to enable it to discharge its duties hereunder satisfactorily.

(ff) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

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

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During the financial year, the AC met with Management and the external auditor on two (2) occasions. Agenda of these meetings included, *inter alia*, review of financial statements, accounting policies and internal control procedures that are relevant in the preparation of financial statements, scope and findings of audit, and objectivity and independence of the external auditor. The AC also had one (1) separate session with the external auditor, without the presence of Management.

The Company has engaged the same Singapore-based external auditor, Nexia TS Public Accounting Corporation ("Nexia TS"), to audit its accounts and all its Singapore-incorporated subsidiaries' accounts. Nexia TS is a respectable accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority. In addition, both the firm and the director-in-charge have relevant experiences, professional capabilities and collective expertise in the petroleum and mining industry. The accounts of the Company's significant foreign-incorporated components are audited by either Nexia TS affiliates or suitable accounting firms. Therefore, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual for FY2016.

The report of Nexia TS as the external auditor of the Company is set out in the Independent Auditor's Report section of this Annual Report. The fees paid or payable by the Group to Nexia TS for its audit services with respect to FY2016 amounted to US$141,561 (FY2015: US$144,742) and no non-audit services provided for FY2016. Should there be any non-audit services provided by Nexia TS to the Group, the AC will undertake a review of all such non-audit services provided by Nexia TS and ensure that such services would not, in the AC's opinion, affect the independence of Nexia TS. After considering the experience of and resources provided by Nexia TS and the director-in-charge as well as the terms and remuneration of the engagement and various regulatory requirements, the AC has recommended to the Board the re-appointment of Nexia TS as external auditor for the Company's audit obligations in the financial year ending 31 December 2017. The Board has accepted the recommendation of the AC and the re-appointment will be put to shareholders for approval at the forthcoming AGM.

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

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

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

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

During the year, the AC met with the internal auditor on two (2) occasions, of which one (1) separate session was held without the presence of Management. Agenda of these meetings included, *inter alia*, review of internal controls maintained by the Company, scope, findings and recommendations of audit, and objectivity and independence of the internal auditor. The AC also reviewed the adequacy and effectiveness of the internal audit function and was satisfied with qualifications and experience as well as the work performed and resources provided by Crowe Horwath. It has reported to the Board that the internal audit function of the Company is adequately resourced and independent of the activities it audits.

corporate **governance report**

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

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

The Company respects shareholder rights and ensures that shareholders have the opportunity to participate effectively in and vote at its general meetings and communicate their views on various matters affecting the Company. Notices of general meetings are published in major newspapers, announced on the website of Singapore Exchange via SGXNET and posted on the Company's website. Reports or circulars in respect of the general meetings together with proxy forms with regard to voting procedures are despatched to all shareholders by post and made available on the aforesaid websites. The Constitution of the Company allows shareholders who are unable to attend the general meetings to appoint up to two (2) proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged with the Company in advance. Shareholders whose shares are held through nominees are allowed to attend general meetings as observers by way of advance notices from their nominees to the Company. The Company will be amending its Constitution to align with the recent changes to the Act introduced pursuant to the Companies (Amendment) Act 2014, so as to allow shareholders who are relevant intermediaries, such as banks, capital market services licence holders which provide custodial services for securities and the Central Provident Fund Board, to appoint more than two (2) proxies to attend, speak and vote at general meetings. However, the Company has decided not to provide for other absentia voting methods until security and other pertinent issues relating to shareholder identity authentication can be satisfactorily resolved.

The Company has in place an investor communication framework that disseminates timely financial data, price-sensitive information and material developments to shareholders. All public releases are drafted under the legal or secretarial guidance, so as to provide relevant and sufficient information without being overly detailed and technical. Releases of quarterly financial and activity reports, project updates, media releases on significant developments and other pertinent information are first announced on the website of Singapore Exchange via SGXNET and then posted on the Company's website, which is updated regularly and also provides an avenue for communication with shareholders. A dedicated email managed by in-house investor relations function is available for shareholders to direct their queries and convey their views to Management. The Company is a member of the Investor Relations Professional Association (Singapore), a professional body supported by the Singapore Exchange, with the primary objectives of championing investor relations best practices, enhancing professional competencies and elevating the overall standard of the investor relations profession in Singapore.

To promote effective communication with analysts and the media, Management meets with the analysts and media separately upon their requests from time to time to explain and clarify the Company's financial results and industry operations. The Company is a developing company engaged in a business that is capital intensive in nature, thus it does not have a fixed dividend policy at this premature stage of growth. However, it endeavours to reward shareholders through other means, such as the enhancing the intrinsic value of the Company through long-term growth strategy.

The Company welcomes ad hoc enquiries from shareholders but avoids making inadvertent disclosures in the course of addressing their concerns. Therefore, apart from engaging shareholders through the Company's website and email correspondence, the Company encourages active and greater shareholder participation at its general meetings, where rules and voting procedures governing the meetings are clearly communicated to shareholders. After the general meetings, the Lead Independent Director and Management endeavours to solicit and gather views and inputs from shareholders through dialogue sessions where shareholders openly communicate with the Directors and Management.

corporate **governance report**

Resolutions proposed at general meetings are kept separate with respect to each substantially separate issue, to which explanatory notes are furnished in the general meeting notices. Shareholders are also given the opportunity to ask questions relating to each resolution tabled for approval. The Chairman, Lead Independent Director and the respective chairperson of the AC, NC and RC, endeavour to be present and available at general meetings to address shareholders' queries. The Company Secretary and external auditor are also present to assist the Directors in answering relevant questions raised by shareholders. The Company Secretary prepares minutes of general meetings that includes a substantial or relevant comments or queries from shareholders during that meeting which relates to the agenda of the meeting, and responses from the Board and Management. Minutes of the meetings are available to shareholders for inspection upon their request.

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

INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during FY2016 is tabulated as follows:

Name of interested person	Aggregate value of all interested person transactions for the year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Subianto Arpan Sumodikoro *(passed away on 4 January 2017)* / Pepen Handianto Danuatmadja *(cessation of service as alternate director to Mr Subianto following Mr Subianto's demise on 4 January 2017)*	S$609,941	Nil

See Note 38 of the Notes to the Financial Statements for more information on the transactions.

The Company did not seek any general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual during FY2016.

DEALING IN SECURITIES

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

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

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

corporate **governance report**

FURTHER INFORMATION ON DIRECTORS

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

Edwin Soeryadjaya Chairman (Non-Executive)	
Date of first appointment as Director: 14 December 2004	**Date of last re-election as Director:** 29 April 2014
Board Committee(s) served on: Nil	**Directorship in Singapore-listed company:** Present Seroja Investments Limited Past (preceding 3 years) Nil

Marcel Han Liong Tjia Executive Director & Chief Executive Officer	
Date of first appointment as Director: 20 June 2009	**Date of last election as Director:** 28 April 2010
Board Committee(s) served on: Nil	**Directorship in Singapore-listed company:** Present Nil Past (preceding 3 years) Nil

Subianto Arpan Sumodikoro *(passed away on 4 January 2017)* Non-Executive Director	
Date of first appointment as Director: 14 December 2004	**Date of last re-election as Director:** 28 April 2016
Board Committee(s) served on: Nil	**Directorship in Singapore-listed company:** Present Nil Past (preceding 3 years) Nil

Ng Soon Kai Non-Executive Director	
Date of first appointment as Director: 1 November 2005	**Date of last re-election as Director:** 28 April 2016
Board Committee(s) served on: Nominating Committee (Member) Remuneration Committee (Member)	**Directorship in Singapore-listed company:** Present Seroja Investments Limited Past (preceding 3 years) Nil

corporate **governance report**

Low Siew Sie Bob Lead Independent Director (Non-Executive)	
Date of first appointment as Director: 18 February 2011	**Date of last re-election as Director:** 29 April 2014
Board Committee(s) served on: Audit Committee (Chairman) Nominating Committee (Member) Remuneration Committee (Member)	**Directorship in Singapore-listed company:** <u>Present</u> Pacific Star Development Limited <u>Past (preceding 3 years)</u> Sino Construction Limited
Allan Charles Buckler Independent Director (Non-Executive)	
Date of first appointment as Director: 14 December 2004	**Date of last re-election as Director:** 28 April 2015
Board Committee(s) served on: Audit Committee (Member) Nominating Committee (Chairman) Remuneration Committee (Chairman)	**Directorship in Singapore-listed company:** <u>Present</u> Nil <u>Past (preceding 3 years)</u> Nil

Lim Hock San Independent Director (Non-Executive)	
Date of first appointment as Director: 8 September 2012	**Date of last re-election as Director:** 28 April 2015
Board Committee(s) served on: Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	**Directorship in Singapore-listed company:** <u>Present</u> Gallant Venture Ltd. Indofood Agri Resources Ltd United Industrial Corporation Limited <u>Past (preceding 3 years)</u> Nil

Pepen Handianto Danuatmadja *Alternate Director to Subianto Arpan Sumodikoro* *(cessation of service as alternate director to Mr Subianto following Mr Subianto's demise on 4 January 2017)*	
Date of first appointment as Director: 18 February 2011	**Date of last re-election as Director:** Not applicable
Board Committee(s) served on: Nil	**Directorship in Singapore-listed company:** <u>Present</u> Nil <u>Past (preceding 3 years)</u> Nil

shareholder **demographics**

As at 16 March 2017

ORDINARY SHARES

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

DISTRIBUTION OF SHAREHOLDINGS

(As per the Register of Members and Depository Register)

Size of Shareholdings	Number of Shareholders	Percentage of Shareholders (%)	Number of Shares	Percentage of Issued Share Capital (%)
1 to 99	301	2.87	9,189	0.00
100 to 1,000	4,556	43.39	1,963,265	0.39
1,001 to 10,000	2,791	26.58	13,799,101	2.72
10,001 to 1,000,000	2,829	26.94	200,736,356	39.64
1,000,001 and above	23	0.22	289,938,846	57.25
Total	**10,500**	**100.00**	**506,446,757**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As per the Register of Members and Depository Register)

Name of Shareholder	Number of Shares	Percentage of Issued Share Capital (%)
Citibank Nominees Singapore Pte Ltd	115,843,336	22.87
UOB Kay Hian Pte Ltd	93,226,620	18.41
Raffles Nominees (Pte) Ltd	17,528,936	3.46
Maybank Kim Eng Securities Pte Ltd	10,041,665	1.98
OCBC Securities Private Ltd	6,064,732	1.20
DBS Nominees Pte Ltd	5,698,139	1.12
Phillip Securities Pte Ltd	5,555,695	1.10
Lim & Tan Securities Pte Ltd	5,148,600	1.02
Maybank Nominees (S) Pte Ltd	4,058,900	0.80
United Overseas Bank Nominees Pte Ltd	3,869,760	0.76
Lin Ting Yie @ Lam Tin Yie	3,090,000	0.61
OCBC Nominees Singapore Pte Ltd	2,313,712	0.46
Teo Chor Kok	2,238,000	0.44
Goh Khay Pheng (Wu Qiping)	2,230,000	0.44
CIMB Securities (Singapore) Pte Ltd	2,016,351	0.40
Lie Tjoei Tjoe	2,000,000	0.39
Lim Chin Leong	1,700,000	0.34
Lee Gek Hong	1,299,400	0.26
Chua Lai Siang	1,250,000	0.25
Tan Kwan Tee	1,250,000	0.25
Total	**286,423,846**	**56.56**

shareholder **demographics**

As at 16 March 2017

SUBSTANTIAL SHAREHOLDERS

(As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	Percentage of Issued Share Capital (%)	Number of Shares	Percentage of Issued Share Capital (%)
Edwin Soeryadjaya[1]	540,000	0.11	79,364,000	15.67
Sandiaga Salahuddin Uno[1]	600,000	0.12	79,364,000	15.67
PT Saratoga Investama Sedaya[1]	79,364,000	15.67	-	-
Subianto Arpan Sumodikoro (deceased)[2]	540,000	0.11	52,500,000	10.37
Shining Persada Investments Pte. Ltd.[2]	52,500,000	10.37	-	-

Notes:

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

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

PUBLIC SHAREHOLDING

Based on the information available to the Company as at 16 March 2017, approximately 72.2% of the total number of issued shares of the Company are held by the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

directors' **statement**

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited statement of financial position of the Company as at 31 December 2016 and financial statements of the Group for the financial year ended 31 December 2016.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 50 to 134 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

DIRECTORS

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

Edwin Soeryadjaya (Chairman)
Marcel Han Liong Tjia
Ng Soon Kai
Low Siew Sie Bob
Allan Charles Buckler
Lim Hock San

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

directors' **statement**

For the financial year ended 31 December 2016

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Held in the Name of Director or Nominee			Held in which the Director is Deemed to have an Interest		
	At 21 January 2017	At end of the financial year	At beginning of the financial year	At 21 January 2017	At end of the financial year	At beginning of the financial year
The Company						
Ordinary Shares						
Edwin Soeryadjaya	540,000	540,000	540,000	79,364,000	79,364,000	79,364,000
Sandiaga Salahuddin Uno*	-	-	600,000	-	-	79,364,000
Subianto Arpan Sumodikoro**	-	540,000	540,000	-	52,500,000	52,500,000
Ng Soon Kai	480,000	480,000	480,000	-	-	-
Low Siew Sie Bob	120,000	120,000	120,000	-	-	-
Allan Charles Buckler	6,458,400	6,458,400	6,458,400	-	-	-
Lim Hock San	360,000	360,000	360,000	-	-	-

* Resigned as director on 28 April 2016
** Ceased as director by reason of demise on 4 January 2017

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

	Number of Unissued Ordinary Shares under Option		
	At 21 January 2017	At end of the financial year	At beginning of the financial year
2012 Options			
Marcel Han Liong Tjia	-	4,000,000	4,000,000
Ng Soon Kai	-	1,350,000	1,350,000
Low Siew Sie Bob	-	350,000	350,000
Allan Charles Buckler	-	1,350,000	1,350,000

On 20 January 2017, all the outstanding share options had lapsed and became null and void.

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

DIRECTORS' CONTRACTUAL BENEFITS

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

directors' **statement**

For the financial year ended 31 December 2016

SHARE OPTIONS

(a) Interra Share Option Plan

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

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

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

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

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

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

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

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

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

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

directors' **statement**

For the financial year ended 31 December 2016

SHARE OPTIONS (CONT'D)

(b) Share Options Outstanding

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

	Number of Unissued Ordinary Shares under Option			
	At end of the financial year	At beginning of the financial year	Exercise price	Exercise period
2012 Options	7,110,000	7,110,000	S$0.148	21 January 2013 to 19 January 2017

AUDIT COMMITTEE

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

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

All members of the Audit Committee are non-executive directors and independent directors.

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors.

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

INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Low Siew Sie Bob
Director

28 March 2017

independent auditor's report to the members of **interra resources limited**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 134.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provision of the Singapore 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 for the financial year ended on that date.

Basis of 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current financial year. 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.

1 Impairment of Non-Financial Asset

(a) Exploration and Evaluation ("E&E") Assets

Area of focus

In accordance with FRS 106 – Exploration for and Evaluation of Mineral Resources, E&E costs are written-off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed and the highly material nature of the related balances in the financial statements.

The carrying value of E&E assets as at 31 December 2016 of US$10,583,720 (2015: US$10,488,405) (Note 7) can be subjective based on the Group's ability and intention to continue to explore the assets. The carrying value may also be impacted by the results of exploration work indicating that the exploration and evaluation assets may not hold hydrocarbons that are commercially viable for extraction. This creates a risk that the amount may be overstated in the financial statements.

How our audit addressed the area of focus

We evaluated management's assessment of E&E assets carried forward with reference to the criteria under FRS 106 and the Group's successful efforts accounting policy (see Note 2(c)). During the financial year, the Group has reconsidered their exploration strategy and locations for future exploration focus in the context of a lower oil price environment. Our evaluation has paid particular attention to these circumstances.

independent auditor's report to the members of **interra resources limited (cont'd)**

1 Impairment of Non-Financial Asset (Cont'd)

(a) Exploration and Evaluation ("E&E") Assets (Cont'd)

How our audit addressed the area of focus (Cont'd)

We have considered the process by which management reviewed their E&E assets to assess if there were any indicators of impairment for any of the Group's material field interests. We challenged the outcome of this review by discussing with key operational and finance staff to understand the current status and future intention for each asset. In particular, we challenged the Group's:

- right to explore in the relevant exploration license which included obtaining and reviewing supporting documentation such as license agreements and/or correspondences with relevant government agencies;
- intention to carry out exploration and evaluation activities in the relevant exploration area which included discussions with senior management and directors as to the intentions and strategy of the Group;
- commercial viability of results of exploration and evaluation activities carried out in the relevant license area; and
- ability to finance any planned future exploration and evaluation activities.

We have also assessed the capabilities of management's expert and/or use of third party experts engaged for the purposes of assessing the potential resources associated with those exploration and evaluation assets.

(b) *Producing Oil and Gas Properties and Investments in Subsidiary Corporations and Associated Companies*

Area of focus

The Group has recognised producing oil and gas properties with total cost and accumulated amortisation and impairment losses of US$116,726,554 and US$116,520,105 as at 31 December 2016 (2015: US$116,490,357 and US$116,131,142) (Note 5) respectively. Impairment of producing oil and gas properties are considered key risks due to the significant judgements and estimates that need to be made in assessing whether any impairment have arisen as at financial year end. The risk of impairment is greater where there are potential impairment indicators such as continuous or significant reduction in the global oil prices, reserves downgrades, upward revisions to future costs estimates or changes to exploration plans. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount of the asset against which to compare the carrying value.

As most of the Company's subsidiary corporations and the Group's associated companies derive revenue from petroleum production, field development and exploration, any impairment on the respective entity's long-lived non-financial assets will have a significant adverse impact on the subsidiary corporations and associated companies' financial position and performance which is considered as indication that the Company's investments in the subsidiary corporation and the Group's investments in associated companies may need to be impaired. Other indicators of impairment include decrease in the market capitalisation of the subsidiary corporations and associated companies and the cessation of the main business that they operate.

In reviewing the impairment calculations, there are significant judgements in relation to assumptions such as:

- Long-term oil price
- Production profile
- Cost profiles and escalation applied
- Capital costs
- Reserves estimates
- Discount rates

independent auditor's report to the members of **interra resources limited (cont'd)**

1 Impairment of Non-Financial Asset (Cont'd)

(b) *Producing Oil and Gas Properties and Investments in Subsidiary Corporations and Associated Companies (Cont'd)*

How our audit addressed the area of focus (Cont'd)

We reviewed management's assessment of impairment indicators and did not identify any further indicators which had not been considered by management. We tested management's impairment review of producing oil and gas properties and investments in subsidiary corporations and associated companies.

Our audit work assessed the reasonableness of management's estimations of the recoverable amount of each asset. Specifically our works included, but was not limited to, the following procedures:

- benchmarking and analysis of oil price assumptions against peer information and other market data;
- verification of estimated future capital and operating expenditures to approved budgets and business plans and other evidence of future intentions for individual exploration properties;
- agreement of hydrocarbon production profiles and proved and probable reserves to third party reserve report or operator estimates;
- recalculation and benchmarking of discount rates applied with involvement of our firm internal valuation specialists;
- performing sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and
- challenged management on the inclusion of all appropriate assets and liabilities in the cash-generating units ("CGU"), where applicable and in particular given that the recoverable amount is determined based on a fair value less costs of disposal, the inclusion or exclusion of certain tax related balances and agreed that all relevant balances had been included.

Where impairments were identified, we assessed that an appropriate provision has been recorded. During the financial year ended 31 December 2016, impairment charges of US$3,117,715 and US$451,540 (2015: US$5,248,981 and US$6,262,182) were recognised for the Company's investments in subsidiary corporations, PT Mitra Investindo Tbk. and Goldwater TMT Pte. Ltd. respectively. Further details are provided in Note 9 to the financial statements.

No allowance for impairment was recognised for the Group's investment in the associated company, PT Benakat Oil ("BO") as the cost of investment has fully offset against the Group's share of BO's losses and there was no indication that the Group's investment in associated company, Mentari Garung Energy Ltd will be impaired based on management's assessment.

No additional allowances for impairment were recognised for the Group's producing oil and gas properties during the financial year ended 31 December 2016 (2015: impairment charges of US$26,471,042 were recognised for producing oil and gas properties of Indonesia CGU, US$5,327,580 and US$1,518,866 were recognised for producing oil and gas properties and intangible assets (including goodwill on reverse acquisition) of Myanmar CGU respectively).

2 Provision for Environmental and Site Restoration

Area of focus

The Group has recognised provision for site restoration of US$4,864,481 as at 31 December 2016 (2015: US$4,473,714) (Note 21). The recognition and measurement of decommissioning provisions involves estimation of the quantum and timing of operating costs to be incurred for restoration, discount rates, the economic life of a field, legal requirement, technical approach and scope, all of which are uncertain and require significant judgement to be exercised.

independent auditor's report to the members of **interra resources limited (cont'd)**

2 Provision for Environmental and Site Restoration (Cont'd)

How our audit addressed the area of focus

Our audit approach to this risk was to perform the following procedures:

- We obtained and reviewed evidence relating to the cost estimates used by management, principally comprised correspondence with local authority and internal engineer's data;
- We performed procedures to verify the appropriateness of the source data used in the estimates, for example the number of wells to be decommissioned at each field;
- We challenged the reasonableness of the key cost elements by benchmarking them to external data;
- We confirmed that the estimated dates of restoration were consistent with the latest estimates of field lives and the Group's latest internal economic models;
- We confirmed the reasonableness of the discount rate applied to the calculations including benchmarking it against available market data; and
- We verified the mathematical accuracy of management's calculations.

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.

Responsibility 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 Company'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.

independent auditor's report to the members of **interra resources limited (cont'd)**

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism 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.
- 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 Company 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 financial year 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 subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Meriana Ang Mei Ling.

Nexia Ts

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
Singapore
28 March 2017

statement of **financial position**

As at 31 December 2016

	Note	Company 2016 US$	Company 2015 US$	Group 2016 US$	Group 2015 US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**12,340**	32,730	**91,929**	132,524
Producing oil and gas properties	5	**-**	-	**206,449**	359,215
Mining properties	6	**-**	-	**-**	-
Exploration and evaluation assets	7	**-**	-	**10,583,720**	10,488,405
Intangible assets	8	**-**	-	**-**	-
Investments in subsidiary corporations	9	**31,099,674**	37,673,444	**-**	-
Investments in associated companies	10	**-**	-	**1,090,797**	7,621,480
Investment properties	11	**-**	-	**152,969**	315,077
Other receivables	13	**-**	-	**2,429,621**	1,686,225
Restricted cash	15	**-**	-	**225,004**	2,446,566
Retirement benefit obligations	22	**-**	-	**-**	57,443
		31,112,014	37,706,174	**14,780,489**	23,106,935
Current assets					
Inventories	12	**-**	-	**4,880,304**	6,803,524
Trade and other receivables	13	**49,374**	330,560	**13,379,319**	12,449,603
Other current assets	14	**60,886**	72,987	**376,994**	776,868
Cash and bank balances	15	**2,610,169**	516,483	**11,865,241**	17,828,440
Restricted cash	15	**-**	-	**2,221,568**	-
		2,720,429	920,030	**32,723,426**	37,858,435
Assets of disposal group classified as held-for-sale	16(c)	**-**	-	**4,598,689**	4,452,576
		2,720,429	920,030	**37,322,115**	42,311,011
Total Assets		**33,832,443**	38,626,204	**52,102,604**	65,417,946
LIABILITIES					
Current liabilities					
Trade and other payables	17	**531,671**	395,719	**9,499,235**	16,096,347
Borrowings	18	**3,000,000**	3,000,000	**3,739,000**	3,727,998
Provision for environmental and restoration costs	21	**-**	-	**3,300,000**	-
Current income tax liabilities	19	**-**	-	**7,327,393**	6,656,573
		3,531,671	3,395,719	**23,865,628**	26,480,918
Liabilities directly associated with disposal group classified as held-for-sale	16(d)	**-**	-	**1,281,615**	1,072,475
		3,531,671	3,395,719	**25,147,243**	27,553,393
Non-current liabilities					
Provision for environmental and restoration costs	21	**-**	-	**1,564,481**	4,473,714
Retirement benefit obligations	22	**-**	-	**8,327**	-
Deferred income tax liabilities	23	**-**	-	**44,174**	39,063
		-	-	**1,616,982**	4,512,777
Total Liabilities		**3,531,671**	3,395,719	**26,764,225**	32,066,170
NET ASSETS		**30,300,772**	35,230,485	**25,338,379**	33,351,776
EQUITY					
Share capital	24	**69,257,956**	69,257,956	**69,257,956**	69,257,956
Accumulated losses		**(39,314,147)**	(34,384,434)	**(29,369,146)**	(21,270,794)
Other reserves	26	**356,963**	356,963	**(18,397,255)**	(18,596,864)
Equity attributable to owners of the Company		**30,300,772**	35,230,485	**21,491,555**	29,390,298
Non-controlling interests	9	**-**	-	**3,846,824**	3,961,478
Total Equity		**30,300,772**	35,230,485	**25,338,379**	33,351,776

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

consolidated statement of **comprehensive income**

For the financial year ended 31 December 2016

	Note	2016 US$	2015 US$
Continuing operations			
Revenue	27	**15,173,165**	23,452,048
Cost of production		**(9,610,291)**	(34,073,483)
Gross profit/(loss)		**5,562,874**	(10,621,435)
Other income, net	28	**62,582**	323,747
Administrative expenses		**(6,574,274)**	(41,246,979)
Finance expenses	29	**(82,499)**	(58,563)
Share of losses of associated companies	10	**(6,755,329)**	(625,757)
Loss before income tax		**(7,786,646)**	(52,228,987)
Income tax expense	20	**(1,030,875)**	(555,008)
Loss from continuing operations		**(8,817,521)**	(52,783,995)
Discontinued operations			
Loss from discontinued operations, net of tax	16(a)	**(38,770)**	(655,007)
Total loss		**(8,856,291)**	(53,439,002)
Attributable to:			
Equity holders of the Company		**(8,061,765)**	(47,719,479)
Non-controlling interests		**(794,526)**	(5,719,523)
		(8,856,291)	(53,439,002)
Loss attributable to equity holders of the Company relates to:			
Loss from continuing operations		**(8,040,922)**	(47,367,347)
Loss from discontinued operations		**(20,843)**	(352,132)
		(8,061,765)	(47,719,479)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation gain/(loss)	26(b)(iii)	**138,159**	(1,179,313)
Share of other comprehensive income/(loss) of associated companies	26(b)(iii)	**131,815**	(114,327)
		269,974	(1,293,640)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit obligation re-measurements	22	**(40,813)**	40,300
Share of defined benefit obligation re-measurements of associated companies		**(13,468)**	3,251
		(54,281)	43,551
Other comprehensive income/(loss), net of tax		**215,693**	(1,250,089)
Total comprehensive loss		**(8,640,598)**	(54,689,091)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(7,898,743)**	(48,380,929)
Non-controlling interests		**(741,855)**	(6,308,162)
		(8,640,598)	(54,689,091)
Losses per share for loss from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic losses per share			
- From continuing operations	32	**(1.588)**	(9.846)
- From discontinued operations	32	**(0.004)**	(0.073)
Diluted losses per share			
- From continuing operations	32	**(1.588)**	(9.846)
- From discontinued operations	32	**(0.004)**	(0.073)

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

consolidated statement of **changes in equity**

For the financial year ended 31 December 2016

Group	Note	Share Capital US$	Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Accumulated Losses US$	Total US$	Non-Controlling Interests US$	Total Equity US$
		Attributable to Equity Holders of the Company							
At 1 January 2016		**69,257,956**	**(2,409,687)**	**(16,544,140)**	**356,963**	**(21,270,794)**	**29,390,298**	**3,961,478**	**33,351,776**
Additional increase of non-controlling interests	9	-	-	-	-	-	-	627,201	627,201
Total transactions with owners, recognised directly in equity		**69,257,956**	**(2,409,687)**	**(16,544,140)**	**356,963**	**(21,270,794)**	**29,390,298**	**4,588,679**	**33,978,977**
Loss for the financial year		-	-	-	-	(8,061,765)	(8,061,765)	(794,526)	(8,856,291)
Currency translation differences	26(b)(iii)	-	67,794	-	-	-	67,794	70,365	138,159
Share of currency translation differences of associated companies	26(b)(iii)	-	131,815	-	-	-	131,815	-	131,815
Defined benefit obligation re-measurements		-	-	-	-	(23,119)	(23,119)	(17,694)	(40,813)
Share of defined benefit obligation re-measurements of associated companies		-	-	-	-	(13,468)	(13,468)	-	(13,468)
Total comprehensive income/ (loss) for the financial year		**-**	**199,609**	**-**	**-**	**(8,098,352)**	**(7,898,743)**	**(741,855)**	**(8,640,598)**
At 31 December 2016		**69,257,956**	**(2,210,078)**	**(16,544,140)**	**356,963**	**(29,369,146)**	**21,491,555**	**3,846,824**	**25,338,379**

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

consolidated statement of **changes in equity**

For the financial year ended 31 December 2016

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

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

consolidated statement of **cash flows**

For the financial year ended 31 December 2016

	Note	2016 US$	2015 US$
Cash flows from operating activities			
Total loss		**(8,856,291)**	(53,439,002)
Adjustments for non-cash items			
Income tax expense	20	**1,121,338**	101,466
Depreciation of property, plant and equipment	4	**42,403**	69,024
Amortisation of producing oil and gas properties	5	**388,963**	18,116,462
Impairment of producing oil and gas properties	5	**-**	31,798,622
Amortisation of mining properties	6	**-**	757,543
Amortisation of intangible assets	8	**-**	113,513
Impairment of intangible assets	8	**-**	1,518,866
(Gain)/Loss on re-measurement of disposal group	16(a)	**(34,184)**	2,650,869
Interest income	28	**(233,101)**	(265,707)
Interest expenses		**82,499**	66,592
Unwinding of discount of provision of site restoration	21	**398,749**	199,795
(Gain)/Loss on curtailment	22	**(40,813)**	40,300
Loss on disposal of property, plant and equipment	28	**-**	5,955
Unrealised currency translation loss		**83,021**	80,746
Fair value loss/(gain) on investment properties	28	**166,531**	(109,514)
Share of losses of associated companies	10	**6,755,329**	625,757
Operating (loss)/profit before working capital changes		**(125,556)**	2,331,287
Changes in working capital			
Inventories		**1,935,482**	2,076,342
Trade and other receivables and other current assets		**3,792,019**	3,685,589
Trade and other payables		**(6,456,360)**	1,420,504
Restricted cash		**(69,855)**	47,440
Cash (used in)/generated from operations		**(924,270)**	9,561,162
Income tax paid	19	**(372,486)**	(969,631)
Net cash (used in)/provided in operating activities		**(1,296,756)**	8,591,531

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

consolidated statement of **cash flows**

For the financial year ended 31 December 2016

	Note	2016 US$	2015 US$
Cash flows from investing activities			
Interest received		**244,721**	78,508
Deposits received for proposed disposal of granite operations		**-**	2,773,727
Investments in associated companies	10	**-**	(2,226,385)
Net proceeds from disposal of property, plant and equipment		**-**	23,719
Additions of property, plant and equipment	4	**-**	(65,967)
Additions of producing oil and gas properties	5	**(236,197)**	(3,067,510)
Additions of exploration and evaluation assets	7	**(95,315)**	(5,367,282)
Net cash used in investing activities		**(86,791)**	(7,851,190)
Cash flows from financing activities			
Interest paid		**(80,423)**	(53,668)
Proceeds from bank loans		**-**	3,000,000
Repayment of finance lease		**-**	(139,038)
Proceeds from issuance of new ordinary shares pursuant to warrant issue		**-**	1,695
Share issue expenses		**-**	(780)
Short-term bank deposits pledged		**(2,000,000)**	-
Loan to non-related parties		**(4,581,891)**	(4,134,125)
Net cash used in financing activities		**(6,662,314)**	(1,325,916)
Net decrease in cash and cash equivalents		**(8,045,861)**	(585,575)
Cash and cash equivalents at beginning of the financial year		**17,828,440**	18,736,660
Effects of currency translation on cash and cash equivalents		**82,662**	(322,645)
Cash and cash equivalents at end of the financial year	15	**9,865,241**	17,828,440

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

1. GENERAL

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

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

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

On 16 November 2015, the Company's subsidiary corporation, PT Mitra Investindo Tbk. ("MITI") entered into a conditional sale and purchase agreement ("CSPA") with PT Sanmas Mekar Abadi ("PT SMA") for the proposed disposal of the granite quarry. Thereafter, the granite mining segment was discontinued during the financial year 2015. As at 31 December 2016, the completion of the disposal was still pending the approval from the local government authority for the transfer of mining licence. The Group remains actively committed to sell the granite quarry, accordingly, the granite mining segment shall continue to classify as discontinued operations and disposal group during the current financial year (Note 16).

On 20 May 2016, MITI entered into a conditional sale and purchase agreement with PT Pratama Media Abadi ("PMA") and PT Benakat Oil ("BO") for the proposed acquisition of 77,401,993 ordinary and fully paid-up shares in BO which represents 23.4401761% of the issued and paid-up share capital of BO and translates into an indirect holding of 21.79% of PT Benakat Barat Petroleum ("BBP"). BO is a company incorporated in the Republic of Indonesia. The principal activity of BO is exploration and operation of oil fields for crude petroleum production. Upon the completion, the Group assumed the effective control of 32.97% in BO through its subsidiary corporation, Goldwater Indonesia Inc. ("GII"). As at 31 December 2016 and to-date, the proposed acquisition of interest in BO by MITI has not been completed.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new and amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(b) Group Accounting

(i) Subsidiary Corporations

(1) Consolidation

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

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

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

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

(2) Acquisition

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

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

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(b) Group Accounting (Cont'd)

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph 2(d), "Intangible Assets" for the subsequent accounting policy on goodwill.

(3) Disposals

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

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

(ii) Transactions with Non-Controlling Interests

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

(iii) Reverse Acquisition

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(b) Group Accounting (Cont'd)

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

- the assets and liabilities of the legal subsidiary corporation (the accounting acquirer) recognised and measured at their pre-combination carrying amounts;
- the assets and liabilities of the legal parent (the accounting acquiree) are recognised at fair value and measured in accordance with FRS 103 - Business Combination;
- the retained profits and other equity balances of the legal subsidiary corporation (the accounting acquirer) before the business combination; and
- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary corporation (the accounting acquirer) outstanding immediately before the business combination to the cost of reverse acquisition determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary corporation (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition.

(iv) Joint Operations

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

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

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

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

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(b) Group Accounting (Cont'd)

(v) Associated Companies

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

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

(1) Acquisitions

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

(2) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

(3) Disposals

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

Investment in associated companies is carried at cost less accumulated impairment losses in the Group's statement of financial position. On disposal of such investment, the difference between the disposal proceeds and the carrying amounts of the investment 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 (CONT'D)

(c) Producing Oil and Gas Properties/Mining Properties

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

(i) Exploration and Evaluation Phase

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

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

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

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

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

(ii) Development and Production Phase

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

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

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

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

(iii) Development Tangible Assets

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

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

(iv) Amortisation/Depreciation

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

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

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

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

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

(v) Impairment

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

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

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

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

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

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

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

Participating/Concession rights are amortised on a straight-line basis from the date of initial recognition over the remaining period of TACs/IPRCs. The remaining period of TAC LS is 7.90 years from 24 January 2011 to 15 November 2018. The remaining life of IPRCs is approximately 14 years from 1 March 2003 to 3 April 2017. No amortisation is charged for PSC KP during the exploration and evaluation phase.

(d) Intangible Assets

(i) Goodwill on Reverse Acquisition

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

(ii) Goodwill on Acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(d) Intangible Assets (Cont'd)

(iii) Computer Software

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

(iv) Non-Contractual Customer Relationship

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

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

(e) Property, Plant and Equipment

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

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

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

<u>Depreciation</u>

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

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(f) Investment Properties

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

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

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

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

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

(i) Goodwill

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

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

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

(ii) Other Non-Financial Assets

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

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of an asset (or CGU) is reduced to its recoverable amount.

notes to the **financial statements**

For the financial year ended 31 December 2016

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

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

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

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

A reversal of impairment loss for an asset recognised other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

(h) Payables

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

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

(i) Provisions

(i) General

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(i) Provisions (Cont'd)

(ii) Environmental Expenditures and Liabilities

Oil and Gas

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

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

Granite

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

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

(j) Income Taxes

(i) Current Income Tax

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

(ii) Deferred Income Tax

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

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(j) Income Taxes (Cont'd)

Deferred income tax is measured:

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

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

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

(k) Borrowings and Finance Costs

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are presented as non-current liabilities.

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

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

(l) Employee Benefits

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

(i) Defined Contribution Plans

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

(ii) Defined Benefit Plans

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(l) Employee Benefits (Cont'd)

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

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

Past service costs are recognised immediately in profit or loss.

(iii) Employee Leave Entitlements

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

(iv) Share-Based Compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(m) Financial Assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. The Group determines the classification of its financial assets at initial recognition, re-evaluates this designation at each balance sheet date.

Loans and Receivables

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

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

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

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

(n) Cash and Cash Equivalents

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

(o) Inventories

(i) Crude Oil Inventory

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(o) Inventories (Cont'd)

(ii) Granite Inventory

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

(iii) Other Inventories

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

(p) Revenue Recognition

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

(i) Sale of Oil and Petroleum Products

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

(ii) Sale of Granite

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

(iii) Interest Income

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

(iv) Dividend Income

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

(v) Management and Petroleum Services Fees

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(q) Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar ("USD"), which is the functional currency of the Company.

(ii) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement for such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "other income, net."

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

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities are translated at the closing exchange rates at the reporting date;

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

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

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(r) Leases

When the Group is the lessee:

The Group leases office premises, motor vehicles, drilling equipment and mining machineries under finance and operating leases from non-related parties. The Group also has non-cancellable contracts in respect of supply of labour.

(i) Lessee – Finance Leases

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

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

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

(ii) Lessee – Operating Leases

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

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

When an operating lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) when termination takes place.

(s) Segment Reporting

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

(t) Dividends to Company's Shareholders

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

(u) Fair Value Estimation

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

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

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(v) Government Grants

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

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

(w) Share Capital

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

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

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

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

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

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

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

(y) Financial Guarantee

The Company's subsidiary corporation together with shareholders of associate company issued joint corporate guarantee to bank for bank borrowings of its associated company. The guarantee is financial guarantee as it requires the Group and shareholders of associate company to reimburse the bank if the associated company fail to make principal or interest payments when due in accordance with the terms of the borrowing.

The financial guarantee is initially recognised at its fair value plus transaction costs in the Group's statement of financial position.

Financial guarantee is subsequently amortised to profit or loss over the period of the associated company's borrowing, unless it is probable that the Group and shareholders of associate company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee shall be carried at the expected amount payable to the bank in the Group's statement of financial position.

notes to the **financial statements**

For the financial year ended 31 December 2016

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical, relevant factors and conditions, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Impairment of Exploration and Evaluation ("E&E") Assets

The Group evaluated assessment of E&E assets carried forward with reference to the criteria of FRS 106 and the successful efforts accounting policy (Note 2(c)) if there are any indicators of impairment of any of the material field interests. During the financial year, the Group has reconsidered their exploration strategy and locations for future exploration focus in the context of a lower oil price environment.

In accordance with FRS 106, E&E costs are written-off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed and the highly material nature of the related balances in the financial statements.

We have also engaged the third party to assess the potential resources associated with those exploration and evaluation assets to assess the commercial viability of results of activities carried out in the relevant license area.

The carrying value of E&E assets as at 31 December 2016 of US$10,583,720 (2015: US$10,488,405) (Note 7) can be subjective based on the Group's ability and intention to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the exploration and evaluation asset may not hold hydrocarbons that are commercially viable for extraction. Management has assessed that there are no indicators that the Group's E&E assets would be impaired as the Group continues to have ability and intention to explore the assets which are believed to have commercial viability.

(b) Estimated Impairment of Producing Oil and Gas Properties and Investments in Subsidiary Corporations and Associated Companies

The Group performs assessment of the carrying value of its assets when there is indication of impairment. The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, *inter alia*, petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure, decline rate and number of payment of invoices received by the Group in the financial year. Management has used the 2017 budgets reviewed by the respective owner committees and also past experiences as a guide. The period beyond 2017 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using discount rates of 10% per annum (2015: 10%-12% per annum) (a comparable rate used by other companies in the region and in the similar nature of business sector). The pre-tax discount rates are estimated to be 18% per annum (2015: 16%-18% per annum).

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

As at 31 December 2016, the carrying amounts of producing oil and gas properties were US$206,449 (2015: US$359,215) (Note 5).

(i) Indonesia CGU

Based on an impairment test of the Indonesia CGU, no impairment charge was recognised for producing oil and gas properties for the financial year ended 31 December 2016 (2015: US$26,471,042).

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(b) Estimated Impairment of Producing Oil and Gas Properties and Investments in Subsidiary Corporations and Associated Companies (Cont'd)

(ii) Myanmar CGU

Based on an impairment test of the Myanmar CGU as at 31 December 2016, no impairment was recognised. As at 31 December 2015, the carrying amount of producing oil and gas properties was fully impaired as the estimated recoverable amount of the CGU was lower than the carrying amount of the CGU. The impairment charge of US$5,327,580 was recognised for producing oil and gas properties for the financial year ended 31 December 2015.

As the Company's subsidiary corporations and the Group's associated companies derive revenue from petroleum production, field development and exploration, any impairment on the respective entity's long-lived non-financial assets will have a significant adverse impact on the subsidiary corporations and associated companies' financial position and performance which is considered as indication that the Company's investments in the subsidiary corporations and the Group's investments in associated companies may need to be impaired. Other indicators of impairment include decrease in the market capitalisation of the subsidiary corporations and associated companies and the cessation of the main business that they operate.

During the financial year ended 31 December 2016, impairment charges of US$3,117,715 and US$451,540 (2015: US$5,248,981 and US$6,262,182) were recognised for the Company's investments in subsidiary corporations, MITI and Goldwater TMT Pte. Ltd. respectively. Further details are provided in Note 9 to the financial statements.

Impairment of investments in subsidiary corporations is assessed based on value-in-use calculation and/or fair value less costs to sell. In reviewing the value-in-use calculations, there are significant judgements in relation to assumptions such as long-term oil price, production profile, cost profiles, escalation applied, capital costs, reserves estimates and discount rates.

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

(c) Provision for Environmental and Restoration Costs

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

Full provision is made for the future restoration costs of oil exploration site in Indonesia on a discounted basis, which represents the present value of restoration cost relating to producing oil and gas properties and is expected to be incurred up to the end of the TAC when the producing oil and gas properties are expected to cease operation. The provision for environmental and restoration costs for mining site is provided using units of sales approach. The carrying amount of the provision for environmental and restoration costs as at 31 December 2016 was US$4,864,481 (2015: US$4,473,714) (Note 21).

If management's estimated discount rate used to calculate the present value of the provision for environmental and restoration costs for oil exploration in Indonesia change by 2% (2015: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by approximately US$50,000 and US$53,000 (2015: higher/lower by approximately US$122,000 and US$129,000) respectively.

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(c) Provision for Environmental and Restoration Costs (Cont'd)

If management's estimated restoration costs used to calculate the present value of the provision for environmental and restoration costs for oil exploration in Indonesia change by 2% (2015: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by approximately US$29,000 (2015: higher/lower by approximately US$86,000).

If management's estimated units of sales used to calculate the provision for environmental and restoration costs for mining site in Indonesia change by 5% (2015: 5%), the impact to the carrying amount of provision for environmental and restoration costs would have been higher/lower by approximately US$6,400 (2015: higher/lower by approximately US$9,900).

(d) Amortisation of Development and Production Assets (Producing Oil and Gas Properties)

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

The Group currently amortises development and production assets using the units of production method against management's estimates of petroleum recoverable reserves. Changes in the petroleum recoverable reserves could impact future amortisation charges. Accordingly, there may be material adjustments made to the carrying amount of the respective assets. As at 31 December 2016 and 31 December 2015, the carrying amount of the development and production assets were nil respectively (Note 5). The amortisation charge for the financial year ended 31 December 2016 was US$157,848 (2015: US$14,721,515) (Note 5).

(e) Income Taxes

The Group's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, the income tax paid for current financial year was US$413,622 (2015: US$707,357). These income tax expenses are still subject to final tax assessments from the tax authority. During prior financial year, there was an over-provision of US$1,031,189 from the Myanmar operations for year of assessments 2013 to 2015 due to the reduction of corporate tax rate from 30% to 25% by the Myanmar tax authority upon finalisation of assessments. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than current tax position. If such over-provision occurs, it will be reversed upon determination. The amounts of current income tax liabilities and income tax expenses are disclosed in Note 19 and Note 20 respectively. Please refer to Note 34 for contingent liabilities for possible capital gain tax in Myanmar.

notes to the **financial statements**

For the financial year ended 31 December 2016

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

(f) Joint Arrangements

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

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

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

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

- (1) the legal form of the separate vehicle;
- (2) the terms of the contractual arrangement; and
- (3) other facts and circumstances (where relevant).

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

(g) Consolidation of Structured Entity

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

notes to the **financial statements**

For the financial year ended 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2016				
Cost				
Opening and closing balance	**160,841**	**10,261**	**99,871**	**270,973**
Accumulated depreciation				
Opening balance	**130,526**	**9,115**	**98,602**	**238,243**
Depreciation charge	19,265	415	710	20,390
Closing balance	**149,791**	**9,530**	**99,312**	**258,633**
Net book value as at 31 December 2016	**11,050**	**731**	**559**	**12,340**
2015				
Cost				
Opening balance	**160,841**	**9,102**	**99,871**	**269,814**
Additions	-	1,159	-	1,159
Closing balance	**160,841**	**10,261**	**99,871**	**270,973**
Accumulated depreciation				
Opening balance	**107,814**	**8,356**	**97,892**	**214,062**
Depreciation charge	22,712	759	710	24,181
Closing balance	**130,526**	**9,115**	**98,602**	**238,243**
Net book value as at 31 December 2015	**30,315**	**1,146**	**1,269**	**32,730**

notes to the **financial statements**

For the financial year ended 31 December 2016

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

Group	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Pumping Tools US$	Motor Vehicles US$	Total US$
2016						
Cost						
Opening balance	**175,544**	**20,997**	**103,234**	**48,507**	**64,057**	**412,339**
Currency translation differences	-	162	51	733	968	1,914
Closing balance	**175,544**	**21,159**	**103,285**	**49,240**	**65,025**	**414,253**
Accumulated depreciation and impairment losses						
Opening balance	**145,229**	**14,489**	**99,245**	**3,537**	**17,315**	**279,815**
Depreciation charge						
- Continuing operations (Note 30)	19,265	2,022	1,156	6,245	13,715	42,403
Currency translation differences	-	59	3	(36)	80	106
Closing balance	**164,494**	**16,570**	**100,404**	**9,746**	**31,110**	**322,324**
Net book value as at 31 December 2016	**11,050**	**4,589**	**2,881**	**39,494**	**33,915**	**91,929**

notes to the **financial statements**

For the financial year ended 31 December 2016

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

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

During prior financial year, an impairment loss of US$1,919 was recognised to write down the carrying amount of property, plant and equipment attributable to the granite mining segment classified as discontinued operations (Note 16). The impairment loss was included under the line item "Loss from discontinued operations, net of tax" and determined based on key assumptions as disclosed under Note 16(d).

notes to the **financial statements**

For the financial year ended 31 December 2016

5. PRODUCING OIL AND GAS PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Participating and Concession Rights US$	Total US$
2016				
Cost				
Opening balance	**94,536,146**	**15,598,609**	**6,355,602**	**116,490,357**
Additions	157,848	78,349	-	236,197
Closing balance	**94,693,994**	**15,676,958**	**6,355,602**	**116,726,554**
Accumulated amortisation and impairment losses				
Opening balance	**94,536,146**	**15,239,394**	**6,355,602**	**116,131,142**
Amortisation charge - Continuing operations (Note 30)	157,848	231,115	-	388,963
Closing balance	**94,693,994**	**15,470,509**	**6,355,602**	**116,520,105**
Net book value as at 31 December 2016	**-**	**206,449**	**-**	**206,449**
2015				
Cost				
Opening balance	**93,191,478**	**13,875,767**	**6,355,602**	**113,422,847**
Additions	2,636,723	430,787	-	3,067,510
Transfer to development tangible assets	(1,292,055)	1,292,055	-	-
Closing balance	**94,536,146**	**15,598,609**	**6,355,602**	**116,490,357**
Accumulated amortisation and impairment losses				
Opening balance	**53,474,281**	**8,370,451**	**4,371,326**	**66,216,058**
Amortisation charge - Continuing operations (Note 30)	14,721,515	2,610,632	784,315	18,116,462
Impairment loss - Continuing operations (Note 30)	26,340,350	4,258,311	1,199,961	31,798,622
Closing balance	**94,536,146**	**15,239,394**	**6,355,602**	**116,131,142**
Net book value as at 31 December 2015	**-**	**359,215**	**-**	**359,215**

notes to the **financial statements**

For the financial year ended 31 December 2016

5. PRODUCING OIL AND GAS PROPERTIES (CONT'D)

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

6. MINING PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Total US$
2016			
Cost			
Opening and closing balance	-	-	-
Accumulated amortisation and impairment losses			
Opening and closing balance	-	-	-
Net book value as at 31 December 2016	-	-	-
2015			
Cost			
Opening balance	**1,531,010**	**5,542,601**	**7,073,611**
Reclassified to disposal group (Note 16(c))	(1,381,134)	(5,000,015)	(6,381,149)
Currency translation differences	(149,876)	(542,586)	(692,462)
Closing balance	-	-	-
Accumulated amortisation and impairment losses			
Opening balance	**68,658**	**344,379**	**413,037**
Amortisation charge			
- Discontinued operations	92,868	664,675	757,543
Impairment loss			
- Discontinued operations	916,013	1,744,042	2,660,055
Reclassified to disposal group (Note 16(c))	(1,066,654)	(2,698,149)	(3,764,803)
Currency translation differences	(10,885)	(54,947)	(65,832)
Closing balance	-	-	-
Net book value as at 31 December 2015	-	-	-

During prior financial year, an impairment loss of US$2,660,055 was recognised for mining properties attributable to the granite mining segment classified as discontinued operations (Note 16). The impairment loss was included under the line item "Loss from discontinued operations, net of tax" and determined based on key assumptions as disclosed under Note 16(d).

notes to the **financial statements**

For the financial year ended 31 December 2016

7. EXPLORATION AND EVALUATION ASSETS

Group	Exploration and Evaluation Assets US$	Participating Rights US$	Total US$
2016			
Cost			
Opening balance	**15,296,059**	**1,435,258**	**16,731,317**
Additions	95,315	-	95,315
Closing balance	**15,391,374**	**1,435,258**	**16,826,632**
Accumulated impairment losses			
Opening and closing balance	**6,242,912**	**-**	**6,242,912**
Net book value as at 31 December 2016	**9,148,462**	**1,435,258**	**10,583,720**
2015			
Cost			
Opening balance	**9,928,777**	**1,435,258**	**11,364,035**
Additions	5,367,282	-	5,367,282
Closing balance	**15,296,059**	**1,435,258**	**16,731,317**
Accumulated impairment losses			
Opening and closing balance	**6,242,912**	**-**	**6,242,912**
Net book value as at 31 December 2015	**9,053,147**	**1,435,258**	**10,488,405**

8. INTANGIBLE ASSETS

Group	Goodwill on Reverse Acquisition US$	Computer Software US$	Goodwill on Consolidation US$	Non-Contractual Customer Relationship US$	Total US$
2016					
Cost					
Opening and closing balance	**1,488,902**	**187,646**	**656,644**	**-**	**2,333,192**
Accumulated amortisation and impairment losses					
Opening and closing balance	**1,488,902**	**187,646**	**656,644**	**-**	**2,333,192**
Net book value as at 31 December 2016	**-**	**-**	**-**	**-**	**-**

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8. INTANGIBLE ASSETS (CONT'D)

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

Amortisation expense for the prior financial year of US$10,274 was included in the statement of comprehensive income within cost of production.

Goodwill on Reverse Acquisition

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

The deemed cost of acquisition is derived from the total percentage of shareholdings held by the shareholders of the former Van der Horst Limited (now known as "Interra Resources Limited") as at the reverse acquisition date and Shantex Holdings Pte Ltd multiplied by the net assets of Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to US$1,488,902 was recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining periods of the IPRCs of approximately 14 years from 10 July 2003 to 3 April 2017.

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

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For the financial year ended 31 December 2016

8. INTANGIBLE ASSETS (CONT'D)

Impairment Tests for Goodwill

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

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

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

9. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2016	**2015**
	US$	**US$**
Unquoted equity shares at cost		
Goldwater Company Limited	**19,062,000**	19,062,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**1**	1
Goldwater Indonesia Inc.	**1**	1
Goldwater Energy Limited	**1**	1
Interra Resources (Australia) Pte. Ltd.	**100**	100
Goldwater LS Pte. Ltd.	**10**	10
Goldwater KP Pte. Ltd.	**100**	100
PT Mitra Investindo Tbk.	**13,889,746**	13,889,746
	32,951,960	32,951,960
Advances (received from)/made to subsidiary corporations		
Goldwater Company Limited	**(7,095,803)**	(1,454,437)
Goldwater TMT Pte. Ltd.	**6,713,721**	6,262,181
Goldwater Eagle Limited	**(991,830)**	(993,812)
Goldwater Indonesia Inc.	**7,436,266**	7,360,624
Interra Resources (Australia) Pte. Ltd.	**3,960,658**	3,955,384
PT Mitra Investindo Tbk.	**15,000**	-
Goldwater KP Pte. Ltd.	**9,563,961**	7,471,374
	19,601,973	22,601,314
Net investments in subsidiary corporations	**52,553,933**	55,553,274
Allowance for impairment:		
Opening balance	**17,879,830**	6,366,339
Allowance for impairment	**3,574,429**	11,513,491
Closing balance	**21,454,259**	17,879,830
Investments in subsidiary corporations	**31,099,674**	37,673,444

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Advances (Received from)/Made to Subsidiary Corporations

The advances (received from)/made to subsidiary corporations form part of the Company's net investments in the subsidiary corporations. Advances (received from)/made to subsidiary corporations are unsecured and interest-free advances except for advances made to Goldwater KP Pte. Ltd. which bear interest rate at 1.75% above LIBOR per annum, i.e. between the range of 2.36% – 2.75% (2015: 2.00% - 2.05%) per annum. The advances are provided for the purpose of operating and development activities in their respective fields and are not expected to be repaid or received within the next twelve months from the balance sheet date.

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

During the current financial year, the Company recognised an impairment loss of US$3,117,715 (2015: US$5,248,981) for its net investment in the subsidiary corporation, MITI, based on the fair value of the Group's interest in MITI (listed on Indonesia Stock Exchange) of US$3,109,867 (2015: US$6,227,582). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was US$3,109,867 (2015: US$6,227,582).

During the current financial year, the Company also recognised an impairment loss of US$451,540 (2015: US$6,262,182) for its net investment in the subsidiary corporation, Goldwater TMT Pte. Ltd., based on value-in-use calculation. Cash flow projections used in the calculation were based on the financial budgets approved by management covering the period until the expiry of the contract and assuming some drilling activities undertaken to further develop the related fields. Key assumptions used for value-in-use calculations include the petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure and decline rate. Future cashflows were discounted using a discount rate of 10% per annum (2015: 10% per annum). The remaining impairment loss of US$5,174 (2015: US$2,328) was made in respect of the Company's net investment in the subsidiary corporation, Interra Resources (Australia) Pte. Ltd.

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The details of the subsidiary corporations as at 31 December 2016 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Goldwater Company Limited [(b)]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Myanmar	100	100	100	100	-	-
Goldwater TMT Pte. Ltd. [(b)]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100	100	100	-	-
Goldwater Eagle Limited [(c)]	Investment holding	British Virgin Islands	100	100	100	100	-	-
Goldwater Indonesia Inc. [(a)]	Investment holding	British Virgin Islands	100	100	100	100	-	-
Goldwater Energy Limited [(c)]	Dormant	British Virgin Islands	100	100	100	100	-	-
Interra Resources (Australia) Pte. Ltd. [(b)]	Dormant	Singapore/Singapore	100	100	100	100	-	-
Goldwater LS Pte. Ltd. ("GLS") [(b)]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	10	10	58.38	58.38	41.62	41.62
Goldwater KP Pte. Ltd. ("GKP") [(b)]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100	100	100	-	-
PT Mitra Investindo Tbk. ("MITI") [(d)]	Operation of granite mining	Indonesia/Indonesia	53.76	53.76	53.76	53.76	46.24	46.24
Held by a subsidiary corporation, MITI								
Goldwater LS Pte. Ltd. [(b)]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	90	90	58.38	58.38	41.62	41.62

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The details of the subsidiary corporations as at 31 December 2016 are as follows (Cont'd):

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Held by a subsidiary corporation, GLS								
IBN Oil Holdico Ltd [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	100	100	58.38	58.38	41.62	41.62
Held by a subsidiary corporation, GKP								
Mentari Pambuang Internasional Limited ("MPIL") [c]	Dormant	British Virgin Islands	49	49	49	49	51	51
PT Sumber Sari Rejeki ("SSR") [e]	Trading of heavy machinery	Indonesia/Indonesia	100	100	100	100	-	-
Held by a subsidiary corporation, SSR								
PT Pambuang Investindo ("PI") [e]	Multi-industry sector	Indonesia/Indonesia	100	100	100	100	-	-
Held by a subsidiary corporation, PI								
PT Mentari Pambuang Internasional ("MPI")[e]	Exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	67.50	67.50	67.50	67.50	32.50	32.50

[a] Not required to be audited under the laws of the country of incorporation

[b] Audited by Nexia TS Public Accounting Corporation, Singapore

[c] Remain dormant during the financial year and not required to be audited under the laws of the country of incorporation

[d] Audited by Paul Hadiwinata, Hidajat, Arsono, Achmad, Suharli & Rekan, a member firm of PKF International ("PKF Hadiwinata")

[e] Audited by Kanaka Puradiredja, Suhartono, a member firm of Nexia International ("Nexia Kanaka")

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Significant Restrictions

Bank deposits of US$2,446,572 (2015: US$2,446,566) are held in Indonesia under joint bank accounts operated jointly by (i) the operator and PT Pertamina EP ("Pertamina"); and (ii) MITI and the Bintan local government. Pertamina and the Bintan local government impose for restrictions on the withdrawal and usage of the funds other than for abandonment site restoration and social responsibility.

Carrying Value of Non-Controlling Interests

	2016 US$	2015 US$
Goldwater LS Pte. Ltd.	**(2,778,786)**	(2,556,081)
PT Mitra Investindo Tbk.	**4,523,338**	4,971,501
PT Mentari Pambuang Internasional	**2,102,221**	1,546,007
Other subsidiary corporations with immaterial non-controlling interests	**51**	51
Total	**3,846,824**	3,961,478

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

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

Summarised Statement of Financial Position

	MITI As at 31 December		GLS As at 31 December		MPI As at 31 December	
	2016 US$	2015 US$	2016 US$	2015 US$	2016 US$	2015 US$
Current						
Assets	**14,808,390**	13,052,083	**2,457,807**	2,778,676	**94,545**	377,938
Liabilities	**(6,888,857)**	(4,538,586)	**(2,250,788)**	(2,271,652)	**(581,827)**	(2,544,600)
Total current net assets/(liabilities)	**7,919,533**	8,513,497	**207,019**	507,024	**(487,282)**	(2,166,662)
Non-current						
Assets	**14,717,054**	15,095,084	**289,199**	476,718	**9,148,462**	9,053,147
Liabilities	**(231,448)**	(204,074)	**(14,936,591)**	(14,889,024)	**(2,222,236)**	(2,158,971)
Total non-current net assets/(liabilities)	**14,485,606**	14,891,010	**(14,647,392)**	(14,412,306)	**6,926,226**	6,894,176
Net assets/ (liabilities)	**22,405,139**	23,404,507	**(14,440,373)**	(13,905,282)	**6,438,944**	4,727,514

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised Statement of Comprehensive Income

	MITI For the financial year ended		GLS For the financial year ended		MPI For the financial year ended	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Revenue	**-**	-	**1,792,049**	2,342,856	**-**	-
Loss before income tax	**(1,105,729)**	(717,133)	**(410,209)**	(11,948,138)	**(203,288)**	(187,685)
Income tax credit/(expense)	**8,423**	3,966	**(99,391)**	(129,940)	**-**	-
Net loss from continuing operations	**(1,097,306)**	(713,167)	**(509,600)**	(12,078,078)	**(203,288)**	(187,685)
Loss from discontinued operations, net of tax	**(38,770)**	(655,007)	**-**	-	**-**	-
Other comprehensive profit/(loss)	**136,853**	(1,266,706)	**(25,491)**	(7,097)	**-**	-
Total comprehensive loss	**(999,223)**	(2,634,880)	**(535,091)**	(12,085,175)	**(203,288)**	(187,685)
Total comprehensive loss allocated to non-controlling interests	**(448,163)**	(1,209,532)	**(222,705)**	(5,029,851)	**(70,987)**	(60,998)

Summarised Statement of Cash Flows

	MITI 2016	MITI 2015	GLS 2016	GLS 2015	MPI 2016	MPI 2015
Cash flows from operating activities						
Cash (used in)/generated from operations	**(4,210,288)**	1,372,664	**264,295**	(254,138)	**(1,768,412)**	352,946
Interest paid	**-**	(8,125)	**-**	-	**-**	-
Income tax refund/(paid)	**48,428**	(254,663)	**-**	-	**-**	-
Net cash (used in)/provided by operating activities	**(4,161,860)**	1,109,876	**264,295**	(254,138)	**(1,768,412)**	352,946
Net cash provided by/(used in) investing activities	**3,830,224**	(2,985,670)	**135**	(39,743)	**(95,236)**	(5,366,834)
Net cash (used in)/provided by financing activities	**(4,551,473)**	4,144,308	**(50,399)**	43,481	**1,873,471**	4,115,028
Net (decrease)/increase in cash and cash equivalents	**(4,883,109)**	2,268,514	**214,031**	(250,400)	**9,823**	(898,860)
Cash and cash equivalents at beginning of financial year	**5,469,735**	3,201,221	**386,259**	636,659	**2,599**	901,459
Cash and cash equivalents at end of financial year	**586,626**	5,469,735	**600,290**	386,259	**12,422**	2,599

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9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Effects of transactions with non-controlling interests on the equity attributable to owners of the parent for the financial years ended 31 December 2016 and 2015

	2016 US$	2015 US$
Changes in equity attributable to shareholders of the Company arising from:		
- Additional increase of non-controlling interests in subsidiary corporations	**627,201**	1,337,435

10. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2016 US$	2015 US$
Opening balance	**7,621,480**	-
Additions	**-**	8,358,313
Share of losses (Note 20)	**(6,755,329)**	(625,757)
Share of other comprehensive income/(loss)	**118,347**	(111,076)
Closing balance	**984,498**	7,621,480
Loans to associated companies	**106,299**	-
	1,090,797	7,621,480

During the financial year, the loans to associated companies are unsecured and interest rate is charged at 1.75% above LIBOR per annum for a term period of 2 years. The fair value of the loan at market borrowing rate of 2.69% per annum approximates its carrying amount. The fair value is within Level 2 of the fair values hierarchy.

Set out below are the associated companies of the Group as at 31 December 2016, which, in the opinion of the directors, are material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name of Company	Principal Activities	Country of Incorporation/ Operation	Ownership Interest 2016 %	Ownership Interest 2015 %
Held by a subsidiary corporation, GII				
PT Benakat Oil ("BO") [(a)]	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	21.51	21.51
Held by a subsidiary corporation, MITI				
Mentari Garung Energy Ltd ("MGE") [(b)]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	33.33	33.33

[(a)] Audited by Y Santosa & Rekan, a member of Praxity International
[(b)] Audited by Paul Hadiwinata, Hidajat, Arsono, Achmad, Suharli & Rekan, a member firm of PKF International ("PKF Hadiwinata")

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10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

BO is a company incorporated in the Republic of Indonesia. The principal activity is exploration and operation of oil fields for crude petroleum production. BO owns 97.87% direct shareholding in PT Indelberg Indonesia ("II"), which in turn owns 94% of PT Benakat Barat Petroleum ("BBP"). BBP holds an undivided 100% interest in the rights and obligations of exploitation, development and complementary exploration of hydrocarbons in the Benakat Barat field in South Sumatra, Indonesia. The Cooperation Agreement ("KSO"), which was entered into between BBP and Pertamina on 16 March 2009, has a contract term of 15 years. On 11 June 2015, through its subsidiary corporation, GII, the Group acquired a 21.510812% equity interest in BO at a purchase consideration of US$7,358,313. The cash consideration amounting to US$1,226,385 and the remaining consideration was settled by the issuance of 57,086,112 shares in the Company at an issue price of S$0.1492 per share, amounting to US$6,131,928 (S$8,517,247) (Note 24).

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

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

The Company's subsidiary corporation, GII together with the shareholders of BO issued joint corporate guarantee to bank for borrowings of the associated company, BO. The loan facilities are collateral pledge over all the shares in BO by all the shareholders. The Group's guaranteed amount was US$2,810,649 as at 31 December 2016 based on 21.510812% share of the associated company. No liability was recognised in the statement of financial position of the Group as the Group believes the maximum exposure in respect of the joint corporate guarantee to bank for borrowings of the associated company is limit to the pledged shares in BO and the fair value of the corporate guarantee is considered to be insignificant at initial recognition.

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10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised Financial Information of Associated Companies

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

Summarised Statement of Financial Position

	BO As at 31 December		MGE As at 31 December	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Current assets	**5,299,922**	13,105,382	**260,117**	355,287
Includes:				
- Cash and cash equivalents	**583,743**	110,726	**146,022**	155,749
Current liabilities	**(44,079,047)**	(52,822,447)	**(22,864)**	(16,319)
Includes:				
- Financial liabilities (excluding trade payables)	**(21,395,941)**	(25,051,299)	**(22,864)**	(16,319)
Non-current assets	**11,287,331**	41,750,425	**1,298,875**	1,206,790
Includes:				
- Goodwill on consolidation	**11,272,967**	11,105,140	**-**	-
Non-current liabilities	**(14,756,953)**	(10,645,931)	**(589,000)**	(570,000)
Includes:				
- Financial liabilities	**(12,669,539)**	(8,318,438)	**(589,000)**	(570,000)
- Other liabilities	**(2,087,414)**	(2,327,493)	**-**	-
Net (liabilities)/assets	**(42,248,747)**	(8,612,571)	**947,128**	975,758
Attributable to non-controlling interests	**(2,632,914)**	(553,747)	**-**	-
Attributable to investee's shareholders	**(39,615,833)**	(8,058,824)	**947,128**	975,758

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10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised Statement of Comprehensive Income

	BO For the financial year/period ended		MGE For the financial year/period ended	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Revenue	**650,636**	3,864,457	**-**	-
Interest income	**265**	2,877	**107**	108
Expenses	**(36,211,341)**	(6,827,470)	**(28,682)**	(17,891)
Includes:				
- Depreciation and amortisation	**(1,363,886)**	(1,171,697)	**-**	-
- Interest expense	**(1,166,842)**	(569,232)	**-**	-
- Impairment loss	**(27,344,721)**	-	**-**	-
Loss before income tax	**(35,560,440)**	(2,960,136)	**(28,575)**	(17,783)
Income tax credit	**1,218,989**	16,719	**-**	-
Net loss	**(34,341,451)**	(2,943,417)	**(28,575)**	(17,783)
Other comprehensive loss	**(19,751)**	(454,596)	**-**	-
Total comprehensive loss	**(34,361,202)**	(3,398,013)	**(28,575)**	(17,783)
Attributable to non-controlling interests	**(2,089,741)**	(64,303)	**-**	-
Attributable to investee's shareholders	**(32,271,461)**	(3,333,710)	**(28,575)**	(17,783)

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

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10. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Reconciliation of Summarised Financial Information

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

	BO As at 31 December		MGE As at 31 December	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Net liabilities (excluding goodwill on consolidation)				
At 1 January or date of acquisition, if later	**(19,163,964)**	(15,766,264)	**975,758**	(6,361)
Group's contribution during the financial year/period	**-**	-	**-**	1,000,000
Loss for the financial year/period	**(32,546,212)**	(2,881,235)	**(28,575)**	(17,783)
Other comprehensive income/(loss)	**274,751**	(452,475)	**-**	-
Currency translation differences	**546,625**	(63,990)	**(55)**	(98)
At 31 December	**(50,888,800)**	(19,163,964)	**947,128**	975,758
Interest in associated companies of 2016: 21.51% and 33.33% (2015: 21.51% and 33.33%)	**(10,946,594)**	(4,122,325)	**315,678**	325,220
Unrecognised share of losses during the financial year/period	**196,829**	-	**-**	-
Goodwill	**10,749,765**	10,749,765	**668,820**	668,820
Carrying value	**-**	6,627,440	**984,498**	994,040

Note: The current financial year's financial information about the associated company, BO is derived based on the audited financial statements. Certain comparative figures have been represented to be in line with the audited financial statements issued by BO.

11. INVESTMENT PROPERTIES

	Group	
	2016	**2015**
	US$	**US$**
Opening balance	**315,077**	226,263
Net fair value (loss)/gain recognised in profit or loss (Note 28)	**(166,531)**	109,514
Currency translation differences	**4,423**	(20,700)
Closing balance	**152,969**	315,077

Investment properties are held for long-term rental yields and/or for capital appreciation. During the current financial year, one of the Group's investment properties was leased out and rental income of US$1,124 (2015: US$1,914) was recognised in profit or loss and no direct operating expenses was incurred. The remaining two investment properties were not leased out, accordingly, no rental income was recognised in profit or loss and no significant direct operating expenses were incurred.

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11. INVESTMENT PROPERTIES (CONT'D)

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

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

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

Valuation Techniques used to derive Level 2 Fair Values

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

Valuation Processes of the Group

As at 31 December 2016, the Group performed internal valuation of investment properties by reference to published sales prices of comparable properties in close proximity, adjusted for differences in key attributes such as property size. As at 31 December 2015, the Group engaged external independent and qualified valuer, Nirboyo A., Dewi A., & Rekan to determine the fair value of the Group's properties at the end of financial year based on the properties' highest and best use.

12. INVENTORIES

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

	Group	
	2016	**2015**
	US$	**US$**
Crude oil inventory	**105,218**	248,149
Granite rocks	**671,825**	605,131
Other inventories - consumable stock	**4,103,261**	5,950,244
	4,880,304	6,803,524

During the current financial year, the Group recognised an inventory written off of US$1,373,991 (2015: Nil) (Note 30), in which the other inventories of US$1,240,022 had been surrendered to Pertamina upon the expiry of the TAC.

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13. TRADE AND OTHER RECEIVABLES

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

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Current				
Trade receivables – non-related parties	**-**	-	**5,144,590**	5,585,643
Less: Allowances for impairment of receivables (Note 35(b)(ii))	**-**	-	**(105,896)**	(109,394)
Trade receivables, net	**-**	-	**5,038,694**	5,476,249
Other receivables – non-related parties	**49,374**	330,560	**8,340,625**	6,973,354
	49,374	330,560	**13,379,319**	12,449,603
Non-current				
Other receivables – non-related parties	**-**	-	**2,429,621**	1,686,225

Included in current other receivables of the Group were value added taxes to be reimbursed from Pertamina of US$1,010,418 as at 31 December 2016 (2015: US$3,655,845).

The loan to a current non-related party related to several repurchase agreements entered by the Group with PT Danatama Perkasa ("DP") on 2 July 2015 and 7 August 2015. This other receivable was secured by the pledge of marketable securities listed on the Indonesia Stock Exchange. Under the repurchase agreements, the third party agreed to buy back the collateral at the face value of IDR35.613 million (equivalent to US$2,592,656) for a term period of three months. The interest charged was at market interest rate of 10% per annum. The agreements were due on 30 September 2015 and 5 November 2015, and subsequently renewed to due on 26 January 2016.

On 26 January 2016, the loan with DP was fully transferred to another non-related party, PT Pratama Media Abadi ("PMA") based on the signed memorandum of understanding dated 28 August 2015 valid for twelve months till 27 August 2016. On 26 August 2016, the memorandum was revised with repayment terms extended by another twelve months to 27 August 2017. The loan remained as unsecured and interest-free. As at 31 December 2016, the loan to a non-related party was US$7,195,316.

The non-current other receivables were unsecured and receivable upon commencement of production of which timing cannot be determined at this point. Interest rate was charged at 5% above LIBOR per annum. The fair value of non-current other receivables at market borrowing rate between the range of 5.61% to 5.99% (2015: 5.25% to 5.30%) per annum approximates its carrying amount. The fair value was within Level 2 of the fair values hierarchy.

14. OTHER CURRENT ASSETS

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Deposits	**39,404**	40,317	**193,099**	422,043
Prepayments	**21,482**	32,670	**143,115**	251,972
Advances to suppliers	-	-	**40,780**	102,853
	60,886	72,987	**376,994**	776,868

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15. CASH AND CASH EQUIVALENTS

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Cash at bank and on hand	**610,169**	516,483	**2,996,650**	8,819,453
Short-term bank deposits	**2,000,000**	-	**8,868,591**	9,008,987
Cash and bank balances	**2,610,169**	516,483	**11,865,241**	17,828,440
Restricted cash			**2,446,572**	2,446,566
Cash and cash equivalents			**14,311,813**	20,275,006
Less: Restricted cash			**(2,446,572)**	(2,446,566)
Short-term bank deposits pledged			**(2,000,000)**	-
Cash and cash equivalents as per consolidated statement of cash flows			**9,865,241**	17,828,440

Restricted Cash

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

The restricted cash relates to TAC TMT was reclassified from non-current to current due to the expiry of the TAC on 16 December 2016 and the funds may be recalled by Pertamina within twelve months.

Short-term Bank Deposits

Short-term bank deposits are pledged to secure the bank borrowings (Note 18) and restricted to withdraw until the bank borrowings have been fully discharged.

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

On 17 November 2015, the Group announced that its subsidiary corporation, MITI entered into a CSPA dated 16 November 2015 with PT SMA to dispose the granite quarry for a consideration of IDR39 billion (US$3,000,000) and a sum of US$530,502, being 70% of the accumulated amounts paid by MITI for the environment restoration fund as at 30 September 2015. As at 31 December 2015, the entire assets and liabilities relating to the granite quarry ("granite mining segment") were classified as a disposal group held-for-sale on the statement of financial position and the entire results of the granite mining segment were presented separately on the statement of comprehensive income as "Discontinued Operations". As at 31 December 2016, the completion of the disposal was still pending the approval from the local government authority for the transfer of mining license. The Group remains actively committed to sell the granite quarry as evidenced by the procedures taken to complete the disposal, including but not limited to obtain approval for relevant stock exchange and shareholders. Accordingly, management believes the granite mining segment shall continue to classify as discontinued operations and disposal group during the current financial year.

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

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

	Group	
	2016	**2015**
	US$	**US$**
Revenue	**3,950,290**	8,935,604
Expenses	**(3,932,781)**	(7,393,284)
Profit before income tax from discontinued operations	**17,509**	1,542,320
Income tax expense	**(83,626)**	(76,632)
(Loss)/Profit after tax from discontinued operations	**(66,117)**	1,465,688
Pre-tax profit/(loss) recognised on the re-measurement of disposal group to fair value less cost to sell	**34,184**	(2,650,869)
Tax	**(6,837)**	530,174
After tax profit/(loss) recognised on the re-measurement of disposal group to fair value less costs to sell	**27,347**	(2,120,695)
Loss for the financial year from discontinued operations	**(38,770)**	(655,007)

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

	Group	
	2016	**2015**
	US$	**US$**
Operating cash inflows	**520,378**	4,587,237
Investing cash inflows	**-**	2,773,727
Total cash inflows	**520,378**	7,360,964

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

	Group	
	2016	**2015**
	US$	**US$**
Property, plant and equipment	**39,924**	39,329
Mining properties	**2,690,068**	2,616,346
Non-contractual customer relationship	**412,970**	412,970
Inventories	**538,143**	550,406
Restricted cash	**917,584**	833,525
	4,598,689	4,452,576

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

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

	Group	
	2016	**2015**
	US$	**US$**
Provision for restoration costs	**917,584**	833,526
Retirement benefit obligations	**158,612**	96,556
Deferred income tax liabilities	**205,419**	142,393
	1,281,615	1,072,475

In accordance with FRS 105, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of US$3,522,494. The mining properties - tangible assets were valued by an independent professional valuer, Nirboyo A., Dewi A., & Rekan, based on the market approach and cost approach to derive the fair value. Assets which are valued based on market approach is within Level 2 of the fair value hierarchy, while assets which are valued based on cost approach is within Level 3 of the fair value hierarchy and involved significant unobservable inputs such as reproduction costs, replacement costs and indicated market values. Management has assessed that no further adjustment to fair value of the assets in disposal group is required as at 31 December 2016.

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

	Group	
	2016	**2015**
	US$	**US$**
Currency translation differences	**357,173**	(10,048)

17. TRADE AND OTHER PAYABLES

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Trade payables – non-related parties	**-**	-	**1,535,811**	6,401,476
Trade payable – a related party	**-**	-	**-**	404,886
Accrued expenses	**350,115**	327,682	**812,491**	735,851
Other payables – non-related parties	**181,556**	68,037	**7,150,933**	8,554,134
	531,671	395,719	**9,499,235**	16,096,347

Trade payables – non-related parties decreased to US$1,535,811 (2015: US$6,401,476) due to settlement of vendors for Indonesia operations during the current financial year.

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17. TRADE AND OTHER PAYABLES (CONT'D)

The Group's other payables included the deposit received for the proposed disposal of the granite operations of IDR38.74 billion (equivalent to US$2,862,886) and advances received for purchase of granite stock of IDR19.50 billion (equivalent to US$1,441,050) during the financial years 2016 and 2015. The deposit will be offset upon the completion of the disposal. In addition, other payables also included the accruals for training levy and electricity charges due to MOGE of US$78,000 (2015: US$142,273) and the remaining consideration for the participating rights in PSC KP of US$1,038,000 (2015: US$1,038,000).

18. BORROWINGS

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Current				
Bank borrowings	**3,000,000**	3,000,000	**3,739,000**	3,727,998

Company

The Company has a bank loan of US$3,000,000 from United Overseas Bank Ltd to finance the working capital. The loan was secured by short-term bank deposits (Note 15), interest-bearing at the range of 2.70% to 3.00% per annum for the tenor periods ranging two to three months. As at 31 December 2016, the bank loan was secured and the interest rate was 3.00% per annum for a tenor period of two months.

Group

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

19. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Opening balance	**-**	16	**6,656,573**	6,787,532
Current income tax expense	**-**	-	**1,036,820**	1,853,409
Under/(over) provision in prior financial years	**2,478**	2,858	**12,738**	(1,028,331)
Income tax paid	**(2,478)**	(2,874)	**(372,486)**	(969,631)
Tax credit	**-**	-	**-**	(2,158)
Currency translation differences	**-**	-	**(6,252)**	15,752
Closing balance	**-**	-	**7,327,393**	6,656,573

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20. INCOME TAX EXPENSE

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

The subsidiary corporations are liable to pay income taxes in the countries where the respective petroleum contracts and operations are domiciled. The subsidiary corporations and joint operations of the Group operating in oil and gas segment have made the necessary tax provisions as required under their respective petroleum contracts. As for the Myanmar operations, the income tax paid for current financial year was US$413,622 (2015: US$707,357). These income tax expenses are still subject to final tax assessments from the tax authority. During prior financial year, there was an over-provision of US$1,031,189 from the Myanmar operations for year of assessments 2013 to 2015 due to a reduction of corporate tax rate from 30% to 25% by the Myanmar tax authority upon finalisation of assessments.

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

	Group	
	2016	**2015**
	US$	**US$**
Profit/(Loss) for the financial year:		
From continuing operations		
Current income tax - foreign	**1,036,820**	1,587,305
Deferred income tax - foreign (Note 23)	**(8,423)**	(3,966)
	1,028,397	1,583,339
From discontinued operations (Note 16(a))		
Current income tax - foreign	**-**	266,104
Deferred income tax - foreign (Note 23)	**80,203**	(719,646)
	80,203	(453,542)
Under/(Over) provision of current income tax in prior financial years (Note 19):		
From continuing operations		
- Foreign	**-**	(1,031,189)
- Singapore	**2,478**	2,858
	2,478	(1,028,331)
From discontinued operations		
- Foreign	**10,260**	-
	1,121,338	101,466
Tax expense/(credit) is attributable to:		
- Continuing operations	**1,030,875**	555,008
- Discontinued operations (Note 16(a))	**90,463**	(453,542)
	1,121,338	101,466

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20. INCOME TAX EXPENSE (CONT'D)

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

	Group	
	2016	**2015**
	US$	**US$**
(Loss)/Profit before income tax from		
- Continuing operations	**(7,786,646)**	(52,228,987)
- Discontinued operations (Note 16(a))	**51,693**	(1,108,549)
	(7,734,953)	(53,337,536)
Share of losses of associated companies, net of tax (Note 10)	**6,755,329**	625,757
Loss before income tax and share of losses of associated companies	**(979,624)**	(52,711,779)
Tax calculated at tax rate of 17% (2015: 17%)	**(166,536)**	(8,961,002)
Effects of:		
- Different tax rates in other countries	**437,309**	597,275
- Income not subject to tax	**(344,758)**	(396,457)
- Under/(Over) provision of income tax in prior financial years	**12,738**	(1,028,331)
- Expenses not deductible for tax purposes	**1,182,585**	9,889,981
	1,121,338	101,466

21. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

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

These provisions are recognised based on the Group's internal estimates. The assumptions are based on current economic environment, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual restoration costs will ultimately depend upon future market prices for the necessary restoration works required and also the market conditions at the relevant time. Furthermore, the timing of restoration will likely depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil prices, which are inherently uncertain. The discount rate used in the calculation of provision for site restoration of the Indonesia operations as at 31 December 2016 was 10% per annum (2015: 10% per annum). The Group has not made any provision for environmental and restoration costs for its Myanmar operations as the Group believes that there are no significant costs involved in meeting the legal and regulatory requirements laid down at current time (Note 34).

The provision for environmental and restoration costs for TAC TMT operation was reclassified from non-current liabilities to current liabilities due to the expiry of the TAC on 16 December 2016 and the provision may be settled within twelve months. Accordingly, the restricted cash relates to the provision was reclassified (Note 15).

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21. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS (CONT'D)

	Group	
	2016	**2015**
	US$	**US$**
Opening balance	**4,473,714**	5,286,886
Provision made	**43,409**	198,001
Actual expenditures utilised	**(65,601)**	(261,877)
Unwinding of discount (Note 30)	**398,749**	199,795
Currency translation differences	**14,210**	(115,565)
Reclassified to disposal group (Note 16(d))	**-**	(833,526)
Closing balance	**4,864,481**	4,473,714
Analysed as:		
To be settled within one year	**3,300,000**	-
To be settled after one year	**1,564,481**	4,473,714
	4,864,481	4,473,714

22. RETIREMENT BENEFIT OBLIGATIONS

The Group's subsidiary corporations operating in Indonesia have funded defined benefit plans for its employees. These plans are final salary retirement and severance benefits. The assets of the plans are held independently of the Group's assets as insurance fund managed by PT Panin Life Tbk for TAC TMT and PT AJ Manulife Indonesia for TAC LS except MITI. During the financial year, upon the expiry of the TAC TMT, the retirement benefit obligations relating to the employees were fully settled.

The amounts recognised in the statement of financial position are determined as follows:

	Group	
	2016	**2015**
	US$	**US$**
Present value of funded obligations	**421,916**	733,930
Fair value of plan assets	**(254,977)**	(694,817)
Deficit of funded plan	**166,939**	39,113
Present value of unfunded obligation	**-**	-
Total deficit of defined benefit plan	**166,939**	39,113
Reclassified to disposal group (Note 16(d))	**(158,612)**	(96,556)
Liabilities/(Assets) recognised in the statement of financial position	**8,327**	(57,443)

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22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in the defined benefit obligations are as follows:

	Present Value of Obligation US$	Fair Value of Plan Assets US$	Total US$	Impact of Minimum Funding Requirement/ Asset Ceiling US$	Total US$
2016					
As at 1 January 2016	**733,930**	**(694,817)**	**39,113**	**-**	**39,113**
Current service cost	198,762	-	198,762	-	198,762
Interest expense/(income)	61,239	(32,759)	28,480	1,866	30,346
Past service costs and gains and losses on settlements	-	-	-	-	-
	260,001	**(32,759)**	**227,242**	**1,866**	**229,108**
Re-measurements:					
- Gains from change in financial assumptions	-	-	-	-	-
- Experience losses	778	11,926	12,704	-	12,704
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	28,109	28,109
	778	**11,926**	**12,704**	**28,109**	**40,813**
Exchange differences	10,426	(9,584)	842	(29,975)	(29,133)
Contributions:					
- Employers	-	(84,783)	(84,783)	-	(84,783)
Payments from plans:					
- Benefit payments	(583,219)	555,040	(28,179)	-	(28,179)
As at 31 December 2016	**421,916**	**(254,977)**	**166,939**	**-**	**166,939**

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22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

	Present Value of Obligation US$	Fair Value of Plan Assets US$	Total US$	Impact of Minimum Funding Requirement/ Asset Ceiling US$	Total US$
2015					
As at 1 January 2015	**626,625**	**(780,305)**	**(153,680)**	**-**	**(153,680)**
Current service cost	253,686	-	253,686	-	253,686
Interest expense/(income)	42,069	(56,694)	(14,625)	7,099	(7,526)
Past service costs and gains and losses on settlements	657	-	657	-	657
	296,412	**(56,694)**	**239,718**	**7,099**	**246,817**
Re-measurements:					
- Gains from change in financial assumptions	(3,891)	-	(3,891)	-	(3,891)
- Experience losses	40,951	32,455	73,406	-	73,406
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	(109,815)	(109,815)
	37,060	**32,455**	**69,515**	**(109,815)**	**(40,300)**
Exchange differences	(61,919)	76,356	14,437	102,716	117,153
Contributions:					
- Employers	-	(130,877)	(130,877)	-	(130,877)
Payments from plans:					
- Benefit payments	(164,248)	164,248	-	-	-
As at 31 December 2015	**733,930**	**(694,817)**	**39,113**	**-**	**39,113**

The amounts of defined benefit plan recognised in profit or loss and included in employee compensation amounted to US$229,108 (2015: US$246,817) (Note 31).

The significant actuarial assumptions used are as follows:

	Group	
	2016 %	**2015** %
Discount rate	**7.30 – 8.30**	8.00 – 9.10
Salary growth rate	**8.00 – 10.00**	8.00 – 10.00

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22. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 58 (2015: 58):

	Group	
	2016	**2015**
Retiring at the end of the reporting period:		
- Male	**60**	12
- Female	**8**	2
Retiring after the end of the reporting period:		
- Male	**138**	197
- Female	**9**	16

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

	Impact on Defined Benefit Obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by 1.71% to 7.83%	Increase by 1.76% to 9.16%
Salary growth rate	1%	Increase by 1.71% to 9.04%	Decrease by 1.68% to 7.87%
		Increase by one year in assumption	**Decrease by one year in assumption**
Life expectancy		Increase by 0.01% and 0.21%	Decrease by 0.01% and 0.22%

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

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

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23. DEFERRED INCOME TAX LIABILITIES

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

	Group	
	2016	**2015**
	US$	**US$**
Opening balance	**39,063**	892,893
Tax credited to profit or loss:		
- Continuing operations (Note 20)	**(8,423)**	(3,966)
- Discontinued operations (Note 20)	**80,203**	(719,646)
Reclassification to disposal group (Note 16(d))	**(63,026)**	(142,393)
Currency translation differences	**(3,643)**	12,175
Closing balance	**44,174**	39,063
Deferred Income Tax Liabilities:		
To be settled within one year	**82,538**	73,851
To be settled after one year	**(38,364)**	(34,788)
	44,174	39,063

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

	Deferred Income Tax Liabilities		
	Fair value gains-net	**Other**	**Total**
	US$	**US$**	**US$**
2016			
Opening balance	**(11,767)**	**76,004**	**64,237**
Charged to profit or loss	23,239	5,464	28,703
Reclassification to disposal group	(7,157)	-	(7,157)
Currency translation differences	(2,115)	1,070	(1,045)
Closing balance	**2,200**	**82,538**	**84,738**
2015			
Opening balance	**995,030**	**60,439**	**1,055,469**
(Credited)/Charged to profit or loss	(621,977)	19,858	(602,119)
Reclassification to disposal group	(384,820)	-	(384,820)
Currency translation differences	-	(4,293)	(4,293)
Closing balance	**(11,767)**	**76,004**	**64,237**

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23. DEFERRED INCOME TAX LIABILITIES (CONT'D)

	Deferred Income Tax Assets			
	Difference in tax depreciation US$	**Provisions US$**	**Other US$**	**Total US$**
2016				
Opening balance	**-**	**(25,174)**	**-**	**(25,174)**
Charged/(Credited) to profit or loss	59,357	(14,169)	(2,111)	43,077
Reclassification to disposal group	(57,022)	(654)	1,807	(55,869)
Currency translation differences	(2,335)	(567)	304	(2,598)
Closing balance	**-**	**(40,564)**	**-**	**(40,564)**
2015				
Opening balance	**(118,458)**	**(44,118)**	**-**	**(162,576)**
Charged/(Credited) to profit or loss	8,808	(10,336)	(119,965)	(121,493)
Reclassification to disposal group	98,014	24,857	119,556	242,427
Currency translation differences	11,636	4,423	409	16,468
Closing balance	**-**	**(25,174)**	**-**	**(25,174)**

Deferred income tax assets of US$122,903 are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US$1,229,031 at the balance sheet date which can be carried forward and used to offset against future taxable income. The tax loss is valid for five years.

Deferred income tax liabilities of nil (2015: US$53,103) have not been recognised for withholding and other taxes that are payable on the earnings of an overseas subsidiary corporation remitted to the holding company. These unremitted profits are permanently reinvested and amounted to US$323,802 (2015: US$448,237) at the balance sheet date.

24. SHARE CAPITAL

Company and Group	**2016** Number of Ordinary Shares	**2015**	**2016 US$**	**2015 US$**
Opening balance	**506,446,757**	449,350,357	**69,257,956**	63,125,113
Shares issued	**-**	57,096,400	**-**	6,133,623
Share issue expenses	**-**	-	**-**	(780)
Closing balance	**506,446,757**	506,446,757	**69,257,956**	69,257,956

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

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

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24. SHARE CAPITAL (CONT'D)

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

On 8 December 2015 and 29 December 2015, a total of 9,748 and 540 new ordinary shares were issued and allotted in the capital of the Company for cash consideration of US$1,628 and US$67 respectively pursuant to the exercise of warrants.

These newly issued ordinary shares ranked pari passu in all respects with the existing ordinary shares.

25. SHARE OPTIONS

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

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

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

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

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

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25. SHARE OPTIONS (CONT'D)

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

	Number of Ordinary Shares Under Option					
	At beginning of the financial year	**Forfeited during financial year**	**Exercised during financial year**	**At end of the financial year**	**Exercise price**	**Exercise period**
Company and Group						
2016						
2012 Options	7,110,000	-	-	7,110,000	S$0.148	21 January 2013 to 19 January 2017
2015						
2012 Options	7,260,000	(150,000)	-	7,110,000	S$0.148	21 January 2013 to 19 January 2017

The outstanding options comprising 7,110,000 (2015: 7,110,000) unissued ordinary shares were exercisable at the balance sheet date.

On 20 January 2017, all the outstanding share options had lapsed and became null and void.

26. OTHER RESERVES

(a) Composition:

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Special reserve	**-**	-	**(16,544,140)**	(16,544,140)
Share option reserve	**356,963**	356,963	**356,963**	356,963
Currency translation reserve	**-**	-	**(2,210,078)**	(2,409,687)
	356,963	356,963	**(18,397,255)**	(18,596,864)

Other reserves are non-distributable.

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26. OTHER RESERVES (CONT'D)

(b) Movements:

(i) Special Reserve

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

	Group	
	2016	**2015**
	US$	**US$**
Cost of investment	**(18,319,492)**	(18,319,492)
Share capital of Goldwater	**200,000**	200,000
Goodwill on reverse acquisition	**1,575,352**	1,575,352
	(16,544,140)	(16,544,140)

(ii) Share Option Reserve

	Company and Group	
	2016	**2015**
	US$	**US$**
Opening balance	**356,963**	364,494
Employee share option plan		
- share options lapsed	**-**	(7,531)
Closing balance	**356,963**	356,963

(iii) Currency Translation Reserve

	Group	
	2016	**2015**
	US$	**US$**
Opening balance	**(2,409,687)**	(1,701,765)
Net currency translation differences of foreign subsidiary corporations	**138,159**	(1,179,313)
Share of currency translation differences of associated companies	**131,815**	(114,327)
Less: Non-controlling interests	**(70,365)**	585,718
Closing balance	**(2,210,078)**	(2,409,687)

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27. REVENUE

	Group	
	2016	**2015**
	US$	**US$**
Sale of oil and petroleum products	**15,173,165**	23,452,048

28. OTHER INCOME, NET

	Group	
	2016	**2015**
	US$	**US$**
Bank interest income	**104,389**	92,828
Interest income from loan to non-related parties	**128,712**	172,879
Petroleum services fees	**194,985**	173,158
Management fees	**60,035**	260,621
Currency translation losses, net	**(201,949)**	(365,807)
Loss on disposal of property, plant and equipment	**-**	(5,955)
Fair value (loss)/gain on investment properties (Note 11)	**(166,531)**	109,514
Other losses	**(57,059)**	(113,491)
	62,582	323,747

29. FINANCE EXPENSES

	Group	
	2016	**2015**
	US$	**US$**
Bank loan interest expenses	**82,499**	58,563

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30. EXPENSES BY NATURE

	Group	
	2016	**2015**
	US$	**US$**
Royalties	**1,266,695**	1,857,719
Repair and maintenance expenses	**2,142,168**	4,041,097
Well servicing and workover expenses	**597,356**	2,463,820
Direct labour costs and related expenses	**687,096**	922,653
Geology and geophysical study	**279,603**	347,235
Changes in inventories	**142,932**	335,076
Other production expenses	**959,597**	1,500,202
Inventory written-off	**1,373,991**	-
Amortisation of producing oil and gas properties (Note 5)	**388,963**	18,116,462
Depreciation of property, plant and equipment (Note 4)	**42,403**	48,642
Amortisation of intangible assets (Note 8)	**-**	10,274
Impairment of producing oil and gas properties (Note 5)	**-**	31,798,622
Impairment of intangible assets (Note 8)	**-**	1,518,866
Total amortisation, depreciation and impairment	**431,366**	51,492,866
Employee compensation (Note 31)	**4,098,311**	4,922,647
Directors' remuneration (Note 38(b))	**694,001**	728,261
Rental expenses on operating leases	**1,805,006**	3,526,013
Professional, legal and compliance expenses	**269,703**	649,691
Marketing expenses	**15,140**	18,111
Unwinding of discount of provision for environmental and restoration costs (Note 21)	**398,749**	199,795
Other expenses	**830,061**	2,099,026
Auditor's fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	**141,561**	144,742
- Other auditors	**48,716**	71,508
Other fees paid/payable to:		
- Other auditors	**2,513**	-
Total cost of production and administrative expenses	**16,184,565**	75,320,462

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31. EMPLOYEE COMPENSATION

	Group	
	2016	**2015**
	US$	**US$**
Wages and salaries	**4,458,284**	5,290,383
Employer's contribution to defined contribution plan	**156,818**	164,948
Defined benefit plan (Note 22)	**229,108**	246,817
Other short-term benefits	**190,810**	241,086
	5,035,020	5,943,234
Less: Amounts attributable to discontinued operations	**(936,709)**	(1,020,587)
Amounts attributable to continuing operations (Note 30)	**4,098,311**	4,922,647

32. LOSSES PER SHARE

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

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

	Continuing Operations		Discontinued Operations		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Net loss attributable to equity holders of the Company (US$)	**(8,040,922)**	(47,367,347)	**(20,843)**	(352,132)	**(8,061,765)**	(47,719,479)
Weighted average number of ordinary shares outstanding for basic losses per share	**506,446,757**	481,100,269	**506,446,757**	481,100,269	**506,446,757**	481,100,269
Adjustments for share options	**7,110,000**	7,110,000	**7,110,000**	7,110,000	**7,110,000**	7,110,000
Weighted average number of ordinary shares outstanding for diluted losses per share	**513,556,757**	488,210,269	**513,556,757**	488,210,269	**513,556,757**	488,210,269
Basic losses per share (US cents)	**(1.588)**	(9.846)	**(0.004)**	(0.073)	**(1.592)**	(9.919)
Fully diluted losses per share (US cents)*	**(1.588)**	(9.846)	**(0.004)**	(0.073)	**(1.592)**	(9.919)

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

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33. COMMITMENTS

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

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

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

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Not later than one year	**153,762**	152,902	**340,815**	855,527
Between one and five years	**71,464**	230,872	**77,449**	248,782
	225,226	383,774	**418,264**	1,104,309

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar, TAC TMT, TAC LS, PSC KP and MITI in Indonesia. The capital expenditure for 2017 and 2016 are based on the work programmes and budgets approved by the respective local authorities. These include development and deep well drillings in Myanmar and Indonesia.

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

	Group	
	2016	**2015**
	US$	**US$**
Not later than one year	**300,000**	223,140

34. CONTINGENT LIABILITIES

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

Company

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

Group

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

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For the financial year ended 31 December 2016

34. CONTINGENT LIABILITIES (CONT'D)

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

The Company's subsidiary corporation, GII together with the shareholders of BO issued joint corporate guarantee to bank for borrowings of the associated company, BO. The loan facilities are collateral pledge over all the shares in BO by all the shareholders. The Group's guaranteed amount was US$2,810,649 as at 31 December 2016 based on 21.510812% share of the associated company. No liability was recognised in the statement of financial position of the Group as the Group believes the maximum exposure in respect of the joint corporate guarantee to bank for borrowings of the associated company is limit to the pledged shares in BO and the fair value of the corporate guarantee is considered to be insignificant at initial recognition.

35. FINANCIAL RISK MANAGEMENT

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

(a) Market Risk

(i) Price Risk

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

If crude oil price strengthened/weakened by 5% (2015: 5%) with all other variables including tax rate being held constant, the impact to the revenue and net profit of the Group would have been higher/lower by approximately US$759,000 and US$707,000 (2015: higher/lower by approximately US$1,172,000 and US$1,083,000) respectively.

(ii) Cash Flow and Fair Value Interest Rate Risks

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

notes to the **financial statements**

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35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

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

The effective interest rates for short-term bank deposits ranged from 0.32% to 8.50% (2015: 0.095% to 9.00%) per annum. These deposits were staggered in varying periods and amounts in accordance with the cash requirements of the Group. The effective interest rates for bank loans ranged from 2.70% to 3.00% (2015: 2.47% to 2.70%) per annum. Any significant movement in the interest rates is not likely to be material to the Group.

(iii) Country Risk

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

(iv) Currency Risk

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

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

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

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35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Group's currency exposure is as follows:

	USD	SGD	IDR	Others	Total
	US$	US$	US$	US$	US$
2016					
Financial assets					
Cash and bank balances	11,133,619	99,854	611,318	20,450	11,865,241
Trade and other receivables	6,240,418	6,156	9,562,366	-	15,808,940
Other financial assets	135,325	39,404	18,370	-	193,099
	17,509,362	145,414	10,192,054	20,450	27,867,280
Financial liabilities					
Borrowings	(3,000,000)	-	(739,000)	-	(3,739,000)
Other financial liabilities	(1,453,572)	(1,037,030)	(7,007,586)	(1,047)	(9,499,235)
	(4,453,572)	(1,037,030)	(7,746,586)	(1,047)	(13,238,235)
Net financial assets/(liabilities)	13,055,790	(891,616)	2,445,468	19,403	14,629,045
Add: Net non-financial assets	6,298,191	25,731	4,360,294	25,118	10,709,334
Currency profile including non-financial assets	19,353,981	(865,885)	6,805,762	44,521	25,338,379
Currency exposure of financial (liabilities)/assets, net of those denominated in the respective entities' functional currencies	-	(891,616)	2,445,468	19,403	1,573,255

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For the financial year ended 31 December 2016

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Group's currency exposure is as follows:

	USD US$	SGD US$	IDR US$	Others US$	Total US$
2015					
Financial assets					
Cash and bank balances	14,358,086	126,462	3,329,307	14,585	17,828,440
Trade and other receivables	5,977,829	8,678	8,149,321	-	14,135,828
Other financial assets	363,354	40,317	18,372	-	422,043
	20,699,269	175,457	11,497,000	14,585	32,386,311
Financial liabilities					
Borrowings	(3,000,000)	-	(727,998)	-	(3,727,998)
Other financial liabilities	(7,064,869)	(871,581)	(8,158,341)	(1,556)	(16,096,347)
	(10,064,869)	(871,581)	(8,886,339)	(1,556)	(19,824,345)
Net financial assets/(liabilities)	10,634,400	(696,124)	2,610,661	13,029	12,561,966
Add: Net non-financial assets	15,980,569	54,362	4,660,637	94,242	20,789,810
Currency profile including non-financial assets	26,614,969	(641,762)	7,271,298	107,271	33,351,776
Currency exposure of financial (liabilities)/assets, net of those denominated in the respective entities' functional currencies	-	(696,124)	2,610,661	13,029	1,927,566

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For the financial year ended 31 December 2016

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Company's currency exposure is as follows:

	USD	SGD	Others	Total
	US$	US$	US$	US$
2016				
Financial assets				
Cash and bank balances	**2,514,350**	**91,313**	**4,506**	**2,610,169**
Trade and other receivables	**37,515**	**9,005**	**2,854**	**49,374**
Other financial assets	**-**	**39,404**	**-**	**39,404**
	2,551,865	**139,722**	**7,360**	**2,698,947**
Financial liabilities				
Borrowings	**(3,000,000)**	**-**	**-**	**(3,000,000)**
Other financial liabilities	**(31,204)**	**(500,467)**	**-**	**(531,671)**
	(3,031,204)	**(500,467)**	**-**	**(3,531,671)**
Net financial (liabilities)/assets	**(479,339)**	**(360,745)**	**7,360**	**(832,724)**
Add: Net non-financial assets	**31,109,368**	**24,128**	**-**	**31,133,496**
Currency profile including non-financial assets	**30,630,029**	**(336,617)**	**7,360**	**30,300,772**
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	**-**	**(360,745)**	**7,360**	**(353,385)**
2015				
Financial assets				
Cash and bank balances	395,447	116,438	4,598	516,483
Trade and other receivables	304,998	8,678	16,884	330,560
Other financial assets	-	40,317	-	40,317
	700,445	165,433	21,482	887,360
Financial liabilities				
Borrowings	(3,000,000)	-	-	(3,000,000)
Other financial liabilities	(67,331)	(328,388)	-	(395,719)
	(3,067,331)	(328,388)	-	(3,395,719)
Net financial (liabilities)/assets	(2,366,886)	(162,955)	21,482	(2,508,359)
Add: Net non-financial assets	37,686,130	52,714	-	37,738,844
Currency profile including non-financial assets	35,319,244	(110,241)	21,482	35,230,485
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	-	(162,955)	21,482	(141,473)

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35. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

As at 31 December 2016, if SGD had strengthened/weakened by 5% (2015: 5%) against USD with other variables including tax rate being held constant, the Group's and Company's loss after tax would have been higher/lower by approximately US$41,000 and US$16,000 (2015: higher/lower by approximately US$31,000 and US$5,000) respectively, as a result of currency translation gains/(losses) on SGD denominated financial instruments.

As at 31 December 2016, if IDR had strengthened/weakened by 5% (2015: 5%) against USD with other variables including tax rate being held constant, the Group's loss after tax would have been higher/lower by approximately US$324,000 (2015: higher/lower by approximately US$347,000), as a result of currency translation gains/(losses) on IDR denominated financial instruments.

(b) Credit Risk

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

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

As the Company and the Group do not hold any collaterals, the maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position except as follows:

	Group	
	2016	**2015**
	US$	**US$**
Corporate guarantees provided to bank on associated company's loan	**2,810,649**	-

As the Group currently sells all the crude oil produced to MOGE and Pertamina, the Group has a significant concentration of credit risk. The Group does not foresee its exposure to MOGE and Pertamina to be significant as payments have been regular. The trade receivables from MOGE and Pertamina individually represented 44% and 28% (2015: 38% and 23%) of the Group's total trade receivables respectively.

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For the financial year ended 31 December 2016

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk (Cont'd)

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

	Group	
	2016	**2015**
	US$	**US$**
By geographical areas		
Indonesia	**2,832,811**	3,417,820
Myanmar	**2,205,883**	2,058,429
	5,038,694	5,476,249
By types of customers		
Non-related parties		
– Government related entities	**3,620,259**	3,343,750
– Other companies	**1,418,435**	2,132,499
	5,038,694	5,476,249

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

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

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

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

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

	Group	
	2016	**2015**
	US$	**US$**
Past due less than three months	**1,418,435**	1,003,441
Past due three to six months	**-**	203,362
Past due over six months	**105,896**	109,394
	1,524,331	1,316,197

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35. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk (Cont'd)

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

	Group	
	2016	**2015**
	US$	**US$**
Past due over six months	**105,896**	109,394
Less: Allowance for impairment	**(105,896)**	(109,394)
	-	-
Opening balance	**109,394**	168,361
Allowance written-back	**-**	(47,567)
Currency translation differences	**(3,498)**	(11,400)
Closing balance (Note 13)	**105,896**	109,394

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

(c) Capital Risk

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

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

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

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35. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Capital Risk (Cont'd)

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Net debt	**921,502**	2,879,236	**1,372,994**	1,995,905
Total equity	**30,300,772**	35,230,485	**25,338,379**	33,351,776
Total capital	**31,222,274**	38,109,721	**26,711,373**	35,347,681
Gearing ratio	**3%**	8%	**5%**	6%

The Company and the Group had no externally imposed capital requirements for the current and prior financial years.

(d) Liquidity Risk

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

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Less than one year				
Trade and other payables	**531,671**	395,719	**9,499,235**	16,096,347
Borrowings	**3,000,000**	3,000,000	**3,739,000**	3,727,998
	3,531,671	3,395,719	**13,238,235**	19,824,345

(e) Fair Value Measurements

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

(f) Financial Instruments by Category

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

	Company		Group	
	2016	**2015**	**2016**	**2015**
	US$	**US$**	**US$**	**US$**
Loan and receivables	**2,698,947**	887,360	**27,867,280**	32,386,311
Financial liabilities at amortised cost	**3,531,671**	3,395,719	**13,238,236**	19,824,345

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36. SEGMENT INFORMATION

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

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

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

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

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36. SEGMENT INFORMATION (CONT'D)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2016 and 2015 are as follows:

	Oil and Gas			
	Indonesia US$	**Myanmar US$**	**All Other Segments US$**	**Total for Continuing Operations US$**
2016				
Revenue				
Sales to external customers	**6,060,877**	**9,112,288**	**-**	**15,173,165**
Adjusted EBITDA	**323,242**	**3,937,605**	**(3,470,878)**	**789,969**
Depreciation and amortisation	**218,386**	**170,577**	**42,403**	**431,366**
Inventory written-off	**1,373,991**	**-**	**-**	**1,373,991**
Share of losses of associated companies	**-**	**-**	**6,755,329**	**6,755,329**
Total assets	**20,177,364**	**13,227,029**	**12,099,522**	**45,503,915**
Total assets includes:				
Investments in associated companies	**-**	**-**	**1,090,797**	**1,090,797**
Capital expenditures (tangible and intangible assets)	**95,315**	**236,197**	**-**	**331,512**
Total liabilities	**(8,135,174)**	**(670,140)**	**(9,305,729)**	**(18,111,043)**
2015				
Revenue				
Sales to external customers	10,088,083	13,363,965	-	23,452,048
Adjusted EBITDA	(2,418,092)	6,384,098	(4,387,073)	(421,067)
Depreciation and amortisation	12,148,636	5,978,100	48,642	18,175,378
Impairment of producing oil and gas properties	26,471,041	5,327,581	-	31,798,622
Impairment of intangible assets	-	1,518,866	-	1,518,866
Share of losses of associated companies	-	-	625,757	625,757
Total assets	30,353,376	16,983,786	13,628,208	60,965,370
Total assets includes:				
Investments in associated companies	-	-	7,621,480	7,621,480
Capital expenditures (tangible and intangible assets)	6,534,734	1,900,058	65,967	8,500,759
Total liabilities	(13,459,295)	(1,096,707)	(9,742,057)	(24,298,059)

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36. SEGMENT INFORMATION (CONT'D)

Reconciliations

(i) Segment Profits

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

	2016 US$	2015 US$
Adjusted EBITDA for reportable segments	**4,260,847**	3,966,006
Adjusted EBITDA for other segments	**(3,470,878)**	(4,387,073)
Depreciation and amortisation	**(431,366)**	(18,175,378)
Inventory written-off	**(1,373,991)**	-
Impairment of producing oil and gas properties	**-**	(31,798,622)
Impairment of intangible assets	**-**	(1,518,866)
Finance expenses	**(82,499)**	(58,563)
Fair value (loss)/gain on revaluation of investment properties	**(166,531)**	109,514
Loss on disposal of property, plant and equipment	**-**	(5,955)
Interest income	**233,101**	265,707
Share of losses of associated companies	**(6,755,329)**	(625,757)
Loss before income tax and discontinued operations	**(7,786,646)**	(52,228,987)

(ii) Segment Assets

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

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

	2016 US$	2015 US$
Segment assets for reportable segments	**33,404,393**	47,337,162
Other segment assets	**12,099,522**	13,628,208
Unallocated:		
Assets of disposal group classified as held-for-sale	**4,598,689**	4,452,576
Short-term bank deposits	**2,000,000**	-
	52,102,604	65,417,946

(iii) Segment Liabilities

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

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36. SEGMENT INFORMATION (CONT'D)

Reconciliations (Cont'd)

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

	2016 US$	2015 US$
Segment liabilities for reportable segments	**8,805,314**	14,556,002
Other segment liabilities	**9,305,729**	9,742,057
Unallocated:		
Liabilities directly associated with disposal group classified as held-for-sale	**1,281,615**	1,072,475
Current and deferred income tax liabilities	**7,371,567**	6,695,636
	26,764,225	32,066,170

(iv) Revenue from Major Customers

The Group derived its revenues from the sale of crude petroleum to two major external customers for the financial years ended 31 December 2016 and 2015 amounting to US$15,173,165 (2015: US$23,452,048). These revenues were attributable to oil and gas segment.

(v) Geographical Information

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

	Revenue		Non-Current Assets	
	2016 US$	2015 US$	2016 US$	2015 US$
Sales for continuing operations				
Indonesia	**6,060,877**	10,088,083	**10,957,109**	11,262,491
Myanmar	**9,112,288**	13,363,965	**65,619**	-
Other countries	**-**	-	**12,339**	32,730
	15,173,165	23,452,048	**11,035,067**	11,295,221

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

37. LITIGATION

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

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37. LITIGATION (CONT'D)

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

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

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

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

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

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

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

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

38. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

Related parties comprise mainly companies that are controlled or significantly influenced by the Group's key management personnel and their close family members.

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

(a) Services Received from Related Parties

	2016 US$	2015 US$
(i) Professional fees	-	212,016

One of the directors of the Company is related to Ng Chong & Hue LLC. The professional fee of US$212,016 (S$287,318) for prior financial year paid to the firm was in accordance with the prevailing market rates as compared to other firms providing similar services.

notes to the **financial statements**

For the financial year ended 31 December 2016

38. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONT'D)

(a) Services Received from Related Parties (Cont'd)

	2016 US$	2015 US$
(ii) Rental of drilling rig services	**424,263**	1,112,997

Two of the directors of the Company are related to PT. Multico Millenium Persada. The drilling rig rental services of US$424,263 (S$609,941) (2015: US$1,112,997 (S$1,574,989)) provided to the Group was in accordance with the prevailing market rates as compared to other companies providing similar services. The outstanding balances due from the related party at the balance sheet date was US$99,420 (2015: US$404,886).

(b) Key Management's Remuneration

The key management's remuneration included fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the costs incurred by the Group, and where the Group did not incur any costs, the fair value of the benefits. The key management's remuneration is as follows:

	2016 US$	2015 US$
Directors' fees	**270,341**	306,428
Wages and salaries	**1,088,025**	1,086,323
Other short-term benefits	**55,279**	51,007
Employer's contribution to defined contribution plan	**16,426**	12,485
Total costs incurred by the Group	**1,430,071**	1,456,243
Costs are incurred for the following categories of key management :		
- Directors of the Company (Note 30)	**694,001**	728,261
- Other key management personnel	**736,070**	727,982
Total costs incurred by the Group	**1,430,071**	1,456,243

39. SUBSEQUENT EVENTS

(a) On 20 January 2017, the Company announced that 7,110,000 Options to subscribe for ordinary shares of the Company have expired on 20 January 2017 (the "Expired Options"). The Expired Options were granted to the participants on 20 January 2012 pursuant to the Plan and were exercisable at an exercise price of S$0.148 per share. All the Expired Options have lapsed and became null and void pursuant to the rules of the Plan. The balance in the share option reserve of US$356,963 is transferred to accumulated losses upon expiry of the Plan.

(b) On 7 February 2017, the Company's subsidiary corporation, MITI, increased its number of issued shares from 1,283,228,000 shares to 1,411,550,800 shares through the issuance and allotment of 128,322,800 ordinary shares to Mahakarya Investments Ltd. (the "Share Issue"). The Share Issue was undertaken to provide funds for the proposed acquisition of 23.4401761% of the issued and paid-up share capital in BO in particular, the proceeds of the Share Issue shall be used for payment of the Sale Shares, and other acts as may be relevant to give effect to the transactions contemplated in the CSPA. Following the Share Issue, the shareholding of the Company in MITI has diluted from 53.76% to 48.87%.

notes to the **financial statements**

For the financial year ended 31 December 2016

40. NEW OR REVISED FRS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- Amendments to FRS 7 - Disclosure Initiative
- Amendments to FRS 12 - Recognition of Deferred Tax Assets for Unrealised Losses
- FRS 109 - Financial Instruments
- FRS 115 - Revenue from Contracts with Customers
- Amendments to FRS 40 - Transfer of Investment Property
- Amendments to FRS 102 - Classification and Measurement of Share-based Payment Transactions
- Improvements to FRSs (December 2016)
  – Amendments to FRS 28 - Investments in Associates and Joint Ventures
  – Amendments to FRS 101 - First-Time Adoption of Financial Reporting Standards
  – Amendments to FRS 112 - Disclosure of Interests in Other Entities
- FRS 116 - Leases

The management anticipates that the adoption of the above new standards in the period of their initial recognition will not have a substantial change in the Group's accounting policies or material impact to the consolidated financial statements of the Group except for the followings:

FRS 115 - Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 - Construction contracts, FRS 18 - Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

(i) Rights of return – FRS 115 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation; and

(ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

FRS 116 - Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

notes to the **financial statements**

For the financial year ended 31 December 2016

40. NEW OR REVISED FRS AND INTERPRETATIONS (CONT'D)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$418,264 (Note 33(a)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

41. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 28 March 2017.

appendix

ERC Equipoise Pte Ltd
50B Tras Street,
#03-02, Singapore 078989
Tel: +65 6332 5161 / +65 6221 4364

28th March 2017

Mr Marcel Tjia
Chief Executive Officer
Interra Resources Limited
1 Grange Road,
#05-04 Orchard Building,
Singapore 239693

Dear Mr Tjia,

Summary of the Reserves, Contingent Resources and Prospective Resources Extracted from the Qualified Person's Reports for Interra Resources Limited Assets in Myanmar and Indonesia

In response to your request, ERCE Equipoise Pte Ltd (ERCE) has carried out an evaluation of the hydrocarbon Reserves and Resources owned by Interra Resources Limited ("Interra") in Myanmar and Indonesia, with Reserves calculated as at 31st December 2016.

We have prepared the Reserves estimates in line with the requirements of the Singapore Exchange (SGX) and the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("PRMS") as the standard for classification and reporting of Proved, Probable and Possible Reserves.

The evaluation and its results have been reported in full in four separate ERCE Qualified Person's Reports (QPRs), one for each asset, dated March 2017. The following summary information has been extracted from the QPRs, to be included in Interra's 2016 Annual Report. ERCE confirmed that the information below has been fully and accurately extracted from the QPRs. Further details can be found in the QPRs, which are available for inspection by Interra's shareholders at Interra's office in Singapore.

The assets for which ERCE conducted the Reserves, Contingent Resources and Prospective Resources evaluations are listed in **Table 1**.

Table 1: Summary of Interra's Assets

Country	Block / Licence	Field	Interra Working Interest (%)	Licence		Current Area (km²)	Outstanding Commitments
				Start of Current Phase	End of Current Phase		
Myanmar	Chauk IPRC	Chauk	60.00	04/10/1996	03/04/2017	955	None
Myanmar	Yenangyaung IPRC	Yenangyaung	60.00	04/10/1996	03/04/2017	845	None
Indonesia	Linda-Sele TAC	Linda, Sele	58.38	16/11/1998	15/11/2018	19	None
Indonesia	Kuala Pambuang PSC	(Exploration)	67.50	19/12/2011	18/12/2017	4,462	2 Expl Wells

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ERC Equipoise Pte Ltd

ERCE reviewed the reservoir and production engineering data provided by Interra of the respective blocks and generated independent production forecasts. ERCE also independently reviewed the CAPEX and OPEX presented by Interra to generate cost forecasts. ERCE's estimates of the oil Reserves, as at 31st December 2016 are summarised for each asset in **Table 2**.

Table 2: Summary of Oil Reserves for Interra's Assets in Myanmar and Indonesia

Country	Block / Licence		Oil Reserves (MMstb)		
			1P	2P	3P
Myanmar	Chauk IPRC	Gross Volumes (100% Field)	0.095	0.097	0.099
		Net Interra Working Interest (60.00%)	0.057	0.058	0.060
Myanmar	Yenangyaung IPRC	Gross Volumes (100% Field)	0.137	0.141	0.144
		Net Interra Working Interest (60.00%)	0.082	0.084	0.086
Indonesia	Linda-Sele TAC	Gross Volumes (100% Field)	0.114	0.121	0.128
		Net Interra Working Interest (58.38%)	0.067	0.071	0.075

Notes:

(1) Gross Volumes represent a 100% total of estimated commercially recoverable oil. Gross Volumes include volumes attributable to third parties and government, including the agreed contract baseline production, and thus contain volumes which are not attirubatle to Interra.

(2) Net Working Interest volumes are Interra's Working Interest fraction of the Gross Volumes. They do not take into account the contractual terms with the host government and do not represent Interra's Net Entitlement under the contract.

The volumes recoverable beyond the expiry of the current contracts are classified as Contingent Resources. The two Myanmar licences are due to expire in April 2017. Interra is in negotiation with the host Government regarding extensions of the licences. Contingent Resources are reported for these licences assuming extensions are granted with no reduction in equity and production continues for a further 11 years. Contingent Resources for the Myanmar assets include volumes recovered from existing wells, planned workovers and new technology (hydraulic fracturing), planned wells and pilot waterflood schemes. There is no planned extension of the Linda-Sele TAC and as such there are no Contingent Resources for this asset. ERCE's estimates of the oil Contingent Resources in the Myanmar assets as at 31st December 2016 are presented in **Table 3**.

Table 3: Summary of Oil Contingent Resources for Interra's Assets in Myanmar

Country	Block / Licence		Oil Contingent Resources (MMstb)		
			1C	2C	3C
Myanmar	Chauk IPRC	Gross Volumes (100% Field)	3.03	3.97	5.21
		Net Interra Working Interest (60.00%)	1.82	2.38	3.13
Myanmar	Yenangyaung IPRC	Gross Volumes (100% Field)	5.22	6.44	7.79
		Gross Volumes (100% Field)	3.13	3.87	4.67

Notes:

(1) Gross Volumes represent a 100% total of estimated recoverable oil from the project, contingent on extension of the licence and further development.

(2) Net Working Interest volumes are Interra's Working Interest fraction of the Gross Volumes. They do not take into account the contractual terms with the host government and do not represent Interra's Net Entitlement under the contract.

(3) The volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the project may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).

(4) Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved and the different basis on which volumes are determined.

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ERC Equipoise Pte Ltd

ERCE has also made an evaluation of Interra's Prospective Resources within the Kuala Pambuang PSC, onshore Indonesia. This exploration block contains multiple undrilled prospects at the two reservoir levels, the Berai Limestone and Warukin Formation. ERCE used geological and geophysical data to estimate a range of in-place and recoverable volumes for 7 Prospects. Estimations of Geological Chance of Success were also made for each Prospect. Summaries of the Unrisked and Risked Prospective Resources of oil in the Kuala Pambuang PSC are presented in **Table 4** and **Table 5** respectively.

Table 4: Summary of Unrisked Prospective Resources for Interra's Kuala Pambuang PSC, Indonesia

Country	Block / Licence		Unrisked Oil Prospective Resources (MMstb)		
			Low	Best	High
Indonesia	Kuala Pambuang PSC	Gross Volumes (100% Prospect)	86	349	1311
		Net Interra Working Interest (67.50%)	58	235	885

Notes:

(1) These volumes represent unrisked resources, i.e. no Geological Chance of Success has been applied.

(2) Gross Volumes represent a 100% total of estimated risked recoverable oil from the PSC

(3) Net Working Interest volumes are Interra's Working Interest fraction of the Gross Volumes. They do not take into account the contractual terms with the host government and do not represent Interra's Net Entitlement under the contract.

Table 5: Summary of Risked Prospective Resources for Interra's Kuala Pambuang PSC, Indonesia

Country	Block / Licence		Risked Oil Prospective Resources (MMstb)		
			Low	Best	High
Indonesia	Kuala Pambuang PSC	Gross Volumes (100% Prospect)	11	41	151
		Net Interra Working Interest (67.50%)	7	28	102

Notes:

(1) A reasonable Geological Chance of Success has been applied to the estimated recoverable resources of each Prospect within the PSC.

(2) Gross Volumes represent a 100% total of estimated risked recoverable oil from the PSC

(3) Net Working Interest volumes are Interra's Working Interest fraction of the Gross Volumes. They do not take into account the contractual terms with the host government and do not represent Interra's Net Entitlement under the contract.

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Basis of Opinion

This document reflects ERCE's informed professional judgement based on accepted standards of professional investigation and, as applicable, the data and information provided by Interra, the scope of engagement, and the time permitted to conduct the evaluation.

ERCE has used standard petroleum evaluation techniques in the generation of this report. These techniques combine geophysical and geological knowledge with assessments of porosity and permeability distributions, fluid characteristics, production performance and reservoir pressure. There is uncertainty in the measurement and interpretation of basic data. We have estimated the degree of this uncertainty and determined the range of petroleum initially in place and recoverable hydrocarbons. Our methodology adheres to the guidelines outlined in the SPE PRMS.

The accuracy of any reserves and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgment. While Reserves and production estimates presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

Oil volumes are reported in millions (106) of barrels at stock tank conditions (MMstb). Stock tank conditions are defined as 14.7 psia and 60°F.

The work completed by ERCE was done so using a dataset provided by Interra. This contained seismic data, horizon interpretations, well data, historical production data, TCM/OCM documents and historical cost budgets.

No site visit was undertaken in the generation of this report.

Definition of Reserves and Resources

The PRMS presents the following definitions of Reserves and Resources.

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, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised 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 categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

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.

In this report, Reserves, Contingent Resources and Prospective Resources net to Interra are reported at a gross field level and a net working interest level. The net working interest level does not take into account any contractual terms with the host government and does not represent Interra's Net Entitlement.

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Qualifications

Except for the provision of professional services on a fee basis, ERCE has no commercial arrangement with any other persons involved in the interests that are the subject of this report.

Staff members involved in the generation of this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work.

Yours faithfully,

Stewart Easton
Chief Operating Officer, Asia Pacific Region, ERC Equipoise Pte Ltd

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corporate **information**

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Marcel Han Liong Tjia
Executive Director &
Chief Executive Officer

Ng Soon Kai
Non-Executive Director

Low Siew Sie Bob
Lead Independent Director
(Non-Executive)

Allan Charles Buckler
Independent Director
(Non-Executive)

Lim Hock San
Independent Director
(Non-Executive)

AUDIT COMMITTEE

Low Siew Sie Bob *(Chairman)*
Allan Charles Buckler
Lim Hock San

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Adrian Chan Pengee

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Meriana Ang
(Appointed since 28 April 2016)

REGISTERED OFFICE

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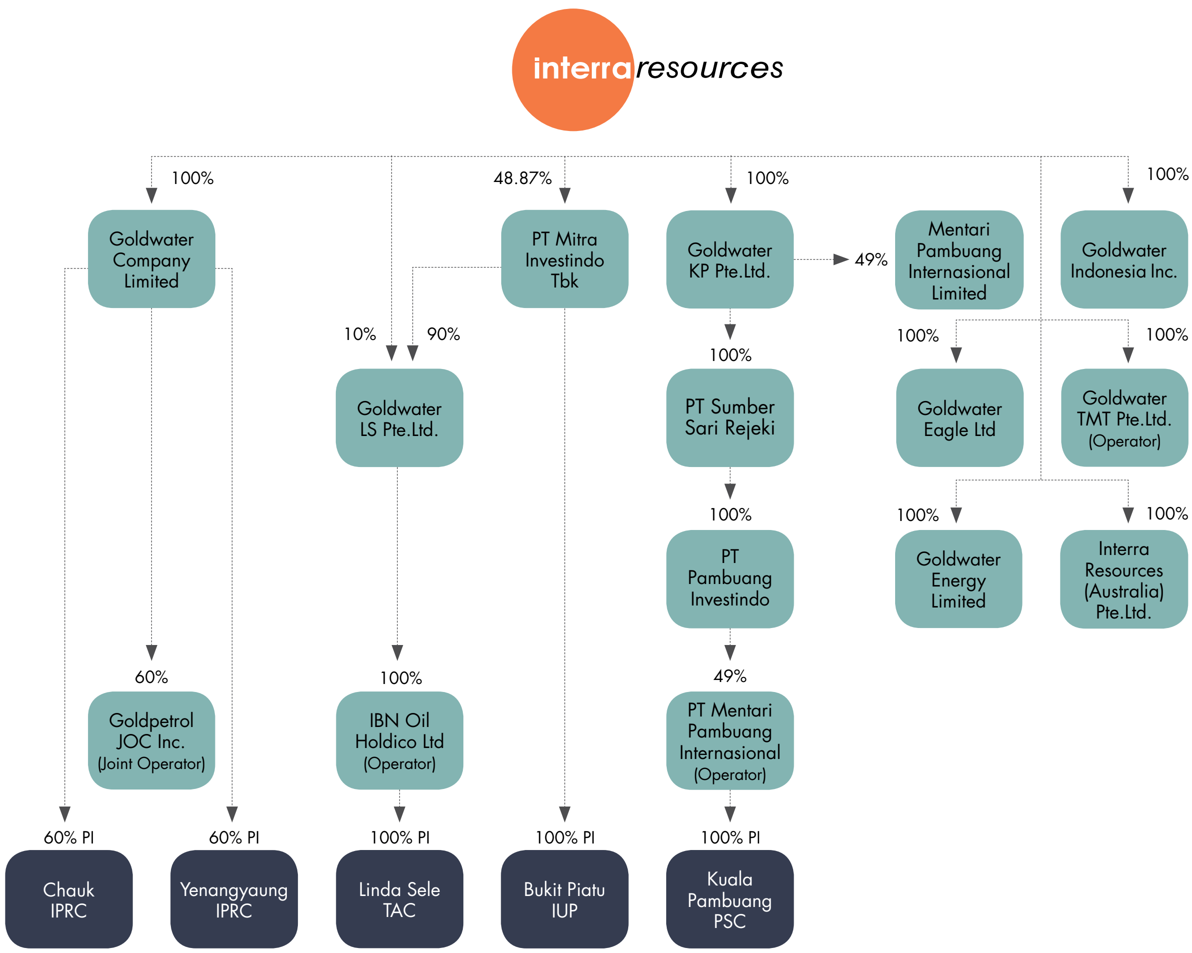
Fax: +65 6738 1170
Website: www.interraresources.com

STOCK EXCHANGE LISTING

Singapore Exchange *(SGX)* – Mainboard
Counter Name: Interra Res *(Code: 5GI)*

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: +65 6227 6660
Fax: +65 6225 1452



PI: Participating Interest

See Note 10 of the Notes to the Financial Statements for information on associated companies

INTERRA RESOURCES LIMITED
Company Registration No: 197300166Z

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Singapore 239693

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Fax : (65) 6738 1170
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Website : www.interraresources.com

NOTICE OF ANNUAL GENERAL MEETING

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("**AGM**") of Interra Resources Limited (the "**Company**") will be held on 28 April 2017 at 10:00 a.m. at RELC International Hotel, Tanglin 1, Level 1, 30 Orange Grove Road, Singapore 258352, to transact the following business:

ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2016 together with the Directors' Statement and the Auditor's Report thereon. **Resolution 1**

2. To re-elect the following directors of the Company (the "**Directors**") who will retire by rotation under Article 89 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr Edwin Soeryadjaya **Resolution 2(a)**

   (b) Mr Low Siew Sie Bob **Resolution 2(b)**

3. To approve the Directors' fees for the financial year ending 31 December 2017 ("**FY2017**") as follows:

   (a) The sum of up to an aggregate of S$350,000 (2016: S$420,000), of which up to 50% may be paid in ordinary shares in the capital of the Company (the "**Remuneration Shares**") that are listed and quoted on the Mainboard of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") to the Directors including any Directors who are also substantial shareholders (as defined in the Companies Act, Chapter 50 of Singapore (the "**CA**")) of the Company. **Resolution 3(a)**

   (b) The number of Remuneration Shares to be allotted and issued to the Directors shall be calculated based on the weighted average price for trades done on the SGX-ST for the full market day on which the additional listing application is submitted to the SGX-ST, or if trading in the Company's shares is not available for a full market day, the weighted average price shall be based on the trades done on the preceding market day up to the time the additional listing application is submitted to the SGX-ST. **Resolution 3(b)**

   (c) Authority be and is hereby given to the Directors to allot and issue the Remuneration Shares, which shall rank in all respects *pari passu* with the then existing ordinary shares in the capital of the Company, and authority be and is hereby given to any Director or the Company Secretary to do all things necessary or desirable to give effect to the allotment and issuance of the Remuneration Shares. **Resolution 3(c)**

4. To re-appoint Nexia TS Public Accounting Corporation as the Auditor of the Company for the ensuing year and to authorise the Directors to fix the remuneration of the Auditor. **Resolution 4**

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

5. That pursuant to Section 161 of the CA and Rule 806 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), the Directors be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of shares to be issued shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company ("**Shareholders**") shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) (the "**General Limit**");

(B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro-rata basis (the "**Renounceable Rights Issues**") shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) (the "**Additional Limit**");

(C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issues, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (1)(A) and (1)(B) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(A) new shares arising from the conversion or exercise of any convertible securities;

(B) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(C) any subsequent bonus issue, consolidation or subdivision of shares;

(5) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(6) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is the earlier. **Resolution 5**

6. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Adrian Chan Pengee
Company Secretary

13 April 2017

NOTE:

A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote at the AGM in his stead. A proxy need not be a member of the Company. Where a member appoints more than one (1) proxy, he must specify the proportion of his holdings to be represented by each proxy. The instrument of proxy, duly executed, must be lodged at the registered office of the Company at 1 Grange Road, #05-04 Orchard Building, Singapore 239693 not less than forty-eight (48) hours before the time appointed for holding the AGM.

EXPLANATORY NOTES ON BUSINESS TO BE TRANSACTED

Resolution 2(a)

Mr Edwin Soeryadjaya, if re-elected, will remain non-executive Chairman of the Company. The profile of Mr Soeryadjaya is set out in the Board of Directors section of the Company's Annual Report for the financial year ended 31 December 2016 ("**AR2016**"). Mr Soeryadjaya is also a controlling shareholder (as defined in the CA) of the Company. Please refer to the Shareholder Demographics – Substantial Shareholders section of the AR2016 for details.

Resolution 2(b)

Mr Low Siew Sie Bob, if re-elected, will remain Lead Independent Director of the Company, Chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee. The profile of Mr Low is set out in the Board of Directors section of the AR2016.

NOTICE OF ANNUAL GENERAL MEETING

Resolutions 3(a), 3(b) and 3(c)

The proposed Resolutions 3(a), 3(b) and 3(c), if passed, will authorise the Directors to allot and issue ordinary shares in the capital of the Company that are listed and quoted on the Mainboard of the SGX-ST to pay up to 50% of the Directors fees for FY2017 to the Directors. Such Remuneration Shares will, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares in the capital of the Company as at the date of their allotment and issue, save that they shall not be entitled to such dividends, rights, allotments or other distributions, the record date of which falls before the date of allotment and issue of the Remuneration Shares.

The actual number of Remuneration Shares to be allotted and issued to each Director holding office at the time of the payment will be determined by reference to the weighted average price for trades done on the SGX-ST, in accordance with Rule 811 of the Listing Manual. In the event Shareholders do not approve the proposed allotment and issue of Remuneration Shares to the Directors at this AGM, then the Directors' fees for FY2017 shall be paid fully in cash.

The Directors who will be, subject to Shareholders' approval, allotted and issued the Remuneration Shares, will abstain from voting and will procure their associates to abstain from voting in respect of Resolutions 3(a), 3(b) and 3(c).

Resolution 5

The proposed Resolution 5, if passed, will empower the Directors, effective until the conclusion of the next AGM, or the date by which the next AGM is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregate of: (i) 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to Shareholders (the General Limit); and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) at the time the proposed Resolution 5 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when the proposed Resolution 5 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (the "**Enhanced Rights Issue Limit**"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the CA requiring the Company to seek Shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from Shareholders.

The Board of Directors is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its Shareholders as it will help the Company raise funds expediently for expansion activities or working capital. The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of Shareholders as a whole.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.