ANNUAL REPORT

2017

interra resources

A BRIGHTER FUTURE

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.

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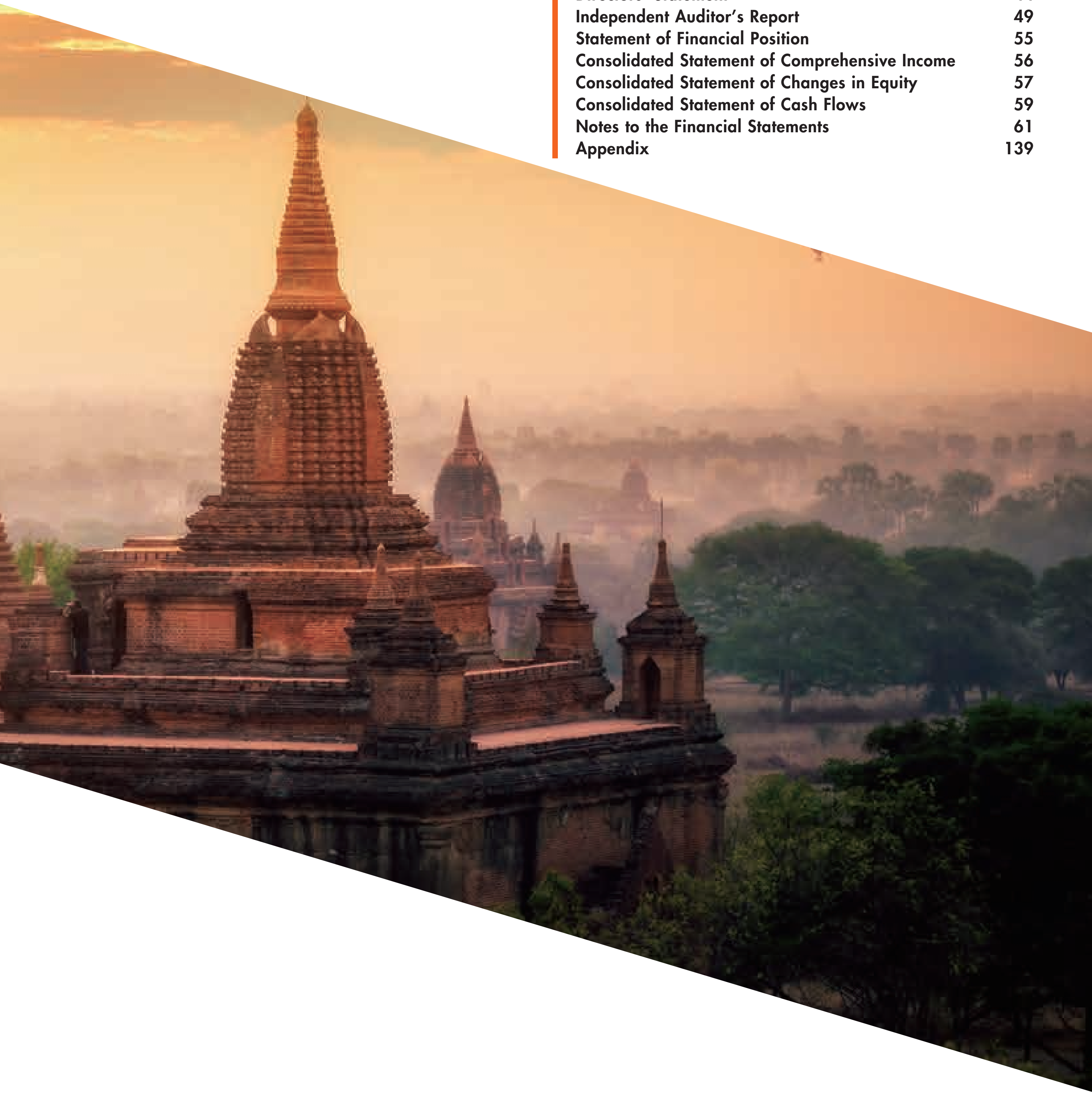


CORPORATE PROFILE

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 five petroleum contract areas in Indonesia and Myanmar.

MYANMAR: CHAUK AND YENANGYAUNG FIELDS

In central Myanmar, we hold 60% working interests in two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs) with the Myanma Oil and Gas Enterprise (MOGE). The IPRCs, which commenced on 4 October 1996 for a term of 20 years and 6 months, were recently extended by 11 years. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol JOC Inc. The adjacent Myanmar concessions, which extend over a total area of approximately 1,800 square kilometres along the Ayeyarwaddy River, are located approximately 580 kilometres north of Yangon. During 2017, the combined gross production for both fields was 837,823 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) with PT Pertamina EP. The TAC commenced on 16 November 1998 for a term of 20 years within a contract area of approximately 19 square kilometres. The LS fields are situated in the Salawati Basin, about 60 kilometres south of Sorong. During 2017, the gross production of the onshore fields was 61,827 barrels of oil.

INDONESIA: BENAKAT BARAT FIELD

In South Sumatra, we hold 30.65% indirect interest in the Benakat Barat (BB) Operations Cooperation Agreement (KSO) with PT Pertamina EP. The KSO for conducting production operations within a contract area of approximately 73 square kilometres was entered into on 16 March 2009 for a term of 15 years. The onshore field, located around 150 kilometres west of Palembang, is operated by an associated company, PT Indelberg Makmur Petroleum.

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 with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (SKKMIGAS) was granted on 19 December 2011 with an initial exploration term of 6 years. It was recently extended for a further period of 4 years over an area of approximately 1,631 square kilometres. The KP block is located on the southern coast of Kalimantan, in the region of 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 2017, the production of the granite quarry was 418,794 tonnes. Disposal of the quarry was completed on 31 January 2018, after which we no longer have any interest in granite.

FINANCIAL HIGHLIGHTS

Group	2017	2016	2015	2014	2013
Financial Performance (US$'000)					
Revenue	**11,245**	15,173	23,452	55,796	50,163
Cost of production	**5,043**	9,610	34,073	44,641	26,839
Gross profit/(loss)	**6,202**	5,563	(10,621)	11,155	23,324
Net profit/(loss)	**399**	(8,818)	(52,784)	(12,280)	7,001
Net profit/(loss) attributable to equity holders	**1,320**[a]	(8,041)[a]	(47,368)[a]	(10,794)[a]	7,001
Financial Position (US$'000)					
Cash and bank balances	**11,192**	11,865	17,828	18,737	12,402
Debt and borrowings	**3,736**	3,739	3,728	1,189	–
Current net assets	**1,972**[b]	8,964	11,378	21,352	14,491
Shareholders' equity	**22,376**	21,492	29,390	71,638	78,625
Cash Flows (US$'000)					
Operating cash flow	**2,636**	(1,297)	8,592	22,651	19,340
Investing cash flow	**(5,230)**	(193)	(7,851)	(29,094)	(23,670)
Financing cash flow	**1,923**	(6,556)	(1,326)	12,778	(2)
Financial Ratio (US cents)					
Basic earnings/(losses) per share	**0.261**[a,c]	(1.588)[a]	(9.846)[a]	(2.419)[a]	1.571
Net asset value per share	**4.418**	4.244	5.803	15.943	17.622

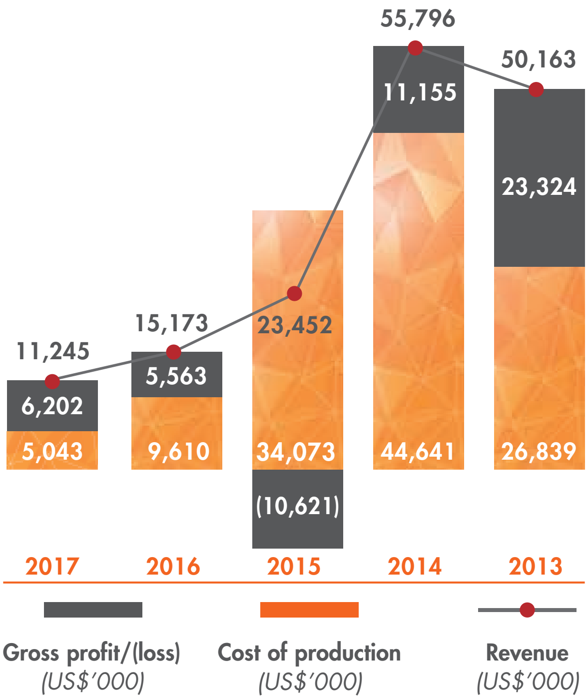
a. Represents figure from continuing operations attributable to equity holders

b. Includes assets and liabilities of disposal group classified as held-for-sale

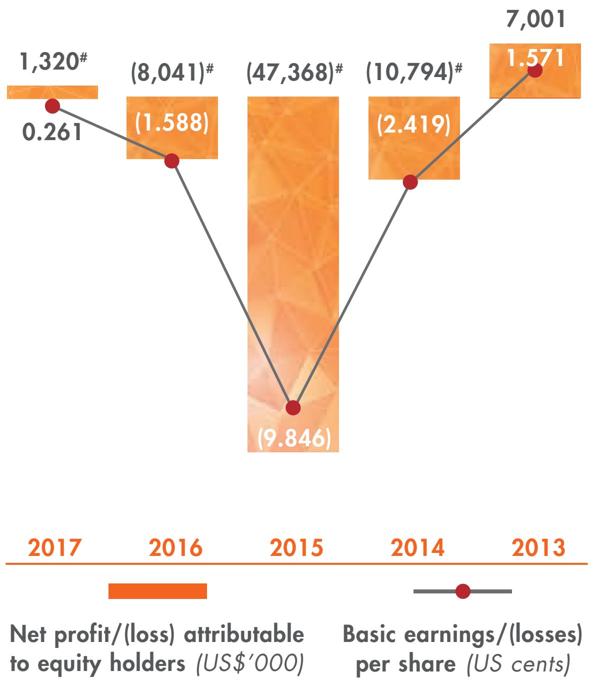
c. See Note 31 of the Notes to the Financial Statements for more information on earnings/(losses) per share

Company	2017	2016	2015	2014	2013
SGX Share Price Information (S$)					
Year-end closing price	**0.062**	0.076	0.084	0.163	0.415
Average closing price	**0.071**	0.070	0.127	0.329	0.460
Highest traded price	**0.095**	0.128	0.205	0.440	0.595
Lowest traded price	**0.045**	0.045	0.070	0.160	0.390
Year-end market capitalisation	**31,399,699**	38,489,954	42,541,528	73,244,108	185,160,698
Average market capitalisation	**35,866,193**	35,687,346	64,092,062	147,836,267	205,138,810

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

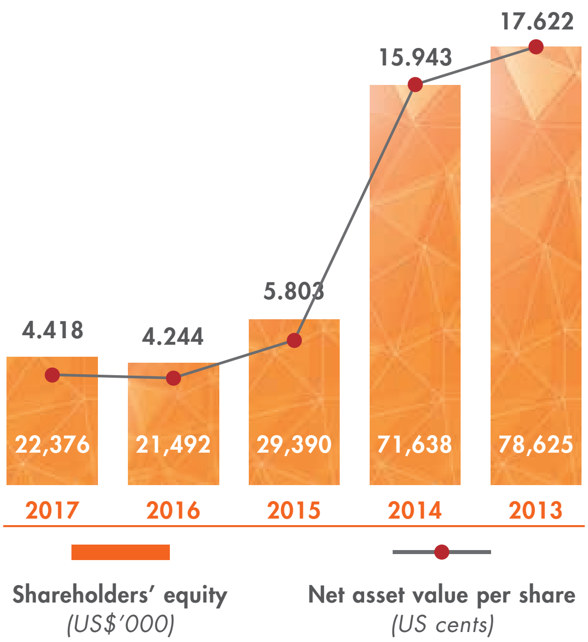


Net profit/(loss) attributable to equity holders & Basic earnings/(losses) per share

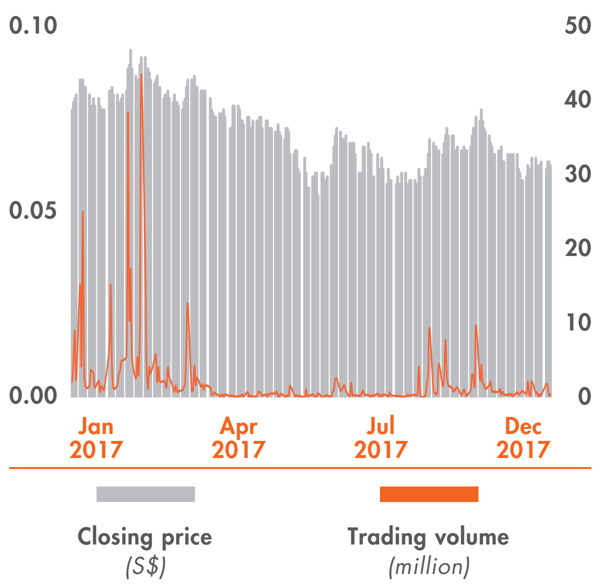


 # Represents figure from continuing operations attributable to equity holders

Shareholders' equity & Net asset value per share



SGX Closing price & Trading volume



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I'm pleased to inform you that Interra Resources Limited (the "Company") and its subsidiaries (the "Group") have returned to profitability after recording losses for the past three years due mainly to depressed crude oil prices. Despite having a 25.9% lower revenue of US$11.25 million due to a decrease in shareable oil production, we produced a net profit attributable to equity holders of US$1.32 million from continuing operations for the financial year ended 31 December 2017 ("FY2017"). We posted net loss attributable to equity holders of US$8.04 million for the financial year ended 31 December 2016 ("FY2016").

CAPITALISE ON FUNDAMENTALS

Over the years, we have built strong fundamentals that have supported our operations through the difficult times. Through prudent management of our resources, we have maintained the organisational flexibility required to stay resilient and to tap into growth prospects as they arise. This agility was put into action as soon as the two Myanmar petroleum concessions were successfully extended on 15 September 2017 for eleven years until 3 April 2028. Our Myanmar operations rolled out its drilling programme and spudded six development wells in last four months of the year. In total, eight development wells were drilled and 227,985 barrels of shareable oil were produced for Myanmar in FY2017. With the contract extension in place, we will now embark on a journey of increasing activities. The initiatives started off with the acquisition of eleven patents at US$5.80 million by our joint venture entity in December 2017. The technology from the patents will be used to acquire production capabilities in order to enhance oil production in the Chauk field and the Yenangyaung field through enhanced oil recovery methods and other technologies. We are confident that the investment will come to fruition in the future.

In Indonesia, the proposed acquisition of the indirect interest in the Benakat Barat Operations Cooperation Agreement ("KSO") in South Sumatra by our Indonesia-listed subsidiary, PT Mitra Investindo Tbk ("MITI"), was completed in October 2017. The Group now holds a total indirect interest of 30.65% in the KSO, of which the accounts are treated as an associate and are not consolidated into the top line. MITI's proposed disposal of the granite quarry was subsequently completed in January 2018. During FY2017, the Group's revenue from Indonesia came solely from the Linda-Sele fields. Drilling at the Linda-Sele fields was put on hold as the petroleum contract will expire in November 2018. The team is currently working on a development proposal to seek continuation of its cooperation with the government agency.

We are excited about the exploration potential of the Kuala Pambuang block given the fact that an independent consultant has concurred with our in-house interpretation of the drillable prospects. The commitment for the initial six-year exploration programme of the Production Sharing Contract ("PSC") has been fulfilled and the exploration term was extended for a further period of four years in November 2017. Hopefully, this exploration block will provide an opportunity to create sustainable shareholder value in time to come.

GETTING BACK ON TRACK

During the year, crude oil prices traded at an average of about US$50 per barrel. In comparison to a low of almost US$30 per barrel in 2015, prices seem to have bottomed out and the oil and gas industry is seeing signs of gradual recovery in some sectors. If crude oil prices stay above the 2017 level, capital expenditure would generally increase with improved producing margins. In the next few years, we intend to exploit our existing portfolio of opportunities in both Myanmar and Indonesia by resuming active development and stepping up our exploration agenda in order to maximise the production potential of our assets. At the same time, we will continue to be mindful of maintaining optimum operating cost efficiency and breakeven threshold. I have faith that our management team, who has weathered the storm of oil price slump with effective cost control and cash management measures, will be able to execute our core strategy with prudence and drive our business forward.

As at 31 December 2017, the Group maintained a healthy cash and cash equivalents (excluding restricted cash and pledged deposits) of US$9.19 million (FY2016: US$9.87 million) and its total borrowings remained unchanged at US$3.74 million (FY2016: US$3.74 million). Barring any unforeseen decline in crude oil prices or unexpected events, the Group has sufficient cash on hand to meet its existing work commitments for 2018. It is envisaged that the Company will be exploring and evaluating various funding options to undertake further development and exploration work plans in the near term. The Board proposes no dividend to be declared in respect of FY2017.

CORPORATE UPDATE

At the general meeting held on 28 April 2017, a new Constitution of the Company and a new share option plan, known as the Interra Share Option Plan 2017 ("ISOP 2017"), were approved by shareholders of the Company. The ISOP 2017 is a replacement of the previous 10-year share option plan adopted on 30 April 2007 and has similar rationale and objectives. The new Constitution, which merges the then Memorandum and Articles of Association of the Company into one

TOTAL REVENUE	COST OF PRODUCTION	NET PROFIT
US$11.25 million	US$5.04 million	US$1.32 million

document, incorporates mostly amendments that take into account the wide-ranging changes made to the Companies Act, Chapter 50 of Singapore under the Companies (Amendment) Act 2014. With the adoption of the new Constitution, indirect investors, including Central Provident Fund investors, can now participate and vote at shareholders' meetings under the multiple proxies regime, and notices and documents from the Company can now be transmitted electronically to shareholders under the implied and deemed consent regime.

The Company's inclusion on the watch-list of the Singapore Exchange due to the minimum trading price ("MTP") entry criteria came into effect from 3 March 2016 and it was subsequently removed from the watch-list with effect from 5 June 2017 based on the average daily market capitalisation threshold of S$40 million. The Company was afterwards placed on the watch-list due to both financial and MTP entry criteria with effect from 5 December 2017. The Board is mindful of the requirements for both exit criteria, which entail recording a consolidated pre-tax profit based on the latest full year audited accounts and a volume-weighted average price of at least S$0.20 over the last six months, together with an average daily market capitalisation of at least S$40 million over the last six months. Having posted a consolidated pre-tax profit for FY2017, the Company will continue to monitor its market capitalisation and make efforts to meet the requirements within thirty-six months.

On 15 December 2017, the Company announced a proposed private placement of 79,526,847 new ordinary shares at S$0.059 each to its Myanmar joint venture partner, North Petroleum International Company Limited ("NPI"). The proposed placement was completed on 30 January 2018 under the general mandate approved by shareholders at the last annual general meeting of the Company. The net proceeds of approximately US$3.47 million will be used for the general working capital purposes, of which periodic announcements will be made upon material disbursement. NPI is now a substantial shareholder of the Company, holding approximately 13.57% of the enlarged issued share capital of 585,973,604 shares. The placement not only strengthens our existing strategic partnership but also validates the confidence that both partners have in the development of the Chauk and Yenangyaung fields in Myanmar. Furthermore, the deepening relationship will allow us to leverage on the strengths and resources of NPI, a Chinese state-owned entity, and to explore further co-operation opportunities.

SUSTAINABILITY REPORT

The Board considers sustainability issues, such as environmental and social factors, as part of its strategic formulation and is pleased that the Company has taken the important step to issue its first entry-level annual sustainability report. A summary of this report is set out in the Sustainability Summary section of this Annual Report and the full report is available on the Company's website. During the year, the Company has been working with a consultant on formulating the sustainability reporting framework so as to provide shareholders with made-to-measure disclosures of the environmental and social aspects that are material to its business operations. The phased approach reporting is based on the internationally recognised Global Reporting Initiative (GRI) Standards along with industry best practices. This debut aims to give shareholders a glimpse of Company's footprint in the environmental and social realms. Gradually, I believe future sustainability reports will deepen stakeholders' understanding of our management of health, social and environmental issues, thereby raising corporate transparency, strengthening risk management, promoting stakeholder engagement and improving communications with stakeholders.

WORDS OF APPRECIATION

On behalf of the Board, I would like to thank our management team for its consistent discipline and perseverance, and all our employees for their continuous dedication and diligence that see the Company turn a profit. I would also like to extend our appreciation to the host governments, local authorities and officials as well as our partners and business associates for the strong support and confidence that they have placed in us. In addition, I would like to take this opportunity to welcome Mr Yin Lifeng aboard as a non-executive Director of the Company this March 2018. Mr. Yin is currently the Vice President of China ZhenHua Oil Co., Ltd and the Managing Director of NPI. With his vast experience in strategic planning and financial management of international oilfield projects, I trust that he will be able to contribute towards the growth of the Company.

My fellow colleagues on the Board and valued shareholders, I am grateful for your unwavering support and trust throughout the years. I look forward to the task before us, as together we work to build a better path towards a brighter future.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

28 March 2018

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 28 April 2017.

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 his position 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 mining), PT Lintas Marga Sedaya (toll road concession holder and operator), PT Mitra Pinasthika Mustika Tbk (consumer automotive) and PT Tower Bersama Infrastructure Tbk (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.

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.

YIN LIFENG • Non-Executive Director

Mr Yin Lifeng is a Non-Executive Director of the Company. He was recently appointed to the board on 13 March 2018 and will be submitting himself for election at the next annual general meeting of the Company.

Mr Yin is the Vice President of China ZhenHua Oil Co., Ltd since 2015, and is in charge of its business strategy, planning, investment and finance. He joined the company in 2012 as Chief Financial Officer and over the years, he accumulated extensive practical experience in enterprise financial management, crude oil trade finance and international oilfield project management. Before joining ZhenHua Oil, Mr Yin worked with the financial department of China Northern Industrial Corporation as its Deputy Director from 2005 to 2012. Mr Yin is currently a member of the owners' committee of Goldpetrol JOC Inc. (Myanmar) and the Managing Director of North Petroleum International Company Limited (Hong Kong).

Mr Yin received a Bachelor's Degree from Renmin University of China in 1998, Master's degree from Capital University of Economics and Business in 2002, and PhD in management from Tsinghua University in 2010. His main research areas were corporate financial management and corporate governance structure. Mr Yin is an adjunct professor at Central University of Finance and Economics and an external tutor at China University of Petroleum – Academy of Chinese Energy Strategy.

Information on the Directors' interests in the Company is set out in the Directors' Statement section of this Annual Report.

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.

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 28 April 2017. 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.

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 leading 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.

Information on the Directors' interests in the Company is set out in the Directors' Statement section of this Annual Report.

KEY MANAGEMENT

FOO SAY TAIN
Chief Financial Officer

Mr Foo Say Tain joined the Company as Chief Financial Officer in November 2007. He has the overall responsibility for the Group's financial reporting and management accounting, treasury, taxation, audit and compliance matters. He has more than 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 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 a 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 Society of Petroleum Engineers.

SUGI HANDOKO
Vice President, Operations

Mr Sugi Handoko assumed the position of Vice President of 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 30 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 25 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 revenue from continuing operations for FY2017 was US$11.24 million (FY2016: US$15.17 million) with Myanmar contributing 81.0% of the total. Contributions from Indonesia diminished because the Technical Assistance Contract ("TAC") for the Tanjung Miring Timur ("TMT") field expired in December 2016. The 25.9% lower crude oil sales were also attributable to the curtailment of activities in Myanmar while awaiting extension of the petroleum contracts, which were signed in September 2017. As crude oil prices picked up, the Group's shareable oil received a higher average sales price of US$51.38 per barrel in FY2017, an increase of 31.6% as compared to US$39.03 per barrel a year earlier. The Group's revenue breakdown by fields for the past five years is charted on the next page.

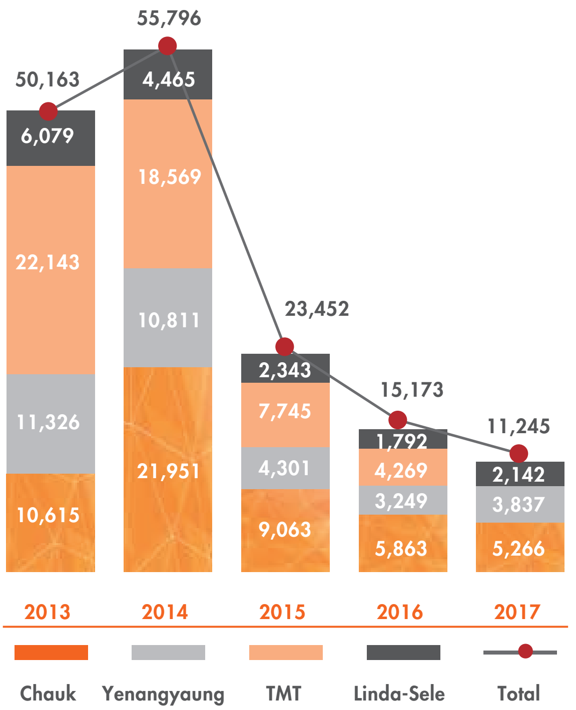
With cost controls and less drilling activities dominating the first eight months of the year, cost of production fell by 47.6% from US$9.61 million in FY2016 to US$5.04 million in FY2017. The decrease was inclusive of a reversal of restoration obligation costs in respect of the TMT TAC of US$1.08 million which was reversed one year after its expiration. As a result, gross profit for the year improved by 11.5% to US$6.20 million.

Other income increased from US$0.06 million in FY2016 to US$0.59 million in FY2017. The higher amount was due mostly to gains in currency translation and fair value of investment properties, both of which posted losses of US$0.20 million and US$0.17 million respectively in the preceding year. Higher finance expenses were associated with rising interest rates. The increase of US$1.19 million in other expenses from US$0.07 million in FY2016 was because the amortised cost adjustment for interest-free non-current receivables from an associated company as required under the Financial Reporting Standards ("FRS"). There were minimal impairments and allowances of US$0.03 million during the year under review as compared to a write-off in consumable inventories of US$1.37 million a year ago. Income tax expense for FY2017 went down by 21.1% to US$0.81 million, in line with the decrease in revenue.

As a result of reduced production expenses and capital expenditures as well as stronger crude oil prices, the Group managed to return to profitability with a net profit after tax of US$0.40 million from its continuing

OPERATING AND FINANCIAL REVIEW

Revenue Breakdown (US'$000)



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

operations in FY2017 (FY2016: net loss of US$8.82 million). With the completion of MITI's divestment of its granite business on 31 January 2018, the Group no longer has to account for the discontinued operations, which incurred a loss of US$0.05 million for FY2017.

In the year ahead, the Group will be gearing up for the commencement of an intensive drilling programme as a result of the contract extensions in Myanmar. Therefore, cost of production is expected to rise with the increased level of activities which include the implementation of secondary oil recovery project using waterflooding technologies. The Group's earnings are still very much dependent on crude oil prices, of which the direction is entirely unpredictable. The Group will continue to be cautious and endeavour to act in response to changes in the global economic situation and market conditions.

Financial Strength

The total assets of the Group were US$54.95 million as at 31 December 2017, a slight increase from US$52.10 million of 2016. Non-current assets increased by US$10.64 million, mostly attributable to capitalisation of drilling expenditure and signature bonus payment pursuant to the Myanmar contract extensions (total of US$3.16 million), acquisition of patents in December 2017 for the purpose of the waterflooding project in Myanmar (US$3.48 million), equity investment in respect of MITI's acquisition of indirect interest in Benakat Barat KSO (US$2.95 million), and amortisation of cost adjustment for interest-free non-current receivables from an associated company required by FRS as mentioned above. On the other hand, current assets decreased by US$7.79 million, mainly due to the discharge of US$2.23 million restricted cash reserved for environmental and restoration in respect of the expired TMT TAC in August 2017, and lesser trade and other receivables of US$8.30 million. The decrease of US$4.36 million in current other receivables was attributable to the completion of MITI's acquisition of indirect interest in Benakat Barat KSO in October 2017, partial settlement of unsecured interest-free loan to non-related parties (US$1.24 million outstanding and extended to 27 August 2018), and receipt of value-added tax refund in respect of the Indonesian operations. The aforesaid decrease in current other receivables was partially offset by an increase of US$2.39 million in loan to an associated company.

The total liabilities of the Group increased slightly from US$26.76 million as at the end of FY2016 to US$27.83 million for FY2017. The higher amount of current trade and other payables was due mostly to the acquisition of the patent rights mentioned above. This increase was partially offset by the recognition of current and non-current provision for environmental and restoration costs made in respect of the expired TMT TAC. There were no additional borrowings by the Group during the year under review. Cash and cash equivalents (excluding restricted cash and pledged deposits) of US$9.19 million as at year end were marginally less than the preceding year end of US$9.87 million.

Net cash of US$2.64 million was generated from operating activities of the Group in FY2017 as compared to net cash of US$1.30 million being used in FY2016. Net cash of US$5.23 million was used in its investing activities, which encompassed additional capital expenditure and signature bonus relating to the Myanmar

contract extensions and disbursement of loan to an associated company. Net cash of US$1.92 million was provided by financing activities of the Group during the year as compared to net cash of US$6.56 million used in the previous year. This arose mainly from the proceeds of US$1.30 million raised by MITI via share placement in February 2017 and loan repayment of US$0.66 million by non-related parties.

During FY2017, the Group incurred capital expenditure of US$3.16 million on development and production activities and US$0.03 million on exploration activities. The additions, compared to a total of US$0.33 million in FY2016, were due to the onset of activities associated with the extension of Myanmar contracts. Although the Group has been able to control its expenditure and manage its cash flows effectively throughout the years, the inherent volatility of crude oil prices may have an unfavourable impact on its financial position. Going forward, it will continue to be vigilant and actively assess its contractual obligations and capital requirements, and seek suitable sources of funding.

Share Capital

As reported previously, all the outstanding options comprising 7,110,000 unissued ordinary shares granted under the Interra Share Option Plan had lapsed and became null and void on 20 January 2017. The expired Interra Share Option Plan adopted on 30 April 2007 was replaced by the new ISOP 2017 approved by shareholders of the Company on 28 April 2017.

On 11 December 2017, the Company granted options to its Directors and employees for the subscription of 24,000,000 ordinary shares under the ISOP 2017. These options may be exercised during the period 12 December 2018 to 10 December 2022 (both dates inclusive) at the price of S$0.06 per share. Key terms of the ISOP 2017 and details of the grant of options are set out in the Directors' Statement section of this Annual Report.

On 15 December 2017, the Company entered into a conditional subscription agreement with NPI for the subscription of 79,526,847 new ordinary shares in the capital of the Company at S$0.059 per share by a way of a private placement. The proposed placement was completed on 30 January 2018, after which the issued share capital of the Company increased from 506,446,757 shares to 585,973,604 shares.

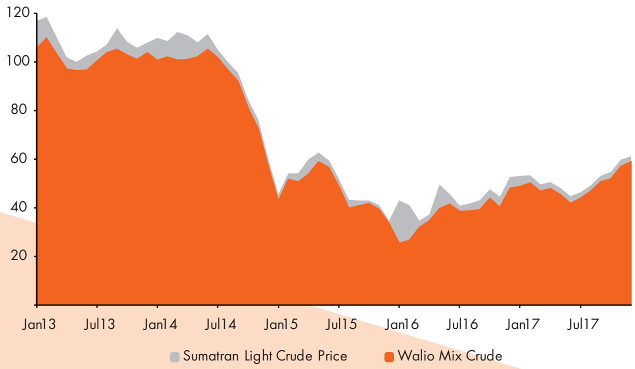
As the end of FY2017, the total issued share capital of the Company remained unchanged at 506,446,757 shares. The Company does not have a share purchase mandate and has no treasury shares or subsidiary holdings.

Crude Oil Prices

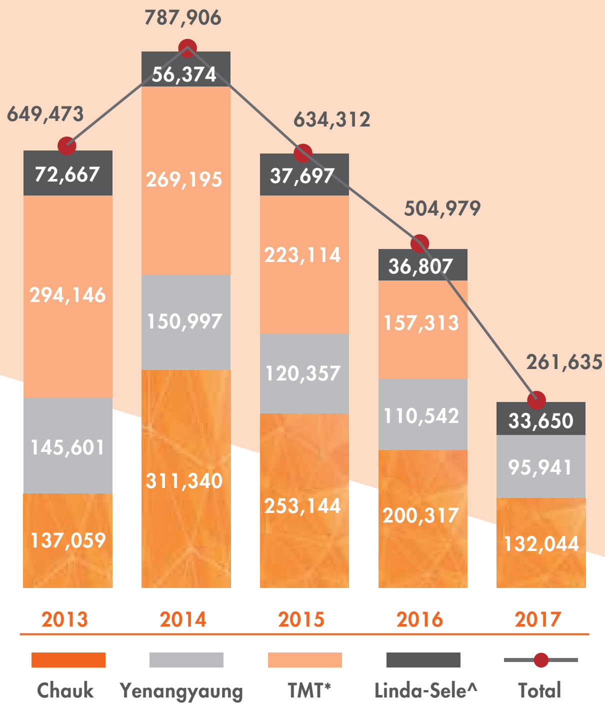
With crude oil prices shifting to a higher trading range of US$40-US$60 per barrel during FY2017 (FY2016: U$$25-US$50 per barrel), the weighted average transacted oil price of the Group increased correspondingly to US$51.38 per barrel from US$39.03 per barrel in the preceding year. The Group's weighted average transacted crude oil prices for the past five years are charted on the next page.

OPERATING AND FINANCIAL REVIEW

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, 58% from Aug 2014 to Jan 2017 and 54% from Feb 2017 onwards.*

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

Crude oil prices may have recovered from the rock-bottom lows of recent years, but prices are expected to remain volatile. Indicators are said to be pointing towards an improving global economic rate of growth, which would in turn boost oil demand and support oil prices. However, the rate of growth and hence demand, may be negatively affected by events such as government reforms and international intervention. On the other hand, supply may be influenced by a combination of changing factors such as conflicts between oil producing countries, competition from shale oil and alternative fuels, and value of the US$ – the trading currency of oil. Bearing in mind the uncertain times, the Group will strive to strike a balance between fiscal discipline and production growth. Given its risk management and internal control policies, the Group does not draw on financial derivatives to hedge its crude oil sales against price decline.

Production

In line with the curtailment of the drilling programme for the past two years owing to crude oil slump and contract expiration, the Group's total shareable oil production for FY2017 fell 48.2% to 261,635 barrels from 504,979 barrels for FY2016. The Group's shareable oil production by fields before application of contractual terms with the respective host governments for the past five years is charted on the left.

The FY2017 shareable oil production from both Chauk and Yenangyaung fields in Myanmar was 26.7% lower than the year before, with 132,044 barrels from Chauk and 95,941 barrels from Yenangyaung (FY2016: 200,317 barrels and 110,542 barrels respectively). In Indonesia, the TMT TAC had expired in 2016 and only the Linda-Sele fields contributed to the Group's top line. The Group's effective contribution from the Linda-Sele fields was adjusted from 58.4% to 54.0% (4.4% less) upon the dilution of its shareholding in MITI arising from MITI's private share placement in February 2017. This was reflected in the 8.6% decrease in shareable oil production from the Linda-Sele fields of 33,650 barrels. The Linda-Sele TAC will expire in November 2018 and negotiations with the local authority to explore further cooperation are ongoing.

With the completion of MITI's acquisition of its indirect interest in the Benakat Barat KSO, the indirect holding of the Group in respect of the KSO increased from 20.00% to 30.65% in October 2017. As the Group does not have majority stake or management control in the interest, the accounts of the Benakat Barat KSO will be taken up as an associate and not be consolidated into the Group's accounts. As for MITI's proposed disposal of the granite quarry, it was completed in January 2018 and henceforth, the Group no longer produces granite.

As mentioned in the past, the deferment in drilling and development activities may cause decline in field production, changes to reserve estimates, or even impairment losses. In the light of falling crude oil prices in the past few years, it was crucial for the Group to control capital expenditure in order to maintain liquidity. Now that prices are gaining strength and the Myanmar contracts were successfully extended, the Group intends to resume its momentum and make up for lost time. Going forward and barring any adverse movements of crude oil prices, the Group is expected to move full steam ahead with its development and exploration plans for both Myanmar and Indonesia.

Operating Activities

- **Myanmar – Chauk and Yenangyaung Fields**

  The curtailment of the drilling programme continued until August 2017 when the contract extensions were approved by the local authority. Afterwards, the operator went on to spud six development wells, three of which were directional wells drilled from the west bank of the Ayeyarwaddy River. In total, eight wells were drilled in Myanmar in 2017 (2016: one well) and five of them were completed as oil producers. The remaining three wells were at different stages of testing as at year end. The combined gross oil production of the two fields for 2017 was 837,823 barrels, 7.7% less than 907,849 barrels produced in 2016.

  During the year, the operator continued to optimise production via surface and borehole enhancements combined with scheduled maintenance with the objective of reducing production declines in existing wells. The geoscience team, in conjunction with an external research centre, had ongoing technical studies aimed at identifying additional opportunities with respect to increasing production in existing wells and possible future development wells. These advanced field studies are focused on internal properties of petroleum reservoirs, production optimisation of existing wells as well as infrastructure improvements and other future field enhancements.

  With the extension of petroleum concessions, a reputable independent resources evaluation company was commissioned to provide an updated reserve report. This update from the previous report for FY2016 captured the substantial reserves gains realised with respect to the 11-year contract extensions. A summary of the report as at 1 August 2017 was announced on 2 October 2017. In 2018, the operator will resume its aggressive drilling campaign and accelerate all field activities including advanced technical planning with respect to operations going forward and incorporating work done by the external research centre with those by the in-house team. From these studies, it has commenced implementation of secondary oil recovery waterflooding project as announced on 1 March 2018.

- **Indonesia – Linda-Sele Fields**

  In 2017, the operator focused on improving and/or maintaining cost efficiency through the strategy of efficient field operations with respect to production optimisation combined with scheduled maintenance aimed at maximising efficient production. Despite being hit by extreme weather throughout the third quarter of the year, its 2017 gross oil production of 61,827 barrels were merely 1.9% lower than last year (2016: 63,048 barrels).

  In view of the impending contract expiration, there will be no new drillings in 2018 and the operator will carry on the same strategy of efficient field operations with regard to production optimisation and scheduled maintenance. Geological, geophysical and reservoir studies with respect to expanding the area of interest for possible contract extension continued.

- **Indonesia – Benakat Barat Field**

  The Group's indirect interest of 30.65% in the Benakat Barat KSO is considered an associate of which the books are not consolidated into its accounts. Therefore, the Group will not report any financial or production numbers relating to the KSO or the field, but will provide a summary of the exploration, development and/or production activities undertaken.

OPERATING AND FINANCIAL REVIEW

In 2017, no new wells were drilled, nor were any cased-hole operations (such as workovers, new perforations, etc) performed. The primary focus was to reactivate existing wells that had not been producing due to lack of field operational support and general poor maintenance. This included general improvement of field infrastructure with the aim of production optimisation and increasing oil production. Feasibility studies with respect to implementing secondary and possibly tertiary recovery (enhanced oil recovery) methods will be ongoing. Geological, geophysical and reservoir studies will also continue in support of these.

- **Indonesia – Kuala Pambuang Block**

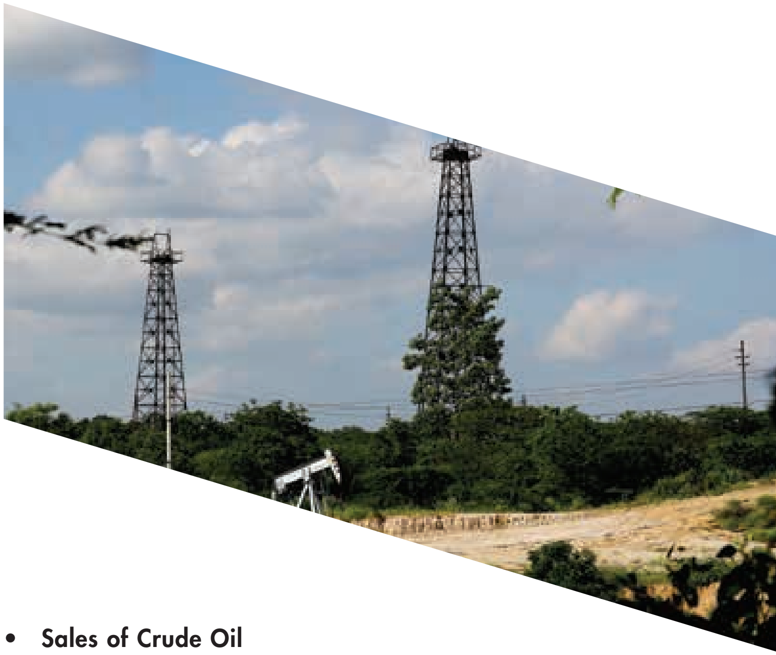
  During the year, the sub-surface interpretation generated from the comprehensive integration of geologic, geophysical and reservoir data by the geoscience team was confirmed by an external consultant firm to have significant areas of Berai Formation carbonate reefs anchored on an extensive carbonate platform. With the completion of the initial six-year exploration programme in 2017, the exploration period was extended for another four years. The operator will now embark on the next phase of exploration programme which encompasses drilling of at least one exploratory well to assess the hydrocarbon potential of these very high quality prospects.

- **Indonesia – Bukit Piatu Quarry**

  Total granite production for 2017 was 418,794 tonnes, 37.3% lower than 667,684 tonnes produced in the previous year. The proposed disposal of the quarry by MITI was completed on 31 January 2018.

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 2015. Following the completion of the disposal of granite quarry on 31 January 2018, the Group no longer produces granite.

- **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 volatile crude oil price environment, the Group's focus on capital expenditure and cost control management may have a negative impact on its progress in respect of reserve replacement.

- **Reserve Diminishment**

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

- **Petroleum Agreements**

  A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection. The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms, revenue is not proportionally dependent on gross production and crude oil prices. In addition, there

OPERATING AND FINANCIAL REVIEW

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 one production-sharing contract expiring in 2018 and the agreement may not be extended or renewed upon expiration.

- **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 substantial 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 failure to develop and employ advanced technologies to achieve maximum recovery rates of hydrocarbons or to gain access to previously inaccessible reservoirs. In addition, continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. In the event that incremental production growth is not sufficient to keep pace with 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.

  Information on the factors impacting the financial and operating performance of the Group is set out in the following sections of the Notes to the Financial Statements of this Annual Report:
  - Note 3, Critical Accounting Estimates, Assumptions and Judgements;
  - Note 33, Contingent Liabilities; and
  - Note 34, Financial Risk Management.

  Information on the factors impacting the environmental and social performance of the Group is set out in the Sustainability Summary section of this Annual Report and the full Sustainability Report on the Company's website.

  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 2017

The gross granite reserve of the Bukit Piatu quarry was estimated to be 3.39 million tonnes as at 31 December 2017. 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 the granite quarry was 48.87% as at 31 December 2017. Disposal of this quarry was completed on 31 January 2018, after which the Group no longer has any interest in granite.

Summary of Oil Reserves and Resources as of 31 December 2017

The following information has been extracted from the qualified person's reports ("QPRs") dated 28 March 2018 prepared by a reputable reservoir evaluation firm, 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^	7.32	4.39	(6.8)	9.50	5.70	(5.3)	12.18	7.31	(1.1)
Indonesia*	1.70	0.53	657	2.56	0.80	1,043	3.61	1.12	1,500
Oil Contingent Resources	**1C**			**2C**			**3C**		
Myanmar	2.81	1.69	8.3	6.14	3.68	36.8	9.19	5.51	43.5
Indonesia	0.00	0.00	–	0.00	0.00	–	0.00	0.00	–
Oil Prospective Resources	**Low Estimate**			**Best Estimate**			**High Estimate**		
Indonesia									
Unrisked	86	58	0.1	349	235	0.1	1.311	885	0.0
Risked	11	7	4.8	41	28	(0.3)	151	102	0.1

^ *Change in oil reserves of Myanmar is with respect to the Summary of Oil Reserves and Resources as at 1 August 2017 (announced on 2 October 2017), which was an update from 31 December 2016.*

* *Oil reserves of Indonesia are inclusive of an additional indirect interest of which the acquisition was completed on 24 October 2017.*

Notes:

"1P"	:	Proved
"2P"	:	Proved plus probable
"3P"	:	Proved plus probable plus possible
"Change"	:	Change from the previous update, 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
"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 2017 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 2018

(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 (km^2)**	**Type of Deposit**
Myanmar						
Chauk Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2028	955	Hydrocarbon
Yenangyaung Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2028	845	Hydrocarbon
Indonesia						
Linda-Sele Fields	53.99	Producing	Technical Assistance Contract (TAC)	15 November 2018	19	Hydrocarbon
Benakat Barat Field	30.65~ (indirect)	Producing	Operations Cooperation Agreement (KSO)	15 March 2024	73	Hydrocarbon
Kuala Pambuang Block	67.50	Exploration	Production Sharing Contact (PSC)	18 December 2021	1,631	Hydrocarbon

~ *Indirect interest is an associate of which the financial statements are not consolidated.*

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 in 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 under review. 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 attended a corporate governance seminar which discussed the latest corporate governance and regulatory developments as well as how AC chairmen could execute their roles more efficiently and effectively in light of the developments.

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

The attendance of every member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during each member's period of appointment in respect of the financial year ended 31 December 2017 ("**FY2017**"), is set out as follows:

Name	Board Meeting Attendance	AC Meeting Attendance	NC Meeting Attendance	RC Meeting Attendance
Edwin Soeryadjaya *Chairman (Non-Executive)*	2/3	–	–	–
Marcel Han Liong Tjia *Executive Director & Chief Executive Officer*	3/3	–	–	–
Ng Soon Kai *Non-Executive Director*	3/3	–	2/2	1/1
Low Siew Sie Bob *Lead Independent Director (Non-Executive)*	3/3	3/3	2/2	1/1
Allan Charles Buckler *Independent Director (Non-Executive)*	3/3	3/3	2/2	1/1
Lim Hock San *Independent Director (Non-Executive)*	3/3	3/3	2/2	1/1

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 FY2017, the Board comprised six (6) Directors, three (3) of whom are independent. The three (3) independent Directors, namely, Mr Low Siew Sie Bob ("**Mr Low**"), Mr Allan Charles Buckler ("**Mr Buckler**") and Mr Lim Hock San ("**Mr Lim**"), formed half of the Board, with Mr Low being the Lead Independent Director. This is in compliance with the Code recommends independent directors to make up at least half of the Board where the Chairman is not an independent director. 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.

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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.

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.

CORPORATE GOVERNANCE REPORT

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.
(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.

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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 Buckler and Mr Lim are due to retire by rotation pursuant to Regulation 100 of the Company's Constitution. Therefore, the NC has recommended to the Board that Mr Buckler and Mr Lim, who being eligible, be nominated for re-election at the AGM and the Board has accepted the recommendations of the NC. Mr Buckler will, upon re-election as a Director, remain as an Independent Director of the Company, Chairman of the NC and the RC, and a member of the AC. Mr Lim will, upon re-election as a Director, remain as an Independent Director of the Company and a member of the AC, 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.

There was no new appointment of Director during the year under review. 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 Board meetings.

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

CORPORATE GOVERNANCE 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.

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.

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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.
(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.

CORPORATE GOVERNANCE REPORT

(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 Board meetings.

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.

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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.

The Company has in place a share option plan which serves 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. The original plan with duration of ten (10) years was adopted on 30 April 2007. During the year, the RC recommended a new share option plan with similar rationale and objectives to replace the old one upon its expiry. The new plan, known as the Interra Share Option Plan 2017 ("**ISOP 2017**"), was approved by shareholders at the extraordinary general meeting held on 28 April 2017. This long-term incentive scheme, which takes into account the costs and benefits of such incentives, is 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 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 37 of the Notes to the Financial Statements of this Annual Report and additional disclosure required by the Code is set out in the paragraphs below.

CORPORATE GOVERNANCE REPORT

The total remuneration of Directors including CEO for FY2017, which amounted to S$966,791 (FY2016: S$959,103), is summarised as follows:

Name	Directors' Fees	Base/Fixed Salary	Variable Component or Bonuses	Share-based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000					
Non-Executive Directors					
Edwin Soeryadjaya	100%	–	–	–	–
Ng Soon Kai	93%	–	–	7%	–
Low Siew Sie Bob	95%	–	–	5%	–
Allan Charles Buckler	95%	–	–	5%	–
Lim Hock San	94%	–	–	6%	–
Above S$500,000					
Executive Director & CEO					
Marcel Han Liong Tjia	–	86%	7%	1%	6%

The Company has four (4) key management personnel and their total remuneration for FY2017, which amounted to S$1,061,652 (FY2016: S$1,020,146), 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%	–	1%	16%
Han Liqiang	91%	9%	–	–
S$250,000 – S$500,000				
Foo Say Tain	90%	6%	1%	3%
Sugi Handoko	93%	6%	–	1%

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.

The Company had on 11 December 2017 made offers on grant of options pursuant to the ISOP 2017. Key terms of the ISOP 2017 and details on the grant of options are set out in the Directors' Statement section of this Annual Report.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

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

The Board is mindful of its responsibility of overseeing the corporate performance of the Company and its accountability to shareholders for the processes of directing and managing the Company's business and affairs. Announcements of the quarterly operational activities and financial results as well as ad hoc updates 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.

CORPORATE GOVERNANCE **REPORT**

The CEO and CFO have provided a letter of assurance with respect to FY2017 to the Board confirming that:

(a) the financial statements of the Company (together with its subsidiaries, the "**Group**") for FY2017 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 2017;

(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.

CORPORATE GOVERNANCE REPORT

(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.

(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, focusing 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.

CORPORATE GOVERNANCE REPORT

(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.

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 financial statements and all its Singapore-incorporated subsidiaries' financial statements. 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 financial statements of the Company's significant foreign-incorporated components are audited by Nexia TS, Nexia TS affiliates or suitable reputable accounting firms. Therefore, the Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual for FY2017.

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 FY2017 amounted to US$134,517 (FY2016: US$141,561) and no non-audit services provided for FY2017. 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 2018. 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.

CORPORATE GOVERNANCE REPORT

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.

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. Following the adoption of the new Constitution of the Company at the extraordinary general meeting held on 28 April 2017, notices and documents from the Company can now be transmitted electronically to shareholders under the implied and deemed consent regime. 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. With the new Constitution, shareholders who are relevant intermediaries, such as banks, capital market services licence holders which provide custodial services and the Central Provident Fund Board, are allowed 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.

CORPORATE GOVERNANCE REPORT

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.

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 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

There were no interested person transactions entered into during FY2017. The Company did not seek any general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual during FY2017.

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.

SUSTAINABILITY SUMMARY

FROM THE CHAIRMAN

Developing resources responsibly requires a collective effort and everyone has a role to play. We must continue to operate in a safe and environmentally responsible manner and collaborate with communities in a mutually beneficial way. In addition, energy producers depend on host governments to develop policies that are based upon sound principles and at the same time, that serve to balance social, economic and environmental goals. Regulatory processes should be clear and transparent, and should hold industry players accountable for their performance.

With 20 years of experience developing Myanmar's crude oil resources and cooperating with the Myanma Oil and Gas Enterprise (MOGE), Interra's long-term commitment to safe operations, minimised impact on the land, air and water, as well as investment in our communities remains strong. In 2017, Interra continued to stay true to "Exploring, Discovering Value" by being responsible, mindful and ethical while focusing on delivering results thereby, positioning the Company for profitable and sustainable growth. Highlights of our Sustainability Report include the following:

- **Sustainable development**

  During the year, our Myanmar joint venture entity with China ZhenHua Oil Co., Ltd (ZhenHua Oil), Goldpetrol, was successfully awarded an 11-year extension of the IPRCs for the Chauk and Yenangyaung oil fields. In addition, five wells were drilled and completed as oil producers in the Chauk oil field, contributing to an increase in production averaging 217 barrels of oil per day. With the IPRC extensions, together with lessons learnt from the Group's cost control strategy in previous years, Goldpetrol is well-positioned to put in place the investment and development planned for the oil fields and increase production output in 2018 and beyond.

- **Environmental stewardship**

  Our commitment is more than just compliance. We seek to improve on our environmental performance by reducing our impact on land and water from exploration to decommissioning. Through focused improvement efforts, we had no spills and no regulatory compliance incidents in Myanmar in 2017, demonstrating the benefit of integrating environmental initiatives into our business plans and strategies.

- **Health and safety**

  Safety is always our highest priority. We remain unwavering in our commitment to achieve a safe and secure workplace through a strong focus on leadership behaviour, workforce engagement, risk management and consistent application of our Environment Management Plan (EMP), which has been in place at our Myanmar operations since 2014.

- **Community**

  In 2017, Goldpetrol invested more than US$100,000 in the Chauk and Yenangyaung communities, towards the causes of education, sports, healthcare, infrastructure and community building.

  This Sustainability Report highlights how we are meeting the demand for energy in an economically, environmentally and socially responsible way. While we strive to make continual progress, there are always opportunities for improvement. Our business principles and approach provide a solid framework for developing our resources responsibly.

  We do these so future generations can enjoy the benefits of the actions we take today.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

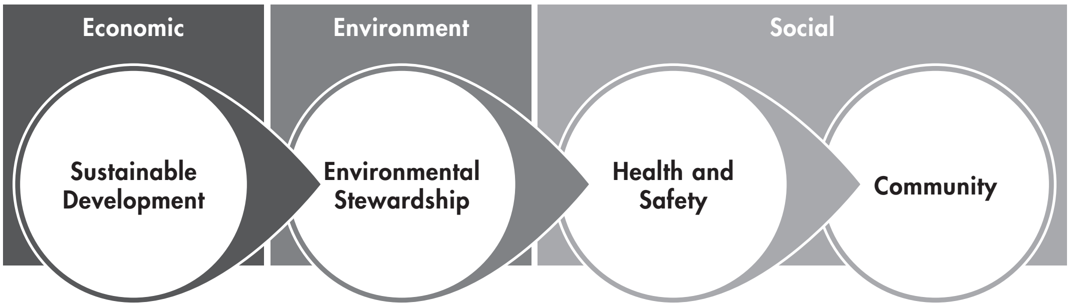
28 March 2018

The full Sustainability Report for FY2017 is available on the Company's website.

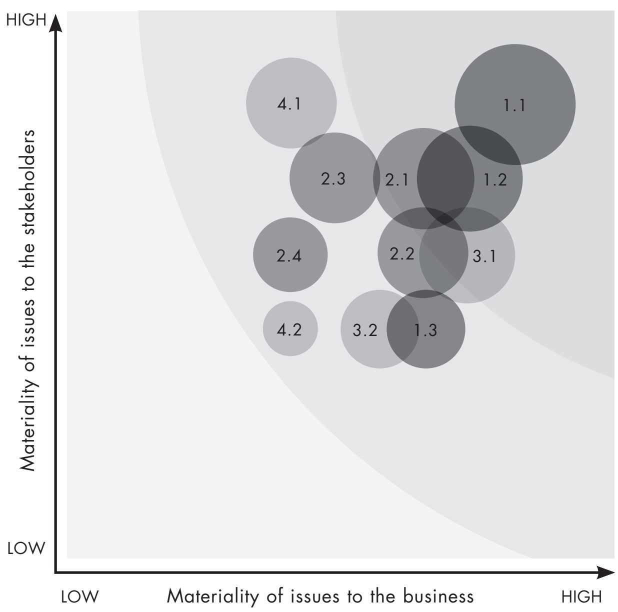
SUSTAINABILITY SUMMARY

OUR SUSTAINABILITY STRATEGY

At the Group, our sustainability strategy aims to create integrated values. Not only do we create economic value by maximising profits and shareholder value, but we also take on a broader responsibility as a global corporate citizen to create societal values. We commit to deliver value to all our stakeholders. As we look back on our progress over the last year, our efforts to deliver value to all our stakeholders can be summarised as follows:–



We engage both internal and external stakeholders on a regular basis with the goal of strengthening our sustainability approach and performance. Based on the stakeholder engagement, we developed our sustainability materiality matrix containing material aspects which are aligned with our principal business and operational risks, and formed our sustainability strategy which has shaped our approach to sustainability reporting. We will review and adjust the matrix each year, as the external and business context changes.



Sustainable development
1.1 Long-term plans
1.2 Managing continual improvement
1.3 Identification of new technologies

Environmental stewardship
2.1 Managing greenhouse gas emissions
2.2 Energy efficiency
2.3 Water use
2.4 Land and waste management and biodiversity

Health and safety
3.1 Operational safety
3.2 Knowledge transfer and sharing

Community
4.1 Community involvement and education
4.2 Stakeholder engagement

The full Sustainability Report for FY2017 is available on the Company's website.

SUSTAINABILITY SUMMARY

SUSTAINABLE DEVELOPMENT

Since 1997, we have been operating the Chauk and Yenangyaung oil fields in central Myanmar, and cooperating with the MOGE. Armed with robust drilling and development plans as well as investments in new technologies, Goldpetrol is well-positioned to deliver sustainable development for the Group for the future.

During the year, Goldpetrol was successfully awarded an 11-year extension of the IPRCs for the Chauk and Yenangyaung oil fields. Furthermore, Interra entered into a conditional subscription agreement with North Petroleum International Company Limited (NPI), a wholly-owned subsidiary of ZhenHua Oil, for the subscription of 79.5 million new ordinary shares in the capital of Interra by way of a private placement, which was completed on 30 January 2018.

With the IPRC extensions, Goldpetrol resumed its drilling campaign and accelerated all field activities. Five wells were drilled and completed as oil producers in the Chauk oil field during the year, comprising four development wells and one directional development well, contributing to an increase in production averaging 217 barrels of oil per day.

In addition, Goldpetrol acquired eleven patents from Chengdu North Petroleum Exploration & Development Technology Co., Ltd (CNPED), another wholly-owned subsidiary of ZhenHua Oil. The acquisition was completed in February 2018, and the patents will be utilised to enhance oil production in the Chauk and Yenangyaung oil fields using enhanced oil recovery methods and other technologies. By adopting the patents in Myanmar, Goldpetrol is introducing new technologies to the Myanmar oil and gas industry, and will benefit the industry in general.

In light of these new developments, together with lessons learnt from the Group's cost control strategy in previous years, Goldpetrol is well-positioned to leverage on the strategic partnership between Interra and ZhenHua Oil, and put in place the investment and development planned for the oil fields and increase production output in 2018 and beyond.

The Water Flood Project

In 2018, Goldpetrol will commence a secondary oil recovery project implemented through water flood of producing oil reservoirs in the Chauk oil field (the 'Water Flood Project'). The water flood method is generally accepted as having the potential to significantly increase oil recovery. This would be effective in both maintaining reservoir pressure and sweeping oil locked in the reservoirs to producing areas.

In 2016, a small-scale pilot project was initiated in the Chauk field using injection pumps and existing wells for both injection and targets. Since the beginning of the pilot water flood, there has been an average oil production gain of the combined targeted wells of approximately 75%.

Concurrent with the pilot project, planning began on a more extensive water flood project for the entire Singu North producing fault block in northern Chauk field with numerous wells and multiple reservoirs to be injected. This highly technical planning has involved expertise from both Goldpetrol and an external petroleum research centre. Upon the completion of the Water Flood Project, there will be six pump-supported injector wells targeting over twenty producing oil wells.

The full Sustainability Report for FY2017 is available on the Company's website.

SUSTAINABILITY SUMMARY

ENVIRONMENTAL STEWARDSHIP

Goldpetrol is committed to operating in an environmentally responsible manner to develop Myanmar's crude oil reserves and resources. We seek to reduce our impact on wildlife, land, air and water at our operations through our commitment to our EMP and adherence to government regulations.

In 2017, we had no spills and no regulatory compliance incidents in Myanmar, demonstrating the benefit of integrating environmental initiatives into our business plans and strategies. We are mindful of the environmental in which we operate and we strive to minimise our impact.

In addition, our total greenhouse gas emissions arise mainly from electricity and energy usage. As such, electricity and energy efficiency presents a tremendous opportunity to make an impact on both the environment and our bottom line. Improving electricity and energy efficiency in our operations will help lower costs, improve competitiveness, and reduce emissions.

HEALTH AND SAFETY

Safety is a core value in every aspect of Goldpetrol's operations. Ensuring the safety of the people who work in or live near our operational areas is our number one priority. We continue to make progress on our commitment to achieve a safe and secure workplace through a strong focus on leadership behaviour, workforce engagement, risk management and consistent application of our EMP, which has been in place at our Myanmar operations since 2014. The EMP is a comprehensive framework with a common set of expectations that embodies our commitment to managing personnel and process safety as well as operational and environmental risks inherent in our business.

While we manage our business with the goal of preventing incidents, we are prepared for emergencies and can respond quickly, effectively, and with care to emergencies or incidents resulting from our operations. In the event of an incident, locally-trained personnel are supported by a response team from MOGE to control the situation, minimise impacts and restore operations in as short a time as possible.

Together with our joint venture partner, we periodically conduct short-courses and on-the-job training for our workers to ensure that they are well-equipped to manage new and emerging oil production processes that are currently being put in place.

COMMUNITY

Goldpetrol has long been a part of the community which we operate in. We offered financial and volunteer support to MOGE-organised community outreach exercises in Chauk and Yenangyaung each year, and we are actively engaged in community services.

Our giving and community engagement is guided by our main areas of focus, which include:

- education and sports;
- healthcare;
- basic infrastructure building and maintenance; and
- indigenous capacity and community building.

The full Sustainability Report for FY2017 is available on the Company's website.

SHAREHOLDER DEMOGRAPHICS

AS AT 16 MARCH 2018

ISSUED SHARE CAPITAL

Class of Shares	Number of Shares	%	Voting Rights
Ordinary shares	585,973,604	100	One (1) vote per share (on poll)
Total	**585,973,604**	**100**	

ORDINARY SHARES

Distribution of Shareholdings
(As per the Register of Members and Depository Register)

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 to 99	301	2.95	9,209	0.00
100 to 1,000	4,513	44.17	1,939,695	0.33
1,001 to 10,000	2,680	26.23	13,119,841	2.24
10,001 to 1,000,000	2,697	26.40	196,509,728	33.54
1,000,001 and above	26	0.25	374,395,131	63.89
Total	**10,217**	**100.00**	**585,973,604**	**100.00**

Twenty Largest Shareholders
(As per the Register of Members and Depository Register)

Name of Shareholder	Number of Shares	%
Citibank Nominees Singapore Pte Ltd	115,805,951	19.76
UOB Kay Hian Pte Ltd	93,221,860	15.91
DBS Nominees Pte Ltd	85,094,806	14.52
Raffles Nominees (Pte) Ltd	18,290,376	3.12
Maybank Kim Eng Securities Pte Ltd	9,876,665	1.69
Phillip Securities Pte Ltd	8,437,195	1.44
Lim & Tan Securities Pte Ltd	6,737,500	1.15
OCBC Securities Private Ltd	4,717,332	0.81
United Overseas Bank Nominees Pte Ltd	3,638,720	0.62
Goh Kim Siah	2,888,800	0.49
Goh Khay Pheng (Wu Qiping)	2,687,900	0.46
Teo Chor Kok	2,238,000	0.38
Lie Tjoei Tjoe	2,000,000	0.34
OCBC Nominees Singapore Pte Ltd	1,959,772	0.33
Wah Leong Co Pte Ltd	1,800,000	0.31
CGS-CIMB Securities (Singapore) Pte Ltd	1,784,254	0.30
Lim Chin Leong	1,586,600	0.27
Chua Lai Siang	1,570,000	0.27
Tan Yong Hua	1,555,400	0.27
Lau Wee Kiat (Liu Weijie)	1,400,000	0.24
Total	**367,291,131**	**62.68**

SHAREHOLDER DEMOGRAPHICS

AS AT 16 MARCH 2018

Substantial Shareholders
(As per the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Substantial Shareholder	**Number of Shares**	**%**	**Number of Shares**	**%**
Edwin Soeryadjaya[1]	540,000	0.09	79,364,000	13.54
Sandiaga Salahuddin Uno[1]	600,000	0.10	79,364,000	13.54
PT Saratoga Investama Sedaya[1]	79,364,000	13.54	–	–
North Petroleum International Company Limited	79,526,847	13.57	–	–
Meity Subianto[2]	–	–	52,500,000	9.05
Shining Persada Investments Pte. Ltd.[2]	52,500,000	9.05	–	–

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) Meity Subianto 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.

Treasury Shares and Subsidiary Holdings

The Company has no treasury shares and subsidiary holdings.

Public Shareholding

Based on the information available to the Company as at 16 March 2018, approximately 62% of the total number of issued shares of the Company is 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 2017

The directors present their statement to the members together with the audited statement of financial position of the Company as at 31 December 2017 and the consolidated financial statements of the Group for the financial year ended 31 December 2017.

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 55 to 138 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 2017 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	
Yin Lifeng	(Appointed on 13 March 2018)
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 45 to 47.

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 end of the financial year and 21 January 2018	At beginning of the financial year	At end of the financial year and 21 January 2018	At beginning of the financial year
The Company				
Ordinary Shares				
Edwin Soeryadjaya	540,000	540,000	79,364,000	79,364,000
Subianto Arpan Sumodikoro*	–	540,000	–	52,500,000
Ng Soon Kai	480,000	480,000	–	–
Low Siew Sie Bob	120,000	120,000	–	–
Allan Charles Buckler	6,458,400	6,458,400	–	–
Lim Hock San	360,000	360,000	–	–

* Ceased as director by reason of demise on 4 January 2017

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Interra Share Option Plan as set out below and under "Share Options" on pages 45 to 47.

	Number of Unissued Ordinary Shares under Option	
	At end of the financial year and 21 January 2018	**At beginning of the financial year**
2012 Options		
Marcel Han Liong Tjia	–	4,000,000
Ng Soon Kai	–	1,350,000
Low Siew Sie Bob	–	350,000
Allan Charles Buckler	–	1,350,000
2017 Options		
Marcel Han Liong Tjia	6,000,000	–
Ng Soon Kai	2,850,000	–
Low Siew Sie Bob	2,850,000	–
Allan Charles Buckler	2,850,000	–
Lim Hock San	2,850,000	–

On 20 January 2017, all the outstanding share options under 2012 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.

SHARE OPTIONS

(a) Interra Share Option Plan 2017

The Interra Share Option Plan (the "Plan") which was adopted on 30 April 2007 has expired on 29 April 2017. A new share option plan named as Interra Share Option Plan 2017 ("ISOP 2017") was approved by members of the Company at an Extraordinary General Meeting on 28 April 2017. ISOP 2017 provides a mean to recruit, retain and give recognition to directors of the Group, employees, controlling shareholders and/or their associates, who have contributed to the success and development of the Group with an opportunity to participate in the equity of the Company and to motivate them to better performance through increased dedication and loyalty. The ISOP 2017 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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

SHARE OPTIONS (CONT'D)

Subject to the absolute discretion of the Remuneration Committee, the controlling shareholders and/or their associates are eligible to participate in the ISOP 2017, provided that the participation of the controlling shareholders and/or their associates and the actual number of shares comprised in the option(s) and terms of such option(s) to be granted to any of them only be effected with the specific prior approval of independent shareholders in a general meeting in separate resolutions. The aggregate number of shares over which options can be granted to one controlling shareholder or his associate shall not exceed 10% of the total number of shares available under the ISOP 2017, and the aggregate number of shares over which options can be granted to all controlling shareholders and their associates shall not exceed 25% of the total number of shares available under the ISOP 2017.

Under the ISOP 2017, 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 ISOP 2017, shall not exceed 15% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date.

The Company granted options under the Plan to subscribe for 10,050,000 ordinary shares of the Company at exercise price of S$0.148 per share ("2012 Options") on 20 January 2012. The 2012 Options became null and void on 20 January 2017.

On 11 December 2017, the Company granted options to directors and employees to subscribe for 24,000,000 ordinary shares of the Company at exercise price of S$0.06 per share ("2017 Options"). The 2017 Options are exercisable from 12 December 2018 and will expire on 10 December 2022. The total fair value of the 2017 Options granted was estimated to be S$406,283 (US$300,626) using the Binomial Option Pricing Model.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

SHARE OPTIONS (CONT'D)

Details of the 2017 Options granted to key management personnel and employees (other than the directors) of the Company are as follows:

Number of Unissued Ordinary Shares of the Company under Option			
Granted during the financial year	**Aggregate granted since commencement of Plan to end of the financial year**	**Aggregate exercised since commencement of Plan to end of the financial year**	**Aggregate outstanding at end of the financial year**
6,600,000	6,600,000	–	6,600,000

Details of the 2017 Options granted to the directors of the Company are as follows:

	Number of Unissued Ordinary Shares of the Company under Option			
Name of director	**Granted during the financial year**	**Aggregate granted since commencement of Plan to end of the financial year**	**Aggregate exercised since commencement of Plan to end of the financial year**	**Aggregate outstanding at end of the financial year**
Marcel Han Liong Tjia	6,000,000	6,000,000	–	6,000,000
Ng Soon Kai	2,850,000	2,850,000	–	2,850,000
Low Siew Sie Bob	2,850,000	2,850,000	–	2,850,000
Allan Charles Buckler	2,850,000	2,850,000	–	2,850,000
Lim Hock San	2,850,000	2,850,000	–	2,850,000

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 other than one of the director, Marcel Han Liong Tjia under the ISOP 2017 has received 5% or more of the total number of shares available under the ISOP 2017.

No options have been granted at a discount during the financial year.

(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	S$0.148	21 January 2013 to 19 January 2017
2017 Options	24,000,000	–	S$0.060	12 December 2018 to 10 December 2022
	24,000,000	7,110,000		

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 2017 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 2018

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 2017, 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 55 to 138.

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 2017 and of the consolidated financial performance, consolidated statement of changes in equity and consolidated statement of 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 Assets

(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 capitalised 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 2017 of US$10,616,356 (2016: US$10,583,720) (Note 6) 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 E&E 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONT'D)

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

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

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)(i)). 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.

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 including the approval for the extension of exploration period;
- 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 E&E assets.

(b) Producing Oil and Gas Properties, Patent Rights, Investments in Subsidiary Corporations and Associated Companies

Area of focus

The Group has recognised producing oil and gas properties with total costs and accumulated amortisation and impairment loss of US$64,885,491 and US$61,733,740 as at 31 December 2017 (2016: US$116,726,554 and US$116,520,105) (Note 5) respectively. In addition, the Group has acquired patent rights with carrying amount of US$3,451,931 as at 31 December 2017 (2016: nil) (Note 7) for the purpose of improving the production of oil fields in Myanmar. Impairment of producing oil and gas properties and patent rights 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONT'D)

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

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

Area of focus (Cont'd)

As most of the Company's subsidiary corporations (Note 8) and the Group's associated companies (Note 9) 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.

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

How our audit addressed the area of focus

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, patent rights, investments in subsidiary corporations and associated companies.

Our audit work assessed the reasonableness of management's estimations of the recoverable amount of each asset or cash-generating unit ("CGU"). 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 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONT'D)

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

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

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

Where impairments were identified, we assessed that an appropriate provision has been recorded. During the financial year ended 31 December 2017, an impairment charge of US$570,554 (2016: US$3,117,715) and reversal of impairment charge of US$502,781 (2016: impairment charge of US$451,540) were recognised for the Company's investments in subsidiary corporations, PT Mitra Investindo Tbk. ("MITI") and Goldwater TMT Pte. Ltd. respectively. Further details are provided in Note 8 to the financial statements.

No additional allowance for impairment was recognised for the Group's additional investment in the associated company, PT Indelberg Oil Indonesia (formerly known as PT Benakat Oil) which was made through its subsidiary corporation, MITI based on the Group's impairment assessment 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 allowances for impairment were recognised for the Group's producing oil and gas properties and patent rights during the financial years ended 31 December 2017 and 2016.

2 Provision for Environmental and Restoration Costs

Area of focus

The Group has recognised provision for environmental and restoration costs of US$1,720,270 as at 31 December 2017 (2016: US$4,864,481) (Note 20). Following the expiry of the Group's Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT") in December 2016, the Group has utilised its provision for environmental and restoration costs of US$2,220,541 and reversed excess provision of US$1,078,432 as the Group is considered to have fulfilled its obligation for site restoration under the TAC TMT. The recognition and measurement of decommissioning provisions involve estimation of the quantum and timing of operating costs to be incurred for restoration, discount rates, economic life of a field, legal requirement, technical approach and scope, all of which are uncertain and require significant judgement to be exercised.

How our audit addressed the area of focus

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

- We obtained and read the relevant agreements to obtain understanding of the Group's obligations for environmental and site restoration and verified the correspondences with local authority and other supporting documents for the utilisation of provision during the financial year;
- We obtained and reviewed evidence relating to the cost estimates used by management, principally comprised correspondences 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONT'D)

Other Information

Management is responsible for the other information. The other information comprises the Directors' statement and other sections of the annual report, which we obtained prior to the date of this auditor's 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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.

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)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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 2018

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

		Company		Group	
		2017	2016	2017	2016
	Note	US$	US$	US$	US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**30,555**	12,340	**95,165**	91,929
Producing oil and gas properties	5	**–**	–	**3,151,751**	206,449
Exploration and evaluation assets	6	**–**	–	**10,616,356**	10,583,720
Intangible assets	7	**–**	–	**3,477,293**	–
Investments in subsidiary corporations	8	**28,976,363**	31,099,674	**–**	–
Investments in associated companies	9	**–**	–	**3,771,108**	984,498
Investment properties	10	**–**	–	**235,585**	152,969
Other receivables	12	**–**	–	**3,827,692**	2,429,621
Restricted cash	14	**–**	–	**138,884**	225,004
		29,006,918	31,112,014	**25,313,834**	14,674,190
Current assets					
Inventories	11	**–**	–	**5,202,236**	4,880,304
Trade and other receivables	12	**14,635**	49,374	**8,294,779**	13,485,618
Other current assets	13	**77,194**	60,886	**352,968**	376,994
Cash and bank balances	14	**2,811,733**	2,610,169	**11,191,521**	11,865,241
Restricted cash	14	**–**	–	**99,136**	2,221,568
		2,903,562	2,720,429	**25,140,640**	32,829,725
Assets of disposal group classified as held-for-sale	15(c)	**–**	–	**4,496,702**	4,598,689
		2,903,562	2,720,429	**29,637,342**	37,428,414
Total Assets		**31,910,480**	33,832,443	**54,951,176**	52,102,604
LIABILITIES					
Current liabilities					
Trade and other payables	16	**527,129**	531,671	**13,234,072**	9,499,235
Borrowings	17	**3,000,000**	3,000,000	**3,736,171**	3,739,000
Current income tax liabilities	18	**–**	–	**7,604,012**	7,327,393
Provision for environmental and restoration costs	20	**–**	–	**1,581,386**	3,300,000
		3,527,129	3,531,671	**26,155,641**	23,865,628
Liabilities directly associated with disposal group classified as held-for-sale	15(d)	**–**	–	**1,510,154**	1,281,615
		3,527,129	3,531,671	**27,665,795**	25,147,243
Non-current liabilities					
Provision for environmental and restoration costs	20	**–**	–	**138,884**	1,564,481
Retirement benefit obligations	21	**–**	–	**20,231**	8,327
Deferred income tax liabilities	22	**–**	–	**4,315**	44,174
		–	–	**163,430**	1,616,982
Total Liabilities		**3,527,129**	3,531,671	**27,829,225**	26,764,225
NET ASSETS		**28,383,351**	30,300,772	**27,121,951**	25,338,379
EQUITY					
Share capital	23	**69,257,956**	69,257,956	**69,257,956**	69,257,956
Accumulated losses		**(40,897,381)**	(39,314,147)	**(28,168,933)**	(29,369,146)
Other reserves	25	**22,776**	356,963	**(18,713,445)**	(18,397,255)
Equity attributable to owners of the Company		**28,383,351**	30,300,772	**22,375,578**	21,491,555
Non-controlling interests	8	**–**	–	**4,746,373**	3,846,824
TOTAL EQUITY		**28,383,351**	30,300,772	**27,121,951**	25,338,379

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$	2016 US$
Continuing operations			
Revenue	26	**11,244,900**	15,173,165
Cost of production		**(5,042,396)**	(9,610,291)
Gross profit		**6,202,504**	5,562,874
Other income, net	27	**594,189**	62,582
Administrative expenses		**(5,268,703)**	(6,574,274)
Finance expenses	28	**(130,428)**	(82,499)
Share of losses of associated companies	9	**(185,711)**	(6,755,329)
Profit/(Loss) before income tax		**1,211,851**	(7,786,646)
Income tax expense	19	**(813,007)**	(1,030,875)
Profit/(Loss) from continuing operations		**398,844**	(8,817,521)
Discontinued operations			
Loss from discontinued operations, net of tax	15(a)	**(46,049)**	(38,770)
Total profit/(loss)		**352,795**	(8,856,291)
Attributable to:			
Equity holders of the Company		**1,298,286**	(8,061,765)
Non-controlling interests		**(945,491)**	(794,526)
		352,795	(8,856,291)
Profit/(Loss) attributable to equity holders of the Company relates to:			
Profit/(Loss) from continuing operations		**1,319,973**	(8,040,922)
Loss from discontinued operations		**(21,687)**	(20,843)
		1,298,286	(8,061,765)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – (loss)/gain	25(b)(iii)	**(26,553)**	138,159
Share of other comprehensive income of associated companies	25(b)(iii)	**22,912**	131,815
		(3,641)	269,974
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit obligation re-measurements	21	**21,613**	(40,813)
Share of defined benefit obligation re-measurements of associated companies		**(2,096)**	(13,468)
		19,517	(54,281)
Other comprehensive income, net of tax		**15,876**	215,693
Total comprehensive income/(loss)		**368,671**	(8,640,598)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**1,325,069**	(7,898,743)
Non-controlling interests		**(956,398)**	(741,855)
		368,671	(8,640,598)
Earnings/(Losses) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic earnings/(losses) per share			
– From continuing operations	31	**0.261**	(1.588)
– From discontinued operations	31	**(0.004)**	(0.004)
Diluted earnings/(losses) per share			
– From continuing operations	31	**0.260**	(1.588)
– From discontinued operations	31	**(0.004)**	(0.004)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Equity Holders of the Company							
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$
At 1 January 2017		**69,257,956**	**(2,210,078)**	**(16,544,140)**	**356,963**	**(29,369,146)**	**21,491,555**	**3,846,824**	**25,338,379**
Additional increase of non-controlling interests in subsidiary corporations		–	–	–	–	–	–	55,233	55,233
Acquisition of a subsidiary corporation with non-controlling interests		–	–	–	–	–	–	37,667	37,667
Dilution of interests in subsidiary corporations without loss of control	8	–	–	–	–	(463,822)	(463,822)	1,763,047	1,299,225
Employee share option plan	25(b)(ii)								
– value of employee services		–	–	–	22,776	–	22,776	–	22,776
– share options lapsed		–	–	–	(356,963)	356,963	–	–	–
Total transactions with owners, recognised directly in equity		**69,257,956**	**(2,210,078)**	**(16,544,140)**	**22,776**	**(29,476,005)**	**21,050,509**	**5,702,771**	**26,753,280**
Profit/(Loss) for the financial year		–	–	–	–	1,298,286	1,298,286	(945,491)	352,795
Currency translation differences	25(b)(iii)	–	(4,915)	–	–	–	(4,915)	(21,638)	(26,553)
Share of currency translation differences of associated companies	25(b)(iii)	–	22,912	–	–	–	22,912	–	22,912
Defined benefit obligation re-measurements	21	–	–	–	–	10,882	10,882	10,731	21,613
Share of defined benefit obligation re-measurements of associated companies		–	–	–	–	(2,096)	(2,096)	–	(2,096)
Total comprehensive income/(loss) for the financial year		**–**	**17,997**	**–**	**–**	**1,307,072**	**1,325,069**	**(956,398)**	**368,671**
At 31 December 2017		**69,257,956**	**(2,192,081)**	**(16,544,140)**	**22,776**	**(28,168,933)**	**22,375,578**	**4,746,373**	**27,121,951**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Attributable to Equity Holders of the Company							
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$
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 in subsidiary corporations		–	–	–	–	–	–	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	25(b)(iii)	–	67,794	–	–	–	67,794	70,365	138,159
Share of currency translation differences of associated companies	25(b)(iii)	–	131,815	–	–	–	131,815	–	131,815
Defined benefit obligation re-measurements	21	–	–	–	–	(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 CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$	2016 US$
Cash flows from operating activities			
Total profit/(loss)		**352,795**	(8,856,291)
Adjustments for non-cash items			
Income tax expense	19	**813,007**	1,121,338
Depreciation of property, plant and equipment	4	**30,106**	42,403
Amortisation of producing oil and gas properties	5	**211,445**	388,963
Amortisation of intangible assets	7	**28,609**	–
Property, plant and equipment written-off		**5**	–
Gain on re-measurement of disposal group	15(a)	**–**	(34,184)
Interest income	27	**(286,255)**	(233,101)
Interest expenses	28	**130,428**	82,499
Amortised cost adjustment for interest-free non-current receivables	12	**1,127,993**	–
Unwinding of discount of provision of environmental and restoration costs	20	**143,669**	398,749
Loss/(Gain) on curtailment	21	**21,613**	(40,813)
Share option expenses	25(b)(ii)	**22,776**	–
Fair value (gain)/loss on investment properties	27	**(83,347)**	166,531
Share of losses of associated companies	9	**185,711**	6,755,329
Unrealised currency translation loss		**23,633**	83,021
Operating profit/(loss) before working capital changes		**2,722,188**	(125,556)
Changes in working capital			
Inventories		**(164,158)**	1,935,482
Trade and other receivables and other current assets		**1,656,749**	3,792,019
Trade and other payables		**(1,188,065)**	(6,456,360)
Restricted cash		**(897)**	(69,855)
Cash generated from/(used in) operations		**3,025,817**	(924,270)
Income tax paid	18	**(390,287)**	(372,486)
Net cash provided by/(used in) operating activities		**2,635,530**	(1,296,756)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 US$	2016 US$
Cash flows from investing activities			
Interest received		**108,101**	244,721
Deposits received for proposed disposal of granite operations		**355,987**	–
Loan to an associated company		**(2,384,970)**	(106,039)
Additions of property, plant and equipment	4	**(33,461)**	–
Additions of producing oil and gas properties	5	**(3,156,747)**	(236,197)
Additions of exploration and evaluation assets	6	**(32,636)**	(95,315)
Additions of intangible assets		**(85,902)**	–
Net cash used in investing activities		**(5,229,628)**	(192,830)
Cash flows from financing activities			
Interest paid		**(134,233)**	(80,423)
Deposit received from private placement of shares		**100,000**	–
Proceeds received from dilution of interests in subsidiary corporations without loss of control	8	**1,299,225**	–
Short-term bank deposits pledged		**–**	(2,000,000)
Repayment of loan from/(loan to) non-related parties		**657,664**	(4,475,852)
Net cash provided by/(used in) financing activities		**1,922,656**	(6,556,275)
Net decrease in cash and cash equivalents		**(671,442)**	(8,045,861)
Cash and cash equivalents at beginning of the financial year		**9,865,241**	17,828,440
Effects of currency translation on cash and cash equivalents		**(2,278)**	82,662
Cash and cash equivalents at end of the financial year	14	**9,191,521**	9,865,241

Reconciliation of assets arising from investing and financing activities

			Non-cash changes						
	1 January 2017 US$	Principal and interest payments/ (received) US$	Capitalised as investments in associated company US$	Reclassification US$	Equity conversion US$	Interest income US$	Amortised cost adjustment US$	Foreign exchange movement US$	31 December 2017 US$
Loan to non-related parties	9,624,937	(657,664)	(2,951,505)	(2,301,618)	55,233	147,280	–	(46,204)	3,870,459
Loan to associated company	106,299	2,384,970	–	2,301,618	–	26,221	(1,127,993)	(1,477)	3,689,638

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 Group respectively are set out in Note 8 and Note 9 to the financial statements.

On 16 November 2015, 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 from the financial year 2015 to 2017. On 12 April 2017, MITI and PT SMA acquired a special purpose vehicle, PT Bintang Mahkota Sukes ("PT BMS"), which will hold and operate the granite quarry, being part of the arrangement to complete the proposed disposal. MITI acquired 51.08% of the issued and paid-up share capital of PT BMS through transfer of its mining tangible assets of IDR522 million (US$39,105). As at 13 December 2017, the local government authority granted the transfer of mining licence to PT BMS, thereafter, MITI will transfer all of its interest in PT BMS to PT SMA. As at 31 December 2017, the process to transfer all of its interest in PT BMS to PT SMA is still ongoing. 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 15). On 31 January 2018, the transfer of all of its interest in PT BMS to PT SMA was completed. Following the completion of the proposed disposal, the Group does not have any interest in the granite quarry.

On 20 May 2016, MITI entered into a conditional sale and purchase agreement with PT Pratama Media Abadi ("PMA") and PT Indelberg Oil Indonesia ("IOI") (formerly known as PT Benakat Oil) for the proposed acquisition of 77,401,993 ordinary and fully paid-up shares in IOI which represents 23.44% of the issued and paid-up share capital of IOI at a purchase consideration of IDR71,374,187,514 (equivalent to US$5,253,123). The consideration was offset against the loan to non-related parties under "Trade and Other Receivables" upon completion. Accordingly, MITI held an indirect holding in PT Indelberg Makmur Petroleum ("IMP") (formerly known as PT Benakat Barat Petroleum) of 21.79%. The acquisition of 23.44% interest in IOI by MITI was completed on 23 October 2017. Upon completion, the Group now holds an effective interest of 32.97% in IOI through its subsidiary corporations, MITI and Goldwater Indonesia Inc. ("GII"), which translates into an indirect holding in 30.65% in IMP. IOI is a company incorporated in the Republic of Indonesia. The principal activity of IOI is exploration and operation of oil fields for crude petroleum production.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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.

<u>Interpretations and amendments to published standards effective in 2017</u>

On 1 January 2017, 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 these 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 except for the following:

FRS 7 – Statement of Cash Flows

The amendments to FRS 7 – Statement of Cash Flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in consolidated statement of cash flows to the financial statement.

(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 de-consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Group Accounting (Cont'd)

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 consolidated 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.

Investments in subsidiary corporations are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Group Accounting (Cont'd)

(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 interest 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.

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 at the acquisition date;
- 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 issued by the legal parent 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Group Accounting (Cont'd)

(iv) Joint Operations

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

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

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

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

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

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

(v) Associated Companies

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

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

(1) Acquisitions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Group Accounting (Cont'd)

(2) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the 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.

(c) Producing Oil and Gas 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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 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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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 are calculated on a straight-line basis so as to write off the costs of these assets over their estimated useful life of 2 to 4 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 reporting 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(vi) Participating Rights for Technical Assistance Contract for 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 TAC/IPRCs. The remaining period of TAC LS is 7.90 years from 24 January 2011 to 15 November 2018. The IPRCs are further extended by 11 years from 4 April 2017 to 3 April 2028. 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 of the legal parent (the accounting acquiree). 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 operations and associated companies include the carrying amount of goodwill relating to the entity sold.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) Intangible Assets (Cont'd)

(iv) Patent Rights

The patent rights (i.e. technology know-how) acquired is initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use, and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis from the date of initial recognition over the extended period of IPRCs from 4 April 2017 to 3 April 2028.

The amortisation period and the amortisation method of intangible assets other than goodwill are reviewed at least at each reporting 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.

Depreciation

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

Computers	3 years
Office equipment	3 years
Renovations, furniture and fittings	2 to 3 years
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 reporting 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 2017

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 and/or management's internal assessment on the highest and best use basis. Changes in fair values are recognised in profit or loss.

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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.

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 2017

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.

Changes in the estimated timing or amount of the expenditure or discount rate for environmental costs are adjusted against the cost of the producing oil and gas properties, unless the decrease in the liability exceeds the carrying amount of the producing oil and gas properties or the producing assets has reached the end of its contract period. In such cases, the excess of the decrease over the carrying amount of the producing oil and gas properties or the changes in the liability is recognised in profit or loss immediately.

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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(j) Income Taxes (Cont'd)

(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 corporations and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

(2) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(l) Employee Benefits

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

(i) Defined Contribution Plans

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

(ii) Defined Benefit Plans

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

The liability recognised in the 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 reporting 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(l) Employee Benefits (Cont'd)

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.

(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 reporting 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 reporting date which are presented as non-current assets.

Loans and receivables are presented as trade and other receivables (Note 12), deposits refundable (Note 13) and cash and cash equivalents (Note 14) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(o) Inventories

(i) Crude Oil Inventory

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

(ii) Granite Inventory

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

(iii) Other Inventories

Other 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(p) Revenue Recognition (Cont'd)

(iv) Dividend Income

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

(v) Management and Petroleum Services Fees

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

(q) Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements 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 reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(q) Currency Translation (Cont'd)

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities that 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(s) Segment Reporting

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

(t) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment by the shareholders at general 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 reporting date. The quoted market prices used for financial assets are the current bid prices and the appropriate quoted market prices used for financial liabilities are the current asking prices.

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

(v) Government Grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(y) Financial Guarantee

The Company's subsidiary corporations together with shareholders of associated 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 associated 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 associated 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.

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)(i)) 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 capitalised 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.

Management has 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 2017 of US$10,616,356 (2016: US$10,583,720) (Note 6) 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 E&E assets 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Estimated Impairment of Producing Oil and Gas Properties, Patent Rights 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 2018 budgets reviewed by the respective owner committees and also past experiences as a guide. The period beyond 2018 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 (2016: 10% 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 15% – 18% per annum (2016: 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 2017, the carrying amounts of producing oil and gas properties and patent rights were US$3,151,751 (2016: US$206,449) (Note 5) and US$3,451,931 (2016: nil) (Note 7) respectively. Based on the impairment test of the Indonesia CGU and Myanmar CGU, no impairment charge was recognised for producing oil and gas properties and patent rights respectively for the financial years ended 31 December 2017 and 31 December 2016. The estimated recoverable amount of the CGUs was higher than the carrying amount of the CGUs.

Management has assessed that any reasonable increase in discount rates applied and decrease in crude oil price used in the discounted cash flows from management's estimates is unlikely to result in any impairment to the carrying amount of producing oil and gas properties and patent rights.

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 2017, an impairment charge of US$570,554 (2016: US$3,117,715) and reversal of impairment charge of US$502,781 (2016: impairment charge of US$451,540) were recognised for the Company's investments in subsidiary corporations, MITI and Goldwater TMT Pte. Ltd. respectively. Further details are provided in Note 8 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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 carrying amount of the provision for environmental and restoration costs as at 31 December 2017 was US$1,720,270 (2016: US$4,864,481) (Note 20).

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% (2016: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by approximately US$27,000 and US$28,000 (2016: higher/lower by approximately US$50,000 and US$53,000) respectively.

If management's estimated restoration costs used to calculate the present value of the provision for environmental and restoration costs for oil exploration in Indonesia change by 2% (2016: 2%), the impact on the carrying amount of provision for environmental and restoration costs would have been higher/lower by approximately US$32,000 (2016: higher/lower by approximately US$29,000).

(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 2017 and 31 December 2016, the carrying amounts of the development and production assets were US$2,948,858 and nil respectively (Note 5). The amortisation charge for the financial year ended 31 December 2017 was US$90,313 (2016: US$157,848) (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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$381,564 (2016: US$413,622). These income tax expenses are still subject to final tax assessments from the tax authority. As at 31 December 2017, the tax assessment was finalised till year of assessment 2018. 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 expense are disclosed in Note 18 and Note 19 respectively. Please refer to Note 33 for contingent liabilities for possible capital gain tax in Myanmar.

(f) Joint Arrangements

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

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) Assessment of Control over Subsidiary Corporations

(i) 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 2017

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

(g) Assessment of Control over Subsidiary Corporations (Cont'd)

(ii) 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. Following the dilution, the Company holds 48.87% from 53.76% of the equity interests and remains as the largest shareholder of MITI. The Company has the majority representation on MITI's board of directors and commissioners and defacto control over the voting rights and therefore, continued to consolidate the entity in its financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2017				
Cost				
Opening balance	**160,841**	**10,261**	**99,871**	**270,973**
Additions	32,711	–	–	32,711
Write-offs	(68,651)	(3,297)	–	(71,948)
Closing balance	**124,901**	**6,964**	**99,871**	**231,736**
Accumulated depreciation				
Opening balance	**149,791**	**9,530**	**99,312**	**258,633**
Depreciation charge	13,529	408	559	14,496
Write-offs	(68,651)	(3,297)	–	(71,948)
Closing balance	**94,669**	**6,641**	**99,871**	**201,181**
Net book value as at 31 December 2017	**30,232**	**323**	**–**	**30,555**
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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$
2017						
Cost						
Opening balance	**175,544**	**21,159**	**103,285**	**49,240**	**65,025**	**414,253**
Additions	32,711	750	–	–	–	33,461
Write-offs	(83,354)	(3,887)	–	–	–	(87,241)
Currency translation differences	–	(36)	(13)	(188)	(249)	(486)
Closing balance	**124,901**	**17,986**	**103,272**	**49,052**	**64,776**	**359,987**
Accumulated depreciation and impairment losses						
Opening balance	**164,494**	**16,570**	**100,404**	**9,746**	**31,110**	**322,324**
Depreciation charge – Continuing operations (Note 29)	13,529	1,903	981	6,201	7,492	30,106
Write-offs	(83,354)	(3,882)	–	–	–	(87,236)
Currency translation differences	–	(44)	(9)	(107)	(212)	(372)
Closing balance	**94,669**	**14,547**	**101,376**	**15,840**	**38,390**	**264,822**
Net book value as at 31 December 2017	**30,232**	**3,439**	**1,896**	**33,212**	**26,386**	**95,165**
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 29)	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 2017

5. PRODUCING OIL AND GAS PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Participating and Concession Rights US$	Total US$
2017				
Cost				
Opening balance	**94,693,994**	**15,676,958**	**6,355,602**	**116,726,554**
Additions	3,039,171	117,576	–	3,156,747
Write-offs	(42,606,200)	(8,335,037)	(4,056,573)	(54,997,810)
Closing balance	**55,126,965**	**7,459,497**	**2,299,029**	**64,885,491**
Accumulated amortisation and impairment losses				
Opening balance	**94,693,994**	**15,470,509**	**6,355,602**	**116,520,105**
Amortisation charge				
– Continuing operations (Note 29)	90,313	121,132	–	211,445
Write-offs	(42,606,200)	(8,335,037)	(4,056,573)	(54,997,810)
Closing balance	**52,178,107**	**7,256,604**	**2,299,029**	**61,733,740**
Net book value as at 31 December 2017	**2,948,858**	**202,893**	**–**	**3,151,751**
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 29)	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**

During the financial year ended 31 December 2017 and 2016, no impairment loss arose in producing oil and gas properties following the assessment of the recoverable amount of its assets. The key assumptions used for impairment assessment were disclosed under Note 3(b).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. EXPLORATION AND EVALUATION ASSETS

Group	Exploration and Evaluation Assets US$	Participating Rights US$	Total US$
2017			
Cost			
Opening balance	**15,391,374**	**1,435,258**	**16,826,632**
Additions	32,636	–	32,636
Closing balance	**15,424,010**	**1,435,258**	**16,859,268**
Accumulated impairment losses			
Opening and Closing balance	**6,242,912**	**–**	**6,242,912**
Net book value as at 31 December 2017	**9,181,098**	**1,435,258**	**10,616,356**
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**

7. INTANGIBLE ASSETS

Group	Goodwill on Reverse Acquisition US$	Computer Software US$	Goodwill on consolidation US$	Patent Rights US$	Total US$
2017					
Cost					
Opening balance	**1,488,902**	**187,646**	**656,644**	**–**	**2,333,192**
Additions	–	25,902	–	3,480,000	3,505,902
Closing balance	**1,488,902**	**213,548**	**656,644**	**3,480,000**	**5,839,094**
Accumulated amortisation and impairment losses					
Opening balance	**1,488,902**	**187,646**	**656,644**	**–**	**2,333,192**
Amortisation charge (Note 29)	–	540	–	28,069	28,609
Closing balance	**1,488,902**	**188,186**	**656,644**	**28,069**	**2,361,801**
Net book value as at 31 December 2017	**–**	**25,362**	**–**	**3,451,931**	**3,477,293**
2016					
Cost and 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	**–**	**–**	**–**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. **INTANGIBLE ASSETS** (CONT'D)

Amortisation expense for the current financial year of US$28,609 (2016: nil) was included in the statement of comprehensive income within cost of production. Additions of patent rights of US$3,480,000 was not fully settled during the current financial year and included in trade and other payables (Note 16).

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.

Impairment Tests for Goodwill and Patent Rights

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 and had been fully impaired in prior financial years.

The Group performs impairment assessment of the carrying value of patent rights whenever there is an indication of impairment. 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). As at 31 December 2017, the carrying amount of patent rights was US$3,451,931 (2016: nil) (Note 7).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2017	2016
	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	**(9,285,598)**	(7,095,803)
Goldwater TMT Pte. Ltd.	**6,210,940**	6,713,721
Goldwater Eagle Limited	**(989,936)**	(991,830)
Goldwater Indonesia Inc.	**7,596,545**	7,436,266
Interra Resources (Australia) Pte. Ltd.	**3,965,831**	3,960,658
PT Mitra Investindo Tbk.	**15,000**	15,000
Goldwater LS Pte. Ltd.	**32,100**	–
Goldwater KP Pte. Ltd.	**10,006,826**	9,563,961
	17,551,708	19,601,973
	50,503,668	52,553,933
Allowance for impairment:		
Opening balance	**21,454,259**	17,879,830
Allowance for impairment	**575,827**	3,574,429
Reversal of allowance for impairment	**(502,781)**	–
Closing balance	**21,527,305**	21,454,259
Net investments in subsidiary corporations	**28,976,363**	31,099,674

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. and Goldwater Indonesia Inc. which bear interest rate at 1.75% above LIBOR per annum, i.e. between the ranges of 2.75% to 3.45% (2016: 2.36% to 2.75%) and 2.75% to 3.05% (2016: nil) per annum respectively. The advances are provided for the purpose of operating and development activities in their respective fields and are expected to be repaid or received upon successful development and production of the respective fields.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Advances (Received from)/Made to Subsidiary Corporations (Cont'd)

During the current financial year, the Company recognised an impairment loss of US$570,554 (2016: US$3,117,715) 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$2,539,313 (2016: US$3,109,867). The fair value measurement is classified within Level 1 of the fair value hierarchy. As at 31 December 2017, the carrying amount of the Company's interest in MITI was US$2,539,313 (2016: US$3,109,867).

During the current financial year, the Company recognised a reversal of impairment loss of US$502,781 for its net investment in the subsidiary corporation, Goldwater TMT Pte. Ltd. ("Goldwater TMT") as part of the advances made to Goldwater TMT was recovered. In prior financial year ended 31 December 2016, an impairment loss of US$451,540 was recognised for the Company's net investment in Goldwater TMT, 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.

The remaining impairment loss of US$5,273 (2016: US$5,174) was made in respect of the Company's net investment in the subsidiary corporation, Interra Resources (Australia) Pte. Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The details of the subsidiary corporations as at 31 December 2017 and 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	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
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[a]	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[a]	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	53.99	58.38	46.01	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")[c]	Operation of granite mining and exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	48.87	53.76	48.87	53.76	51.13	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	53.99	58.38	46.01	41.62
PT Bintang Mahkota Sukses ("PT BMS")[a]	Operation of granite mining	Indonesia/Indonesia	51.08	–	24.96	–	75.04	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

The details of the subsidiary corporations as at 31 December 2017 and 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	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
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	53.99	58.38	46.01	41.62
Held by a subsidiary corporation, GKP								
Mentari Pambuang Internasional Limited ("MPIL")[(a)]	Dormant	British Virgin Islands	49	49	49	49	51	51
PT Sumber Sari Rejeki ("SSR")[(d)]	Trading of heavy machinery	Indonesia/Indonesia	100	100	100	100	–	–
Held by a subsidiary corporation, SSR								
PT Pambuang Investindo ("PI")[(d)]	Multi-industry sector	Indonesia/Indonesia	100	100	100	100	–	–
Held by a subsidiary corporation, PI								
PT Mentari Pambuang Internasional ("MPI")[(d)]	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) Audited by KAP Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, a member firm of PKF International ("PKF Hadiwinata")
(d) Audited by Kanaka Puradiredja, Suhartono, a member firm of Nexia International ("Nexia Kanaka")

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Significant Restrictions

Bank deposits of US$238,020 (2016: US$2,446,572) are held in Indonesia under joint bank accounts operated jointly by (i) the operator and Perusahaan Pertambangan Minyak dan Gas Bumi Negara ("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

	2017 US$	2016 US$
PT Mitra Investindo Tbk.	**5,914,931**	4,523,338
Goldwater LS Pte. Ltd.	**(3,295,644)**	(2,778,786)
PT Mentari Pambuang Internasional	**2,091,847**	2,102,221
Other subsidiary corporations with immaterial non-controlling interests	**35,239**	51
Total	**4,746,373**	3,846,824

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	
	2017 US$	2016 US$	2017 US$	2016 US$	2017 US$	2016 US$
Current						
Assets	**7,204,421**	14,808,390	**2,883,410**	2,457,807	**147,372**	94,545
Liabilities	**(5,942,652)**	(6,888,857)	**(3,908,360)**	(2,250,788)	**(578,586)**	(581,827)
Total current net assets/(liabilities)	**1,261,769**	7,919,533	**(1,024,950)**	207,019	**(431,214)**	(487,282)
Non-current						
Assets	**7,223,309**	14,717,054	**41,735**	289,199	**9,181,098**	9,148,462
Liabilities	**(220,571)**	(231,448)	**(13,231,443)**	(14,936,591)	**(2,342,860)**	(2,222,236)
Total non-current net assets/(liabilities)	**7,002,738**	14,485,606	**(13,189,708)**	(14,647,392)	**6,838,238**	6,926,226
Net assets/ (liabilities)	**8,264,507**	22,405,139	**(14,214,658)**	(14,440,373)	**6,407,024**	6,438,944

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Summarised Statement of Comprehensive Income

	MITI For the financial year ended 31 December		GLS For the financial year ended 31 December		MPI For the financial year ended 31 December	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Revenue	–	–	2,142,284	1,792,049	–	–
(Loss)/profit before income tax	(13,285,612)	(1,105,729)	338,280	(410,209)	(201,866)	(218,422)
Income tax (expense)/credit	(146,667)	8,423	(118,816)	(99,391)	–	–
Net (loss)/profit from continuing operations	(13,432,279)	(1,097,306)	219,464	(509,600)	(201,866)	(218,422)
Loss from discontinued operations, net of tax	(43,752)	(38,770)	–	–	–	–
Other comprehensive (loss)/income	(13,400)	136,853	6,251	(25,491)	–	–
Total comprehensive (loss)/income	(13,489,431)	(999,223)	225,715	(535,091)	(201,866)	(218,422)
Total comprehensive (loss)/income allocated to non-controlling interests	(1,004,572)*	(448,163)	116,260	(222,705)	(65,607)	(70,987)

* Excluded impairment charge for investment in GLS of US$13,500,000 which was eliminated at the Group level.

Summarised Statement of Cash Flows

	MITI 2017	MITI 2016	GLS 2017	GLS 2016	MPI 2017	MPI 2016
Cash flows from operating activities						
Cash (used in)/generated from operations	(517,540)	(4,210,288)	803,974	264,295	(99,235)	(1,768,412)
Income tax refund	–	48,428	–	–	–	–
Net cash (used in)/provided by operating activities	(517,540)	(4,161,860)	803,974	264,295	(99,235)	(1,768,412)
Net cash provided by/(used in) investing activities	361,644	3,830,224	746	135	(32,567)	(95,236)
Net cash provided by/(used in) financing activities	23,914	(4,551,473)	(300,557)	(50,399)	157,982	1,873,471
Net (decrease)/increase in cash and cash equivalents	(131,982)	(4,883,109)	504,163	214,031	26,180	9,823
Cash and cash equivalents at beginning of financial year	586,626	5,469,735	600,290	386,259	12,422	2,599
Cash and cash equivalents at end of financial year	454,644	586,626	1,104,453	600,290	38,602	12,422

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONT'D)

Dilution of interests in subsidiary corporations without loss of control

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. Following the dilution, the Company holds 48.87% from 53.76% of the equity interests and remains as the largest shareholder of MITI. The Company has the majority representation on MITI's board of directors and commissioners and defacto control over the voting rights and therefore, continued to consolidate the entity in its financial statements. The effect of changes in the ownership interest of MITI on the equity attributable to owners of Company during the financial year is summarised as follows:

	MITI 2017 US$	GLS 2017 US$	Total 2017 US$
Carrying amount of diluted interests in subsidiary corporations	**(2,396,165)**	**633,118**	**(1,763,047)**
Proceeds received from dilution of interests in subsidiary corporations without loss of control	**1,299,225**	**–**	**1,299,225**
Effect of changes from dilution of interests in subsidiary corporations recognised in parent's equity	**(1,096,940)**	**633,118**	**(463,822)**

9. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2017 US$	Group 2016 US$
Opening balance	**984,498**	7,621,480
Additions	**2,951,505**	–
Share of losses (Note 19)	**(185,711)**	(6,755,329)
Share of other comprehensive income	**20,816**	118,347
Closing balance	**3,771,108**	984,498

Set out below are the associated companies of the Group as at 31 December 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Ownership Interest 2017 %	Ownership Interest 2016 %
Held by a subsidiary corporation, GII				
PT Indelberg Oil Indonesia (formerly known as PT Benakat Oil) ("IOI")[(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
PT Indelberg Oil Indonesia (formerly known as PT Benakat Oil) ("IOI")[(a)]	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	23.44	–

(a) Audited by Y Santosa & Rekan, a member of Praxity International
(b) Audited by KAP Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, a member firm of PKF International ("PKF Hadiwinata")

PT Benakat Oil is a company incorporated in the Republic of Indonesia. On 23 October 2017, it's changed the name to PT Indelberg Oil Indonesia ("IOI"). The principal activity is exploration and operation of oil fields for crude petroleum production. IOI owns 97.87% direct shareholding in PT Indelberg Indonesia ("II"), which in turn owns 94% of PT Indelberg Makmur Petroleum ("IMP") (formerly known as PT Benakat Barat Petroleum). IMP 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 IMP 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 21.51% equity interest in IOI 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).

On 23 October 2017, through its subsidiary corporation, MITI, the Group acquired additional 23.44% equity interest in IOI at a purchase consideration of IDR71,374,187,514 (US$5,253,123), by way of shares acquisition of US$2,951,505 and remaining amount of US$2,301,618 was classified under Non-current – Loan to an associated company (Note 12) at amortised cost based on the terms stipulated in the agreement. The consideration was offset against the loan to non-related parties under "Trade and Other Receivables" (Note 12) upon completion during the financial year. The reconciliation of financial assets arising from investing and financing activities was included under the additional required disclosures in Consolidated Statement of Cash Flows. Upon completion, the Group now holds an effective interest of 32.97% in IOI, which translates into an indirect holding of 30.65% in the Benakat Barat KSO.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

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 corporations, GII and MITI together with the shareholders of IOI issued joint corporate guarantee to bank for borrowings of the associated company, IOI. The loan facilities are collateral pledge over all the shares in IOI by all the shareholders. The Group's guaranteed amount was US$4,219,116 as at 31 December 2017 (2016: US$2,810,649) based on effective interests of 32.97% (2016: 21.51%) 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 IOI and the fair value of the corporate guarantee is considered to be insignificant at initial recognition.

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

	IOI As at 31 December		MGE As at 31 December	
	2017 **US$**	**2016** **US$**	**2017** **US$**	**2016** **US$**
Current assets	**5,181,733**	5,266,147	**277,412**	260,117
Includes: – Cash and cash equivalents	**251,407**	583,743	**123,759**	146,022
Current liabilities	**(49,178,555)**	(46,146,718)	**(145,628)**	(22,864)
Includes: – Financial liabilities (excluding trade payables)	**(22,234,359)**	(21,395,941)	**(145,628)**	(22,864)
Non-current assets	**11,240,140**	11,287,331	**1,392,838**	1,298,875
Includes: – Goodwill on consolidation	**11,229,813**	11,272,967	**–**	–
Non-current liabilities	**(15,231,079)**	(14,754,262)	**(600,400)**	(589,000)
Includes: – Financial liabilities	**(12,723,630)**	(12,669,539)	**(600,400)**	(589,000)
– Other liabilities	**(2,507,449)**	(2,084,723)	**–**	–
Net (liabilities)/assets	**(47,987,761)**	(44,347,502)	**924,222**	947,128
Attributable to non-controlling interests	**(2,875,006)**	(2,783,899)	**–**	–
Attributable to investee's shareholders	**(45,112,755)**	(41,563,603)	**924,222**	947,128

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

Summarised Statement of Comprehensive Income

	IOI For the financial year ended 31 December		MGE For the financial year ended 31 December	
	2017	2016	2017	2016
	US$	US$	US$	US$
Revenue	**1,678,689**	650,636	**–**	–
Interest income	**804**	265	**752**	107
Expenses	**(5,012,281)**	(38,287,099)	**(23,658)**	(28,682)
Includes:				
– Depreciation and amortisation	**(4,740)**	(1,363,886)	**–**	–
– Interest expense	**(969,967)**	(1,166,842)	**(11,400)**	–
– Impairment loss	**–**	(27,344,721)	**–**	–
Loss before income tax	**(3,332,788)**	(37,636,198)	**(22,906)**	(28,575)
Income tax credit	**115,298**	1,218,989	**–**	–
Net loss	**(3,217,490)**	(36,417,209)	**(22,906)**	(28,575)
Other comprehensive loss	**(481,310)**	(42,684)	**–**	–
Total comprehensive loss	**(3,698,800)**	(36,459,893)	**(22,906)**	(28,575)
Attributable to non-controlling interests	**(91,108)**	(2,240,726)	**–**	–
Attributable to investee's shareholders	**(3,607,692)**	(34,219,167)	**(22,906)**	(28,575)

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.

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:

	IOI As at 31 December		MGE As at 31 December	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net liabilities (excluding goodwill on consolidation)				
At 1 January or date of acquisition, if later	**(52,836,570)**	(19,163,964)	**947,128**	975,758
Loss for the financial year	**(3,134,175)**	(34,201,829)	**(22,906)**	(28,575)
Other comprehensive loss	**(473,517)**	(17,338)	**–**	–
Currency translation differences	**101,694**	546,561	**–**	(55)
At 31 December	**(56,342,568)**	(52,836,570)	**924,222**	947,128
Interest in associated companies in 2017: 44.95% and 33.33% (2016: 21.51% and 33.33%)	**(25,326,541)**	(11,365,576)	**308,043**	315,678
Unrecognised share of losses during the financial year	**1,369,979**	615,811	**–**	–
Goodwill	**26,750,807**	10,749,765	**668,820**	668,820
Carrying value	**2,794,245**	–	**976,863**	984,498

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. INVESTMENT PROPERTIES

	Group	
	2017	2016
	US$	US$
Opening balance	**152,969**	315,077
Net fair value gain/(loss) recognised in profit or loss (Note 27)	**83,347**	(166,531)
Currency translation differences	**(731)**	4,423
Closing balance	**235,585**	152,969

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$2,717 (2016: US$1,124) was recognised in profit or loss and no direct operating expenses were 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.

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 2017 and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. 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 reporting date.

	Group	
	2017	2016
	US$	US$
Crude oil inventory	**202,672**	105,218
Granite rocks	**1,133,222**	671,825
Other inventories – consumable stock	**3,866,342**	4,103,261
	5,202,236	4,880,304

During the current financial year, the Group recognised an inventory written-off of US$20,285 (2016: US$1,373,991) (Note 29).

12. 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	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current				
Trade receivables – non-related parties	**–**	–	**4,323,668**	5,144,590
Less: Allowances for impairment of receivables (Note 34(b))	**–**	–	**(114,959)**	(105,896)
Trade receivables, net	**–**	–	**4,208,709**	5,038,694
Other receivables – non-related parties	**14,635**	49,374	**353,665**	1,145,309
Loan to a non-related party	**–**	–	**1,239,599**	7,195,316
Loan to an associated company	**–**	–	**2,492,806**	106,299
	14,635	49,374	**8,294,779**	13,485,618
Non-current				
Loan to non-related parties	**–**	–	**2,630,860**	2,429,621
Loan to an associated company	**–**	–	**1,196,832**	–
	–	–	**3,827,692**	2,429,621

Included in current other receivables of the Group were value added taxes to be reimbursed from Pertamina of US$249,471 as at 31 December 2017 (2016: US$1,010,418).

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. TRADE AND OTHER RECEIVABLES (CONT'D)

					Borrowing Rates			
	Company		Group		Company		Group	
	2017	2016	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	%	%	%	%
Loan to non-related parties	**–**	–	**2,630,860**	2,429,621	**–**	–	**6.04 – 6.70**	5.61 – 5.99
Loan to an associated company	**–**	–	**1,196,832**	–	**–**	–	**10.50**	–

The current loan to a 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 2017. On 26 August 2016, the memorandum was revised with repayment terms extended by another twelve months to 27 August 2017. On 25 August 2017, the memorandum was further revised with repayment terms extended by another twelve months to 27 August 2018. The loan remained as unsecured and interest-free. As at 31 December 2017, the loan to a non-related party of US$1,239,599 (2016: US$7,195,316) was due to the completion of the acquisition of PT IOI at purchase consideration of IDR71,374,187,514 (equivalent to US$5,253,123), being capitalised as Investments in associated company of US$2,951,505 (Note 9) and non-current loan to an associated company of US$2,301,618.

The current loan to an associated company as at 31 December 2017 of US$232,761 (2016: US$106,299) was unsecured and interest rate was charged at 1.75% (2016: 1.75%) above LIBOR per annum, between 2.75% to 3.05% (2016: between 2.69% to 2.75%) per annum for a term period of 2 years. The remaining loan to an associated company through the subsidiary's corporation, MITI of US$2,260,045 was unsecured and interest-free based on the memorandum signed on 18 December 2017 in relation to the proposed issuance of convertible bond by the associated company within the next twelve months.

The non-current loan to non-related parties as at 31 December 2017 of US$2,630,860 (2016: US$2,429,621) 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 non-current loan to an associated company as at 31 December 2017 of US$1,196,832 (2016: nil) at amortised cost, unsecured, repayment period of 6.40 years and interest-free as per the loan agreement dated 23 October 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. OTHER CURRENT ASSETS

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Deposits	**42,675**	39,404	**90,518**	193,099
Prepayments	**34,519**	21,482	**162,302**	143,115
Advances to suppliers	**–**	–	**100,148**	40,780
	77,194	60,886	**352,968**	376,994

14. CASH AND CASH EQUIVALENTS

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Cash at bank and on hand	**786,207**	610,169	**3,080,334**	2,996,650
Short-term bank deposits	**2,025,526**	2,000,000	**8,111,187**	8,868,591
Cash and bank balances	**2,811,733**	2,610,169	**11,191,521**	11,865,241
Restricted cash			**238,020**	2,446,572
Cash and cash equivalents			**11,429,541**	14,311,813
Less: Restricted cash			**(238,020)**	(2,446,572)
Short-term bank deposits pledged			**(2,000,000)**	(2,000,000)
Cash and cash equivalents as per consolidated statement of cash flows			**9,191,521**	9,865,241

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.

The restricted cash relates to TAC TMT was recalled by Pertamina during the current financial year.

Short-term Bank Deposits

Short-term bank deposits are pledged to secure the bank borrowings (Note 17) and restricted to withdraw until the bank borrowings have been fully discharged.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

On 17 November 2015, the Group announced that its subsidiary corporation, MITI has 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. On 2 October 2017, MITI and PT SMA revised the reimbursement of the environment restoration from 70% to 85%, to the amounts of US$757,678. 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 consolidated statement of comprehensive income as "Discontinued Operations". On 12 April 2017, MITI and PT SMA acquired a special purpose vehicle, PT Bintang Mahkota Sukes ("PT BMS"), which will hold and operate the granite quarry, being part of the arrangement to complete the proposed disposal. MITI acquired 51.08% of the issued and paid-up share capital of PT BMS through transfer of its mining tangible assets of IDR522 million (US$39,105). 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. On 31 January 2018, the Group completed the proposed disposal of granite operation by transferred all of its interest in PT BMS to PT SMA. Following the completion of the proposed disposal, the Group does not have any interest in the granite quarry.

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

	Group	
	2017	2016
	US$	US$
Revenue	**1,653,882**	3,950,290
Expenses	**(1,699,931)**	(3,932,781)
(Loss)/Profit before income tax from discontinued operations	**(46,049)**	17,509
Income tax expense	**–**	(83,626)
Loss after tax from discontinued operations	**(46,049)**	(66,117)
Pre-tax profit recognised on the re-measurement of disposal group to fair value less costs to sell	**–**	34,184
Tax	**–**	(6,837)
After tax profit recognised on the re-measurement of disposal group to fair value less costs to sell	**–**	27,347
Loss for the financial year from discontinued operations	**(46,049)**	(38,770)

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

	Group	
	2017	2016
	US$	US$
Operating cash inflows, representing total cash inflows	**3,458,361**	520,378

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

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

	Group	
	2017	2016
	US$	US$
Property, plant and equipment	**39,771**	39,924
Mining properties	**2,685,877**	2,690,068
Non-contractual customer relationship	**412,970**	412,970
Inventories	**380,369**	538,143
Other receivables	**3,165**	–
Restricted cash and cash at bank	**974,550**	917,584
	4,496,702	4,598,689

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

	Group	
	2017	2016
	US$	US$
Provision for environment and restoration costs	**943,823**	917,584
Retirement benefit obligations	**174,354**	158,612
Deferred income tax liabilities	**391,977**	205,419
	1,510,154	1,281,615

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. 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 2017.

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

	Group	
	2017	2016
	US$	US$
Currency translation differences	**(62,194)**	357,173

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. TRADE AND OTHER PAYABLES

	Company		Group	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Trade payables – non-related parties	**–**	–	**1,785,037**	1,535,811
Accrued expenses	**359,791**	350,115	**755,850**	812,491
Other payables – non-related parties	**167,338**	181,556	**10,693,185**	7,150,933
	527,129	531,671	**13,234,072**	9,499,235

The Group's other payables – non-related parties included the accrual of the remaining of the acquisition of patent rights of technology know-how of US$3,420,000 (2016: nil) (Note 7) which were subsequently settled in February 2018.

The Group's other payables included the deposit received for the proposed disposal of the granite operations of IDR38.74 billion (equivalent to US$2,851,927) (2016: US$2,862,886) and advances received for purchase of granite stock of IDR19.50 billion (equivalent to US$1,435,533) (2016: US$1,441,050). The deposit will be offset upon the completion of the disposal in January 2018. In addition, other payables also included the accrual for training levy and electricity charges due to MOGE of US$185,400 (2016: US$78,000) and the remaining consideration for the participating rights in PSC KP of US$1,038,000 (2016: US$1,038,000).

17. BORROWINGS

	Company		Group	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Current				
Bank borrowings	**3,000,000**	3,000,000	**3,736,171**	3,739,000

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 14), interest-bearing at the range of 1.20% to 1.36% per annum for the tenor periods ranging three to six months. As at 31 December 2017, the bank loan was secured and the interest rate was 4.56% per annum for a tenor period of three months (2016: 3% 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 36).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Opening balance	**–**	–	**7,327,393**	6,656,573
Current income tax expense	**–**	–	**664,803**	1,036,820
Underprovision in prior financial years	**1,537**	2,478	**1,537**	12,738
Income tax paid	**(1,537)**	(2,478)	**(390,287)**	(372,486)
Currency translation differences	**–**	–	**566**	(6,252)
Closing balance	**–**	–	**7,604,012**	7,327,393

19. 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$381,564 (2016: US$413,622). These income tax expenses are still subject to final tax assessments from the tax authority. As at 31 December 2017, the tax assessment was finalised till year of assessment 2018.

Tax expense attributable to profit or loss are made up of:

	Group	
	2017	2016
	US$	US$
Profit/(Loss) for the financial year:		
From continuing operations		
Current income tax – foreign	**664,803**	1,036,820
Deferred income tax – foreign (Note 22)	**146,667**	(8,423)
	811,470	1,028,397
From discontinued operations		
Deferred income tax – foreign (Note 22)	**–**	80,203
Underprovision of current income tax in prior financial years (Note 18):		
From continuing operations		
– Singapore	**1,537**	2,478
From discontinued operations		
– Foreign	**–**	10,260
	813,007	1,121,338
Tax expense is attributable to:		
– Continuing operations	**813,007**	1,030,875
– Discontinued operations	**–**	90,463
	813,007	1,121,338

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19. INCOME TAX EXPENSE (CONT'D)

The tax on the Group's profit/(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	
	2017	2016
	US$	US$
Profit/(Loss) before income tax from		
– Continuing operations	**1,211,853**	(7,786,646)
– Discontinued operations (Note 15(a))	**(46,049)**	51,693
	1,165,804	(7,734,953)
Share of losses of associated companies, net of tax (Note 9)	**185,711**	6,755,329
Profit/(loss) before income tax and share of losses of associated companies	**1,351,515**	(979,624)
Tax calculated at tax rate of 17% (2016: 17%)	**229,758**	(166,536)
Effects of:		
– Different tax rates in other countries	**265,136**	437,309
– Income not subject to tax	**(661,574)**	(344,758)
– Underprovision of income tax in prior financial years	**1,537**	12,738
– Expenses not deductible for tax purposes	**978,150**	1,182,585
	813,007	1,121,338

20. 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 environmental and restoration costs of the Indonesia operations as at 31 December 2017 was 10% (2016: 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 33).

During the current financial year, the restricted cash related to the provision of the environmental and restoration costs for TAC TMT operations of US$2,220,541 was recalled by Pertamina, accordingly the provision was discharged. The remaining excess provision of US$1,078,432 was reversed accordingly.

The provision for environmental and restoration costs for TAC LS operation was reclassified from non-current liabilities to current liabilities due to the expiry of the TAC on 15 November 2018 and the provision may be settled within twelve months. Accordingly, the restricted cash relates to the provision was reclassified (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Group	
	2017	2016
	US$	US$
Opening balance	**4,864,481**	4,473,714
Provision (reversed)/made	**(1,062,802)**	43,409
Actual expenditures utilised	**(2,220,541)**	(65,601)
Unwinding of discount (Note 29)	**143,669**	398,749
Currency translation differences	**(4,537)**	14,210
Closing balance	**1,720,270**	4,864,481
Analysed as:		
To be settled within one year	**1,581,386**	3,300,000
To be settled after one year	**138,884**	1,564,481
	1,720,270	4,864,481

21. 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 AJ Manulife Indonesia for TAC LS.

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

	Group	
	2017	2016
	US$	US$
Present value of funded obligations	**482,331**	421,916
Fair value of plan assets	**(287,746)**	(254,977)
Deficit of funded plan	**194,585**	166,939
Present value of unfunded obligation	**–**	–
Total deficit of defined benefit plan	**194,585**	166,939
Reclassified to disposal group (Note 15(d))	**(174,354)**	(158,612)
Liabilities recognised in the statement of financial position	**20,231**	8,327

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. 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$
2017					
As at 1 January 2017	**421,916**	**(254,977)**	**166,939**	**–**	**166,939**
Current service cost	138,873	–	138,873	–	138,873
Interest expense/(income)	33,068	(18,575)	14,493	3,727	18,220
	171,941	**(18,575)**	**153,366**	**3,727**	**157,093**
Re-measurements:					
– Reclassified to disposal group	(45,780)	–	(45,780)	–	(45,780)
– Experience losses	9,318	8,277	17,595	–	17,595
– Change in asset ceiling, excluding amounts included in interest expense	–	–	–	6,572	6,572
	(36,462)	**8,277**	**(28,185)**	**6,572**	**(21,613)**
Exchange differences	(3,318)	1,035	(2,283)	(10,299)	(12,582)
Contributions:					
– Employers	–	(39,485)	(39,485)	–	(39,485)
Payments from plans:					
– Benefit payments	(71,746)	15,979	(55,767)	–	(55,767)
As at 31 December 2017	**482,331**	**(287,746)**	**194,585**	**–**	**194,585**
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
	260,001	**(32,759)**	**227,242**	**1,866**	**229,108**
Re-measurements:					
– 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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The amounts of defined benefit plan recognised in profit or loss and included in employee compensation amounted to US$157,093 (2016: US$229,108) (Note 30).

The significant actuarial assumptions used are as follows:

	Group	
	2017	2016
	%	%
Discount rate	**5.10 – 7.10**	7.30 – 8.30
Salary growth rate	**8.00 – 10.00**	8.00 – 10.00

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 58 (2016: 58):

	Group	
	2017	2016
Retiring at the end of the reporting period:		
– Male	**57**	60
– Female	**6**	8
Retiring after the end of the reporting period:		
– Male	**115**	138
– Female	**8**	9

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 1.34% to 7.79%	Increase by 1.38% to 9.16%
Salary growth rate	1%	Increase by 0.46% to 8.94%	Decrease by 0.46% to 7.75%

	Increase by one year in assumption	Decrease by one year in assumption
Life expectancy	Increase by 0.01% to 0.17%	Decrease by 0.01% to 0.17%

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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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. 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	
	2017	2016
	US$	US$
Opening balance	**44,174**	39,063
Tax charged/(credited) to profit or loss:		
– Continuing operations (Note 19)	**146,667**	(8,423)
– Discontinued operations (Note 19)	**–**	80,203
Reclassification to disposal group	**(186,558)**	(63,026)
Currency translation differences	**32**	(3,643)
Closing balance	**4,315**	44,174
Deferred Income Tax Liabilities:		
To be settled within one year	**–**	82,538
To be settled after one year	**4,315**	(38,364)
	4,315	44,174

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$
2017			
Opening balance	**2,200**	**82,538**	**84,738**
Credited to profit or loss	–	(82,314)	(82,314)
Currency translation differences	2,115	(224)	1,891
Closing balance	**4,315**	**–**	**4,315**
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. DEFERRED INCOME TAX LIABILITIES (CONT'D)

	Deferred Income Tax Assets			
	Difference in tax depreciation US$	Provisions US$	Other US$	Total US$
2017				
Opening balance	**–**	**(40,564)**	**–**	**(40,564)**
Charged to profit or loss	41,209	61,535	126,237	228,981
Reclassification to disposal group	(40,992)	(24,203)	(121,363)	(186,558)
Currency translation differences	(217)	3,232	(4,874)	(1,859)
Closing balance	**–**	**–**	**–**	**–**
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)**

No deferred income tax assets are recognised for tax losses carried forward as at 31 December 2017 (2016: US$122,903) to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US$1,949,984 (2016: US$1,229,031) at the reporting date which can be carried forward and used to offset against future taxable income. The tax loss is valid for five years from the year of assessment when losses were incurred.

No deferred income tax liabilities have not been recognised for withholding and other taxes that will be payable on the earnings of an overseas subsidiary corporation when remitted to the holding company. There are no unremitted profits (2016: US$323,802) at the reporting date.

23. SHARE CAPITAL

	2017	2016	2017	2016
Company and Group	Number of Ordinary Shares		US$	US$
Opening and 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.

On 15 December 2017, the Company entered into a conditional subscription agreement with North Petroleum International Company Limited ("NPI") for the subscription of an aggregate 79,526,847 new ordinary and fully paid-up shares in the capital of the Company by a way of a private placement at an issue price of S$0.059 per subscription price with aggregate subscription price of US$3,480,000. The placement was completed on 30 January 2018 and accordingly, the issued and paid-up share capital of the Company has increased from 506,446,757 shares to 585,973,604 shares.

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

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24. SHARE OPTIONS

The Interra Share Option Plan (the "Plan") which was adopted on 30 April 2007 has expired on 29 April 2017. On 28 April 2017, a new share option plan named the Interra Share Option Plan 2017 ("ISOP 2017") was approved by members of the Company at an Extraordinary General Meeting. ISOP 2017 provides a means to recruit, retain and give recognition to directors of the Group, employees, controlling shareholders and/or their associates, who have contributed to the success and development of the Group with an opportunity to participate in the equity of the Company and to motivate them to better performance through increased dedication and loyalty.

Subject to the absolute discretion of the Remuneration Committee, the controlling shareholders and/or their associates are eligible to participate in the ISOP 2017, provided that the participation of the controlling shareholders and/or their associates and the actual number of shares comprised in the option(s) and terms of such option(s) to be granted to any of them only be effected with the specific prior approval of independent shareholders in a general meeting in separate resolutions. The aggregate number of shares over which options can be granted to one controlling shareholder or his associate shall not exceed 10% of the total number of shares available under the ISOP 2017, and the aggregate number of shares over which options can be granted to all controlling shareholders and their associates shall not exceed 25% of the total number of shares available under the ISOP 2017.

Under the ISOP 2017, 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 ISOP 2017, shall not exceed 15% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date.

The Company granted options under the Plan to subscribe for 10,050,000 ordinary shares of the Company at exercise price of S$0.148 per share ("2012 Options") on 20 January 2012. The 2012 Options became null and void on 20 January 2017.

On 11 December 2017, the Company granted options to directors and employees to subscribe for 24,000,000 ordinary shares of the Company at exercise price of S$0.06 per share ("2017 Options"). The 2017 Options are exercisable from 12 December 2018 and will expire on 10 December 2022.

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24. 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	Granted during financial year	Forfeited during financial year	At end of the financial year	Exercise price	Exercise period
Company and Group						
2017						
2012 Options	7,110,000	–	(7,110,000)	–	S$0.148	21 January 2013 to 19 January 2017
2017 Options	–	24,000,000	–	24,000,000	S$0.060	12 December 2018 to 10 December 2022
	7,110,000	24,000,000	(7,110,000)	24,000,000		
2016						
2012 Options	7,110,000	–	–	7,110,000	S$0.148	21 January 2013 to 19 January 2017

Out of the unexercised options for 24,000,000 (2016: 7,110,000) shares, no options (2016: 7,110,000) shares are exercisable at the reporting date. On 20 January 2017, the unissued ordinary shares for 2012 Options were lapsed and became null and void.

The fair value of the 2017 Options granted was estimated to be S$406,283 (US$300,626) using the Binomial Option Pricing Model. The significant inputs into the model were the share price of S$0.059 at the grant date, the exercise price of S$0.060, standard deviation of expected share price returns of 57%, no dividend yield, the option life of 2 years and the annual risk-free interest rate of 1.71%. The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last two years.

25. OTHER RESERVES

(a) Composition:

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Special reserve	**–**	–	**(16,544,140)**	(16,544,140)
Share option reserve	**22,776**	356,963	**22,776**	356,963
Currency translation reserve	**–**	–	**(2,192,081)**	(2,210,078)
	22,776	356,963	**(18,713,445)**	(18,397,255)

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. 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	
	2017	2016
	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	
	2017	2016
	US$	US$
Opening balance	**356,963**	356,963
Employee share option plan		
– value of employee services	**22,776**	–
– share options lapsed reclassified to retained profits	**(356,963)**	–
Closing balance	**22,776**	356,963

(iii) Currency Translation Reserve

	Group	
	2017	2016
	US$	US$
Opening balance	**(2,210,078)**	(2,409,687)
Net currency translation differences of foreign subsidiary corporations	**(26,553)**	138,159
Share of currency translation differences of associated companies	**22,912**	131,815
Less: Non-controlling interests	**21,638**	(70,365)
Closing balance	**(2,192,081)**	(2,210,078)

NOTES TO THE FINANCIAL STATEMENTS

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26. REVENUE

	Group	
	2017	2016
	US$	US$
Sale of oil and petroleum products	**11,244,900**	15,173,165

27. OTHER INCOME, NET

	Group	
	2017	2016
	US$	US$
Interest income from bank	**112,754**	104,389
Interest income from loan to non-related parties	**147,280**	128,712
Interest income from loan to an associated company	**26,221**	–
Petroleum services fees	**183,756**	194,985
Management fees	**31,359**	60,035
Currency translation gain/(losses), net	**15,621**	(201,949)
Fair value gain/(loss) on investment properties (Note 10)	**83,347**	(166,531)
Other losses	**(6,149)**	(57,059)
	594,189	62,582

28. FINANCE EXPENSES

	Group	
	2017	2016
	US$	US$
Bank loan interest expenses	**130,428**	82,499

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. EXPENSES BY NATURE

	Group	
	2017	2016
	US$	US$
Royalties	**1,388,933**	1,266,695
Repair and maintenance expenses	**1,444,944**	2,142,168
Well servicing and workover expenses	**183,570**	597,356
Direct labour costs and related expenses	**176,032**	687,096
Geology and geophysical study	**42,585**	279,603
Changes in inventories	**(97,454)**	142,932
Reversal of provision of environmental and restoration costs	**(1,078,432)**	–
Other production expenses	**802,416**	560,848
Depreciation of property, plant and equipment (Note 4)	**30,106**	42,403
Amortisation of producing oil and gas properties (Note 5)	**211,445**	388,963
Amortisation of intangible assets (Note 7)	**28,609**	–
Total amortisation and depreciation	**270,160**	431,366
Inventory written-off (Note 11)	**20,285**	1,373,991
Unwinding of discount of provision for environmental and restoration costs (Note 20)	**143,669**	398,749
Employee compensation (Note 30)	**3,536,392**	4,098,311
Directors' remuneration (Note 37(b))	**701,723**	694,001
Rental expenses on operating leases	**792,642**	1,805,006
Professional, legal and compliance expenses	**267,058**	269,703
Amortised cost adjustment for interest-free non-current receivables	**1,127,993**	–
Marketing expenses	**–**	15,140
Other expenses	**417,933**	1,228,810
Auditor's fees:		
Fees on audit services paid/payable to:		
– Auditor of the Company	**134,517**	141,561
– Other auditors	**36,133**	48,716
Other fees paid/payable to:		
– Other auditors	**–**	2,513
Total cost of production and administrative expenses	**10,311,099**	16,184,565

30. EMPLOYEE COMPENSATION

	Group	
	2017	2016
	US$	US$
Wages and salaries	**3,933,968**	4,448,793
Employer's contribution to defined contribution plan	**132,816**	156,818
Defined benefit plan (Note 21)	**157,093**	229,108
Other short-term benefits	**158,243**	200,301
Share option expenses	**6,263**	–
	4,388,383	5,035,020
Less: Amounts attributable to discontinued operations	**(851,991)**	(936,709)
Amounts attributable to continuing operations (Note 29)	**3,536,392**	4,098,311

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. EARNINGS/(LOSSES) PER SHARE

Earnings/(Losses) per share is calculated by dividing the net profit/(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 earnings/(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 profit/(loss).

	Continuing Operations		Discontinued Operations		Total	
	2017	2016	2017	2016	2017	2016
Net profit/(loss) attributable to equity holders of the Company (US$)	**1,319,973**	(8,040,922)	**(21,687)**	(20,843)	**1,298,286**	(8,061,765)
Weighted average number of ordinary shares outstanding for basic earnings/(losses) per share	**506,446,757**	506,446,757	**506,446,757**	506,446,757	**506,446,757**	506,446,757
Adjustments for share options	**1,970,653**	7,110,000	**1,970,653**	7,110,000	**1,970,653**	7,110,000
Weighted average number of ordinary shares outstanding for diluted earnings/(losses) per share	**508,417,410**	513,556,757	**508,417,410**	513,556,757	**508,417,410**	513,556,757
Basic earnings/(losses) per share (US cents)	**0.261**	(1.588)	**(0.004)**	(0.004)	**0.257**	(1.592)
Fully diluted earnings/(losses) per share (US cents)*	**0.260**	(1.588)	**(0.004)**	(0.004)	**0.256**	(1.592)

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

For the purpose of calculating diluted earnings per share, weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. COMMITMENTS

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

The Company and the 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 reporting date but not recognised as liabilities, are as follows:

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Not later than one year	**154,870**	153,762	**343,681**	340,815
Between one and five years	**351,926**	71,464	**351,926**	77,449
	506,796	225,226	**695,607**	418,264

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar, TAC LS, PSC KP and MITI in Indonesia. The capital expenditure for 2018 and 2017 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 reporting date but not recognised in the financial statements are as follows:

	Group	
	2017	2016
	US$	US$
Not later than one year	**7,834,967**	300,000

33. CONTINGENT LIABILITIES

Contingent liabilities of which the probability of settlement is not remote at the reporting 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. CONTINGENT LIABILITIES (CONT'D)

Group

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

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

34. 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% (2016: 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$562,000 and US$524,000 (2016: higher/lower by approximately US$759,000 and US$707,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

(ii) Cash Flow and Fair Value Interest Rate Risks

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

The Group's interest rate risk mainly arises from short-term bank deposits 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 0.77% to 1.36% (2016: 0.32% to 8.50%) 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 4.08% to 4.56% (2016: 2.70% to 3.00%) 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 reporting date, the Group does not have any forward foreign currency contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. 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$
2017					
Financial assets					
Cash and bank balances	10,498,262	164,795	487,323	41,141	11,191,521
Trade and other receivables	6,267,451	6,097	5,848,923	–	12,122,471
Other financial assets	29,494	42,675	18,349	–	90,518
	16,795,207	213,567	6,354,595	41,141	23,404,510
Financial liabilities					
Borrowings	(3,000,000)	–	(736,171)	–	(3,736,171)
Other financial liabilities	(5,842,782)	(453,811)	(6,934,460)	(3,019)	(13,234,072)
	(8,842,782)	(453,811)	(7,670,631)	(3,019)	(16,970,243)
Net financial assets/ (liabilities)	7,952,425	(240,244)	(1,316,036)	38,122	6,434,267
Add: Net non-financial assets	13,174,237	54,057	7,399,596	59,794	20,687,684
Currency profile including non-financial assets	21,126,662	(186,187)	6,083,560	97,916	27,121,951
Currency exposure of financial (liabilities)/ assets, net of those denominated in the respective entities' functional currencies	–	(240,244)	(1,316,036)	38,122	(1,518,158)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. 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$
2016					
Financial assets					
Cash and bank balances	11,133,619	99,854	611,318	20,450	11,865,241
Trade and other receivables	6,346,717	6,156	9,562,366	–	15,915,239
Other financial assets	135,325	39,404	18,370	–	193,099
	17,615,661	145,414	10,192,054	20,450	27,973,579
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)	13,162,089	(891,616)	2,445,468	19,403	14,735,344
Add: Net non-financial assets	6,191,892	25,731	4,360,294	25,118	10,603,035
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

The Company's currency exposure is as follows:

	USD US$	SGD US$	Others US$	Total US$
2017				
Financial assets				
Cash and bank balances	**2,652,997**	**154,401**	**4,335**	**2,811,733**
Trade and other receivables	**8,534**	**6,097**	**4**	**14,635**
Other financial assets	**–**	**42,675**	**–**	**42,675**
	2,661,531	**203,173**	**4,339**	**2,869,043**
Financial liabilities				
Borrowings	**(3,000,000)**	**–**	**–**	**(3,000,000)**
Other financial liabilities	**(127,388)**	**(399,741)**	**–**	**(527,129)**
	(3,127,388)	**(399,741)**	**–**	**(3,527,129)**
Net financial (liabilities)/assets	**(465,857)**	**(196,568)**	**4,339**	**(658,086)**
Add: Net non-financial assets	**28,988,003**	**53,434**	**–**	**29,041,437**
Currency profile including non-financial assets	**28,522,146**	**(143,134)**	**4,339**	**28,383,351**
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	**–**	**(196,568)**	**4,339**	**(192,229)**
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)

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market Risk (Cont'd)

As at 31 December 2017, if SGD had strengthened/weakened by 5% (2016: 5%) against USD with other variables including tax rate being held constant, the Group's and Company's profit/(loss) after tax would have been higher/lower by approximately US$9,000 and US$6,800 (2016: higher/lower by approximately US$41,000 and US$16,000) respectively, as a result of currency translation gains/(losses) on SGD denominated financial instruments.

As at 31 December 2017, if IDR had strengthened/weakened by 5% (2016: 5%) against USD with other variables including tax rate being held constant, the Group's profit/(loss) after tax would have been higher/lower by approximately US$290,000 (2016: higher/lower by approximately US$324,000), 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 Group does not hold any collaterals, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

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 66% and 12% (2016: 44% and 28%) of the Group's total trade receivables respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. 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	
	2017	2016
	US$	US$
By geographical areas		
Indonesia	**1,418,290**	2,832,811
Myanmar	**2,790,419**	2,205,883
	4,208,709	5,038,694
By types of customers		
Non-related parties		
– Government related entities	**3,289,103**	3,620,259
– Other companies	**919,606**	1,418,435
	4,208,709	5,038,694

(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	
	2017	2016
	US$	US$
Past due less than three months	**569,776**	1,418,435
Past due three to six months	**139,463**	–
Past due over six months	**480,682**	105,896
	1,189,921	1,524,331

NOTES TO THE FINANCIAL STATEMENTS

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34. 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	
	2017	2016
	US$	US$
Past due over six months	**114,959**	105,896
Less: Allowance for impairment	**(114,959)**	(105,896)
	–	–
Opening balance	**105,896**	109,394
Currency translation differences	**9,063**	(3,498)
Closing balance (Note 12)	**114,959**	105,896

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.

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Net debt	**715,396**	921,502	**5,778,722**	1,372,994
Total equity	**28,383,351**	30,300,772	**27,121,951**	25,338,379
Total capital	**29,098,747**	31,222,274	**32,900,673**	26,711,373
Gearing ratio	**2%**	3%	**18%**	5%

The Company and the Group have no externally imposed capital requirements for the current and prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Liquidity Risk

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

	Company		Group	
	2017	2016	2017	2016
	US$	US$	US$	US$
Less than one year				
Trade and other payables	**527,129**	531,671	**13,234,072**	9,499,235
Borrowings	**3,000,000**	3,000,000	**3,736,171**	3,739,000
	3,527,129	3,531,671	**16,970,243**	13,238,235

(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	
	2017	2016	2017	2016
	US$	US$	US$	US$
Loan and receivables	**2,869,043**	2,698,947	**23,404,510**	27,973,579
Financial liabilities at amortised cost	**3,527,129**	3,531,671	**16,970,243**	13,238,235

35. 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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. SEGMENT INFORMATION (CONT'D)

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.

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2017 and 2016 are as follows:

	Oil and Gas			
	Indonesia	Myanmar	All Other Segments	Total for Continuing Operations
	US$	US$	US$	US$
2017				
Revenue				
Sales to external customers	**2,142,284**	**9,102,616**	**–**	**11,244,900**
Adjusted EBITDA	**1,884,353**	**3,902,275**	**(3,198,602)**	**2,588,026**
Amortisation and depreciation	**99,095**	**140,959**	**30,106**	**270,160**
Inventory written-off	**20,285**	**–**	**–**	**20,285**
Share of losses of associated companies	**–**	**–**	**185,711**	**185,711**
Total assets	**16,661,384**	**19,119,442**	**14,673,648**	**50,454,474**
Total assets includes:				
Investments in associated companies	**–**	**–**	**3,771,108**	**3,771,108**
Capital expenditures (tangible and intangible assets)	**32,636**	**3,242,649**	**33,461**	**3,308,746**
Total liabilities	**(3,700,364)**	**(5,479,192)**	**(9,531,188)**	**(18,710,744)**
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
Amortisation and depreciation	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	14,099,522	47,503,915
Total assets includes:				
Investments in associated companies	–	–	984,498	984,498
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)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. SEGMENT INFORMATION (CONT'D)

Reconciliations

(i) Segment Profits

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

	2017 US$	2016 US$
Adjusted EBITDA for reportable segments	**5,786,628**	4,260,847
Adjusted EBITDA for other segments	**(3,198,602)**	(3,470,878)
Amortisation and depreciation	**(270,160)**	(431,366)
Inventory written-off	**(20,285)**	(1,373,991)
Finance expenses	**(130,428)**	(82,499)
Fair value gain/(loss) on investment properties	**83,347**	(166,531)
Amortised cost adjustment for interest-free non-current receivables	**(1,127,993)**	–
Allowance for impairment other receivables	**(11,195)**	–
Property, plant and equipment written-off	**(5)**	–
Interest income	**286,255**	233,101
Share of losses of associated companies	**(185,711)**	(6,755,329)
Profit/(Loss) before income tax and discontinued operations	**1,211,851**	(7,786,646)

(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 assets of disposal group classified as held-for-sale.

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

	2017 US$	2016 US$
Segment assets for reportable segments	**35,780,826**	33,404,393
Other segment assets	**14,673,648**	14,099,522
Unallocated:		
Assets of disposal group classified as held-for-sale	**4,496,702**	4,598,689
	54,951,176	52,102,604

(iii) Segment Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. SEGMENT INFORMATION (CONT'D)

Reconciliations (Cont'd)

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

	2017 US$	2016 US$
Segment liabilities for reportable segments	**9,179,556**	8,805,314
Other segment liabilities	**9,531,188**	9,305,729
Unallocated:		
Liabilities directly associated with disposal group classified as held-for-sale	**1,510,154**	1,281,615
Current and deferred income tax liabilities	**7,608,327**	7,371,567
	27,829,225	26,764,225

(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 2017 and 2016 amounting to US$11,244,900 (2016: US$15,173,165). 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	
	2017 US$	2016 US$	2017 US$	2016 US$
Continuing operations				
Indonesia	**2,142,284**	6,060,877	**10,958,286**	10,957,109
Myanmar	**9,102,616**	9,112,288	**6,587,310**	65,619
Other countries	**–**	–	**30,554**	12,339
	11,244,900	15,173,165	**17,576,150**	11,035,067

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

36. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. LITIGATION (CONT'D)

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

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

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

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

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

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

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

37. 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

	2017 US$	2016 US$
Rental of drilling rig services	–	424,263

Two of the directors of the Company are related to PT. Multico Millenium Persada. No drilling rig rental services provided during the current financial year (2016: US$424,263 (S$609,941)) to the Group was in accordance with the prevailing market rates as compared to other companies providing similar services. The outstanding balance due from a related party as at 31 December 2016 was US$99,420.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONT'D)

(b) Employment Services Received from Related Party

The daughter of substantial shareholder of the Company, Edwin Soeryadjaya occupying a managerial position during the current financial year. The total remuneration was US$6,893 (2016: nil) for the financial year ended 31 December 2017.

(c) 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:

	2017 US$	2016 US$
Directors' fees	**224,084**	270,341
Wages and salaries	**1,142,649**	1,088,025
Other short-term benefits	**63,136**	55,279
Employer's contribution to defined contribution plan	**21,409**	16,426
Share option expenses	**20,878**	–
Total costs incurred by the Group	**1,472,156**	1,430,071
Costs are incurred for the following categories of key management:		
– Directors of the Company (Note 29)	**701,723**	694,001
– Other key management personnel	**770,433**	736,070
Total costs incurred by the Group	**1,472,156**	1,430,071

38. SUBSEQUENT EVENTS

(a) On 15 December 2017, the Company entered into a conditional subscription agreement with NPI for the subscription of an aggregate 79,526,847 new ordinary and fully paid-up shares in the capital of the Company by a way of a private placement at an issue price of S$0.059 per subscription price with aggregate subscription price of US$3,480,000. On 30 January 2018, the Company has completed the placement and the allotment and issued of 79,526,847 Placement Shares. Accordingly, the issued and paid-up share capital of the Company has increased from 506,446,757 shares to 585,973,604 shares.

(b) On 18 December 2017, the Company's subsidiary corporations, MITI and GII, together with other shareholder, PT Benakat Integra, Tbk. entered a memorandum of understanding with IOI in relation to the proposed issuance of convertible bond by IOI. The purpose is to finance the working capital of KSO Benakat Barat. IOI shall offer to the shareholders whenever they issue the convertible bond at the maximum amount of IDR150 billion. As at the reporting date, the proposed issuance of convertible bond is pending for completion until all the parties obtain the respectively approvals.

(c) On 31 January 2018, the Company's subsidiary corporation, MITI completed the proposed disposal of granite operation by transferred all of its interest in PT BMS to PT SMA. Following the completion of the proposed disposal, the Company does not have any interest in the granite quarry. In accordance with FRS 105, the assets and liabilities of granite operation classified as held-for-sale has been written-down to their fair value in prior financial years. Details of the assets disposed and liabilities assumed, revenue and profit contribution and the cash flows for the Group of the discontinued operations as at 31 December 2017 are disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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 2018 and which the Group has not early adopted:

Description	Effective for annual periods beginning on or after
Amendments to FRS 28 – Investments in Associates and Joint Ventures	1 Jan 2018
Amendments to FRS 40 – Transfers of Investment Property	1 Jan 2018
Amendments to FRS 101 – First-Time Adoption of Financial Reporting Standards	1 Jan 2018
Amendments to FRS 102 – Classification and Measurement of Share-based Payment Transactions	1 Jan 2018
Amendments to FRS 115 – Clarifications to FRS 115 Revenue from Contracts with Customers	1 Jan 2018
INT FRS 122 – Foreign Currency Transactions and Advance Consideration	1 Jan 2018
Amendments to FRS 28 – Long-term Interests in Associates and Joint Ventures	1 Jan 2019
Amendments to FRS 109 – Prepayment Features with Negative Compensation	1 Jan 2019
INT FRS 123 – Uncertainty over Income Tax Treatments	1 Jan 2019
Amendments to FRS 103 – Business Combinations	1 Jan 2019
Amendments to FRS 111 – Joint Arrangements	1 Jan 2019
Amendments to FRS 12 – Income Taxes	1 Jan 2019
Amendments to FRS 23 – Borrowing Costs	1 Jan 2019
Amendments to FRS 110 and FRS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to FRS 104 – Applying FRS 109 – Financial Instruments with FRS 104 Insurance Contracts	Note (a)

(a) The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The amendments allowing the overlay approach are applicable when an entity first apply FRS 109.

FRS 109 – Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 – Financial Instruments: Recognition and Measurement and its relevant interpretations

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI ("FVOCI"). Gains or losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. NEW OR REVISED FRS AND INTERPRETATIONS (CONT'D)

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 – Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 40). The new accounting framework has similar requirements of FRS 109 and management has assessed that there would not be significant impact on the adoption of the equivalent FRS 109.

FRS 115 – Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 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.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 40). The new accounting framework has similar requirements of FRS 115 and management has assessed that there would not be significant impact on the adoption of the equivalent FRS 115.

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.

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.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 40). The new accounting framework has similar requirements of FRS 116 and management has assessed that there would not be significant impact on the adoption of the equivalent FRS 116.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. NEW OR REVISED FRS AND INTERPRETATIONS (CONT'D)

The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit or classification of cash flows. As at the reporting date, the Group has non-cancellable operating lease commitments of US$695,607 (Note 32(a)).

40. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as "Singapore IFRS – Identical Financial Reporting Standards" ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ending 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 – First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS as follows:

Currency translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and accumulated losses as at 1 January 2017 and 31 December 2017 were reduced/increased by US$2,210,078 and US$2,192,081 respectively.

(b) Summary of Provisional Financial Impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) as described above as summarised below:

	As at 31 Dec 2017 reported under SFRS US$	(Provisional) As at 1 Jan 2018 reported under SFRS(I) US$	As at 1 Jan 2017 reported under SFRS US$	(Provisional) As at 1 Jan 2017 reported under SFRS(I) US$
Other reserves	2,192,081	–	2,210,078	–
Accumulated losses	–	2,192,081	–	2,210,078

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2018.

APPENDIX

28th March 2018

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 1st January 2018.

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 together with Contingent Resources and Prospective Resources.

The evaluation and its results have been reported in full in separate ERCE Qualified Person's Reports (QPRs), one for each asset, dated March 2018, except for the Kuala Pambuang Production Sharing Contract (PSC), which is dated March 2017. The following summary information has been extracted from the QPRs. 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	Operator	Interra Working Interest (%)	Licence		Current Area (km2)	Outstanding Commitments
					Start of Current	End of Current		
Myanmar	Chauk IPRC	Chauk	GJOC	60.00	04/04/2017	02/04/2028	955	None
Myanmar	Yenangyaung IPRC	Yenangyaung	GJOC	60.00	04/04/2017	02/04/2028	845	None
Indonesia	Linda-Sele TAC	Linda, Sele	Interra	53.99	16/11/1998	15/11/2018	19	None
Indonesia	Benakat Barat KSO	Benakat Barat	PEP-BBP	30.65	16/03/2009	15/03/2024	73	Waterflood
Indonesia	Kuala Pambuang PSC	(Exploration)	Interra	67.50	19/12/2011	18/12/2021	1,630.7	2 Expl Wells & 200 km Seismic

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 and in accordance with reporting requirements, conducted

APPENDIX

Economic Limit Tests (ELTs) on the volumes. The Reserves volumes calculated are based on ERCE's 2018 Q1 Price Deck and the cost and fiscal assumptions are detailed in the respective QPRs. ERCE's estimates of the oil Reserves, as at 1st January 2018 are summarised for each asset in **Table 2**.

Table 2: Summary of Oil Reserves for Interra's Assets in Myanmar and Inonesia

Country	Block/Licence		Oil Reserves (Mstb)		
			1P	2P	3P
Myanmar	Chauk IPRC	Gross Volumes (100.00% field)	2,465	3,560	4,894
		Net Interra Working Interest (60.00%)	1,479	2,136	2,936
Myanmar	Yenangyaung IPRC	Gross Volumes (100.00% field)	4,857	5,944	7,284
		Net Interra Working Interest (60.00%)	2,914	3,567	4,371
Indonesia	Linda-Sele TAC	Gross Volumes (100.00% field)	47	52	57
		Net Interra Working Interest (53.99%)	25	28	31
Indonesia	Benakat Barat KSO	Gross Volumes (100.00% field)	1,653	2,511	3,550
		Net Interra Working Interest (30.65%)	507	770	1,088

Notes:

(1) Gross Volumes represent a 100% total of estimated commercially recoverable oil within the IPRC period. Gross volumes include volumes attributable to third parties and government, including the agreed contract baseline production, and thus contain volumes which are not attributable to Interra.

(2) Net Working Interest Reserves represent the fraction of the Gross Volumes allocated to Interra, based on their working interest in the GJOC, to be used under the terms of the PSC to ascertain Net Entitlement Reserves. Net Working Interest Reserves do not take into account the contractual terms with the host government and do not represent Interra's net entitlement under the contract, which would be lower. Cash flows are calculated on the basis of Net Entitlement Reserves, not Net Working Interest Reserves.

In the case of the two Myanmar Improved Petroleum Recovery Contracts (IPRCs), volumes recoverable beyond the expiry of the current contracts are classified as Contingent Resources. The two Myanmar contracts are due to expire in April 2028. Under the current IPRC terms, if in the opinion of the Myanmar Oil and Gas Enterprise (MOGE) and GoldPetrol Joint Operating Company (GJOC) that (1) in the course of a waterflood pilot test or (2) after results of the new pool appraisal, commercial production can occur, then the GJOC may propose that the IPRC is extended for such further period and such terms to make commercial production economically feasible. Contingent Resources are reported for these contracts assuming extensions are granted with no reduction in equity. Contingent Resources also contain volumes attributable to future waterflood projects. ERCE's estimates of the oil Contingent Resources in the Myanmar assets as at 1st January 2018 are presented in **Table 3**.

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Table 3: Summary of Oil Contingent Resources for Interra's Assets in Myanmar

Country	Block/Licence		Oil Contingent Resources (Mstb)		
			1C	2C	3C
Myanmar	Chauk IPRC	Gross Volumes (100.00% field)	472	2,202	3,814
		Net Interra Working Interest (60.00%)	283	1,321	2,289
Myanmar	Yenangyaung IPRC	Gross Volumes (100.00% field)	2,340	3,937	5,375
		Net Interra Working Interest (60.00%)	1,404	2,362	3,225

Notes:

(1) Gross Volumes represent a 100% total of estimated recoverable oil from the project, contingent on extension of the contracts. Gross volumes include volumes attributable to third parties and government, including any agreed contract baseline production, and thus contain volumes which are not attributable to Interra.

(2) Net Working Interest Contingent Resources represent the fraction of the Gross Volumes allocated to Interra, based on their working interest in the GJOC. Contingent Resources are not subject to any economic limit tests.

(3) 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.

ERCE's evaluation of Interra's Prospective Resources within the Kuala Pambuang PSC, onshore Indonesia, remains unchanged from our YE2016 QPR as no new data have been collected. It should be noted however that, following a final relinquishment in 2018, the remaining area has reduced from 8,150 km^2 to 1,630.74 km^2. 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 seven 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.

APPENDIX

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 thousands (Mstb) and millions (MMstb) of barrels at stock tank conditions. Stock tank conditions are defined as 14.7 psia and 60^{o}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

APPENDIX

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.

At the instruction of Interra, in this letter, Reserves and Contingent Resources are reported at a gross field level and a net Interra 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. However, cash flow analysis was conducted on the basis of Net Entitlement Reserves, under the terms of the respective contracts. Net Entitlement Oil Reserves are fully disclosed in the Chauk, Yenangyaung and Benakat Barat QPRs.

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

Yin Lifeng
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)

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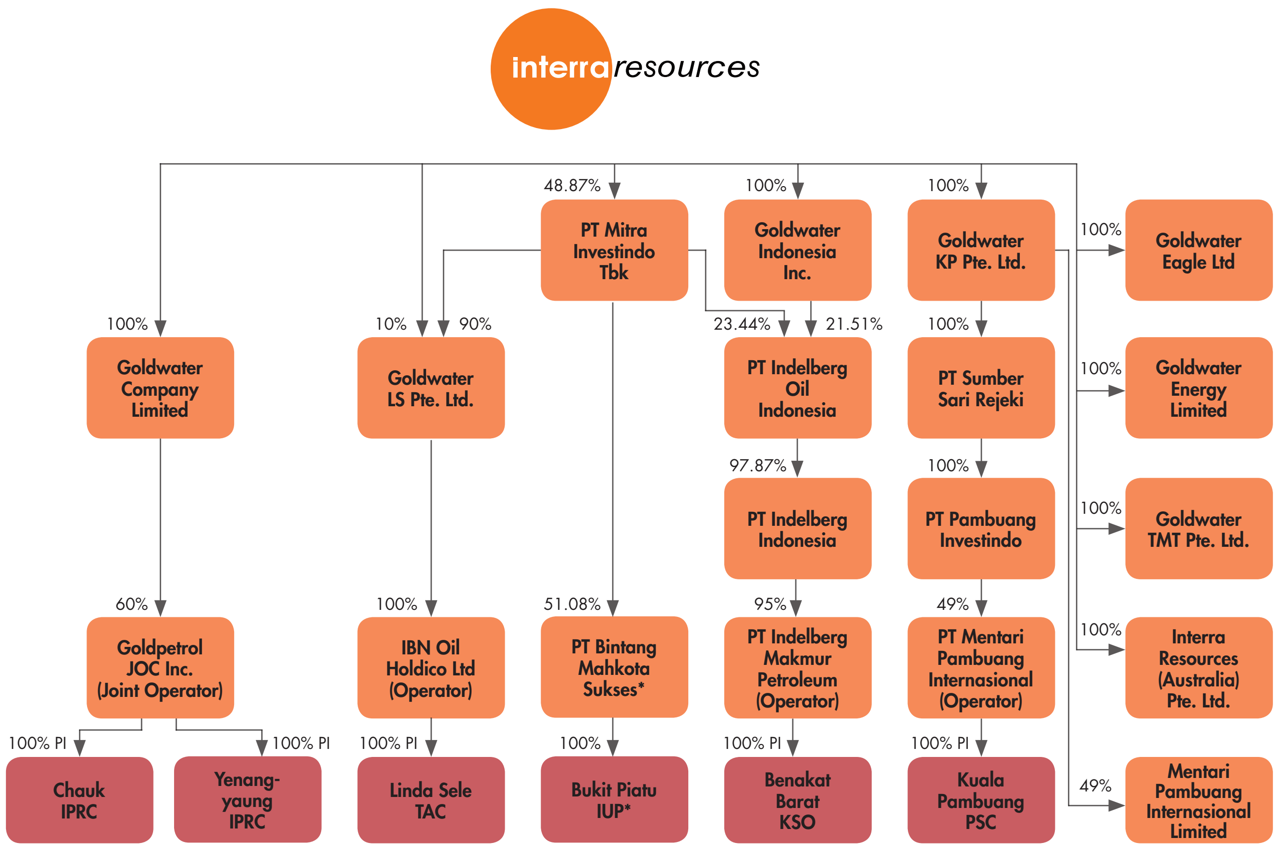

PI: Participating Interest
* Disposal of the granite quarry was completed on 31 January 2018

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