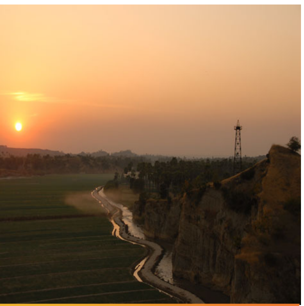
interraresources

INTERRA RESOURCES LIMITED
Company Registration No. 197300166Z

SGX ANNOUNCEMENT
Trading Code: 5GI



17 September 2021

RESPONSE TO QUERIES ON THE UNAUDITED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 ("1HFY21")

The Board of Directors (the "**Board**") of Interra Resources Limited (the "**Company**") refers to the queries received from the Singapore Exchange Regulation ("**SGX RegCo**") on 15 September 2021 regarding the Company's unaudited results for 1HFY21, and would like to respond as follows:

Query 1

In respect of the Group's non-current Other receivables of US$4.6mil as at 30 June 2021, please disclose the following:-
(a) The breakdown and nature of non-current other receivables; and
(b) The Board's assessment on the recoverability of the non-current other receivables.

Response

The Company had previously on 15 March 2021 addressed similar questions raised by SGX RegCo on 11 March 2021 regarding the Company's unaudited results for the financial year ended 31 December 2020 ("**FY2020**").

(a) Breakdown and nature of non-current other receivables

Non-current other receivables	**1HFY21 US$'000**
Loan to non-related parties:	
(a) PT Mentari Abdi Nusa ("**MAN**")	
- Advance for working capital	2,424
- Accrued interest receivable	784
	3,208
(b) PT Energy Alam Mandiri ("**EAM**")	
- Advance for working capital	1,075
- Accrued interest receivable	349
	1,424
Total	**4,632**

The loans to MAN and EAM were used to finance the working capital of the Kuala Pambuang production sharing contract ("**KP PSC**") operations held by the Company's subsidiary, PT Mentari Pambuang Internasional ("**MPI**").

MAN and EAM were the original shareholders of MPI. MPI entered into the KP PSC dated 19 December 2011 with Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) as the contractor to explore and exploit the oil and gas concession over the Kuala Pambuang Block in Central Kalimantan, Indonesia. In

conjunction with the Company's acquisition of its majority stake in MPI, the Company also agreed to provide the loans which were made pursuant to various shareholders loan agreements between the Company's subsidiaries, MAN and EAM.

Under the shareholders loan agreements, the Company's subsidiaries have agreed to provide these loans to MAN and EAM to be used as their share of the working capital required for the KP PSC operation. The loans were given at commercial interest rates. It is a usual "market practice" in Indonesia for a new shareholder farming into an existing oil and gas block to provide loans to the existing shareholders to be used as working capital for the oil and gas block during the exploration period. Under the loan agreements, these loans will be recovered either through revenue from future production derived from the KP PSC operations, or a potential sale of the shares held by MAN and EAM in MPI which holds the KP PSC, to the Company.

(b) Board's assessment on the recoverability of non-current other receivables

The Board has assessed the expected credit losses of other receivables from MAN and EAM based on the requirement of SFRS(I) 9 – Financial Instruments and is of the view that there has been no significant change in the credit risk which indicates there will be default in payment by MAN and EAM. Accordingly, no loss allowance needs to be provided for.

As these receivables may be recovered either through the future revenue of the KP PSC operations or from a sale of the shares of MPI that are held by MAN and EAM, which holds the KP PSC, the Board has also considered the impairment assessment of capitalised exploration and evaluation costs of KP PSC. Additionally, the Company is in the midst of finalising separate supplemental agreements to the shareholders loan agreements, to provide that MAN and EAM are to transfer all the shares that they respectively hold in MPI to the Company if they default on the repayment of these loans.

The Board has also considered ongoing preliminary discussions with potential buyers/investors who have expressed an interest in acquiring the entire/partial interest in KP PSC. If such a sale takes place, these loans will be recovered from the sale proceeds of the shares in MPI that are held by MAN and EAM.

As at 30 June 2021, the Company owes MAN the sum of US$1.0mil (see response to query 6 below) being cost incurred in obtaining the KP PSC. If MAN defaults in the repayment of the loan to the Company, this sum will be offset against the outstanding loan amount due from MAN.

Query 2

Please provide information on the Group's inventory turnover days.

Response

The Group has no trading inventories and thus inventory turnover days is not relevant. The Group's inventories as tabulated below comprised consumable stocks such as tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance.

Inventories	**1HFY21 US$'000**
Inventories - consumable stocks	3,467

Query 3

Please provide an explanation for the Group's significant income tax liabilities when the Company recorded a loss for the financial period.

Response

The Group's income tax liabilities as tabulated below were mainly from its Myanmar operations. Under the Improved Petroleum Recovery Contracts ("**IPRC**s") between the Group and Myanma Oil and Gas Enterprise ("**MOGE**"), the Group's revenue comprises cost recovery entitlement and profit oil entitlement. The profit oil entitlement is subject to Myanmar tax rate of 25% without deductions against expenses, whereas the cost recovery entitlement is not subject to tax. Therefore, there will be tax liabilities as long as revenue is recognised even if losses are recorded.

Current income tax liabilities	**1HFY21 US$'000**
Singapore tax	8
Foreign tax – Indonesia other entities	4
Foreign tax – Myanmar operations	162
Total	**174**

Query 4

Please disclose a breakdown of current trade and other payables amounting to US$4.2mil as at 30 June 2021. For other payables, please disclose the aging and nature of these other payables, the identity of the counterparties and whether the counterparties are related parties.

Response

Current trade and other payables	**1HFY21 US$'000**
Trade payables – non-related parties	972
Trade payable – related party	270
	1,242
Accrued expenses	616
Provision for electricity charges	261
Provision for training levy	353
Provision for community social responsibility	53
Provision for research and development costs	305
Provision for land tax of KP PSC	315
Provision for salary and employee benefits	102
	2,005
Other payables – non-related parties	752
Other payable – related party	201
	953
Total	**4,200**

Current other payables	**1HFY21 US$'000**
MOGE electricity charges – non-related party	615
Various suppliers – non-related parties	137
NPOI - related party	201
Total	**953**

Aging analysis for current other payables excluding provisions	**1HFY21 US$'000**
Less than 1 year	953
Total	**953**

Current other payable – related party was the advance cash call received from the Myanmar joint venture partner, North Petrol Operating Inc. ("**NPOI**") for the month of June 2021. The amount was subsequently utilised for the Myanmar operations.

Query 5

Please provide the reason(s) for the significant trade and other payables of US$4.2mil when the Group recorded cash and cash equivalents of US$5.2mil.

Response

The current trade and other payables of US$4.2mil were mainly from the Myanmar operations which amounted to US$3.8mil. As announced on 9 February 2021, the field operations in Myanmar were temporarily suspended due to civil disobedience movement. Field operations subsequently resumed as announced on 16 July 2021. During the period of disruption, the Group was unable to process bank transactions and thus payment to vendors were delayed. The Group recorded a cash and cash equivalents of US$5.2mil, of which the Myanmar operations generated cash inflow of US$2.0mil during 1HFY21.

Query 6

Please disclose the breakdown and nature of non-current other payables of US$1.3mil.

Response

Non-current other payables	**1HFY21 US$'000**
Other payable – non-related party	936
Other payable – related party	390
Total	**1,326**

Non-current other payable – non-related party was the remaining consideration payable to MAN for the participating rights of PSC KP which amounted to US$1.0mil (see response to query 1 above). The amount was re-measured at FY2020 was based on the extension agreement signed with MAN for extending settlement without interest until 31 December 2022. The amount was at amortised cost of US$0.9mil as at 1HFY21.

Non-current other payable – related party was advance received from NPOI. The amount was unsecured and interest-free.

By Order of the Board of Directors of
INTERRA RESOURCES LIMITED

Marcel Tjia
Chief Executive Officer

About Interra

Interra Resources Limited, a Singapore-incorporated company listed on 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.