

interraresources

**BUILDING FOR
TOMORROW**



2018

ANNUAL REPORT



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 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 four petroleum contract areas in Indonesia and Myanmar.

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.





MYANMAR: CHAUK AND YENANGYAUNG FIELDS

In central Myanmar, we hold 60% participating interests in two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs) with the Myanmar Oil and Gas Enterprise (MOGE). The IPRCs, which commenced on 4 October 1996 for a term of 20 years and 6 months, were subsequently extended for another term of 11 years. We manage the operatorship of the two fields jointly with a joint venture partner through Goldpetrol Joint Operating Company 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 2018, the combined gross production for both fields was 887,896 barrels of oil.

INDONESIA: KUALA PAMBUANG BLOCK

Onshore Central Kalimantan, we have an effective 67.5% operating 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 subsequently 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.



FINANCIAL HIGHLIGHTS

Group	2018	2017	2016	2015	2014
Financial Performance (US\$'000)					
Revenue	14,885	11,245	15,173	23,452	55,796
Cost of production	7,988	5,042	9,610	34,073	44,641
Gross profit/(loss)	6,897	6,203	5,563	(10,621)	11,155
Net profit/(loss)	779	399	(8,818)	(52,784)	(12,280)
Net profit/(loss) attributable to equity holders ^a	874	1,320	(8,041)	(47,368)	(10,794)
Financial Position (US\$'000)					
Cash and bank balances	6,638	11,192	11,865	17,828	18,737
Debt and borrowings	1,000	3,736	3,739	3,728	1,189
Net current assets	2,611	1,972 ^b	8,964 ^b	11,378 ^b	21,352
Shareholders' equity	27,095	22,376	21,492	29,390	71,638
Cash Flows (US\$'000)					
Operating cash flow	4,268	2,636	(1,297)	8,592	22,651
Investing cash flow	(10,093)	(5,230)	(193)	(7,851)	(29,094)
Financing cash flow	3,271	1,923	(6,556)	(1,326)	12,778
Financial Ratio (US cents)					
Basic earnings/(losses) per share ^c	0.151	0.261	(1.588)	(9.846)	(2.419)
Net asset value per share	4.624	4.418	4.244	5.803	15.943

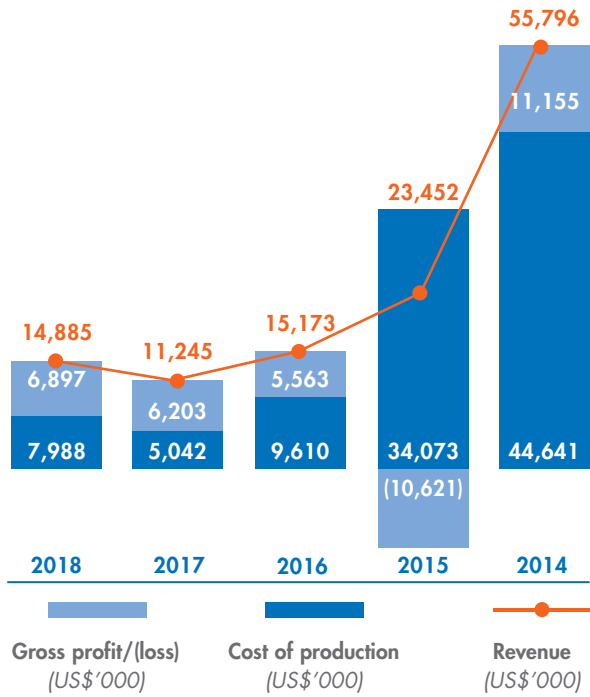
a. Represents figure from continuing operations

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

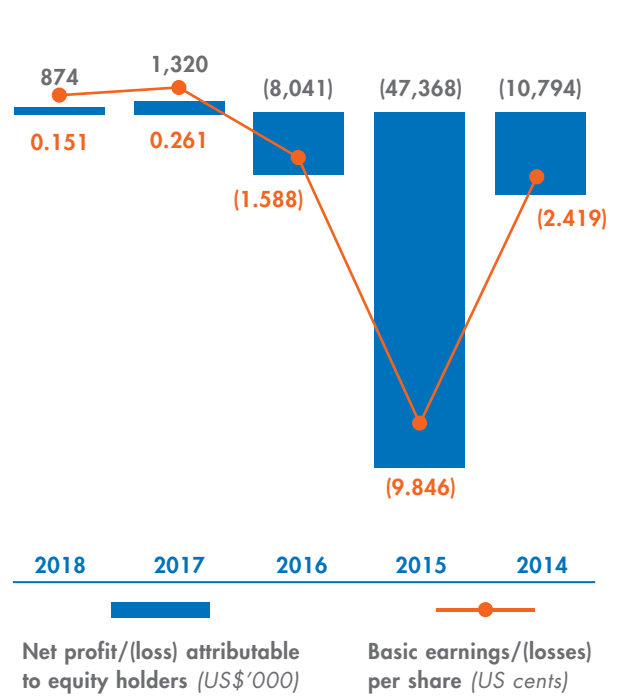
b. See Note 31 of the Notes to the Financial Statements for more information on earnings/(losses) per share

Company	2018	2017	2016	2015	2014
SGX Share Price Information (\$\$)					
Year-end closing price	0.031	0.062	0.084	0.163	0.415
Average closing price	0.051	0.071	0.127	0.329	0.460
Highest traded price	0.075	0.095	0.205	0.440	0.595
Lowest traded price	0.030	0.045	0.070	0.160	0.390
Year-end market capitalisation	18,165,182	31,399,699	42,541,528	73,244,108	185,160,698
Average market capitalisation	29,329,703	35,866,193	64,092,062	147,836,267	205,138,810

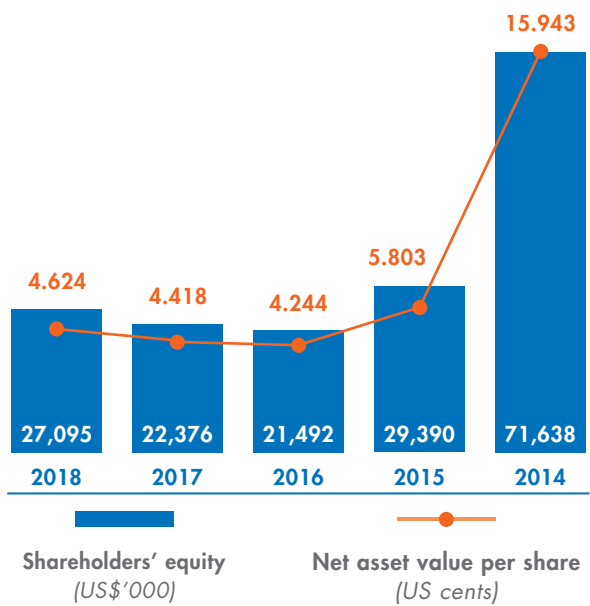
Revenue, Cost of production & Gross profit/(loss)



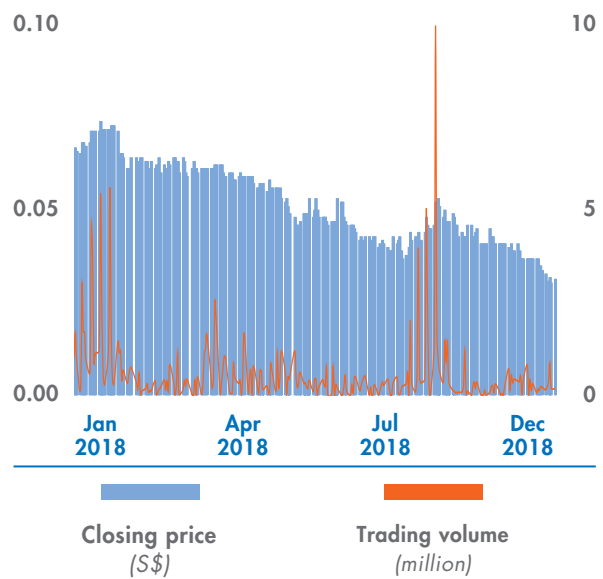
Net profit/(loss) attributable to equity holders & Basic earnings/(losses) per share



Shareholders' equity & Net asset value per share



SGX Closing price & Trading volume



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I'm pleased to report that Interra Resources Limited (the "Company") and its subsidiaries (the "Group") have continued to be profitable due to improving crude oil prices and production level. Revenue increased 32.4% to US\$14.88 million, and net profit from continuing operations attributable to equity holders was US\$0.87 million for the financial year ended 31 December 2018 ("FY2018").

BRIGHTENING HORIZON

Following the 11-year contract extension with respect to the two onshore Myanmar fields during the financial year ended 31 December 2017 ("FY2017"), continued development of the fields is now in full swing. We implemented a water-flood project, a secondary oil recovery method, at the Chauk field shortly after the acquisition of patent rights was completed in February 2018. In addition, a smaller scale water-flood project was started in the Yenangaung field during the second quarter of the year. I am pleased to report that oil production has responded positively in both fields. The operation and production work plans for the year under review were accomplished. After executing the drilling of nine wells for the year, we kicked off early the 2019 drilling programme in December 2018 under favourable dry season surface conditions and rig availability. The combined gross and shareable production for Myanmar in FY2018 were 887,896 and 253,666 barrels (FY2017: 837,823 and 227,985) respectively.

In West Papua Indonesia, the petroleum contract in respect of the Linda-Sele fields expired on 15 November 2018. A contract extension was not granted. The participating interests of the Linda-Sele contract were indirectly held by the Company (54%) and its Indonesia-listed subsidiary, PT Mitra Investindo Tbk ("MITI") (46%). On 30 June 2018, the Company no longer had majority representation and de facto control on MITI's board. As a result, MITI and its subsidiaries as a group is no longer deemed to be a subsidiary of the Company and the financial results of the MITI group are deconsolidated and equity-accounted for as associated companies in the Company's financial statements.

In southern Central Kalimantan, several high-quality drillable prospects were delineated in the onshore Kuala Pambuang exploration block during the year. After numerous detailed studies and thorough reviews by the in-house geoscience team in conjunction with an external consultant, an optimal drill site was determined and subsequently granted regulatory approval for drilling. Drilling preparations, such as site assessment, well planning and equipment sourcing, are underway. Barring unexpected circumstances, we are anticipating the spud of the first exploratory well in the block this year. The main objective of the well is to test the hydrocarbon potential of the block. We will continue to keep you updated on the progress of the developments in this block.

BUILDING ON RESOURCES

Improved crude oil prices continued throughout much of the year, hitting a four-year high in early October. However, price weakness in the last three months negatively impacted the results for the year. On the whole, the Group's average transacted crude oil price for FY2018 was close to US\$70 per barrel compared to US\$50 per barrel for FY2017. The downward pressure seems to have eased as we enter 2019, but our strategy continues to be focused on financial prudence. Fundamentally, we will continue to maintain capital discipline through cash flow management and operation control and focus on productivity improvements based on tightly managed cost structures. I am confident that our resilient strategy will enable us to respond quickly to changes in crude oil prices and mitigate these intrinsic risks.

During FY2018, the Company repaid US\$2.00 million towards its bank loan and reduced its borrowings to US\$1.00 million (FY2017: US\$3.74 million). As at 31 December 2018, the overall cash and cash equivalents (excluding restricted cash and pledged deposits) amounted to US\$6.64 million (FY2017: US\$9.19 million). Barring unforeseen circumstances or unexpected events, the Group has sufficient cash resources to fulfil its work commitments for 2019. The Company will be exploring suitable capital-raising options to fund its future development and exploration undertakings. In view of the uncertainty of crude oil prices and the impact on the Company's earnings, the Board does not recommend a regular dividend policy. There are no profits available for dividends to be declared in respect of FY2018.

CORPORATE UPDATE

The net proceeds of US\$3.48 million raised from the private placement completed on 30 January 2018 have been fully utilised as announced on 14 September 2018. Updates on the use of proceeds were provided by the Company as and when material disbursements were made. All the net proceeds were used towards the work activities relating to the FY2018 work programme of the Chauk and Yenangyaung fields in Myanmar in accordance with the intended use stated in the announcement dated 15 December 2017.

As mentioned previously, the Company was placed on the watch-list of the Singapore Exchange based upon both financial and minimum trading price entry criteria with effect from 5 December 2017. The respective exit criteria, in addition to having an average daily market capitalisation of at least S\$40 million over the last six months, are to record 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. Although the Company has reported consolidated pre-tax profits for both FY2017 and FY2018, its share price, and hence market capitalisation, is essentially dependent on crude oil prices and is beyond its control. The Company will continue to make efforts and consider various options to meet the requirements for its removal from the watch-list within thirty-six months from 5 December 2017.

SUSTAINABILITY UPDATE

The Board is pleased to have put in place a sustainability reporting framework that enables the Company to adopt a phased approach to sustainability reporting on an annual basis. The first entry-level sustainability report issued in respect of FY2017 has brought about more clarity and focus on common priorities among employees. Furthermore, it has facilitated the Company in articulating its business policies and operating practices with respect to the surrounding communities and environment in sustainability terms. I believe our sustainability report will continue to develop progressively with regular stakeholder engagement as we strive to operate responsibly and accountably towards the environment and society at large.

GRATITUDE

Last but not least, I would like to express my heartfelt gratitude to my fellow Board members, our key management personnel and all our staff for their invaluable contributions and dedicated commitment throughout the years. My sincere appreciation also goes to various government agencies, business partners, vendors and associates for the opportunities and support.

On behalf of the Board, I would like to thank our shareholders for your trust and patience over these challenging years. Moving forward, we will continually realign our overall portfolio with the interests of shareholders and at the same time, seek to make it secure amid the transition to a lower carbon world.

Yours sincerely,

EDWIN SOERYADJAYA

Chairman

27 March 2019

REVENUE

US\$14.88 million

COST OF PRODUCTION

US\$7.99 million

NET PROFIT

US\$0.87 million

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 current chairmanships include being President Commissioner of PT Adaro Energy Tbk (coal mining), PT Merdeka Copper Gold Tbk (gold and copper mining), PT Mitra Pinasthika Mustika Tbk (consumer automotive) and PT Tower Bersama Infrastructure Tbk (telecommunication towers); 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 first appointed to the board on 13 March 2018 and was elected on 27 April 2018.

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 Deputy Director from 2005 to 2012. Mr Yin is currently a member of the owners' committee of Goldpetrol Joint Operating Company Inc. (Myanmar) and the Managing Director of North Petroleum International Company Limited (Hong Kong).

Mr Yin obtained 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.

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 subsidiaries, associated 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.

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 27 April 2018. 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.

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.

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 UK and Hong Kong, the Singapore Academy of Law, and the Singapore Institute of Arbitrators; and an Accredited Tax Advisor/Practitioner.

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 27 April 2018. Mr Lim also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

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

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

KEY MANAGEMENT PERSONNEL

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 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 continued crude oil price recovery in FY2018 brought about higher sales of crude oil. As a result, the Group's revenue from continuing operations increased 32.4% to US\$14.88 million from US\$11.24 million in FY2017. The average sales price was US\$67.95 per barrel, 32.4% higher than that of US\$51.38 per barrel a year ago. With the deconsolidation of the MITI group as a subsidiary (the rationale of which is disclosed under Note 3(f)(ii) of the Notes to the Financial Statements of this Annual Report) with effect from 30 June 2018, the bulk of the Group's revenue was generated by the Myanmar operations. The continued active development of the Chauk field also lifted its revenue contribution which increased by 63.0% year-on-year. The Group's revenue breakdown by fields for the past five years is charted on page 12.

Cost of production for FY2018 increased by 58.4% to US\$7.99 million, in tandem with the rising level of activities in Myanmar. After taking into account the higher production expenses incurred by the Myanmar operations, gross profit for FY2018 was US\$6.90 million (FY2017: US\$6.20 million).

Other income, which comprised mostly interest income, petroleum services fees, and a one-off gain on the disposal of granite operations, increased 20.3% from US\$0.59 million for FY2017 to US\$0.71 million for FY2018. The increase in administrative expenses of US\$6.62 million in FY2018 (FY2017: US\$5.27 million) was due mainly to the lack of a one-off reversal of Indonesian withholding tax obligations of US\$0.48 million and an impairment loss amounting to US\$2.14 million in respect of the MITI group as an associated company. Share of loss of associated companies increased from US\$0.19 million to US\$0.62 million year-on-year. A one-off reversal of over-provision in prior year income tax of US\$1.30 million in respect of the Indonesia operations resulted in an overall income tax credit of US\$0.52 million in FY2018.

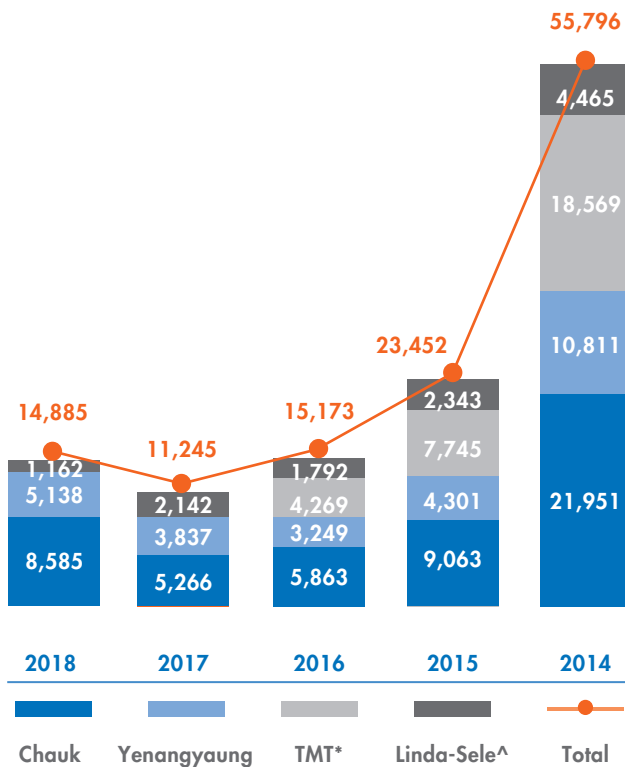
As a result of the increase in crude oil prices, the Group's net profit after tax from continuing operations almost doubled from US\$0.40 million in FY2017 to US\$0.78 million. With the completion of MITI's divestment of its granite business on 31 January 2018, the Group no longer has to account for the discontinued operations, which incurred a loss of US\$0.05 million for FY2018.

In 2019, the Group will carry on with the development drilling campaign in Myanmar. With the infrastructure of the water-flood project in place, production improvements are expected from the Myanmar operations. Furthermore,



OPERATING AND FINANCIAL REVIEW

Revenue Breakdown (US'\$000)



* Contract for TMT expired on 16 Dec 2016.

^ Contributions from Linda-Sele were 100% before Aug 2014, 58% from Aug 2014 to Jan 2017 and 54% from Feb 2017 to Jun 2018. Contract for Linda-Sele expired on 15 Nov 2018.

the Group plans to embark on the drilling of an exploratory well at the Kuala Pambuang block to test its hydrocarbon potential. Therefore, the cost of production is expected to be higher in the coming year. Nevertheless, the Group will stay vigilant and continue to monitor the movement of crude oil prices and adjust its strategy accordingly.

Financial Strength

The deconsolidation of the MITI group as a subsidiary has substantially lightened the balance sheet of the Group, of which the total assets were US\$39.76 million at the end of FY2018 as compared to US\$54.95 million at the end of FY2017. The deconsolidation gave rise to a decrease in other non-current receivables as the non-current loan to an associated company of US\$1.20 million was derecognised. A decrease in investments in associated companies to US\$2.38 million was mainly attributable to a negative value derived from the net effects of

the deconsolidation of the MITI group combined with its subsequent fair value impairment. Capitalisation of drilling expenditures relating to the Myanmar operations was the main reason for an increase in producing oil and gas properties to US\$7.55 million. The overall effect on non-current assets was an increase of US\$1.23 million. On the contrary, current assets decreased by US\$16.42 million. This was due mainly to the de-recognition effects of the deconsolidation of the MITI group (which involved decreases of US\$1.13 million in inventories and US\$5.07 million in trade and other current receivables), a decrease of US\$2.55 million in cash and cash equivalents, the discharge of US\$2.00 million pledge following bank loan repayment and the disposal of assets amounting to US\$4.50 million associated with MITI's divestment of its granite business.

The total liabilities of the Group were significantly lower by US\$17.23 million, from US\$27.83 million as at 31 December 2017 to US\$10.60 million a year later. This was mainly attributable to the settlement of patent rights acquisition of US\$3.42 million, bank loan repayment of US\$2.00 million, the realisation of receipt of deposit of US\$3.75 million and of liabilities amounting to US\$1.51 million associated with MITI's divestment of its granite business, and various de-recognitions in relation to the deconsolidation of the MITI group amounting to US\$5.93 million in trade and other payables, borrowings, provision for environmental and restoration costs and current income tax liabilities.

Net cash generated from operating activities of the Group, essentially the Myanmar operations, was US\$4.27 million in FY2018 as compared to US\$2.64 million in FY2017. Net cash used in investing activities of the Group, which amounted to US\$10.09 million, was mostly for capital expenditures of the Myanmar operations. The private placement completed on 30 January 2018 was the main provider of net cash from financing activities of US\$3.27 million. As at year end, cash and cash equivalents (excluding restricted cash and pledged deposits) were US\$6.64 million as compared to US\$9.19 million of the preceding year end. The lower amount was attributable to the US\$2.00 million repayment of bank loan in view of rising interest costs.

The Group has adopted the Singapore Financial Reporting Standards (International) ("SFRS(I)"), together with all the necessary new and revised standards, in the computation of its financial statements for financial years beginning from 1 January 2018 onwards. Pursuant to the adoption, the Group has elected the optional exemption to reset its cumulative currency translation reserves for all foreign operations to nil at the date of transition, and reclassified such reserves of US\$2.21 million as at 1 January 2017 to accumulated losses. Except for the

aforementioned, there is no significant impact on the Group's financial statements after the adoption of SFRS(I).

As at the end of FY2018, capital expenditures on development and production activities and exploration activities amounted to US\$5.04 million and US\$0.02 million respectively. The former was in relation to the water-flood project and drilling campaign in Myanmar. In the year ahead, the Group will continue to be prudent with its capital expenditure and cash flow management. The Company intends to evaluate and source various capital-raising alternatives to fund its future development and exploration undertakings.

Share Capital

On 30 January 2018, the Company allotted and issued 79,526,847 new ordinary shares in the capital of the Company at S\$0.059 per share to North Petroleum International Company Limited by way of a private placement. These shares, which rank *pari passu* in all respects with and carry all rights similar to the existing issued shares of the Company, were issued under the general share issue mandate approved by shareholders at the last general meeting. As at 31 December 2018, the total issued share capital of the Company was 585,973,604 shares. The Company does not have a share purchase mandate and any treasury shares or subsidiary holdings.

No options were granted under the Interra Share Option Plan 2017 during the year under review. The total number of unissued ordinary shares comprised in options outstanding remained unchanged at 24,000,000 as at the end of FY2018.

Crude Oil Prices

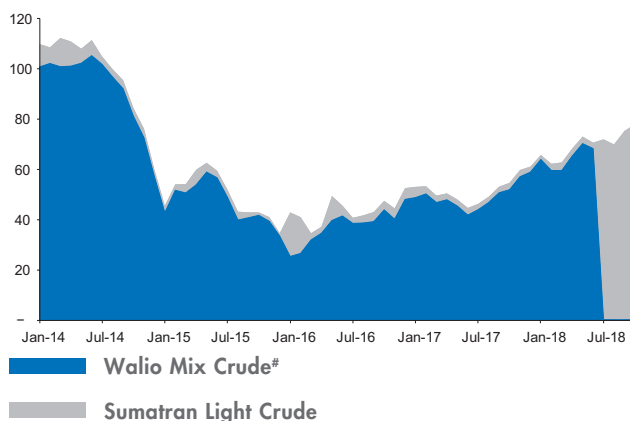
The Group's weighted average transacted price of crude oil for FY2018 was US\$67.95 per barrel while that of the preceding year was US\$51.38 per barrel. The transacted prices per barrel were within the range of US\$55 to US\$80 as compared to US\$40 to US\$60 in FY2017. The Group's weighted average transacted crude oil prices for the past five years are charted on page 14.

Crude oil prices fell from their four-year peak during the last two months of FY2018 after a recovery of less than three years from the bottom in January 2016. Although prices appear to have rebounded at the beginning of 2019, fluctuations are expected to dominate going forward in view of constantly changing conditions. The key dynamic factors affecting demand and supply include shale oil and alternative fuels production in the United States (US), volume of production by oil exporting countries, value of the US dollar, global oil demand, geopolitical interventions, global economy and trade tensions. The intrinsic uncertainty of these factors is likely to contribute to price volatility. The Group will continue to embrace productivity and capital efficiency at the bedrock of its operations and will endeavour to optimise its overall portfolio with a view towards managing its cost structure. In consideration of its risk management policies and internal control processes, the Group does not employ any financial derivatives to hedge against crude oil price movements.



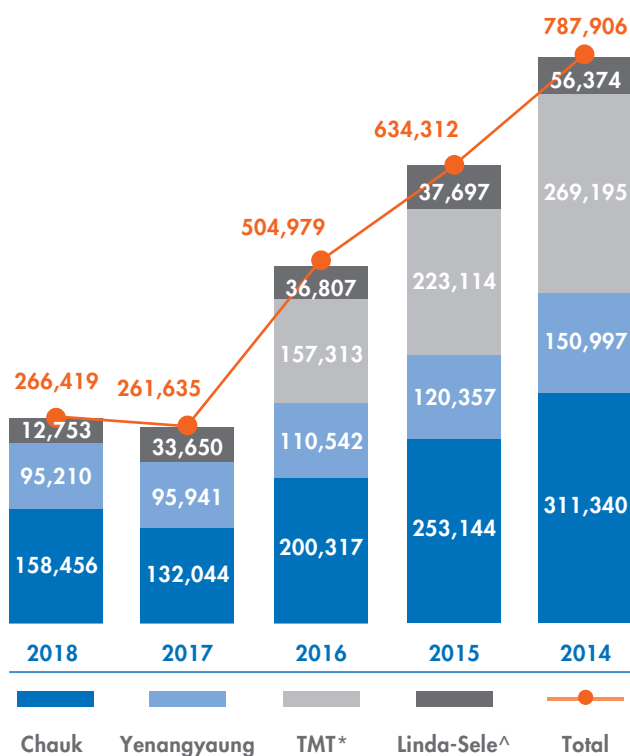
OPERATING AND FINANCIAL REVIEW

Crude Oil Prices (US\$ per barrel)



The Group's crude oil transactions no longer involve Walio Mix Crude prices following the deconsolidation of PT Mitra Investindo Tbk as subsidiary with effect from 1 Jul 2018.

Shareable Oil Production (barrels of oil)



* Contract for TMT expired on 16 Dec 2016.
 ^ Contributions from Linda-Sele were 100% before Aug 2014, 58% from Aug 2014 to Jan 2017 and 54% from Feb 2017 to Jun 2018. Contract for Linda-Sele expired on 15 Nov 2018.

Production

The Myanmar drilling campaign which commenced soon after the contract extensions in 2017 is showing positive results. The Linda-Sele fields no longer contribute to the Group's results upon the contract expiration on 15 November 2018. The Group's total shareable oil production for FY2018 grew marginally by 1.8% to 266,419 barrels (FY2017: 261,635 barrels) as a result of better contributions from Myanmar. 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 bottom left.

The combined shareable oil production from the Chauk and Yenangyaung fields in Myanmar increased by 11.3% year-on-year, with 158,456 barrels from Chauk and 95,210 barrels from Yenangyaung (FY2017: 132,044 and 95,941 barrels respectively). With the deconsolidation of the MITI group as a subsidiary, the shareable oil production of the Linda-Sele fields was equity-accounted for in the Group's accounts as associated company. The contract in respect of the Linda-Sele fields expired on 15 November 2018 and no contract extension was confirmed.

In the year ahead, the Group will strive to align its production capabilities and operating models with the prevailing oil price directions. The fundamental challenge will be to maintain optimum production against competitive break-even prices while bearing in mind the terms and obligations of the contracts with host governments. In addition to incremental production through development of proved reserves, the Group intends to invest and explore new areas of potential resources in order to replace or add reserves to its reserve base. The Group will continue to work on this aspect and seek to undertake exploration activities in the near future.

Operating Activities

Myanmar – Chauk and Yenangyaung Fields

The operator continued with the intensive drilling campaign launched after the contract extensions of the fields in 2017 and fulfilled the FY2018 work programme of eight development wells by the third quarter of the year. A ninth unscheduled well was drilled in Yenangyaung to appraise the potential of the very lightly explored west flank. The 2019 work plans began in December 2018 with the drilling commencement of two development wells, given the favourable dry season surface conditions and availability of drilling rig. In total, eleven



wells commenced drilling in Myanmar in FY2018 (FY2017: eight wells), eight in Chauk and three in Yenangyaung. All but one (under evaluation as appraisal well in Yenangyaung field) were completed as oil producers, one of which became the highest rate oil producer of the Chauk field. The combined gross oil production of the two fields was 887,896 barrels for FY2018, a 6.0% increase from 837,823 barrels of FY2017.

During the year, a water-flood project was successfully implemented at the Chauk field together with a smaller-scale project operating at the Yenangyaung field. This secondary oil recovery method had a positive impact on production gains. Of note, additional perforations performed on existing wells to support field efforts in slowing production decline proved to be very effective. Routine field operations aimed at optimising production through surface and borehole enhancements combined with scheduled maintenance also had a positive effect on production declines.

Planning and implementation of water-flood projects in additional prospective areas are well underway. Going forward, the operator will continue to monitor and make technical adjustments to the water-flood projects, along with field-wide operations maintenance and upgrades as warranted.

- **Indonesia – Linda-Sele Fields**

Due to the contract expiration, no wells were drilled in FY2018. Field operations with respect to production optimisation and scheduled maintenance aimed at maximising efficient production were ongoing. Throughout the year, internal technical studies continued with respect to possibly expanding the area of interest in addition to evaluating potential for possible future development opportunities. Total gross production for FY2018 was 42,922 barrels (FY2017: 61,827 barrels).

Proposals were presented and subsequently submitted to the relevant authorities for consideration as to extending the contract. However, technical discussions and negotiations before the expiration failed to secure an extension. The technical assistance contract with respect to the Linda-Sele fields expired on 15 November 2018.

- **Indonesia – Benakat Barat Field***

During the year, no new wells were drilled. The primary focus was to reactivate existing wells that had not been producing due to poor maintenance of the surface facilities. This encompassed general maintenance and improvements in field infrastructure aimed at field efficiency and incremental production. Technical feasibility survey, together with geological, geophysical and reservoir studies, were ongoing with respect to implementing secondary water-flood and possibly tertiary oil recovery methods.

In 2019, field production will be closely monitored to determine the effects of recent field management. The work programme and budget for 2019 has been prepared and will be submitted for government approval.

* *The Group holds an indirect interest in respect of the field, of which the financial results are accounted for by equity method and not consolidated into the Group's accounts. Hence, no financial or production data regarding the field will be reported.*

- **Indonesia – Kuala Pambuang Block**

Several high-quality drillable prospects were delineated from a technical prospective and reviewed by an external consultant during the year. These have been interpreted as widespread areas of Berai Limestone reefs anchored on an extensive carbonate platform that possibly contain significant hydrocarbon resources. Recently, an optimal site location for the first exploratory well was finalised with the concurrence of the relevant government agencies. The objective of the well is to test the hydrocarbon potential of the carbonate reef and platform, with a secondary objective of evaluating potential clastic sedimentary reservoirs above and below the carbonate zones.

Preparations regarding well planning, site assessment, equipment sourcing and relevant regulatory permit applications are in process, in line with the work plan as to commence drilling of the exploratory well as soon as possible this year.

OPERATING AND FINANCIAL REVIEW

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.

- **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.

- **Petroleum Agreements**

A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection. The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms,

revenue is not proportionally dependent on gross production and crude oil prices. In addition, there is no guarantee that contract extension or renewal will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value.

- **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,

OPERATING AND FINANCIAL REVIEW

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 Summary Sustainability Report 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 Reserves and Resources as of 31 December 2018

The following information is extracted from the qualified person's reports ("QPRs") dated 27 March 2019 prepared by a reputable reservoir evaluation firm, ERC Equipoise Pte Ltd ("ERCE"), with respect to the hydrocarbon 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 QPR.

Category	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)
Oil Reserves	1P				2P				3P			
Myanmar	6.40	1.22	(10.9)	NA	8.27	1.78	(13.2)	NA	10.44	2.36	(14.5)	NA
Indonesia [^]	0	0	(100.0)	NA	2.00	0.35	(16.7)	NA	3.18	0.47	(13.0)	NA
Contingent Resources	1C				2C				3C			
Myanmar	0.33	0.20	(88.2)	80	5.08	3.05	(17.1)	80	7.11	4.26	(22.7)	80
Indonesia	0	0	-	-	0	0	-	-	0	0	-	-
Prospective Resources (Unrisked)	1U				2U				3U			
Myanmar	0	0	-	-	0	0	-	-	0	0	-	-
Indonesia	67	46	(20.7)	15	305	206	(12.3)	15	1,288	870	(1.7)	15

[^] Change in oil reserves of Indonesia includes the expiration of a petroleum contract on 15 November 2018.

Definitions:

"1P"	: Proved
"2P"	: Proved plus probable
"3P"	: Proved plus probable plus possible
"Change"	: Change from the previous update dated 28 March 2018, which also takes into account actual production, expiration or renewal of contracts and changes in effective interest of the Group
"Gross"	: Gross reserves, contingent resources or prospective resources attributable to the contract before the application of contractual terms with the host government
"mmstb"	: Million stock tank barrels
"NA"	: Not applicable
"Net"	: Net reserves is the net entitlement attributable to the Group after the application of contractual terms with the host government; Net contingent and prospective resources are the net volumes attributable to the Group's effective interest in the contract before the application of contractual terms with the host government
"RF"	: Risk factor

Notes:

- Gross reserves attributable to the contract represent 100% of the estimated commercially recoverable hydrocarbons before taking into account the contractual terms with the host government.
- Net reserves attributable to the Group represent the actual net entitlement attributable to the Group's effective interest in the contract after taking into account the contractual terms with the host government.
- Gross contingent resources attributable to the contract represent 100% of the estimated hydrocarbons economically recoverable on an unrisks basis (i.e. before the application of chance of development factor).
- Net contingent resources attributable to the Group represent the proportion of gross contingent resources attributable to the Group's effective interest in the contract. Net contingent resources are unrisks, 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.
- Gross prospective resources attributable to the contract represent 100% of the estimated hydrocarbons potentially recoverable from undiscovered accumulations.
- Net prospective resources attributable to the Group represent 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.
- Unrisks prospective resources are derived from the arithmetic sum of individual prospects before the application of chance of geological success factor.

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- (8) Risk factor for contingent resources represents the estimated chance of development or probability that the volumes will be commercially extracted. Risk factor for prospective resources represents the chance of geological success or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface (i.e. the chance or probability of the prospective resources maturing into contingent resources). Risk factor for unrisks prospective resources is calculated based on the summed mean unrisks and risks prospective resources.
- (9) The above gross reserves, contingent resources and prospective resources data are extracted from the respective QPRs with an effective date of 31 December 2018 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 : 27 March 2019

- (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
<u>Myanmar</u>						
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
<u>Indonesia</u>						
Benakat Barat Field	30.65~	Producing	Operations Cooperation Agreement (KSO)	15 March 2024	73	Hydrocarbon
Kuala Pambuang Block	67.50	Exploration	Production Sharing Contract (PSC)	18 December 2021	1,631	Hydrocarbon

~ An indirect interest of which the financial results are accounted for by equity method and not consolidated into the Group's accounts.

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 in its annual report. The relevant Rule 710 of the SGX-ST Listing Manual has recently been amended following the publication of the Code of Corporate Governance 2018 (the “Code”), which applies to annual reports covering financial years commencing from 1 January 2019. The Company has elected to adopt the amended Rule 710 early by describing its corporate governance practices with specific reference to the principles and the provisions of 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 complies with the principles, and adheres largely to the provisions set out in the Code. Where its practices vary from any provisions of the Code, the Company specifies and explains the reason for the variation and how the practices adopted are consistent with the intent of the relevant principle.

BOARD MATTERS

Principle 1 – The Board’s Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The duties of the Board include:

- (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.

Provision 1.1

The Directors understand that they are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The heavily regulated regime in Singapore, where the Company is incorporated and listed, principally sets appropriate tone-from-the-top and desired organisational culture of the Company. Since the listing of the Company on SGX-ST in 2003, the Board has adopted the practice of basing its governance and decision making on the orderly legal system and sound regulatory framework of Singapore under close guidance of the Company Secretary who is a lawyer from a reputable law firm. Its tradition of being committed to upholding high standards of corporate governance defines Management’s fundamental priority of abiding by statutory obligations and adhering to regulatory compliance, thereby ensuring proper accountability within the Company. As an investment holding entity, the Company operates with a small group of professionals, managers and executives, and does not have its code of ethics and conduct formally written at the company level. At the group level, its individual subsidiaries and joint ventures incorporate their code of ethics and conduct in the rules and regulations of their respective employment policies. The Board intends to formalize the code of ethics and conduct as the Company grows in size.

The Directors regard disclosure of interests in transactions as a statutory duty of utmost importance and adopt the customary practice of tabling at Board meetings general notices of individual directorships and material interests annually and as and when circumstances require. Directors facing conflicts of interest recuse themselves from decisions involving the issues of conflict.

CORPORATE GOVERNANCE REPORT

Provision 1.2

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). When a new non-executive Director, Mr Yin Lifeng ("Mr Yin"), was appointed during the year, he was given a formal letter setting out his duties and obligations as a non-executive director. He also received customised induction and orientation which served to familiarise himself with the Company's business and governance practices, including his role as non-executive Director. As the new Director had no prior experience as a director of a listed company, the Company made arrangements for him to undergo training conducted by the Singapore Institute of Directors ("SID"), namely, The Listed Company Director Essentials Programme. All such training undertaken by Directors are funded by the Company.

The Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. To encourage Directors to keep up with regulatory and industry changes, the Company furnishes them with SID's annual calendar of professional development curriculum at the beginning of the year and keeps them informed of suitable training courses and professional development programmes available from time to time, particularly industry related and updates on relevant regulations and standards. As the Directors receive training and development in their own professional fields or through companies in which they hold directorships, they usually do not attend similar programme offered by the Company. During the year, both Lead Independent Director and Executive Director attended an SID corporate governance briefing which served to help directors understand the amendments to the revised Code. The Lead Independent Director also attended the annual ACRA-SGX-SID Audit Committee seminar to learn about the latest audit and financial reporting and regulatory developments.

Provision 1.3

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 announcements of financial results, exploratory drilling updates and material information.

Provision 1.4

To assist in the efficient discharge of its fiduciary duties and responsibilities, the Board has, 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 names of the members of each Board Committee as at the date of this Annual Report are set out in the Corporate Information section of this Annual Report. The terms of reference and key activities of each Board Committee are disclosed under the relevant provisions of the Code below.

Provision 1.5

During the year, the Board and Board Committees had a total of eight (8) formal meetings to review and approve various matters relating to business strategies, material transactions, governance matters, operating affairs and financial performance of the Company. Board meetings were scheduled to coincide with quarterly reporting in order to facilitate the review of financial results announcements. Directors with multiple board representations mostly made efforts to accommodate the meeting schedules of the Company, and would take steps to have their thoughts represented at the meetings in their absence. 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.

CORPORATE GOVERNANCE REPORT

The attendance of each member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during the member's period of appointment in the financial year ended 31 December 2018 ("FY2018"), is set out as follows:

Name of Director	Board Meeting Attendance	AC Meeting Attendance	NC Meeting Attendance	RC Meeting Attendance
Edwin Soeryadjaya	0/3	–	–	–
Ng Soon Kai	3/3	–	1/1	1/1
Yin Lifeng	2/2	–	–	–
Low Siew Sie Bob	3/3	3/3	1/1	1/1
Allan Charles Buckler	2/3	2/3	1/1	1/1
Lim Hock San	3/3	3/3	1/1	1/1
Marcel Han Liong Tjia	3/3	–	–	–

Provision 1.6

Management routinely keeps the Board updated on the Company's operational activities, project progress and development, and business prospects through monthly management accounts, quarterly papers and ad hoc email correspondences. Quarterly financial and activity reports and material announcements are submitted to the Board for review and approval before releasing to the public. These reports and updates are supported with comprehensive background or explanatory information such as relevant disclosure documents, work plans, expenditure proposals, budgets and forecasts. In respect of budgets and cash flows, any material variances between the projections and actual results are highlighted and explained. The foregoing information enables the Board to make informed decisions and discharge their duties and responsibilities.

Provision 1.7

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.

In addition, 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 other corporate, administrative and 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.

CORPORATE GOVERNANCE REPORT

Principle 2 – Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1

The Company adopts the definition that an “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interests of the Company. It acknowledges that Rule 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual provides circumstances for which a Director will not be independent, including if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years, or if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the same period and whose remuneration is determined by the RC. It further acknowledges that with effect from 1 January 2022, Rule 210(5)(d)(iii) of the SGX-ST Listing Manual requires the continued appointment of an independent Director who has been a Director for an aggregate period of more than nine (9) years to be sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders excluding Directors or the chief executive officer of the Company (“CEO”) and their respective associates.

The name of each independent Director as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report. Collectively, the independent Directors have strong accounting and industry background, and the independence of each is reviewed annually by the NC based on, *inter alia*, the criteria set forth in the SGX-ST Listing Manual, 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.

Currently, there are two (2) independent Directors, namely Mr Allan Charles Buckler (“**Mr Buckler**”) and Mr Lim Hock San (“**Mr Lim**”), who have served on the Board beyond an aggregate period of nine (9) years. (Mr Lim was a Director from 3 July 2004 to 31 December 2009 before he was re-appointed on 8 September 2012.) Their independence is subject to rigorous annual review by the NC. Having considered various factors including integrity, competence, experience and circumstances set out in the Code and the accompanying practice guidance, the Board has determined that both Mr Buckler and Mr Lim be considered independent as they have individually continued to demonstrate strong independence in conduct, character and judgement in the discharge of their duties and responsibilities as independent Directors.

Provision 2.2

As at the date of this Annual Report, the Board comprises seven (7) Directors, three (3) of whom are independent. The number of independent Directors formed more than one-third ($\frac{1}{3}$) of the Board as stipulated under Rule 210(5)(c) of the SGX-ST Listing Manual, which will be come into effect on 1 January 2022.

The Board is headed by non-independent Chairman, Mr Edwin Soeryadjaya, who is also a substantial shareholder of the Company. Although independent Directors do not make up a majority of the Board, Lead Independent Director, Mr Low Siew Sie Bob (“**Mr Low**”), has been appointed to provide leadership in situations where the Chairman is conflicted. The NC is of the view that there is a sufficiently strong independent element and diversity of thought and background in the composition of the Board and the present composition of the Board allows it to exercise objective judgement on corporate affairs independently in the best interests of the Company and that no individual or small group of individuals dominates the decisions of the Board.

Provision 2.3

The Board has one (1) executive Director, Mr Marcel Han Liong Tjia, who is also the CEO. Therefore, non-executive Directors make up a majority of the Board of seven (7) members.

CORPORATE GOVERNANCE REPORT

Provision 2.4

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations, 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, knowledge and experience across various fields. As a group, the Board, which comprises both local and foreign Directors, provides an appropriate balance and mix of skills, knowledge and experience that encompass core competencies such as business management, strategic planning, risk management, mergers and acquisitions, capital markets, accounting, finance, taxation, law and related industry. The composition and diversity of the Board is reviewed annually by the NC through skills matrix checklists. The Board is aware of the need to broaden the view of diversity when establishing and reviewing board composition, beyond skills, experience, competencies, and knowledge of the Company to include other aspects such as age and gender, so as to avoid groupthink and foster constructive debate. 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 further additional attributes when there is a need to bring in fresh perspectives and enhancements.

Provision 2.5

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 and/or independent 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

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1

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 Chairman and the CEO are not immediate family members.

Provision 3.2

The CEO, who is responsible for the day-to-day operations, 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.

CORPORATE GOVERNANCE REPORT

Provision 3.3

The Board has assigned the position of Lead Independent Director since 2012 to support the Chairman in his role of facilitating effective contributions of non-executive Directors and effective communication with shareholders. He is available to shareholders at general meetings as well as where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. In addition, he takes the lead to conduct discussions (usually held during quarterly meetings) among independent Directors, formally or informally, without the presence of the other executive and non-independent Directors, and any matters of significance arising from such discussions are conveyed to the Chairman.

Principle 4 – Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1

The Board has delegated the NC to be in charge of Board membership matters. Each meeting of the NC is properly minuted and upon confirmation of such minutes by the NC Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

The NC has written terms of reference that clearly sets out its functions and duties 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, selection, nomination, 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 Companies Act, Cap. 50 (the "Act"), the Constitution of the Company, the SGX-ST Listing Manual and the Code, 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 SGX-ST Listing Manual and 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.

CORPORATE GOVERNANCE REPORT

- (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.

Provision 4.2

The NC comprises four (4) non-executive Directors, the majority of whom, including the NC Chairman, are independent Directors. The Lead Independent Director is also a member of the NC. The name of each NC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report.

Provision 4.3

During the year review, the NC assessed 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, the SGX-ST Listing Manual and as contemplated by the Code. 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. The NC is satisfied with the overall results of the performance evaluation and the composition of the Board, and will not be proposing new members to be appointed to the Board at the forthcoming annual general meeting of the Company ("**AGM**"). The Board has considered and endorsed the recommendations of the NC.

If there is a need for a new Director to be appointed, the NC has in place an internal process to facilitate the search, selection and nomination of a suitable Director. The NC 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 through the usual channels of professional contacts and personal networks 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.

When Mr Yin was nominated by a new substantial shareholder to be appointed as Director during the year (as disclosed under Provision 1.2), the NC had reviewed his resume and agreed that his financial expertise, industry experience and relatively younger age group would fit both diversity policy of the Board and business needs of the Company. Following an interview and taking into account the independence level of the Board, it recommended the appointment of Mr Yin as Non-Executive Director to the Board. The Board had considered and endorsed the NC's recommendation, and Mr Yin was elected at the AGM held during the year under review.

The Constitution of the Company calls for one-third ($\frac{1}{3}$) of the Directors other than the CEO (or if their number is not a multiple of three (3), then the number nearest to one-third ($\frac{1}{3}$)) are to retire from office by rotation at annual general meetings. Based on the last election of the Directors in office, the NC has recommended that Mr Ng Soon Kai ("**Mr Ng**") and Mr Low, who being eligible, be nominated for re-election at the AGM and the Board has accepted its recommendations. Mr Ng will, upon re-election as a Director, remain as Non-Executive Director, and a member of the NC and the RC. Mr Low will, upon re-election as a Director, remain as Lead Independent Director, the AC Chairman, and a member of the NC and the RC. Both Directors retiring by rotation have consented to continue in office and will be submitting themselves for re-election at the AGM.

CORPORATE GOVERNANCE REPORT

The NC acknowledges that with effect from 1 January 2019, Rule 720(5)(d)(iii) of the SGX-ST Listing Manual requires all Directors, including executive Directors, to submit themselves for re-nomination and re-appointment at least once every three (3) years. It will take this requirement into account and if relevant, re-nominate the CEO for re-appointment no later than 31 December 2021.

The key information pursuant to Appendix 7.4.1 of the SGX-ST Listing Manual relating to the two (2) Directors proposed to be re-elected at the forthcoming AGM is set out as follows:

Name of Director	Ng Soon Kai
Date of appointment	1 November 2005
Date of last re-appointment	28 April 2016
Age	54
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC, of which its review includes, <i>inter alia</i> , his expertise and experience in law
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title	Non-Executive Director, NC member and RC member
Professional qualifications	Bachelor of Laws (Second Class Upper)
Working experience and occupation(s) during the past 10 years	2015 to Present: Partner, Lee & Lee 2001 to 2015: Partner, Ng Chong & Hue LLC
Shareholding interest in the Company and its subsidiaries	480,000 ordinary shares
Any relationship (including immediate family relationships) with any existing Director, executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments	Partner, Lee & Lee
Present directorships	Tymely Corporate Services Pte. Ltd Ng Chong & Hue LLC (Pending struck-off) Surge Investments Pte. Ltd. Seroja Investments Limited Tong An Investments Pte. Ltd. Worldwide Aviation Investments Pte. Ltd.
Past directorships (for the last 5 years)	Katsura Holdings Pte. Ltd. Tanami Holdings Pte. Ltd. CMS Resources Pte. Ltd.
Any prior experience as a director of a company listed on the SGX-ST (applicable to appointment of Director only)	Not applicable

CORPORATE GOVERNANCE REPORT

Name of Director	Low Siew Sie Bob
Date of appointment	18 February 2011
Date of last re-appointment	28 April 2017
Age	69
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC, of which its review includes, <i>inter alia</i> , his expertise and experience in accountancy, arbitration, insolvency and tax
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title	Lead Independent Director, AC Chairman, NC member and RC member
Professional qualifications	Fellow of Institute of Singapore Chartered Accountants Bachelor of Laws (Second Class Lower) Member of Chartered Institute of Arbitrators, UK & HK Member of Singapore Institute of Arbitrators Fellow of Insolvency Practitioners Association of Singapore Fellow of Certified Public Accountants Australia Member of Singapore Academy of Law Accredited Tax Advisor/Practitioner (Income Tax or GST)
Working experience and occupation(s) during the past 10 years	1984 to Present: Principal Consultant, Bob Low & Co
Shareholding interest in the Company and its subsidiaries	120,000 ordinary shares
Any relationship (including immediate family relationships) with any existing Director, executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments	Principal Consultant, Bob Low & Co
Present directorships	BL Corporate Advisory Pte Ltd Firststate Private Limited
Past directorships (for the last 5 years)	China Hongcheng Holdings Limited Pacific Star Development Limited Autotrax International Pte Ltd Autovox Korea Co., Ltd
Any prior experience as a director of a company listed on the SGX-ST (applicable to appointment of Director only)	Not applicable

Provision 4.4

During the year, the NC also reviewed and determined, based on the circumstances set forth in the SGX Listing Manual, the Code and the accompanying practice guidance and individual Directors' declarations, that there was no change in the independent status of all three (3) independent Directors (as disclosed under Provision 2.1).

CORPORATE GOVERNANCE REPORT

Provision 4.5

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. In the formal letter of appointment, the complex duties and commitment requirements of being director of a listed company are conveyed to new Directors. 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 on the Board. Pursuant to the most recent review, the NC is of the view that each Director is able to adequately carry out their duties 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 responsibilities and are able to discharge their duties adequately.

The profiles and key information of each Director as at the date of this Annual Report are set out in the Board of Directors section of this Annual Report.

Principle 5 – Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole and of its Board Committees, and the contribution of the Chairman and each individual Director to 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 NC will provide the underlying rationale for the Board to justify the decision.

The assessment parameters for the effectiveness of the Board as a whole include its size and composition, practices and conduct, processes and accountability, communication and rapport with Management, and risk management and internal controls. The assessment parameters for the performance of individual Directors, which aim to assess whether each Director is willing and able to contribute effectively to the Board and demonstrate commitment to the role(s) on the Board and/or Board Committee(s), include attendance at meetings, participation in discussions, contributions to the Board and/or Board Committees, interactive and interpersonal skills, core competency knowledge and foresight, and preparedness for meetings.

Provision 5.2

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, and 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 by the Company Secretary who then presents the results to the NC on a non-attribution basis so as to encourage open and frank discussions and feedback. Following the review by NC, the results are submitted to the Board together with the NC's recommendations for deliberation and decision. In view of the current size and scope of the Board, the NC does not propose the use of external facilitators in the performance assessment.

For the financial year under review, 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 and the individual Directors are of professional integrity with the ability to fulfil their obligations satisfactorily.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 6 – Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1

The RC has been delegated by the Board to be in charge of remuneration matters of both the Board and key management personnel ("KMP"). Each meeting of the RC is properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

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 KMP'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 KMP.
- (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 KMP 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 KMP, 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 KMP and whether their performance conditions are met.
- (f) To ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities undertaken, but not excessive to the extent that their independence may be compromised.
- (g) To administer the share-based incentive scheme(s) of the Company as amended or modified from time to time and to report to the Board annually the important terms of the scheme(s).
- (h) To make remuneration recommendations in consultation with the CEO and submit its recommendations for endorsement by the entire Board.
- (i) To review the various disclosure requirements on the remuneration of Directors and KMP, 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.

Provision 6.2

The RC comprises four (4) non-executive Directors, the majority of whom, including the RC Chairman, are independent Directors. The name of each RC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report.

CORPORATE GOVERNANCE REPORT

Provision 6.3

During the year, the RC reviewed and made the requisite recommendations regarding the general remuneration framework for the Board and the specific remuneration packages of KMP before submitting 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, to ensure they are fair. 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 present business conditions, the RC is not proposing any changes to the existing framework. 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 KMP during the year. If there is a new recruitment of an executive Director or KMP, the RC would review the Company's obligations arising in the event of termination of such executive Director's or KMP's services to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

Provision 6.4

As no changes are proposed to be made to the existing framework of remuneration for the Board and KMP, the RC deems seeking expert advice from remuneration consultants was unnecessary. The Board has considered and endorsed the recommendation of the RC.

Principle 7 – Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1

In setting the remuneration packages of the executive Director and KMP, the RC takes into consideration the remuneration and employment conditions within the same industry and of comparable companies, and the size and scope of operations of the Company. Each package is tailored to the specific role and comprises an appropriate combination of base salary, allowance, benefits and performance bonus. A significant and appropriate portion of the executive Director's and KMP's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration takes into account the financial and operational performance, management execution and expansion growth of the Company, and is aligned with the interests of shareholders and other stakeholders so as to promote the long-term success 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 KMP with the interests of shareholders and to promote long-term success of the Company. The 10-year 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. The long-term incentive scheme, which is designed to primarily reward contributions and retain of talents, takes into consideration the costs and benefits of the incentives to be granted. 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 KMP 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.

CORPORATE GOVERNANCE REPORT

Provision 7.2

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/or Board Committees and the number of Board Committees served on. The scheme 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.

Provision 7.3

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

Principle 8 – Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1

The Company endeavours to provide adequate disclosure of its Directors', including the CEO's, and KMP's remuneration for the purpose of enhancing transparency between the Company and shareholders. However, being faced with stiff competition and escalating costs 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 KMP for its competitors to take advantage of.

The total remuneration of Directors including the CEO for FY2018, which amounted to S\$1,236,797 (FY2017: S\$966,791), is summarised as follows:

<u>Name of Director</u>	<u>Directors' Fees</u>	<u>Base/ Fixed Salary</u>	<u>Variable or Performance- related Bonuses</u>	<u>Share-based Incentives and Awards</u>	<u>Benefits-in-kind, Allowances and Other Incentives</u>
Below S\$250,000					
<u>Non-Executive Directors</u>					
Edwin Soeryadjaya	100%	–	–	–	–
Ng Soon Kai	54%	–	–	46%	–
Yin Lifeng	100%	–	–	–	–
Low Siew Sie Bob	62%	–	–	38%	–
Allan Charles Buckler	62%	–	–	38%	–
Lim Hock San	58%	–	–	42%	–
Above S\$500,000					
<u>Executive Director & CEO</u>					
Marcel Han Liong Tjia	–	74%	7%	13%	6%

CORPORATE GOVERNANCE REPORT

The Company has four (4) KMP and their total remuneration for FY2018, which amounted to S\$1,066,775 (FY2017: S\$1,061,652), is summarised as follows:

Name of KMP	Base/ Fixed Salary	Variable or Performance- related Bonuses	Share-based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S\$250,000				
Frank Overall Hollinger	81%	–	3%	16%
Sugi Handoko	95%	–	4%	1%
S\$250,000 – S\$500,000				
Han Liqiang	82%	14%	4%	–
Foo Say Tain	79%	7%	13%	1%

The remuneration of KMP generally comprises base salary and a variable component which encompasses cash bonuses, long-term incentives and share-based awards. The variable portion is mainly performance-related and depends largely on corporate and individual performance indicators determined and reviewed annually by the RC. When assessing the performance of KMP, the RC considers various long-term and shorter-term metrics relevant to the specific functions and objectives of individual KMP.

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

Provision 8.2

There were no employees who are substantial shareholders of the Company, or immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

Provision 8.3

No options were granted under the ISOP 2017 during the year. All information on the remuneration, payment and benefits in respect of Directors and KMP, and the ISOP 2017 are reported under the Directors' Statement and Note 37(c) of the Notes to the Financial Statements of this Annual Report.

ACCOUNTIBILITY AND AUDIT

Principle 9 – Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1

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 risk policies of the Company and this includes determining the Company's levels of risk tolerance 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**"), 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.

CORPORATE GOVERNANCE REPORT

The scope of the ERM services is to facilitate the development and subsequent updating of key risk profiles in respect of the Company's business and operations. During the annual review, key risk profiles are compiled by Crowe 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, and 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.

During the year, Crowe reviewed the potential key risks and related controls identified by the Company and assessed the likelihood of occurrence and impact to the Company across five (5) areas, namely strategic, financial, operational, compliance and information technology. From the findings, there are no significant weaknesses that require urgent attention. The main risk exposure of the Company remains the volatility of crude oil prices, which requires monitoring and is beyond its control. The steps taken by the Company to mitigate the inherent risk include maintaining a lean cost structure, optimising production levels and deferring non-critical capital expenditure. These results were presented to the AC by Crowe for assessment and reporting to the Board.

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 in the areas of financial, operational, compliance and information technology, 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.

Provision 9.2

The Board has received, together with the AC's recommendation, a letter of assurance from the CEO and the Chief Financial Officer ("**CFO**") with respect to FY2018 confirming that:

- (a) 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;
- (b) the financial statements of the Company (together with its subsidiaries, the "**Group**") have been prepared in accordance with the provisions of the Act, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards so as to give a true and fair view of the state of business and financial affairs of the Company and of the Group; 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 10 – Audit Committee

*The Board has an Audit Committee ("**AC**") which discharges its duties objectively.*

Provision 10.1

The AC has been delegated by the Board to oversee matters pertaining to financial reporting, internal and external audit, and risk governance. It 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 reasonable resources to enable it to discharge its functions. Each meeting of the AC is properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

CORPORATE GOVERNANCE REPORT

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 (International), concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval.
- (c) To review the periodic consolidated financial statements and such other financial information required under the SGX-ST Listing Manual, before submission to the Board for approval.
- (d) To review the various disclosure requirements for the financial reporting, particularly those required by regulatory bodies such as the SGX-ST and ensure that there is adequate disclosure in the financial statements.
- (e) To approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced and ensure that the internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.
- (f) To ensure that the internal audit function is adequately resourced, independent of the activities it audits, has appropriate standing within the Company and is staffed with persons with the relevant qualifications and experience.
- (g) To review with the internal auditors, their audit plan, scope of internal control procedures and results of the audit.
- (h) To review the adequacy and effectiveness of the internal audit function at least once a year.
- (i) To meet with the internal auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the internal auditors.
- (j) To review and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and internal controls systems, including financial, operational, compliance and information technology controls.
- (k) To review with the external auditors, their audit plan, evaluation of the system of internal accounting controls and their audit report.
- (l) To review the scope and results of the external audit and appraise the effectiveness of the audit efforts of the external auditors.
- (m) To review the independence and objectivity of the external auditors annually and to report the aggregate amount of fees paid to the external auditors, broken down into audit and non-audit services.
- (n) To meet with the external auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the external auditors.
- (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.

CORPORATE GOVERNANCE REPORT

- (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 review the assurance from the CEO and CFO to ensure that the financial records have been properly maintained and the financial statements give a true and accurate view of the Company's operations and finances.
- (x) To monitor the independence of risk management functions throughout the organisation.
- (y) To review any interested person transactions subject to the provisions of the Act or falling within the scope of the SGX-ST Listing Manual as may be amended or modified from time to time and such other rules and regulations of the SGX-ST that may be applicable in relation to such matters from time to time.
- (z) To review any potential conflicts of interest.
- (aa) To take such measures to keep abreast of changes to accounting standards and issues which may have direct impact on financial statements.
- (bb) To undertake generally such other functions and duties as may be required by law, the Act, the SGX-ST Listing Manual or the Securities and Futures Act, Cap. 289 and by such amendments made thereto from time to time.
- (cc) To ensure the Company complies with requirements under the Act and the SGX-ST Listing Manual and any undertakings given by the Company to the SGX-ST.
- (dd) To undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
- (ee) To retain such professional consultancy firm as the AC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
- (ff) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

The AC has 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 the AC Chairman directly, and puts in place arrangements for independent investigation of such concerns and appropriate follow-up actions. Employees may report any violations in writing to the AC Chairman in confidence. An employee who makes an allegation in good faith will be treated fairly and justly, and harassment or victimisation of an employee who has lodged a report will not be tolerated. The violations that can be reported on under the policy include both accounting and non-accounting related matters. During the year under review, no whistle-blowing concerns were raised through the AC Chairman.

CORPORATE GOVERNANCE REPORT

Provision 10.2

The AC 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 AC Chairman, have relevant accounting or related financial management expertise or experience and accounting qualifications. The name of each AC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report.

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 regulatory developments 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 as well as the AC members are kept informed of such changes through circulation which are also tabled at Board meetings.

Provision 10.3

None of the AC members are former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Provision 10.4

The internal audit function of the Company is outsourced to Crowe, who aligns 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 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.

Provision 10.5

During the year, the AC met with the internal auditor on one (1) occasion, of which a separate session was held without the presence of Management. Agenda of these sessions 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 the qualifications and experience of, and the work performed and resources provided by Crowe. It has reported to the Board that the internal audit function of the Company is adequately resourced and independent of the activities it audits.

The Company has engaged the same Singapore-based external auditor, Nexia TS Public Accounting Corporation ("**Nexia TS**"), to audit its financial statements and that of all its Singapore-incorporated subsidiaries. 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 oil and gas industry. The name and date of appointment of the director-in-charge, whose engagement does not exceed five (5) consecutive years, are set out in the Corporate Information section of this Annual Report. 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, 713 and 715 of the SGX-ST Listing Manual for FY2018.

CORPORATE GOVERNANCE REPORT

During the FY2018, the AC met with the external auditor on three (3) occasions and had a separate session without the presence of Management. Agenda of these meetings included, *inter alia*, review of financial statements, significant accounting issues and judgements, changes in accounting policies and internal control procedures that are relevant in the preparation of financial statements, scope and findings of audit, cooperation extended by Management, and objectivity and independence of the external auditor.

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 FY2018 amounted to US\$132,983 (FY2017: US\$134,517). There were no non-audit services provided by Nexia TS to the Group for FY2018. Should there be any non-audit services provided by Nexia TS to the Group, the AC will undertake a review of the services and ensure that such services would not, in the AC's opinion, affect the independence of Nexia TS. After considering the experience of and the resources provided by Nexia TS and the director-in-charge, the quality of work performed under regulatory guidelines, and the remuneration and terms of engagement, 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 2019. The Board has accepted the recommendation of the AC and the re-appointment will be put to shareholders for approval at the forthcoming AGM.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11 – Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1

The Company respects shareholder rights and ensures that shareholders have the opportunity to participate effectively in and vote at its general meetings by keeping them informed of the rules and voting procedures governing the meetings. Notices of general meetings, together with proxy forms relating to voting procedures, are despatched to all shareholders by post on or before the requisite minimum notice period. These notices are also published in major newspapers, announced on the website of Singapore Exchange ("**SGX**") and made available on the Company's website on the date of posting. Circulars, statements or reports in respect of the general meetings are provided via electronic communications under the implied consent regulation of the Company's Constitution. Given the timelier, more efficient and less costly mode of transmission, these documents are made available on the aforesaid websites by default, unless otherwise required by the Act and/or the SGX-ST Listing Manual, on the respective dates of posting of general meeting notices. Shareholders also are promptly notified, by post, of the details of the website publication and offered the option of requesting physical copies of the documents.

The Company encourages active and greater shareholder participation at its general meetings, where ample time is set aside for shareholder engagement after the meetings. This provides opportunity conducive to better understanding of the Company's performance, position and prospects as Management is able to illustrate and explain in layman's terms. Shareholders, typically a small group of individual retail investors, are also able to effectively communicate their views on various matters affecting the Company.

Provision 11.2

Resolutions proposed by the Company at general meetings are kept separate with respect to each substantially separate issue, unless the resolutions have to be inter-conditional and linked so as to form one significant proposal. Explanatory notes on resolutions with underlying reasons and material implications are provided within the notices of general meeting. Where information relating to the resolutions are of a huge amount (such as financial data, curriculum vitae, terms and conditions), clear references to the respective documents containing the details are stated in the notices. Besides providing the necessary information, shareholders are also given the opportunity to ask questions relating to each resolution before they are invited to exercise their voting rights.

CORPORATE GOVERNANCE REPORT

Provision 11.3

Directors' attendance at general meetings is set out below. The Directors, three (3) of whom are based overseas, endeavour to attend all general meetings. However, the foreign Directors encounter scheduling conflicts at times due to the long distance journey. Notwithstanding that, all the local Directors are often present at general meetings to address shareholders' queries and available after the meetings to interact with shareholders. The Company Secretary and external auditor are also present to assist the Directors in answering relevant questions raised by shareholders.

Name of Director	AGM held on 27 April 2018
Edwin Soeryadjaya	Absent
Ng Soon Kai	Absent
Yin Lifeng	Present
Low Siew Sie Bob	Present
Allan Charles Buckler	Absent
Lim Hock San	Present
Marcel Han Liong Tjia	Present

Provision 11.4

The Constitution of the Company allows shareholders who are unable to attend general meetings to appoint up to two (2) proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged with the Company in advance. Shareholders 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 adopts the procedure of putting all resolutions tabled at general meetings to vote by poll 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.

Provision 11.5

The Company Secretary makes notes of substantial and relevant comments or queries from shareholders relating to the agenda, and responses from the Board and Management during general meetings. Currently, minutes of these meetings are available to shareholders for inspection upon request. The Company is in consultation with the Company Secretary on the practicability of concurrently publishing minutes of general meetings on the website of SGX via SGXNET and its corporate website on a timely basis.

Provision 11.6

The Company is a developing enterprise engaged in a business that is capital intensive in nature, thus it does not have a fixed dividend policy at this immature 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.

CORPORATE GOVERNANCE REPORT

Principle 12 – Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1

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 financial results and operational activities, 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.

Releases of quarterly financial and operational reports, activity updates, media releases on significant developments and other pertinent information are first announced on the website of SGX and then posted on the Company's website. These websites are updated regularly and provides an efficient channel of communication with shareholders.

After general meetings, the Lead Independent Director performs the role of facilitating constructive dialogue between the shareholders and the Board. These dialogue sessions serve as an effective avenue of soliciting and gathering views and inputs from shareholders who are able to openly communicate with the Directors and Management. The Lead Independent Director also gives out his name cards to shareholders so as to allow them to contact him directly rather than having to go through the Company.

Provision 12.2

The Company has in place an investor communication framework that disseminates timely financial data, price-sensitive updates and material information 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. A dedicated email managed by in-house investor relations function is provided on the Company's website for shareholders to direct their queries and convey their views to Management. To promote communication with analysts and the media, Management voluntarily meets with them separately from time to time to explain and clarify the Company's financial results and industry operations.

Provision 12.3

The Company welcomes ad hoc queries from shareholders but to avoid making inadvertent or asymmetrical disclosures in the course of addressing their concerns, the standard mode of communication adopted by the Company to engage shareholders is through its corporate website and email correspondence. In this manner, queries can be directed properly to the appropriate personnel or division for response.

CORPORATE GOVERNANCE REPORT

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13 – Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1

Apart from shareholder engagement, the Board regards fostering relationships with other stakeholders, such as business partners, surrounding communities, customers, employees and regulators, an important element in achieving long-term sustainable business performance. Therefore, the Board considers sustainability issues, such as environmental and social factors, as part of its strategic formulation so as to ensure the interests of material stakeholders are taken into account in its decision-making processes. In 2017, the Board commissioned the establishment of a formal sustainability reporting framework aimed at providing meaningful disclosures of the environmental and social aspects that are material to the Company's business operations. Subsequently, the first entry-level annual sustainability report, prepared based on the internationally recognised Global Reporting Initiative (GRI) Standards, was issued on 28 March 2018. Going forward, it is envisaged that this annual phased approach sustainability reporting will serve as a platform for identifying and conducting regular interaction with material stakeholders.

Provision 13.2

A summary of the sustainability report for FY2018 is set out in the Summary Sustainability Report section of this Annual Report and the full report is available on the Company's website. The report covers the Company's strategy, practices, results and performance across four (4) key material sustainability aspects, namely, sustainable development, environmental stewardship, health and safety, and community. It discloses how the Company endeavours to operate in an economically, environmentally and socially responsible way through stakeholder engagement.

Provision 13.3

The Company publishes a full sustainability report annually on both SGX and its corporate websites and employs such reporting as a means of raising transparency and awareness on the Company's footprint in the environmental and social realms. It aims to gradually deepen stakeholders' understanding of its management of social and environmental issues, thereby promoting stakeholder engagement and improving communications with stakeholders. The outcomes of such stakeholder engagement are reviewed annually, and applied in the development of the Company's sustainability materiality matrix and towards the progression of its sustainability reporting.

DEALING IN SECURITIES

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

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

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

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

There were no interested person transactions entered into during FY2018. The Company did not seek any general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual during FY2018.

USE OF PROCEEDS

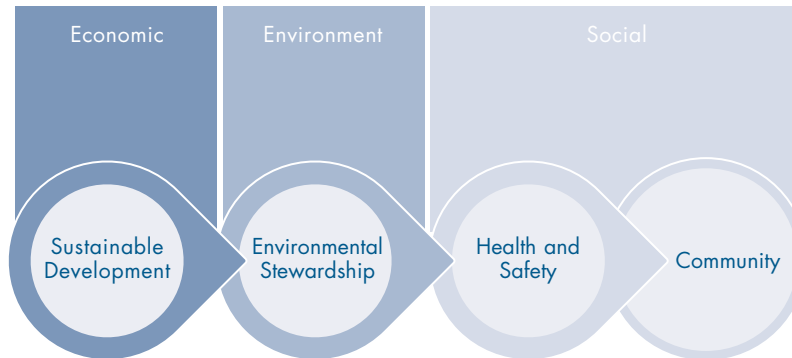
The Company issued and allotted 79,526,847 new ordinary shares in the capital of the Company at an issue price of S\$0.059 each pursuant to a private placement completed on 30 January 2018 (the "**Placement**"). The net proceeds from the Placement (after deducting expenses incurred in connection with the Placement) amounted to US\$3,479,924 (the "**Net Proceeds**"). The Company has been providing updates on the use of the Net Proceeds as and when such proceeds are materially disbursed. As announced on 14 September 2018, the Net Proceeds have been fully utilised in accordance with the intended use stated in the announcement dated 15 December 2017 in relation to the Placement. The breakdown of the utilisation is as follows:

Purpose	Amount (US\$)
Payment for work activities relating to the work programme of the Chauk and Yenangyaung fields in Myanmar for the year 2018	3,479,924
Total	3,479,924

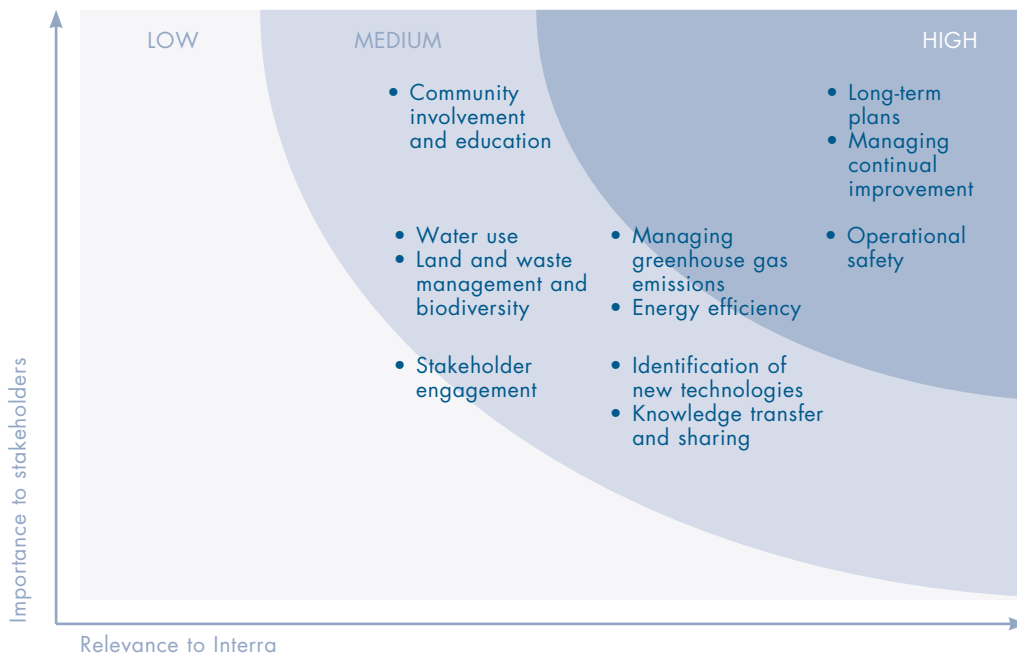
SUMMARY SUSTAINABILITY REPORT

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 which is 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.



SUMMARY SUSTAINABILITY REPORT

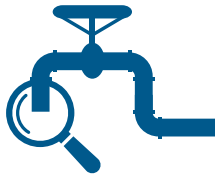
Sustainability Performance

Sustainable Development										
<p>Track and report fulfilment of budgeted drilling programme</p> 	<p>Wells drilled (No.)</p> <table border="1"> <tr> <td>2018</td> <td>9+2</td> </tr> <tr> <td>2017</td> <td>8</td> </tr> </table> <p>Wells completed as oil producers (No.)</p> <table border="1"> <tr> <td>2018</td> <td>8</td> </tr> <tr> <td>2017</td> <td>5</td> </tr> </table>	2018	9+2	2017	8	2018	8	2017	5	<p>FY2018 progress</p> <ul style="list-style-type: none"> A total of eleven wells were drilled, of which two were under the 2019 drilling programme and spudded early in view of favourable dry surface conditions and rig availability. Eight wells were completed as oil producers, contributing to an increase in production averaging 500 BO per day.
2018	9+2									
2017	8									
2018	8									
2017	5									
<p>Improve oil production (from FY2017 baseline)</p> 	<p>Barrels of oil produced (BO)</p> <table border="1"> <tr> <td>2018</td> <td>887,896</td> </tr> <tr> <td>2017</td> <td>837,823</td> </tr> </table>	2018	887,896	2017	837,823	<p>FY2018 progress</p> <ul style="list-style-type: none"> As a result of our drilling efforts and combined with effective field operations and production management, oil production increased by 6% from FY2017 to FY2018, on the FY2017 baseline. 				
2018	887,896									
2017	837,823									
Environmental Stewardship										
<p>Achieve zero spills and regulatory compliance incidents</p> 	<p>Achievements</p> <ul style="list-style-type: none"> Achieved zero spills and regulatory compliance incidents in Myanmar 	<p>FY2018 progress</p> <ul style="list-style-type: none"> 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 environment in which we operate and we strive to minimise our impact. 								
<p>Maintain carbon footprint per barrel of oil production (from FY2018 baseline)</p> 	<p>Carbon footprint per barrel of oil production (kgCO₂e)</p> <table border="1"> <tr> <td>2018</td> <td>14.2</td> </tr> <tr> <td>2017</td> <td>10.8</td> </tr> </table>	2018	14.2	2017	10.8	<p>FY2018 progress</p> <ul style="list-style-type: none"> As a result of increased drilling activities and the inclusion of our diesel consumption from motor vehicles into the computation of our carbon footprint in FY2018, our carbon footprint per barrel of oil production increased substantially from the previous year. Energy consumption is expected to increase in tandem with the drilling campaign and accelerated field activities. We will seek to gradually improve our performance in this area by focusing on the energy efficiency of our operations. 				
2018	14.2									
2017	10.8									

SUMMARY SUSTAINABILITY REPORT

Health and Safety

Achieve zero safety incidents



Achievements

- Achieved zero safety incidents in Myanmar

FY2018 progress

- We had no safety incidents in Myanmar, demonstrating our commitment to ensure that ensuring the safety of the people who work in or live near our operational areas is our number one priority.

Limit maximum of 120 hours of overtime per employee



Overtime hours per employee (Hours)



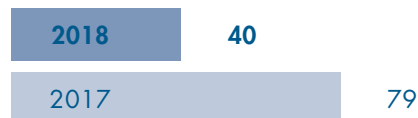
FY2018 progress

- We ensured overtime hours did not exceed 120 hours per employee to ensure the safety of our operations.

Achieve minimum of 40 hours of training per employee



Training hours per employee (Hours)



FY2018 progress

- We achieved a minimum of 40 hours of training per employee to ensure the safety of our operations.
- Additional training was conducted in FY2017 in preparation for the adoption of patents and implementation of water-flood projects.

Community

Invest a minimum of US\$100,000 towards community development



Investment in community projects (US\$'000)



FY2018 progress

- We invested more than US\$143,000 in the Chauk and Yenangyaung communities, towards the causes of education, sports, healthcare, infrastructure and community building.

SHAREHOLDER DEMOGRAPHICS

AS AT 15 MARCH 2019

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	295	2.93	9,117	0.00
100 to 1,000	4,494	44.63	1,926,127	0.33
1,001 to 10,000	2,624	26.06	12,758,121	2.18
10,001 to 1,000,000	2,628	26.10	196,829,204	33.59
1,000,001 and above	28	0.28	374,451,035	63.90
Total	10,069	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	115,325,699	19.88
UOB Kay Hian Pte Ltd	92,632,360	15.81
DBS Nominees Pte Ltd	84,421,104	14.41
Raffles Nominees (Pte) Limited	19,995,076	3.41
Maybank Kim Eng Securities Pte Ltd	10,246,765	1.75
Phillip Securities Pte Ltd	8,166,175	1.39
Goh Kim Siah	3,975,600	0.68
OCBC Securities Private Ltd	3,490,232	0.60
United Overseas Bank Nominees Pte Ltd	3,442,920	0.59
Lim & Tan Securities Pte Ltd	3,292,500	0.56
Goh Khay Pheng (Wu Qiping)	2,481,300	0.42
Teo Chor Kok	2,238,000	0.38
OCBC Nominees Singapore Pte Ltd	2,009,932	0.34
Lie Tjoei Tjoe	2,000,000	0.34
Tan Kee Cheng	1,980,100	0.34
Tan Yong Hua	1,855,400	0.32
Wah Leong Co Pte Ltd	1,800,000	0.31
Tan Ah Tee	1,600,000	0.27
Lim Chin Leong	1,586,600	0.27
Chua Lai Siang	1,570,000	0.27
Total	364,109,763	62.14

SHAREHOLDER DEMOGRAPHICS

AS AT 15 MARCH 2019

Substantial Shareholders (As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest		Deemed Interest	
	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⁾	–	–	53,040,000	9.05
Shining Persada Investments Pte. Ltd. ⁽²⁾	53,040,000	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, approximately 62% of the total number of issued shares of the Company is held by the public as at 15 March 2019. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The directors present their statement to the members together with the audited statement of financial position of the Company as at 31 December 2018 and the consolidated financial statements of the Group for the financial year ended 31 December 2018.

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 59 to 148 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 2018 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 50 to 52.

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 2019	At beginning of the financial year	At end of the financial year and 21 January 2019	At beginning of the financial year
<u>The Company</u>				
<u>No. of Ordinary Shares</u>				
Edwin Soeryadjaya	540,000	540,000	79,364,000	79,364,000
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	–	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Directors' Interests in Shares or Debentures (Continued)

- (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 50 to 52.

	Number of Unissued Ordinary Shares under Option	
	At end of the financial year and 21 January 2019	At beginning of the financial year
<u>2017 Options</u>		
Marcel Han Liong Tjia	6,000,000	6,000,000
Ng Soon Kai	2,850,000	2,850,000
Low Siew Sie Bob	2,850,000	2,850,000
Allan Charles Buckler	2,850,000	2,850,000
Lim Hock San	2,850,000	2,850,000

- (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 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	

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share Options (Continued)

(a) Interra Share Option Plan 2017 (Continued)

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.

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\$0.060 per share ("2017 Options"). The 2017 Options were exercisable from 12 December 2018 and will expire on 10 December 2022. The fair value of the 2017 Options granted was estimated to be S\$406,283 (equivalent to US\$300,626) using the Binomial Option Pricing Model.

Details of the 2017 Options granted to key management personnel and employees (other than the directors) of the Company were 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
2017 Options	–	6,600,000	–	6,600,000

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Share Options (Continued)

(a) Interra Share Option Plan 2017 (Continued)

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

Name of director	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
Marcel Han Liong Tjia	–	6,000,000	–	6,000,000
Ng Soon Kai	–	2,850,000	–	2,850,000
Low Siew Sie Bob	–	2,850,000	–	2,850,000
Allan Charles Buckler	–	2,850,000	–	2,850,000
Lim Hock San	–	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 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			Exercise period
	At end of the financial year	At beginning of the financial year	Exercise price	
2017 Options	24,000,000	24,000,000	S\$0.060	12 December 2018 to 10 December 2022

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.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Audit Committee (Continued)

The Audit Committee carried out its functions 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 2018 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

27 March 2019

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 2018, 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 59 to 148.

In our opinion, the accompanying statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provision of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2018 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.

Impairment of Non-Financial Assets

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

Area of focus

In accordance with SFRS(I) 6 – 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 2018 of US\$10,640,543 (2017: US\$10,616,356) (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 (CONTINUED)

Key Audit Matters (Continued)

Impairment of Non-Financial Assets (Continued)

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

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 SFRS(I) 6 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 uncertain 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 carrying amount of US\$7,549,214 as at 31 December 2018 (2017: US\$3,151,751) (Note 5). In addition, the Group has acquired patent rights with carrying amount of US\$3,115,101 as at 31 December 2018 (2017: US\$3,451,931) (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 (CONTINUED)

Key Audit Matters (Continued)

Impairment of Non-Financial Assets (Continued)

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

Area of focus (Continued)

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 (CONTINUED)

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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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, SFRS(I) and IFRS, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONTINUED)

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current 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 Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
27 March 2019

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Company			Group		
		31 December		1 January	31 December		(Restated*) 1 January
		2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
ASSETS							
Non-current assets							
Property, plant and equipment	4	19,329	30,555	12,340	19,329	95,165	91,929
Producing oil and gas properties	5	–	–	–	7,549,214	3,151,751	206,449
Exploration and evaluation assets	6	–	–	–	10,640,543	10,616,356	10,583,720
Intangible assets	7	–	–	–	3,133,988	3,477,293	–
Investments in subsidiary corporations	8	19,062,103	28,976,363	31,099,674	–	–	–
Investments in associated companies	9	2,381,656	–	–	2,381,656	3,771,108	984,498
Investment properties	10	–	–	–	–	235,585	152,969
Other receivables	12	18,366,952	–	–	2,820,415	3,827,692	2,429,621
Restricted cash	14	–	–	–	–	138,884	225,004
		<u>39,830,040</u>	<u>29,006,918</u>	<u>31,112,014</u>	<u>26,545,145</u>	<u>25,313,834</u>	<u>14,674,190</u>
Current assets							
Inventories	11	–	–	–	3,378,657	5,202,236	4,880,304
Trade and other receivables	12	146,745	14,635	49,374	2,784,045	8,294,779	13,485,618
Other current assets	13	67,542	77,194	60,886	414,390	352,968	376,994
Cash and cash equivalents	14	226,718	811,733	610,169	6,637,526	9,191,521	9,865,241
Bank deposits pledged	14	–	2,000,000	2,000,000	–	2,000,000	2,000,000
Restricted cash	14	–	–	–	–	99,136	2,221,568
		<u>441,005</u>	<u>2,903,562</u>	<u>2,720,429</u>	<u>13,214,618</u>	<u>25,140,640</u>	<u>32,829,725</u>
Assets of disposal group classified as held-for-sale	15(c)	–	–	–	–	4,496,702	4,598,689
		<u>441,005</u>	<u>2,903,562</u>	<u>2,720,429</u>	<u>13,214,618</u>	<u>29,637,342</u>	<u>37,428,414</u>
Total Assets		<u>40,271,045</u>	<u>31,910,480</u>	<u>33,832,443</u>	<u>39,759,763</u>	<u>54,951,176</u>	<u>52,102,604</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Company			Group		
		31 December		1 January	31 December		(Restated*) 1 January
		2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
LIABILITIES							
Current liabilities							
Trade and other payables	16	9,167,429	527,129	531,671	5,094,905	13,234,072	9,499,235
Borrowings	17	1,000,000	3,000,000	3,000,000	1,000,000	3,736,171	3,739,000
Current income tax liabilities	18	–	–	–	4,508,406	7,604,012	7,327,393
Provision for environmental and restoration costs	20	–	–	–	–	1,581,386	3,300,000
		<u>10,167,429</u>	<u>3,527,129</u>	<u>3,531,671</u>	<u>10,603,311</u>	<u>26,155,641</u>	<u>23,865,628</u>
Liabilities directly associated with disposal group classified as held-for-sale	15(d)	–	–	–	–	1,510,154	1,281,615
		<u>10,167,429</u>	<u>3,527,129</u>	<u>3,531,671</u>	<u>10,603,311</u>	<u>27,665,795</u>	<u>25,147,243</u>
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
		–	–	–	–	<u>163,430</u>	<u>1,616,982</u>
Total Liabilities		<u>10,167,429</u>	<u>3,527,129</u>	<u>3,531,671</u>	<u>10,603,311</u>	<u>27,829,225</u>	<u>26,764,225</u>
NET ASSETS		<u>30,103,616</u>	<u>28,383,351</u>	<u>30,300,772</u>	<u>29,156,452</u>	<u>27,121,951</u>	<u>25,338,379</u>
EQUITY							
Share capital	23	72,737,880	69,257,956	69,257,956	72,737,880	69,257,956	69,257,956
Accumulated losses		(42,934,890)	(40,897,381)	(39,314,147)	(29,503,957)	(30,379,011)	(31,579,224)
Other reserves	25	300,626	22,776	356,963	(16,138,579)	(16,503,367)	(16,187,177)
Equity attributable to owners of the Company		<u>30,103,616</u>	<u>28,383,351</u>	<u>30,300,772</u>	<u>27,095,344</u>	<u>22,375,578</u>	<u>21,491,555</u>
Non-controlling interests	8	–	–	–	2,061,108	4,746,373	3,846,824
TOTAL EQUITY		<u>30,103,616</u>	<u>28,383,351</u>	<u>30,300,772</u>	<u>29,156,452</u>	<u>27,121,951</u>	<u>25,338,379</u>

* Comparatives figures have been restated upon adoption of SFRS(I). Refer to Note 2(a) for details.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Continuing operations			
Revenue	26	14,884,703	11,244,900
Cost of production		(7,988,066)	(5,042,396)
Gross profit		6,896,637	6,202,504
Other income, net			
– Interest	27	354,274	286,255
– Others	27	358,903	307,934
Administrative expenses		(6,619,025)	(5,268,703)
Finance expenses	28	(102,458)	(130,428)
Share of losses of associated companies	9	(624,929)	(185,711)
Profit before income tax		263,402	1,211,851
Income tax credit/(expense)	19	515,884	(813,007)
Profit from continuing operations		779,286	398,844
Discontinued operations			
Loss from discontinued operations, net of tax	15(a)	(53,377)	(46,049)
Total profit		725,909	352,795
Attributable to:			
Equity holders of the Company		847,886	1,298,286
Non-controlling interests		(121,977)	(945,491)
		725,909	352,795
Profit/(Loss) attributable to equity holders of the Company relates to:			
Profit from continuing operations		873,973	1,319,973
Loss from discontinued operations		(26,087)	(21,687)
		847,886	1,298,286
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	25(b)(iii)		
– Loss		(98,684)	(4,915)
– Reclassification due to deconsolidation of subsidiary corporations		174,375	–
Share of other comprehensive (loss)/income of associated companies	25(b)(iii)		
– (Loss)/Gains		(68,756)	22,912
– Reclassification due to deconsolidation of subsidiary corporations		80,003	–
		86,938	17,997

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation – Loss	25(b)(iii)	(173,422)	(21,638)
Share of other comprehensive loss of associated companies	25(b)(iii)	(83,693)	–
Defined benefit obligation re-measurements	21	(22,963)	21,613
Share of defined benefit obligation re-measurements of associated companies		27,168	(2,096)
		(252,910)	(2,121)
Other comprehensive (loss)/income, net of tax		(165,972)	15,876
Total comprehensive income		559,937	368,671
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		961,992	1,325,069
Non-controlling interests		(402,055)	(956,398)
		559,937	368,671
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	0.151	0.261
– From discontinued operations	31	(0.005)	(0.004)
Diluted earnings/(losses) per share			
– From continuing operations	31	0.145	0.260
– From discontinued operations	31	(0.005)	(0.004)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

Group	Note	Attributable to Equity Holders of the Company							Total Equity US\$
		Share Capital US\$	Currency Translation Reserve US\$	Special Reserve US\$	Share Option Reserve US\$	Accumulated Losses US\$	Total US\$	Non-Controlling Interests US\$	
At 1 January 2018		69,257,956	17,997	(16,544,140)	22,776	(30,379,011)	22,375,578	4,746,373	27,121,951
Profit/(Loss) for the financial year		-	-	-	-	847,886	847,886	(121,977)	725,909
Currency translation differences	25(b)(iii)	-	-	-	-	-	-	-	-
- Foreign subsidiary corporations		-	(98,684)	-	-	-	(98,684)	(173,422)	(272,106)
- Deconsolidation of subsidiary corporations		-	174,375	-	-	-	174,375	-	174,375
Share of currency translation differences of associated companies	25(b)(iii)	-	(68,756)	-	-	-	(68,756)	(83,693)	(152,449)
Deconsolidation of subsidiary corporations with share of currency translation differences of associated companies	25(b)(iii)	-	80,003	-	-	-	80,003	-	80,003
Defined benefit obligation re-measurements	21	-	-	-	-	-	-	(22,963)	(22,963)
Share of defined benefit obligation re-measurements of associated companies		-	-	-	-	27,168	27,168	-	27,168
Total comprehensive income/(loss) for the financial year		-	86,938	-	-	875,054	961,992	(402,055)	559,937
Additional increase of non-controlling interests in subsidiary corporation		-	-	-	-	-	-	34,936	34,936
Disposal of a subsidiary corporation with non-controlling interests		-	-	-	-	-	-	(35,943)	(35,943)
Deconsolidation of subsidiary corporations with non-controlling interests due to loss of control	39	-	-	-	-	-	-	(2,282,203)	(2,282,203)
Issuance of new ordinary shares pursuant to private placement	23	3,480,000	-	-	-	-	3,480,000	-	3,480,000
Share issue expenses	23	(76)	-	-	-	-	(76)	-	(76)
Employee share option plan		-	-	-	277,850	-	277,850	-	277,850
- value of employee services	25(b)(iii)	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		3,479,924	-	-	277,850	-	3,757,774	(2,283,210)	1,474,564
At 31 December 2018		72,737,880	104,935	(16,544,140)	300,626	(29,503,957)	27,095,344	2,061,108	29,156,452

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2018

Group	Note	Attributable to Equity Holders of the Company							Total Equity US\$
		Share Capital US\$	Currency Translation Reserve US\$	Special Reserve US\$	Share Option Reserve US\$	Accumulated Losses US\$	Total US\$	Non-Controlling Interests US\$	
At 1 January 2017 as previously reported		69,257,956	(2,210,078)	(16,544,140)	356,963	(29,369,146)	21,491,555	3,846,824	25,338,379
Effects of adoption of SFRS(I)	2(a)	-	2,210,078	-	-	(2,210,078)	-	-	-
At 1 January 2017, restated		69,257,956	-	(16,544,140)	356,963	(31,579,224)	21,491,555	3,846,824	25,338,379
Profit/(Loss) for the financial year	25(b)(iii)	-	-	-	-	1,298,286	1,298,286	(945,491)	352,795
Currency translation differences		-	(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
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)(iii)	-	-	-	22,776	-	22,776	-	22,776
- value of employee services		-	-	-	(356,963)	356,963	-	-	-
- share options lapsed		-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		-	-	-	(334,187)	(106,859)	(441,046)	1,855,947	1,414,901
At 31 December 2017		69,257,956	17,997	(16,544,140)	22,776	(30,379,011)	22,375,578	4,746,373	27,121,951

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Cash flows from operating activities			
Total profit		725,909	352,795
Adjustments for non-cash items			
Income tax (credit)/expense	19	(515,884)	813,007
Depreciation of property, plant and equipment	4	16,944	30,106
Amortisation of producing oil and gas properties	5	621,575	211,445
Amortisation of intangible assets	7	343,305	28,609
Property, plant and equipment written-off		–	5
Interest income	27	(354,274)	(286,255)
Interest expenses	28	102,458	130,428
Amortised cost adjustment for interest-free non-current receivables	29	–	1,127,993
Unwinding of discount of provision of environmental and restoration costs	20	–	143,669
(Gain)/loss on curtailment	21	(44,914)	21,613
Share option expenses	25(b)(ii)	277,850	22,776
Fair value gain on investment properties	27	(43,016)	(83,347)
Gain on disposal of granite operations	27	(216,818)	–
Loss on deconsolidation of subsidiary corporations	27	48,176	–
Loss on disposal of property, plant and equipment	27	4,872	–
Allowance for impairment of investments in an associated company	29	2,137,795	–
Share of losses of associated companies	9	624,929	185,711
Unrealised currency translation (gains)/losses		(50,311)	23,633
Operating profit before working capital changes		3,678,596	2,722,188
Changes in working capital			
Inventories		113,901	(164,158)
Trade and other receivables and other current assets		595,384	1,656,749
Trade and other payables		452,936	(1,188,065)
Restricted cash		(449)	(897)
Cash generated from operations		4,840,368	3,025,817
Income tax paid	18	(572,005)	(390,287)
Net cash provided by operating activities		4,268,363	2,635,530
Cash flows from investing activities			
Interest received		98,734	108,101
Net proceeds from disposal of granite operations	38	185,360	355,987
Net proceeds from disposal of property, plant and equipment		3,594	–
Loan to an associated company (non-trade)		(378,469)	(2,384,970)
Cash and bank balances of subsidiary corporations deconsolidated	39	(1,519,699)	–
Additions of property, plant and equipment	4	(628)	(33,461)
Additions of producing oil and gas properties	5	(5,037,757)	(3,156,747)
Additions of exploration and evaluation assets	6	(24,187)	(32,636)
Additions of intangible assets		(3,420,000)	(85,902)
Net cash used in investing activities		(10,093,052)	(5,229,628)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$	2017 US\$
Cash flows from financing activities			
Interest paid		(109,047)	(134,233)
Deposit received from private placement of shares		–	100,000
Proceeds from issuance of new ordinary shares pursuant to private placement of shares	23	3,380,000	–
Share issue expenses	23	(76)	–
Proceeds received from dilution of interests in subsidiary corporation without loss of control	8	–	1,299,225
Repayment of bank loans		(2,000,000)	–
Bank deposit discharged		2,000,000	–
Repayment of loan from non-related parties		–	657,664
Net cash provided by financing activities		3,270,877	1,922,656
Net decrease in cash and cash equivalents		(2,553,812)	(671,442)
Cash and cash equivalents at beginning of the financial year		9,191,521	9,865,241
Effects of currency translation on cash and cash equivalents		(183)	(2,278)
Cash and cash equivalents at end of the financial year	14	6,637,526	9,191,521

Reconciliation of assets arising from investing and financing activities

	1 January 2018 US\$	Principal and interest payments US\$	Non-cash changes					31 December 2018 US\$
			Deconsolidated as investments in subsidiary corporations US\$	Reclassification US\$	Equity conversion US\$	Interest income US\$	Foreign exchange movement US\$	
Loan to non-related parties	3,870,459	–	(1,179,701)	–	34,935	175,963	(81,241)	2,820,415
Loan to associated companies	3,689,638	378,469	(3,452,876)	35,519	–	81,794	(174,630)	557,914

	1 January 2017 US\$	Principal and interest payments/ (received) US\$	Non-cash changes						31 December 2017 US\$
			Capitalised as investments in associated company US\$	Reclassification US\$	Equity conversion US\$	Interest income US\$	Amortised cost adjustment US\$	Foreign exchange movement 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 an 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 2018

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

On 31 January 2018, the Company’s subsidiary corporation, PT Mitra Investindo Tbk (“MITI”) completed the disposal of granite operations by transferred all of its interest in PT Bintang Mahkota Sukes (“PT BMS”) to PT Pratama Media Abadi (“PT SMA”) (Note 38). Following the completion of the disposal, the Company does not have any interest in the granite quarry.

On 30 June 2018, due to the change of the composition of the board of directors and commissioners of MITI, the Company does not have the majority representation on MITI’s board of directors and commissioners (the “Boards”) and lost control over MITI. Accordingly, the Company has deconsolidated MITI and its subsidiary corporations and reclassified its interest in MITI as an investment in associated company (Note 9). The details of assets and liabilities deconsolidated and the effects of the cashflows of the Group are disclosed in Note 39.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) and International Financial Reporting Standards (“IFRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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.

Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange Securities Trading Limited, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the financial year ended 31 December 2018 are the first set of financial statements that the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group has applied the transition requirements in SFRS(I) 1 – First-time Adoption of SFRS(I) with 1 January 2017 as the date of transition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

Adoption of SFRS(I) (Continued)

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Except as disclosed below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Optional Exemptions Applied – Currency Translation Reserve

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has elected to deem 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 was reduced/increased by US\$2,210,078 respectively.

Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

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

	As at 31 December 2017 reported under SFRS US\$	As at 1 January 2018 reported under SFRS(I) US\$	As at 1 January 2017 reported under SFRS US\$	As at 1 January 2017 reported under SFRS(I) US\$
Currency translation reserves	2,192,081	(17,997)	2,210,078	–
Accumulated losses	28,168,933	30,379,011	29,369,146	31,579,224

There were no material adjustments to the Group's statement of comprehensive income and statement of cash flows arising from the transition from SFRS to SFRS(I).

(ii) SFRS(I) 9

SFRS(I) 9 – Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 – Financial Instruments: Recognition and Measurement. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses and other reserves as at 1 January 2018. Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 – Financial Instruments: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 – Financial Instruments: Disclosures relating to items within the scope of FRS 39 are provided for the comparative period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

(ii) SFRS(I) 9 (Continued)

Classification of financial assets and financial liabilities

For an explanation of how the Group classifies and measures financial assets and related gains and losses under SFRS(I) 9 is disclosed in Note 2(m). The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

Trade and other receivables, refundable deposits and cash and cash equivalents that were classified as loans and receivables under FRS 39 are now classified at amortised cost. Management also reassess the nature of advances made to/received from subsidiary corporations which form part of the Company's net investments in the subsidiary corporations and determined that they represent loan arrangements that are receivable/repayable on demand except for the advances which are interest-bearing and expected to be repaid or received upon successful development and production of the respective fields held by the subsidiary corporations. Since the terms have only been clarified in line with management's expected intention, there is no impact on the carrying amount of the advances. Accordingly, these advances are classified as financial assets and liabilities at amortised cost respectively. No adjustment in the allowance for impairment was recognised in opening accumulated losses of the Company and of the Group at 1 January 2018 respectively on transition to SFRS(I) 9.

(iii) SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted all of the requirements of SFRS(I) 15 – Revenue from Contracts with Customers as of 1 January 2018. SFRS(I) 15 utilises a methodical framework for entities to follow in order to recognise 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 and services. The change did not impact the cumulated revenue recognised or the related assets and liabilities on the transition date.

The adoption of SFRS(I) 15 resulted in no impact to the opening accumulated losses nor to the opening balance of accumulated other comprehensive income on 1 January 2018.

The accounting policies for revenue recognition under SFRS(I) 15 is as disclosed on Note 2(p).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group Accounting (Continued)

(i) Subsidiary Corporations (Continued)

(1) Consolidation (Continued)

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

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and 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 investments, the difference between the disposal proceeds and the carrying amounts of the investments are 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.

Where the business combination is achieved in stages, the fair value of the previously held interest immediately before the acquisition date shall form part of the total purchase consideration. That acquisition-date fair value shall be disclosed together with the amount of any gain or loss recognised as a result of re-measuring to fair value the previously held interest, and the line item in the statement of comprehensive income where that gain or loss is included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group Accounting (Continued)

(i) Subsidiary Corporations (Continued)

(2) Acquisition (Continued)

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 SFRS(I) 7 – Financial Instruments: Disclosures either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

(3) Disposals

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group Accounting (Continued)

(iii) Reverse Acquisition (Continued)

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 SFRS(I) 3 – 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 SFRS(I) 3. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group Accounting (Continued)

(iv) Joint Operations (Continued)

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

(v) Associated Companies

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

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

(1) Acquisitions

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

(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. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Group Accounting (Continued)

(v) Associated Companies (Continued)

(3) Disposals

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

Investment in associated companies is carried at cost less accumulated impairment losses in the 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 SFRS(I) 6 – Exploration for and Evaluation of Mineral Resources.

(i) Exploration and Evaluation Phase

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

Exploration and evaluation costs are accumulated in respect of each area of interest. Exploration and evaluation costs include the cost of acquisition, drilling, seismic, technical evaluation and feasibility studies, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Producing Oil and Gas Properties (Continued)

(i) Exploration and Evaluation Phase (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Producing Oil and Gas Properties (Continued)

(v) Impairment

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

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

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

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

(vi) Participating Rights for 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.

Concession rights are amortised on a straight-line basis from the date of initial recognition over the remaining period of IPRCs. The remaining period of IPRCs is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible Assets (Continued)

(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 acquisitions 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, Plant and Equipment (Continued)

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.

(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 its 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 a 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 a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Other Non-Financial Assets

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

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

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

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) Trade and Other 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 recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

(ii) Environmental Expenditures and Liabilities

Oil and Gas

Liabilities for environmental and restoration costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liabilities are recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the producing oil and gas properties. 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 and restoration 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 prospectives basis over the remaining life of the mine.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 which 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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee Benefits

The Group operates both defined contribution post-employment benefit 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 pays fixed contributions into 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. 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. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.

Past service costs are recognised immediately in profit or loss.

(iii) Employee Leave Entitlements

Employee 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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee Benefits (Continued)

(iv) Share-Based Compensation (Continued)

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 accounting for financial assets before 1 January 2018 are as follows:

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), refundable deposits (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.

The accounting for financial assets from 1 January 2018 are as follows:

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial Assets (Continued)

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income, net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other income, net".
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income, net".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial Assets (Continued)

(ii) Equity Investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains or losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in OCI. Dividends from equity investments are recognised in profit or loss as "dividend income".

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in OCI relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in OCI. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in OCI and transferred to retained profits along with the amount previously recognised in OCI relating to that asset.

(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 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 costs of completion and the estimated costs necessary to make the sale.

(ii) 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

(i) Sale of Oil and Petroleum Products

The Group is principally engaged in the business of petroleum exploration and production. Revenue from the sale of oil and petroleum products is recognised when control of goods is transferred to the customer being when the product is physically transferred into a vessel, pipe and by other delivery mechanism at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those goods.

(ii) 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.

(iii) Dividend Income

Dividend income from subsidiary corporations is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(iv) 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 associated companies and joint operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Monetary items include primary financial assets (other than equity investments), contract assets and financial liabilities. 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 OCI 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 when the fair values are determined.

(iii) Translation of Group Entities' Financial Statements

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

- (1) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (2) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and
- (3) All resulting foreign currency translation differences are recognised in OCI and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases

When the Group is the lessee:

(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 property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

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

(ii) Lessee – Operating Leases

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

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

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

(s) Segment Reporting

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

(t) Dividends to Company's Shareholders

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

(u) Fair Value Estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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; or
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary corporation acquired exclusively with a view to resale.

(y) Financial Guarantee

The Company's subsidiary corporation 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 measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantee was subsequently measured at the higher of (a) and the expected amounts payable to the bank in the event it is probable that the Group will reimburse the bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 SFRS(I) 6 and the successful efforts accounting policy (Note 2(c)(v)) 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 uncertain oil price environment.

In accordance with SFRS(I) 6, 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 2018 of US\$10,640,543 (2017: US\$10,616,356) (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.

(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 and fair value less cost of sale. 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 2019 budgets reviewed by the respective owner committees and also past experiences as a guide. The period beyond 2019 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 (2017: 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 is estimated to be 17% per annum (2017: 15% – 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 2018, the carrying amounts of producing oil and gas properties and patent rights were US\$7,549,214 (2017: US\$3,151,751) (Note 5) and US\$3,115,101 (2017: US\$3,451,931) (Note 7) respectively. Based on the impairment test of the Myanmar CGU, no impairment charge was recognised for producing oil and gas properties and patent rights respectively for the financial years ended 31 December 2018 and 2017. The estimated recoverable amount of the CGUs was higher than the carrying amount of the CGUs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(b) **Estimated Impairment of Producing Oil and Gas Properties, Patent Rights and Investments in Subsidiary Corporations and Associated Companies** (Continued)

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, a reversal of impairment loss of US\$2,293,912 (2017: impairment loss of US\$570,554) was recognised for the Company's investments in subsidiary corporation, MITI before the deconsolidation on 30 June 2018. Further details are provided in Note 8 to the financial statements.

On 30 June 2018, the Company has deconsolidated MITI and its subsidiary corporation due to the loss of control. The equity interest in MITI is re-measured at fair value, as a result, the accumulated allowance for impairment previously recognised for its investments in subsidiary corporation of US\$9,056,521 was reversed.

During the financial year, allowance for impairment was recognised for the Group's investments in an associated company, MITI of US\$2,137,795 based on fair values less costs to sell being MITI market price as at 31 December 2018 (listed on Indonesia Stock Exchange) (Note 9).

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

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

(c) **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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

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

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 2018 and 2017, the carrying amounts of the development and production assets were US\$6,987,130 and US\$2,948,858 respectively (Note 5). The amortisation charge for the financial year ended 31 December 2018 was US\$502,641 (2017: US\$90,313) (Note 5).

(d) 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. These income tax expenses are still subject to final tax assessments from the tax authority. 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.

For Indonesia operations, the Group has not paid income tax as there is unrecovered cost pool. Following the expiry of TAC, the Group re-assessed the prior year tax provisions for financial years 2000 to 2007 and reversed the amount of US\$1,303,760 after the statute of limited period lapsed.

For Myanmar operations, the tax assessment was finalised till year of assessment 2019. The income tax paid for the financial year was US\$689,592 (2017: US\$381,564).

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(f) Classification of Investments

- (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. As at to-date, the Group has exercised the option to purchase 18.50% of the shares in MPI, however the transfer is still in process.
- (ii) On 30 June 2018, due to the change of the composition of the board of directors and commissioners of MITI, the Company does not have the majority representation on MITI's board of directors and commissioners (the "Boards") and lost control over MITI. Accordingly, the Company has deconsolidated MITI and its subsidiary corporations and reclassified its interest in MITI as an investment in associated company as it still retains a significant influence by virtue of its shareholding and two representatives on MITI's Boards.

4. PROPERTY, PLANT AND EQUIPMENT

	Company			Group		
	31 December 2018 US\$	2017 US\$	1 January 2017 US\$	31 December 2018 US\$	2017 US\$	1 January 2017 US\$
Composition:						
Computers	19,329	30,232	11,050	19,329	30,232	11,050
Office equipment	–	323	731	–	3,439	4,589
Renovations, furniture and fittings	–	–	559	–	1,896	2,881
Pumping tools	–	–	–	–	33,212	39,494
Motor vehicles	–	–	–	–	26,386	33,915
	19,329	30,555	12,340	19,329	95,165	91,929

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Company</u>	<u>Computers US\$</u>	<u>Office Equipment US\$</u>	<u>Renovations, Furniture and Fittings US\$</u>	<u>Total US\$</u>
2018				
Cost				
Opening and Closing balance	124,901	6,964	99,871	231,736
Accumulated depreciation				
Opening balance	94,669	6,641	99,871	201,181
Depreciation charge	10,903	323	–	11,226
Closing balance	105,572	6,964	99,871	212,407
Net book value as at 31 December 2018	19,329	–	–	19,329
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Computers US\$</u>	<u>Office Equipment US\$</u>	<u>Renovations, Furniture and Fittings US\$</u>	<u>Pumping Tools US\$</u>	<u>Motor Vehicles US\$</u>	<u>Total US\$</u>
2018						
Cost						
Opening balance	124,901	17,986	103,272	49,052	64,776	359,987
Additions	–	628	–	–	–	628
Disposals	–	–	–	–	(31,292)	(31,292)
Deconsolidation of subsidiary corporations (Note 39)	–	(11,106)	(3,237)	(46,681)	(31,317)	(92,341)
Currency translation differences	–	(543)	(164)	(2,371)	(2,167)	(5,245)
Closing balance	124,901	6,965	99,871	–	–	231,737
Accumulated depreciation and impairment losses						
Opening balance	94,669	14,547	101,376	15,840	38,390	264,822
Depreciation charge						
– Continuing operations (Note 29)	10,903	1,070	206	3,024	1,741	16,944
Disposals	–	–	–	–	(13,408)	(13,408)
Deconsolidation of subsidiary corporations (Note 39)	–	(8,246)	(1,631)	(17,992)	(25,208)	(53,077)
Currency translation differences	–	(406)	(80)	(872)	(1,515)	(2,873)
Closing balance	105,572	6,965	99,871	–	–	212,408
Net book value as at 31 December 2018	19,329	–	–	–	–	19,329
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

On 30 June 2018, due to the loss of control over MITI, the net book value of the property, plant and equipment of US\$39,264 was deconsolidated (Note 39).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PRODUCING OIL AND GAS PROPERTIES

	Group			
	31 December		1 January	
	2018 US\$	2017 US\$	2017 US\$	
Composition:				
Development and Production Assets	6,987,130	2,948,858	–	
Development Tangible Assets	562,084	202,893	206,449	
Participating and Concession Rights	–	–	–	
	7,549,214	3,151,751	206,449	
	Development and Production Assets US\$	Development Tangible Assets US\$	Participating and Concession Rights US\$	Total US\$
Group				
2018				
Cost				
Opening balance	55,126,965	7,459,497	2,299,029	64,885,491
Additions	4,540,913	496,844	–	5,037,757
Write-offs	–	(1,307,328)	–	(1,307,328)
Deconsolidation of subsidiary corporations (Note 39)	(14,894,888)	(1,488,527)	(1,699,029)	(18,082,444)
Closing balance	44,772,990	5,160,486	600,000	50,533,476
Accumulated amortisation and impairment losses				
Opening balance	52,178,107	7,256,604	2,299,029	61,733,740
Amortisation charge				
– Continuing operations (Note 29)	502,641	118,934	–	621,575
Write-offs	–	(1,307,328)	–	(1,307,328)
Deconsolidation of subsidiary corporations (Note 39)	(14,894,888)	(1,469,808)	(1,699,029)	(18,063,725)
Closing balance	37,785,860	4,598,402	600,000	42,984,262
Net book value as at 31 December 2018	6,987,130	562,084	–	7,549,214
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

During the financial years ended 31 December 2018 and 2017, 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 2018

6. EXPLORATION AND EVALUATION ASSETS

	Group		
	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$
<u>Composition:</u>			
Exploration and evaluation assets	9,205,285	9,181,098	9,148,462
Participating rights	1,435,258	1,435,258	1,435,258
	10,640,543	10,616,356	10,583,720
	Exploration and Evaluation Assets US\$	Participating Rights US\$	Total US\$
<u>Group</u>			
<u>2018</u>			
<u>Cost</u>			
Opening balance	15,424,010	1,435,258	16,859,268
Additions	24,187	–	24,187
Closing balance	15,448,197	1,435,258	16,883,455
<u>Accumulated impairment losses</u>			
Opening and Closing balance	6,242,912	–	6,242,912
Net book value as at 31 December 2018	9,205,285	1,435,258	10,640,543
<u>2017</u>			
<u>Cost</u>			
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
<u>Accumulated impairment losses</u>			
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

7. INTANGIBLE ASSETS

	Group		
	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$
<u>Composition:</u>			
Goodwill on reverse acquisition	–	–	–
Computer software	18,887	25,362	–
Goodwill on consolidation	–	–	–
Patent rights	3,115,101	3,451,931	–
	3,133,988	3,477,293	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTANGIBLE ASSETS (CONTINUED)

	Goodwill on Reverse Acquisition US\$	Computer Software US\$	Goodwill on consolidation US\$	Patent Rights US\$	Total US\$
Group					
2018					
Cost					
Opening balance	1,488,902	213,548	656,644	3,480,000	5,839,094
Write-offs	–	(187,645)	–	–	(187,645)
Deconsolidation of subsidiary corporations	–	–	(656,644)	–	(656,644)
Closing balance	1,488,902	25,903	–	3,480,000	4,994,805
Accumulated amortisation and impairment losses					
Opening balance	1,488,902	188,186	656,644	28,069	2,361,801
Amortisation charge					
– Continuing operations (Note 29)	–	6,475	–	336,830	343,305
Write-offs	–	(187,645)	–	–	(187,645)
Deconsolidation of subsidiary corporations	–	–	(656,644)	–	(656,644)
Closing balance	1,488,902	7,016	–	364,899	1,860,817
Net book value as at 31 December 2018	–	18,887	–	3,115,101	3,133,988
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					
– Continuing operations (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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INTANGIBLE ASSETS (CONTINUED)

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 are allocated to oil exploration business in Myanmar and granite operations business in Indonesia respectively and had been fully impaired in prior financial years. During the financial year, the Company has deconsolidated MITI and its subsidiary corporation (Note 39) and reclassified its interest in MITI as an investment in associated company (Note 9). Accordingly, the goodwill on consolidation related to the acquisition of MITI was derecognised.

The Group performs impairment assessment of the carrying value of patent rights whenever there is an indication of impairment. The recoverable amounts of CGUs 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).

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	<u>Company</u>	
	<u>31 December</u>	<u>1 January</u>
	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
<u>Composition:</u>		
Equity shares at cost	19,062,204	32,951,960
Advances made to subsidiary corporations, net	–	17,551,708
Allowance for impairment	(101)	(21,454,259)
Net investments in subsidiary corporations	<u>19,062,103</u>	<u>28,976,363</u>
		<u>31,099,674</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

	Company	
	2018 US\$	2017 US\$
Equity shares at cost		
Opening balance	32,951,960	32,951,960
Deconsolidation of subsidiary corporations (Note 39)	(13,889,756)	–
Closing balance	<u>19,062,204</u>	<u>32,951,960</u>
Allowance for impairment of investment in subsidiary corporations		
Opening balance	11,350,534	10,779,980
(Reversal of allowance)/Allowance for impairment	(2,293,912)	570,554
Deconsolidation of subsidiary corporations (Note 39)	(9,056,521)	–
Closing balance	<u>101</u>	<u>11,350,534</u>
Advances made to subsidiary corporations, net		
Opening balance	17,551,708	19,601,973
Effects of adoption of SFRS(I) 9	(17,551,708)	–
Opening balance, restated	–	19,601,973
Advances received during the financial year	–	(2,050,265)
Closing balance	<u>–</u>	<u>17,551,708</u>
Loss allowance on advances made to subsidiary corporations		
Opening balance	10,176,771	10,674,279
Effects of adoption of SFRS(I) 9	(10,182,127)	–
Opening balance, restated	(5,356)	10,674,279
Loss allowance/(Reversal of loss allowance)	5,356	(497,508)
Closing balance	<u>–</u>	<u>10,176,771</u>

As at 31 December 2017 and 1 January 2017, advances made to subsidiary corporations were unsecured and interest-free 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% (1 January 2017: 2.36% to 2.75%) and 2.75% to 3.05% (1 January 2017: nil) per annum respectively. The advances are provided for 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.

Before deconsolidation on 30 June 2018, the Company recognised a reversal of impairment loss of US\$2,293,912 (2017: impairment loss of US\$570,554) for its net investments in the subsidiary corporation, MITI, based on the fair value of the Company's interest in MITI (listed on Indonesia Stock Exchange) of US\$4,833,225 as at 30 June 2018 (2017: US\$2,539,313). The fair value measurement is classified within Level 1 of the fair value hierarchy.

Following the change of composition of MITI's Boards on 30 June 2018, the Company ceased to have the majority representation and lost control over MITI. Concurrently, the accumulated allowance for impairment previously recognised for the Company's investments in MITI of US\$9,056,521 was also included in the re-measurement of the Company's interest in MITI at fair value of US\$4,833,225 upon deconsolidation which was reclassified as an investments in associated company (Note 9).

In prior financial year ended 31 December 2017, the Company recognised a reversal of loss allowance of US\$502,781 on the advances made to Goldwater TMT Pte. Ltd. which was recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Significant Restrictions

As at 31 December 2017, bank deposits of US\$238,020 (1 January 2017: US\$2,446,572) were 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. As at 31 December 2018, there were no significant restrictions with regards to the Company's investments in subsidiary corporations.

Carrying Value of Non-Controlling Interests

	Group		
	31 December 2018 US\$	2017 US\$	1 January 2017 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	2,061,057	2,091,847	2,102,221
Other subsidiary corporations with immaterial non-controlling interests	51	35,239	51
Total	2,061,108	4,746,373	3,846,824

Dilution of Interests in Subsidiary Corporations Without Loss of Control

In prior financial year 31 December 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 Boards 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 was 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	<u>(1,096,940)</u>	<u>633,118</u>	<u>(463,822)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

The details of the subsidiary corporations as at 31 December 2018 and 2017 and 1 January 2017 were 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	
			31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %	31 December 2018 %	31 December 2017 %
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) (e)}	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	–	10	–	53.99	–	46.01
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") ^{(a) (e)}	Operation of granite mining and exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	–	48.87	–	48.87	–	51.13
				53.76		53.76		46.24

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

The details of the subsidiary corporations as at 31 December 2018 and 2017 and 1 January 2017 were as follows (Continued):

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			
			31 December 2018 %	1 January 2017 %	31 December 2018 %	1 January 2017 %	31 December 2018 %	1 January 2017 %		
Held by a subsidiary corporation, MITI										
Goldwater LS Pte. Ltd. ^{(b),(e)}	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	–	90	–	53.99	58.38	–	46.01	41.62
PT Bintang Mahkota Sukses ("PT BMS") ^{(a),(e)}	Operation of granite mining	Indonesia/Indonesia	–	51.08	–	24.96	–	–	75.04	–
Held by a subsidiary corporation, GLS										
IBN Oil Holdco Ltd ^{(a),(e)}	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/Indonesia	–	100	–	53.99	58.38	–	46.01	41.62
Held by a subsidiary corporation, GKP										
Mentari Pambuang Internasional Limited ("MPII") ^(a)	Dormant	British Virgin Islands	49	49	49	49	49	51	51	51
PT Sumber Sari Rejeki ("SSR") ^(e)	Trading of heavy machinery	Indonesia/Indonesia	100	100	100	100	100	–	–	–
Held by a subsidiary corporation, SSR										
PT Pambuang Investindo ("PII") ^(a)	Multi-industry sector	Indonesia/Indonesia	100	100	100	100	100	–	–	–
Held by a subsidiary corporation, PI										
PT Mentari Pambuang Internasional ("MPI") ^(e)	Exploration and operation of oil fields for crude petroleum production	Indonesia/Indonesia	67.50	67.50	67.50	67.50	67.50	32.50	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, Hidayat, Arsono, Reimo, Palillingan & Rekan, a member firm of PKF International ("PKF Hadiwinata")

(d) Audited by Kanaka Puradiredia, Suhartono, a member firm of Nexia International ("Nexia Kanaka")

(e) On 30 June 2018, the Company deconsolidated MITI and its subsidiary corporations as it lost control over MITI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

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

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

Summarised Statement of Financial Position

	MITI		GLS		MPI	
	30 June	31 December	30 June	31 December	31 December	1 January
	2018 US\$	2017 US\$	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Current						
Assets	2,490,092	7,204,421	3,245,027	2,883,410	138,199	147,372
Liabilities	(1,702,385)	(5,942,652)	(4,089,577)	(3,908,360)	(540,089)	(578,586)
Total current net assets/(liabilities)	787,707	1,261,769	(844,550)	(1,024,950)	(401,890)	(431,214)
Non-current						
Assets	7,084,895	7,223,309	385,968	41,735	9,205,286	9,181,098
Liabilities	(534,781)	(220,571)	(13,499,900)	(13,231,443)	(2,491,113)	(2,342,860)
Total non-current net assets/(liabilities)	6,550,114	7,002,738	(13,113,932)	(13,189,708)	6,714,173	6,838,238
Net assets/(liabilities)	7,337,821	8,264,507	(13,958,482)	(14,214,658)	6,312,283	6,438,944

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Summarised Statement of Comprehensive Income

	MITI		GLS		MPI	
	For the financial period/year ended		For the financial period/year ended		For the financial year ended	
	30 June	31 December	30 June	31 December	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue	–	–	1,161,668	2,142,284	–	–
(Loss)/profit before income tax	(291,846)	(13,285,612)	320,605	338,280	(202,229)	(201,866)
Income tax expense	–	(146,667)	(64,429)	(118,816)	–	–
Net (loss)/profit from continuing operations	(291,846)	(13,432,279)	256,176	219,464	(202,229)	(201,866)
Loss from discontinued operations, net of tax	(53,377)	(43,752)	–	–	–	–
Other comprehensive (loss)/income	(581,463)	(13,400)	–	6,251	–	–
Total comprehensive (loss)/income	(926,686)	(13,489,431)	256,176	225,715	(202,229)	(201,866)
Total comprehensive (loss)/income allocated to non-controlling interests	(454,206)	(1,004,572)*	117,877	116,260	(65,726)	(65,607)

* 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		GLS		MPI	
	For the financial period/year ended		For the financial period/year ended		For the financial year ended	
	30 June	31 December	30 June	31 December	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Cash flows from operating activities						
Cash (used in)/generated from operations	(275,909)	(517,540)	22,087	803,974	(99,106)	(99,235)
Income tax refund	125,734	–	–	–	–	–
Net cash (used in)/provided by operating activities	(150,175)	(517,540)	22,087	803,974	(99,106)	(99,235)
Net cash provided by/(used in) investing activities	193,081	361,644	237	746	(24,133)	(32,567)
Net cash (used in)/provided by financing activities	(104,628)	23,914	–	(300,557)	99,730	157,982
Net (decrease)/increase in cash and cash equivalents	(61,722)	(131,982)	22,324	504,163	(23,509)	26,180
Cash and cash equivalents at beginning of financial period/year	454,644	586,626	1,104,453	600,290	38,602	12,422
Cash and cash equivalents at end of financial period/year	392,922	454,644	1,126,777	1,104,453	15,093	38,602

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENTS IN ASSOCIATED COMPANIES

	Company	
	2018 US\$	2017 US\$
Equity shares at cost		
Opening balance	–	–
Additions (Note 8)	4,833,235	–
Allowance for impairment	(2,451,579)	–
Closing balance	2,381,656	–

	Group	
	2018 US\$	2017 US\$
Opening balance	3,771,108	984,498
Additions	4,833,235	2,951,505
Deconsolidation of subsidiary corporation with interests in associated companies (Note 39)	(3,326,640)	–
Share of losses (Note 19)	(624,929)	(185,711)
Share of other comprehensive income	(133,323)	20,816
Allowance for impairment (Note 29)	(2,137,795)	–
Closing balance	2,381,656	3,771,108

Set out below were the associated companies of the Group as at 31 December 2018 and 2017 and 1 January 2017, which in the opinion of the directors, were material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares, which were held directly by the Group.

Name of Company	Principal Activities	Country of Incorporation/ Operation	Ownership Interest		
			31 December		1 January
			2018 %	2017 %	2017 %
Held by Company					
PT Mitra Investindo Tbk. ("MITI") ^(a)	Operation of granite mining and exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	48.87	–	–
Held by a subsidiary corporation, GII					
PT Indelberg Oil Indonesia (formerly known as PT Benakat Oil) ("IOI") ^(b)	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	21.51	21.51	21.51
Held by an subsidiary company, MITI					
Mentari Garung Energy Ltd ("MGE")	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") ^(b)	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	–	23.44	–

(a) Audited by KAP Paul Hadiwinata, Hidajat, Arsono, Retno, Palilangan & Rekan, a member firm of PKF International ("PKF Hadiwinata")

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

PT Benakat Oil is a company incorporated in the Republic of Indonesia. On 23 October 2017, it 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, Goldwater Indonesia Inc. ("GII"), the Group acquired a 21.51% equity interest in IOI at a purchase consideration of US\$7,358,313. The cash consideration amounted to US\$1,226,385 and the remaining consideration was settled by the issuance of 57,086,112 shares in the Company at an issue price of S\$0.1492 per share, amounted to US\$6,131,928 (S\$8,517,247).

On 30 June 2018, due to the change of the composition of the board of directors and commissioners of MITI, the Company does not have the majority representation on MITI's Boards and lost control over MITI. Accordingly, the Company has deconsolidated MITI and its subsidiary corporation and reclassified its interest in MITI with fair value of the Group's interest in MITI (listed on Indonesia Stock Exchange) of US\$4,833,235 (Note 8) as an investment in associated company. Concurrently, MITI's interest in IOI with carrying amount of US\$3,326,640 which was previously classified as an investment in associated company was derecognised (Note 39).

As at 31 December 2018, the Company and the Group assessed the investments in MITI based on the fair value of the Company's and the Group's interest in MITI, which is listed on Indonesia Stock Exchange, which amounting to US\$2,381,656 and recognised impairment loss of US\$2,451,579 and US\$2,137,795 respectively. The fair value measurement is classified within Level 1 of the fair value hierarchy.

The Company's subsidiary corporation, GII and associated company, MITI respectively 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\$2,727,356 as at 31 December 2018 (31 December 2017: US\$4,219,116, 1 January 2017: US\$2,810,649) based on effective interests of 21.51% (31 December 2017: 32.97%, 1 January 2017: 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.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised Financial Information of Associated Companies

Set out below were the summarised financial information for associated companies:

Summarised Statement of Financial Position

	MITI*		IOI		IOI		MGE	
	31 December	1 January	31 December	1 January	31 December	1 January	31 December	1 January
	2018	2017	2018	2017	2018	2017	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Current assets	3,927,136	5,181,733	6,094,413	5,266,147	239,882	277,412	260,117	
Current liabilities	(3,233,470)	(47,983,992)	(54,090,394)	(46,146,718)	(139,186)	(145,628)	(22,864)	
Non-current assets	7,413,386	10,327	797	14,364	1,420,516	1,392,838	1,298,875	
Non-current liabilities	(1,796,192)	(15,231,079)	(11,426,988)	(14,754,262)	(606,100)	(600,400)	(589,000)	

Summarised Statement of Comprehensive Income

	MITI*		IOI		MGE	
	For the financial period ended 31 December	For the financial year ended 31 December	For the financial period ended 31 December	For the financial year ended 31 December	For the financial period/year ended 30 June	For the financial period/year ended 31 December
	2018	2017	2018	2017	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$
Revenue	1,297,717	1,603,141	1,678,689	—	—	—
Loss from operations	(633,029)	(2,138,224)	(2,138,224)	(9,210)	(9,210)	(22,906)
Net loss from operations	(705,004)	(1,115,604)	(2,022,926)	(9,210)	(9,210)	(22,906)
Other comprehensive income/(loss)	126,476	(283,558)	(379,616)	—	—	—
Total comprehensive loss	(578,528)	(1,399,162)	(2,402,542)	(9,210)	(9,210)	(22,906)

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.

* No comparative figures, since it is an associated company with effect from 1 July 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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, was as follows:

	MITI		IOI		MGE		Total	
	31 December	1 January	31 December	1 January	31 December	1 January	31 December	1 January
	2018	2017	2018	2017	2018	2017	2018	2017
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net assets/(liabilities)	6,310,860	(52,836,570)	(55,148,005)	(52,836,570)	-	924,222	(50,122,737)	(54,223,783)
Group's equity interest	48.87%	21.51%	44.95%	21.51%	-	33.33%	-	-
Group's share of net assets/(liabilities)	3,084,321	(12,139,325)	(24,789,573)	(11,365,576)	-	308,043	(9,055,004)	(24,481,530)
Cumulative unrecognised share of losses	-	1,389,560	1,113,019	615,811	-	-	1,389,560	1,113,019
Goodwill	1,435,130	10,749,765	26,470,799	10,749,765	-	668,820	12,184,895	27,139,619
Carrying value	4,519,451	-	2,794,245	-	-	976,863	4,519,451	3,771,108
Impairment in value	(2,137,795)	-	-	-	-	-	(2,137,795)	-
Carrying value of Group's interests in associated companies	2,381,656	-	2,794,245	-	-	976,863	2,381,656	3,771,108

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 2018

10. INVESTMENT PROPERTIES

	Group	
	31 December	
	2018 US\$	2017 US\$
Opening balance	235,585	152,969
Net fair value gain recognised in profit or loss (Note 27)	43,016	83,347
Deconsolidation of subsidiary corporations (Note 39)	(266,116)	–
Currency translation differences	(12,485)	(731)
Closing balance	–	235,585

Investment properties are held for long-term rental yields and/or for capital appreciation. During the financial year, one of the Group's investment properties was leased out and rental income of US\$468 (2017: US\$2,717) 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.

As at 31 December 2017, the details of the Group's investment properties were as follows:

<u>Location</u>	<u>Description/Existing Use</u>	<u>Tenure</u>
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 17 years lease expiring on 18 May 2035
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 were 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 were derived using sales comparison approach. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the selling price per square metre.

Valuation Processes of the Group

As at 31 December 2017, 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 2018

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		
	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$
Crude oil inventory	–	202,672	105,218
Granite rocks	–	1,133,222	671,825
Other inventories – consumable stock	3,378,657	3,866,342	4,103,261
	3,378,657	5,202,236	4,880,304

There were no inventories written-off during the financial year. In prior financial year, the Group recognised inventories written-off of US\$20,285 (Note 29).

12. TRADE AND OTHER RECEIVABLES

Trade receivables relate mainly to receivables from the Myanmar Oil and Gas Enterprise (“MOGE”) and Pertamina in respect of the sale of the Group’s share of petroleum entitlements.

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
<u>Current</u>						
Trade receivables – non-related parties	–	–	–	2,021,716	4,323,668	5,144,590
Less: Allowances for impairment of receivables (Note 34(b))	–	–	–	–	(114,959)	(105,896)
Trade receivables, net	–	–	–	2,021,716	4,208,709	5,038,694
Loan to subsidiary corporations	10,288,183	–	–	–	–	–
Less: Loss allowances (Note 8)	(10,182,127)	–	–	–	–	–
Loan to subsidiary corporations, net	106,056	–	–	–	–	–
Other receivables – non-related parties	40,689	14,635	49,374	204,415	353,665	1,145,309
Loan to a non-related party	–	–	–	–	1,239,599	7,195,316
Loan to associated companies	–	–	–	557,914	2,492,806	106,299
	146,745	14,635	49,374	2,784,045	8,294,779	13,485,618
<u>Non-current</u>						
Loan to non-related parties	–	–	–	2,820,415	2,630,860	2,429,621
Loan to an associated company	–	–	–	–	1,196,832	–
Loan to subsidiary corporations	18,366,952	–	–	–	–	–
	18,366,952	–	–	2,820,415	3,827,692	2,429,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

During the financial year ended 31 December 2018, the Company recognised a loss allowance of US\$5,356 on the advances made to Interra Resources (Australia) Pte. Ltd.

Included in current other receivables of the Group were value added taxes to be reimbursed from Pertamina of US\$109,655 as at 31 December 2018 (2017: US\$249,471).

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 were as follows:

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
<u>Fair values</u>						
Loan to subsidiary corporations	18,366,952	-	-	-	-	-
Loan to non-related parties	-	-	-	2,820,415	2,630,860	2,429,621
Loan to an associated company	-	-	-	-	1,196,832	-
	Company			Group		
	31 December		1 January	31 December		1 January
	2018 %	2017 %	2017 %	2018 %	2017 %	2017 %
<u>Borrowing rates</u>						
Loan to subsidiary corporations	3.45 – 4.50	-	-	-	-	-
Loan to non-related parties	-	-	-	6.79 – 7.75	6.04 – 6.70	5.61 – 5.99
Loan to an associated company	-	-	-	-	10.50	-

The current loan to an associated company as at 31 December 2018 of US\$522,395 (2017: US\$232,761) was unsecured and interest rate was charged at 1.75% above LIBOR per annum (i.e. between 3.45% to 4.09%) (2017: between 2.75% to 3.05%) per annum for a term period of two years.

The non-current loan to non-related parties as at 31 December 2018 of US\$2,820,415 (2017: US\$2,630,860) 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.

As at 30 June 2018, due to loss of control over MITI, the total loan to an associated company of US\$3,452,276 and loan to non-related parties of US\$1,179,702 were deconsolidated.

As at 31 December 2018, loans to subsidiary corporations were unsecured, interest-free and receivable on demand except for loan 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 3.45% to 4.50% and 3.45% to 4.09% per annum respectively and not expected to be recovered within twelve months from the end of the financial year. The loans 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. OTHER CURRENT ASSETS

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Deposits	36,826	42,675	39,404	63,550	90,518	193,099
Prepayments	30,716	34,519	21,482	61,611	162,302	143,115
Advances to suppliers and staff	–	–	–	289,229	100,148	40,780
	67,542	77,194	60,886	414,390	352,968	376,994

14. CASH AND CASH EQUIVALENTS

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Cash at bank and on hand	226,718	786,207	610,169	2,612,980	3,080,334	2,996,650
Short-term bank deposits	–	25,526	–	4,024,546	6,111,187	6,868,591
	226,718	811,733	610,169	6,637,526	9,191,521	9,865,241

Restricted Cash

The restricted cash represents environmental management security fund and social responsibility fund in Indonesia. Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT"), Technical Assistance Contract for Linda Sele ("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 related to TAC TMT was recalled by Pertamina during the prior financial year. During the financial year, due to loss of control over MITI, the restricted cash related to MITI and TAC LS were deconsolidated (Note 39).

Short-term Bank Deposits

Short-term bank deposits were pledged to secure the bank borrowings (Note 17) and restricted to withdraw until the bank borrowings have been fully discharged. On 3 July 2018, the Company repaid US\$2,000,000 bank loan and concurrently, the pledged of short-term bank deposits was discharged accordingly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 conditional sale and purchase agreement ("CSPA") dated 16 November 2015 with PT Sanmas Mekar Abadi ("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 financial year. On 31 January 2018, the Group completed the disposal of granite operation by transferred all of its interest in PT BMS to PT SMA. Following the completion of the disposal, the Group does not have any interest in the granite quarry. The disposal group was previously presented under the "All other segments" reportable segment of the Group (Note 35). Please refer to Note 38 for the disclosure of cash flow impact to the Group on disposal. A gain on disposal of US\$216,818 was recognised by the Group in 2018.

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

	Group	
	2018 US\$	2017 US\$
Revenue	1,599,359	1,653,882
Expenses	(1,652,736)	(1,699,931)
Loss after income tax from discontinued operations (Note 19)	(53,377)	(46,049)

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

	Group
	2017 US\$
Operating cash inflows, representing total cash inflows	3,458,361

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

	Group	
	31 December 2017 US\$	1 January 2017 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

	Group	
	31 December 2017 US\$	1 January 2017 US\$
Provision for environmental and restoration costs	943,823	917,584
Retirement benefit obligations (Note 21)	174,354	158,612
Deferred income tax liabilities	391,977	205,419
	<u>1,510,154</u>	<u>1,281,615</u>

In accordance with SFRS(I) 5, 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 was required as at disposal date.

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

	Group 2017 US\$
Currency translation differences	<u>(62,194)</u>

16. TRADE AND OTHER PAYABLES

	Company			Group		
	31 December 2018 US\$	2017 2017 US\$	1 January 2017 US\$	31 December 2018 US\$	2017 2017 US\$	1 January 2017 US\$
Trade payables – non-related parties	–	–	–	1,737,180	1,785,037	1,535,811
Accrued expenses	220,433	359,791	350,115	614,226	755,850	812,491
Other payables – non-related parties	52,095	167,338	181,556	2,452,013	10,693,185	7,150,933
Other payables – related parties	–	–	–	291,486	–	–
Loan from subsidiary corporations	8,894,901	–	–	–	–	–
	<u>9,167,429</u>	<u>527,129</u>	<u>531,671</u>	<u>5,094,905</u>	<u>13,234,072</u>	<u>9,499,235</u>

As at 31 December 2017, 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 which were subsequently settled in February 2018, and the deposit received for the proposed disposal of the granite operations of IDR38.74 billion (equivalent to US\$2,851,927) and advances received for purchase of granite stock of IDR19.50 billion (equivalent to US\$1,435,533) which were offset upon the completion of the disposal in January 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER PAYABLES (CONTINUED)

In addition, other payables also included the accrual for training levy and electricity charges due to MOGE of US\$191,000 (2017: US\$185,400) and the remaining consideration for the participating rights in PSC KP of US\$1,038,000 (2017: US\$1,038,000).

As at 30 June 2018, due to loss of control over MITI, trade and other payables of US\$1,465,777 were deconsolidated (Note 39).

As at 31 December 2018, other payables to related parties and loan from subsidiary corporations were unsecured, interest-free and payable on demand.

17. BORROWINGS

	Company			Group		
	31 December 2018 US\$	2017 US\$	1 January 2017 US\$	31 December 2018 US\$	2017 US\$	1 January 2017 US\$
<u>Current</u>						
Bank borrowings	<u>1,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>1,000,000</u>	<u>3,736,171</u>	<u>3,739,000</u>

Company

In prior financial year, the Company had 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). On 3 July 2018, the Company repaid US\$2,000,000 bank loan and concurrently, the pledged of short-term bank deposits was discharged accordingly. As at 31 December 2018, the bank loan was unsecured and interest rate of 5.40% per annum for a tenor period of one month. As at 31 December 2017, the bank loan was secured and interest rate of 4.56% per annum for a tenor period of three months (1 January 2017: 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) to MITI. On 30 June 2018, due to loss of control over MITI, it was deconsolidated (Note 39).

18. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
Opening balance	-	-	7,604,012	7,327,393
Current income tax expense	-	-	786,944	664,803
Under/(Over) provision in prior financial years	932	1,537	(1,302,828)	1,537
Income tax paid	(932)	(1,537)	(572,005)	(390,287)
Deconsolidation of subsidiary corporations (Note 39)	-	-	(2,010,648)	-
Currency translation differences	-	-	2,931	566
Closing balance	<u>-</u>	<u>-</u>	<u>4,508,406</u>	<u>7,604,012</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. INCOME TAX (CREDIT)/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 charged 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.

Following the expiry of TAC in Indonesia, the Group re-assessed the prior year tax provisions for financial years 2000 to 2007 and reversed the amount of US\$1,303,760 after the statute of limited period lapsed. For Myanmar operations, the tax assessment was finalised till year of assessment 2019. The income tax paid for the financial year was US\$689,592 (2017: US\$381,564).

Tax (credit)/expense attributable to profit or loss were made up of:

	Group	
	2018 US\$	2017 US\$
Profit for the financial year:		
Current income tax – foreign	786,944	664,803
Deferred income tax – foreign (Note 22)	–	146,667
	786,944	811,470
Under/(Over) provision of current income tax in prior financial years (Note 18):		
– Singapore	932	1,537
– Foreign	(1,303,760)	–
	(1,302,828)	1,537
	(515,884)	813,007

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

	Group	
	2018 US\$	2017 US\$
Profit/(Loss) before income tax from		
– Continuing operations	263,402	1,211,851
– Discontinued operations (Note 15(a))	(53,377)	(46,049)
	210,025	1,165,802
Share of losses of associated companies, net of tax (Note 9)	624,929	185,711
Profit before income tax and share of losses of associated companies	834,954	1,351,513
Tax calculated at tax rate of 17% (2017: 17%)	141,942	229,757
Effects of:		
– Different tax rates in other countries	265,590	265,137
– Income not subject to tax	(799,284)	(661,574)
– Expenses not deductible for tax purposes	1,178,696	978,150
– (Over)/Under provision of income tax in prior financial years	(1,302,828)	1,537
	(515,884)	813,007

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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% 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).

In prior 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. During the financial year, due to loss of control over MITI, the provision was deconsolidated (Note 39).

	Group	
	2018 US\$	2017 US\$
Opening balance	1,720,270	4,864,481
Provision made	-	15,630
Reversal of provision (Note 29)	-	(1,078,432)
Actual expenditures utilised	-	(2,220,541)
Unwinding of discount (Note 29)	-	143,669
Deconsolidation of subsidiary corporations (Note 39)	(1,713,857)	-
Currency translation differences	(6,413)	(4,537)
Closing balance	-	1,720,270

	Group		
	31 December 2018 US\$	2017 US\$	1 January 2017 US\$
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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. During the financial year, due to loss of control over MITI, the retirement benefit obligation was deconsolidated (Note 39).

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

	Group		
	31 December 2018 US\$	2017 US\$	1 January 2017 US\$
Present value of funded obligations	–	482,331	421,916
Fair value of plan assets	–	(287,746)	(254,977)
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

Movements in the defined benefit obligations were 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\$
2018					
As at 1 January 2018	482,331	(287,746)	194,585	–	194,585
Current service cost	17,640	–	17,640	–	17,640
Re-measurements:					
– Experience losses	44,914	–	44,914	–	44,914
Deconsolidation of subsidiary corporations	(21,951)	–	(21,951)	–	(21,951)
	22,963	–	22,963	–	22,963
Exchange differences	(2,327)	3	(2,324)	–	(2,324)
Contributions:					
– Employers	–	(1,751)	(1,751)	–	(1,751)
Payments from plans:					
– Benefit payments	(46,461)	11,045	(35,416)	–	(35,416)
– Settlements	(165,975)	–	(165,975)	–	(165,975)
Deconsolidation of subsidiary corporations (Note 39)	(308,171)	278,449	(29,722)	–	(29,722)
As at 31 December 2018	–	–	–	–	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	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

The amounts of defined benefit plan recognised in profit or loss and included in employee compensation amounted to US\$17,640 (2017: US\$157,093) (Note 30).

The significant actuarial assumptions used were as follows:

	Group	
	2018 %	2017 %
Discount rate	–	5.10 – 7.10
Salary growth rate	–	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 (2017: 58):

	Group	
	2018	2017
Retiring at the end of the reporting period:		
– Male	–	57
– Female	–	6
Retiring after the end of the reporting period:		
– Male	–	115
– Female	–	8

In connection with the disposed of granite operations, a curtailment loss was incurred and a settlement arrangement on 31 January 2018, which settled all retirement benefit obligation relating to the employees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

The amounts, determined after appropriate offsetting, were shown on the statement of financial position as follows:

	Group		
	31 December	1 January	
	2018 US\$	2017 US\$	2017 US\$
Deferred tax assets	–	–	40,564
Deferred tax liabilities	–	(4,315)	(84,738)
Net deferred tax liabilities	–	(4,315)	(44,174)

The movement in the net deferred income tax account was as follows:

	Group	
	2018 US\$	2017 US\$
Opening balance	4,315	44,174
Tax charged to profit or loss – continuing operations (Note 19)	–	146,667
Reclassification to disposal group	–	(186,558)
Deconsolidation of subsidiary corporations (Note 39)	(4,315)	–
Currency translation differences	–	32
Closing balance	–	4,315

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

	Deferred Income Tax Liabilities		
	Fair value gains-net US\$	Other US\$	Total US\$
2018			
Opening balance	4,315	–	4,315
Deconsolidation of subsidiary corporations (Note 39)	(4,315)	–	(4,315)
Closing balance	–	–	–
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. DEFERRED INCOME TAX LIABILITIES (CONTINUED)

	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	-	-	-	-

No deferred income tax assets were recognised for tax losses carried forward as at 31 December 2018 (31 December 2017: nil, 1 January 2017: US\$122,903) to the extent that realisation of the related tax benefits through future taxable profits was probable. The Group has no unrecognised tax losses (31 December 2017: US\$1,949,984, 1 January 2017: US\$1,229,031) at the reporting date which can be carried forward and used to offset against future taxable income. The tax loss was 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 were no unremitted profits (31 December 2017: nil, 1 January 2017: US\$323,802) at the reporting date.

23. SHARE CAPITAL

	2018	2017	2018	2017
Company and Group	Number of Ordinary Shares		US\$	
Opening balance	506,446,757	506,446,757	69,257,956	69,257,956
Issuance of new ordinary shares pursuant to private placement	79,526,847	-	3,480,000	-
Share issue expenses	-	-	(76)	-
Closing balance	585,973,604	506,446,757	72,737,880	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 30 January 2018, an aggregate of 79,526,847 new ordinary and fully paid-up shares in the capital of the Company by a way of a private placement were issued at an issue price of S\$0.059 per subscription price with aggregate cash proceeds price of US\$3,480,000. The remaining cash proceeds of US\$3,380,000 were received during the financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. SHARE OPTIONS

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 to directors and employees to subscribe for 24,000,000 ordinary shares of the Company at exercise price of S\$0.060 per share ("2017 Options") on 11 December 2017. The 2017 Options were exercisable from 12 December 2018 and will expire on 10 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. SHARE OPTIONS (CONTINUED)

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

	Number of Ordinary Shares under Option				Exercise price	Exercise period
	At beginning of the financial year	Granted during financial year	Forfeited during financial year	At end of the financial year		
Company and Group 2018						
2017 Options	24,000,000	–	–	24,000,000	S\$0.060	12 December 2018 to 10 December 2022
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
	<u>7,110,000</u>	<u>24,000,000</u>	<u>(7,110,000)</u>	<u>24,000,000</u>		

Out of the unexercised options for 24,000,000 (2017: 24,000,000, 1 January 2017: 7,110,000) shares, 24,000,000 shares (2017: nil, 1 January 2017: 7,110,000) were exercisable at the reporting date.

The fair value of the 2017 Options granted was estimated to be S\$406,283 (equivalent to US\$300,626) using the Binomial Option Pricing Model. The significant inputs into the model were the share price of S\$0.059 per share at the grant date, the exercise price of S\$0.060 per share, standard deviation of expected share price returns of 57%, no dividend yield, the option life of two 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		
	31 December		1 January	31 December		(Restated*) 1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Special reserve	–	–	–	(16,544,140)	(16,544,140)	(16,544,140)
Share option reserve	300,626	22,776	356,963	300,626	22,776	356,963
Currency translation reserve	–	–	–	104,935	17,997	–
	<u>300,626</u>	<u>22,776</u>	<u>356,963</u>	<u>(16,138,579)</u>	<u>(16,503,367)</u>	<u>(16,187,177)</u>

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. OTHER RESERVES (CONTINUED)

(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	
	2018 US\$	2017 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
Opening and Closing balance	(16,544,140)	(16,544,140)

(ii) Share Option Reserve

	Company and Group	
	2018 US\$	2017 US\$
Opening balance	22,776	356,963
Employee share option plan		
– value of employee services	277,850	22,776
– share options lapsed reclassified to accumulated losses	–	(356,963)
Closing balance	300,626	22,776

(iii) Currency Translation Reserve

	Group	
	2018 US\$	2017 US\$
Opening balance, as reported	17,997	(2,210,078)
Effects of adoption of SFRS(I)	–	2,210,078
Opening balance, as restated	17,997	–
Currency translation differences of foreign subsidiary corporations	(272,106)	(26,553)
Share of currency translation differences of associated companies	(152,449)	22,912
Less: Non-controlling interests	257,115	21,638
	(167,440)	17,997
Reclassification due to deconsolidation of subsidiary corporations (Note 39)		
– Cumulative currency translation differences of foreign subsidiary corporations	174,375	–
– Cumulative share of currency translation differences of associated companies	80,003	–
	254,378	–
Closing balance	104,935	17,997

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. REVENUE

	Group	
	2018 US\$	2017 US\$
Sale of oil and petroleum products	14,884,703	11,244,900

27. OTHER INCOME, NET

	Group	
	2018 US\$	2017 US\$
Interest income from bank deposits	112,309	112,754
Interest income from loan to non-related parties	175,964	147,280
Interest income from loan to an associated company	66,001	26,221
Petroleum services fees	210,535	183,756
Management fees	13,736	31,359
Currency translation (losses)/gains, net	(80,032)	15,621
Fair value gain on investment properties (Note 10)	43,016	83,347
Loss on disposal of property, plant and equipment	(4,872)	-
Loss on deconsolidation of subsidiary corporations (Note 39)	(48,176)	-
Gain on disposal of granite operations (Note 38)	216,818	-
Others	7,878	(6,149)
	<u>713,177</u>	<u>594,189</u>

28. FINANCE EXPENSES

	Group	
	2018 US\$	2017 US\$
Bank loan interest expenses	102,458	130,428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. EXPENSES BY NATURE

	Group	
	2018 US\$	2017 US\$
Royalties	2,172,655	1,388,933
Repair and maintenance expenses	1,742,102	1,444,944
Well servicing and workover expenses	170,116	183,570
Direct labour costs and related expenses	92,742	176,032
Geology and geophysical study	69,956	42,585
Changes in inventories	(22,386)	(97,454)
Reversal of provision for environmental and restoration costs (Note 20)	–	(1,078,432)
Other production expenses	927,598	802,416
Depreciation of property, plant and equipment (Note 4)	16,944	30,106
Amortisation of producing oil and gas properties (Note 5)	621,575	211,445
Amortisation of intangible assets (Note 7)	343,305	28,609
Total amortisation and depreciation	981,824	270,160
Allowance for impairment of investments in an associated company (Note 9)	2,137,795	–
Inventories written-off (Note 11)	–	20,285
Unwinding of discount of provision for environmental and restoration costs (Note 20)	–	143,669
Employee compensation (Note 30)	3,601,365	3,536,392
Directors' remuneration (Note 37(c))	917,756	701,723
Rental expenses on operating leases	643,717	792,642
Professional, legal and compliance expenses	285,452	267,058
Amortised cost adjustment for interest-free non-current receivables	–	1,127,993
Allowance for impairment of other receivables	–	11,195
Other expenses	724,837	406,738
<u>Auditor's fees:</u>		
Fees on audit services paid/payable to:		
– Auditor of the Company	132,983	134,517
– Other auditors	28,579	36,133
Total cost of production and administrative expenses	14,607,091	10,311,099

30. EMPLOYEE COMPENSATION

	Group	
	2018 US\$	2017 US\$
Wages and salaries	3,307,806	3,933,968
Employer's contribution to defined contribution plan	102,080	132,816
Defined benefit plan (Note 21)	17,640	157,093
Other short-term benefits	150,353	158,243
Share option expenses	76,409	6,263
	3,654,288	4,388,383
Less: Amounts attributable to discontinued operations	(52,923)	(851,991)
Amounts attributable to continuing operations (Note 29)	3,601,365	3,536,392

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. EARNINGS/(LOSSES) PER SHARE

Basic 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 outstanding during the financial year.

For the purpose of calculating diluted earnings/(losses) per share, profit/(loss) attributable to equity holders of the Company and the 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	
	2018	2017	2018	2017	2018	2017
Net profit/(loss) attributable to equity holders of the Company (US\$)	873,973	1,319,973	(26,087)	(21,687)	847,886	1,298,286
Weighted average number of ordinary shares outstanding for basic earnings/(losses) per share	579,437,151	506,446,757	579,437,151	506,446,757	579,437,151	506,446,757
Adjustments for share options	24,000,000	1,970,653	24,000,000	1,970,653	24,000,000	1,970,653
Weighted average number of ordinary shares outstanding for diluted earnings/(losses) per share	603,437,151	508,417,410	603,437,151	508,417,410	603,437,151	508,417,410
Basic earnings/(losses) per share (US cents)	0.151	0.261	(0.005)	(0.004)	0.146	0.257
Fully diluted earnings/(losses) per share (US cents)*	0.145	0.260	(0.005)	(0.004)	0.141	0.256

* As losses were recorded in the prior financial year and by discontinued operations in the financial year, the dilutive potential shares from share options were 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

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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, 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, were as follows:

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Not later than one year	142,955	154,870	153,762	397,597	343,681	340,815
Between one and five years	217,157	351,926	71,464	321,377	351,926	77,449
	360,112	506,796	225,226	718,974	695,607	418,264

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar and PSC KP in Indonesia. The capital expenditure for 2019 and 2018 are based on the work programmes and budgets approved by the respective local authorities. These include development, deep well drillings and exploration drilling in Myanmar and Indonesia.

Capital expenditure contracted for at the reporting date but not recognised in the financial statements were as follows:

	Group		
	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$
Not later than one year	6,681,027	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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. CONTINGENT LIABILITIES (CONTINUED)

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% (31 December 2017: 5%, 1 January 2017: 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\$744,000 and US\$705,000 (31 December 2017: higher/lower by approximately US\$562,000 and US\$524,000, 1 January 2017: higher/lower by approximately US\$759,000 and US\$707,000) respectively.

(ii) Cash Flow and Fair Value Interest Rate Risks

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

The Group's interest rate risk mainly arises from short-term bank deposits 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 three 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 one to three months are subject to changes in market borrowing interest rates.

NOTES TO THE FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (Continued)

(ii) Cash Flow and Fair Value Interest Rate Risks (Continued)

The effective interest rates for short-term bank deposits ranged from 1.37% to 2.54% (31 December 2017: 0.77% to 1.36%, 1 January 2017: 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 4.56% to 5.40% (31 December 2017: 4.08% to 4.56%, 1 January 2017: 2.70% to 3.00%) per annum. Any significant movement in the interest rates was 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.

The Group's currency exposure was as follows:

31 December 2018	USD US\$	SGD US\$	IDR US\$	Others US\$	Total US\$
Financial assets					
Cash and bank balances	6,534,712	14,384	63,566	24,864	6,637,526
Trade and other receivables	5,515,270	5,168	84,022	-	5,604,460
Other financial assets	26,448	36,826	276	-	63,550
	<u>12,076,430</u>	<u>56,378</u>	<u>147,864</u>	<u>24,864</u>	<u>12,305,536</u>
Financial liabilities					
Borrowings	(1,000,000)	-	-	-	(1,000,000)
Other financial liabilities	(3,181,507)	(314,863)	(1,598,295)	(240)	(5,094,905)
	<u>(4,181,507)</u>	<u>(314,863)</u>	<u>(1,598,295)</u>	<u>(240)</u>	<u>(6,094,905)</u>
Net financial assets/(liabilities)	7,894,923	(258,485)	(1,450,431)	24,624	6,210,631
Add/(less): Net non-financial assets/(liabilities)	22,910,164	36,642	(3,297)	2,312	22,945,821
Currency profile including non-financial assets/(liabilities)	30,805,087	(221,843)	(1,453,728)	26,936	29,156,452
Currency exposure of financial (liabilities)/assets, net of those denominated in the respective entities' functional currencies	-	(258,485)	(1,450,431)	24,624	(1,684,292)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (Continued)

(iv) Currency Risk (Continued)

The Group's currency exposure was as follows:

	USD US\$	SGD US\$	IDR US\$	Others US\$	Total US\$
31 December 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
	<u>16,795,207</u>	<u>213,567</u>	<u>6,354,595</u>	<u>41,141</u>	<u>23,404,510</u>
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)
	<u>(8,842,782)</u>	<u>(453,811)</u>	<u>(7,670,631)</u>	<u>(3,019)</u>	<u>(16,970,243)</u>
Net financial assets/(liabilities)	<u>7,952,425</u>	<u>(240,244)</u>	<u>(1,316,036)</u>	<u>38,122</u>	<u>6,434,267</u>
Add: Net non-financial assets	13,174,237	54,057	7,399,596	59,794	20,687,684
Currency profile including non-financial assets	<u>21,126,662</u>	<u>(186,187)</u>	<u>6,083,560</u>	<u>97,916</u>	<u>27,121,951</u>
Currency exposure of financial (liabilities)/assets, net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>(240,244)</u>	<u>(1,316,036)</u>	<u>38,122</u>	<u>(1,518,158)</u>
1 January 2017					
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
	<u>17,615,661</u>	<u>145,414</u>	<u>10,192,054</u>	<u>20,450</u>	<u>27,973,579</u>
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)
	<u>(4,453,572)</u>	<u>(1,037,030)</u>	<u>(7,746,586)</u>	<u>(1,047)</u>	<u>(13,238,235)</u>
Net financial assets/(liabilities)	<u>13,162,089</u>	<u>(891,616)</u>	<u>2,445,468</u>	<u>19,403</u>	<u>14,735,344</u>
Add: Net non-financial assets	6,191,892	25,731	4,360,294	25,118	10,603,035
Currency profile including non-financial assets	<u>19,353,981</u>	<u>(865,885)</u>	<u>6,805,762</u>	<u>44,521</u>	<u>25,338,379</u>
Currency exposure of financial (liabilities)/assets, net of those denominated in the respective entities' functional currencies	<u>-</u>	<u>(891,616)</u>	<u>2,445,468</u>	<u>19,403</u>	<u>1,573,255</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (Continued)

(iv) Currency Risk (Continued)

The Company's currency exposure was as follows:

	USD US\$	SGD US\$	Others US\$	Total US\$
31 December 2018				
Financial assets				
Cash and bank balances	166,255	56,441	4,022	226,718
Trade and other receivables	18,508,527	5,168	2	18,513,697
Other financial assets	–	36,826	–	36,826
	<u>18,674,782</u>	<u>98,435</u>	<u>4,024</u>	<u>18,777,241</u>
Financial liabilities				
Borrowings	(1,000,000)	–	–	(1,000,000)
Other financial liabilities	(9,115,334)	(52,095)	–	(9,167,429)
	<u>(10,115,334)</u>	<u>(52,095)</u>	<u>–</u>	<u>(10,167,429)</u>
Net financial (liabilities)/assets	8,559,448	46,340	4,024	8,609,812
Add: Net non-financial assets	<u>21,457,923</u>	<u>35,881</u>	<u>–</u>	<u>21,493,804</u>
Currency profile including non-financial assets	30,017,371	82,221	4,024	30,103,616
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	–	46,340	4,024	50,364
	<u>–</u>	<u>46,340</u>	<u>4,024</u>	<u>50,364</u>
31 December 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
	<u>2,661,531</u>	<u>203,173</u>	<u>4,339</u>	<u>2,869,043</u>
Financial liabilities				
Borrowings	(3,000,000)	–	–	(3,000,000)
Other financial liabilities	(127,388)	(399,741)	–	(527,129)
	<u>(3,127,388)</u>	<u>(399,741)</u>	<u>–</u>	<u>(3,527,129)</u>
Net financial (liabilities)/assets	(465,857)	(196,568)	4,339	(658,086)
Add: Net non-financial assets	<u>28,988,003</u>	<u>53,434</u>	<u>–</u>	<u>29,041,437</u>
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)
	<u>–</u>	<u>(196,568)</u>	<u>4,339</u>	<u>(192,229)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (Continued)

(iv) Currency Risk (Continued)

The Company's currency exposure was as follows:

	USD US\$	SGD US\$	Others US\$	Total US\$
1 January 2017				
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
	<u>2,551,865</u>	<u>139,722</u>	<u>7,360</u>	<u>2,698,947</u>
Financial liabilities				
Borrowings	(3,000,000)	–	–	(3,000,000)
Other financial liabilities	(31,204)	(500,467)	–	(531,671)
	<u>(3,031,204)</u>	<u>(500,467)</u>	<u>–</u>	<u>(3,531,671)</u>
Net financial (liabilities)/assets	<u>(479,339)</u>	<u>(360,745)</u>	<u>7,360</u>	<u>(832,724)</u>
Add: Net non-financial assets	31,109,368	24,128	–	31,133,496
Currency profile including non-financial assets	<u>30,630,029</u>	<u>(336,617)</u>	<u>7,360</u>	<u>30,300,772</u>
Currency exposure of financial (liabilities)/assets, net of those denominated in the Company's functional currency	<u>–</u>	<u>(360,745)</u>	<u>7,360</u>	<u>(353,385)</u>

As at 31 December 2018, if SGD had strengthened/weakened by 5% (31 December 2017: 5%, 1 January 2017: 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\$10,600 and US\$3,900 (31 December 2017: higher/lower by approximately US\$9,000 and US\$6,800, 1 January 2017: 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 2018, if IDR had strengthened/weakened by 5% (31 December 2017: 5%, 1 January 2017: 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\$69,000 (31 December 2017: higher/lower by approximately US\$290,000, 1 January 2017: higher/lower by approximately US\$324,000), as a result of currency translation gains/(losses) on IDR denominated financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Company and of the Group are cash and cash equivalents (Note 14), trade receivables, loan to non-related parties and loan to an associated company (Note 12). For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks of high credit-ratings assigned by international credit-rating agencies.

As the Company and the Group do not hold collaterals, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that financial assets presented on the statement of financial position.

The Group currently sells all the crude oil produced to MOGE and Pertamina, and therefore 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 92% and 8% (31 December 2017: 66% and 12%, 1 January 2017: 44% and 28%) of the Group's total trade receivables respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a trade receivable to be when the counterparty fails to make contractual payments, within 120 days when they fall due, which are derived based on the Group's historical information. Trade receivables are written-off when there is no reasonable expectation of recovery. Where trade receivables have been written-off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2018, trade receivables were not past due and were not subject to any material credit losses.

The Company and the Group have extended loan to subsidiary corporations, non-related parties and associated companies of US\$18,473,008, US\$2,820,415 and US\$557,914 (31 December 2017: nil, US\$3,870,459 and US\$3,689,638, 1 January 2017: nil, US\$9,624,937 and US\$106,299) respectively for short-term funding requirements. The Group assesses the credit risk rating of these receivables based on qualitative and quantitative (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying expected credit judgement). Based on the assessment, these receivables are considered to have low credit risk except for loans to certain subsidiary corporations which had been fully impaired in prior financial years as the subsidiary corporations ceased to have active operations and did not generate any revenue and results. During the financial year ended 31 December 2018, the Company recognised loss allowance of US\$5,356 based on lifetime expected credit loss model (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (Continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that impairment had been incurred but not yet identified.

The Group considered that there was evidence if any of the following indicators were present:

- Significant financial difficulties of the debtor;
- Probability that the debtor will enter bankruptcy or financial reorganisation; and
- Breach of contract, such as default or past due event.

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

	Group	
	31 December 2017 US\$	1 January 2017 US\$
<u>By geographical areas</u>		
Indonesia	1,418,290	2,832,811
Myanmar	2,790,419	2,205,883
	<u>4,208,709</u>	<u>5,038,694</u>
<u>By types of customers</u>		
Non-related parties		
– Government related entities	3,289,103	3,620,259
– Other companies	919,606	1,418,435
	<u>4,208,709</u>	<u>5,038,694</u>

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

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. There were no impairment loss provided for the trade receivables as at 31 December 2017 and 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (Continued)

(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 was as follows:

	Group	
	31 December 2017 US\$	1 January 2017 US\$
Past due less than three months	569,776	1,418,435
Pas due three to six months	139,463	–
Past due over six months	480,682	105,896
	<u>1,189,921</u>	<u>1,524,331</u>

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

Past due over six months	114,959	105,896
Less: Allowance for impairment	<u>(114,959)</u>	<u>(105,896)</u>
	–	–
Opening balance	105,896	109,394
Currency translation differences	<u>9,063</u>	<u>(3,498)</u>
Closing balance (Note 12)	<u>114,959</u>	<u>105,896</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Capital Risk (Continued)

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		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Net debt	9,940,711	715,396	921,502	(542,621)	5,778,722	1,372,994
Total equity	30,103,616	28,383,351	30,300,772	29,156,452	27,121,951	25,338,379
	40,044,327	29,098,747	31,222,274	28,613,831	32,900,673	26,711,373
Gearing ratio	25%	2%	3%	-	18%	5%

The Company and the Group have no externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(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		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
<u>Less than one year</u>						
Trade and other payables	9,167,429	527,129	531,671	5,094,905	13,234,072	9,499,235
Borrowings	1,000,000	3,000,000	3,000,000	1,000,000	3,736,171	3,739,000
	10,167,429	3,527,129	3,531,671	6,094,905	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial Instruments by Category

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

	Company			Group		
	31 December		1 January	31 December		1 January
	2018 US\$	2017 US\$	2017 US\$	2018 US\$	2017 US\$	2017 US\$
Loan and receivables	-	2,869,043	2,698,947	-	23,404,510	27,973,579
Financial assets at amortised cost	18,777,241	-	-	12,305,536	-	-
Financial liabilities at amortised cost	10,167,429	3,527,129	3,531,671	6,094,905	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 one reportable business segments, namely the exploration and operation of oil fields for crude petroleum production.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2018 and 2017 were as follows:

	Oil and Gas			Total for Continuing Operations US\$
	Indonesia US\$	Myanmar US\$	All Other Segments US\$	
2018				
Revenue				
Sales to external customers	<u>1,161,668</u>	<u>13,723,035</u>	–	<u>14,884,703</u>
Adjusted EBITDA	<u>215,420</u>	<u>6,639,656</u>	<u>(3,305,728)</u>	<u>3,549,348</u>
Amortisation and depreciation	23,015	941,865	16,944	981,824
Allowance for impairment of investments in associated companies	–	–	2,137,795	2,137,795
Share of losses of associated companies	–	–	624,929	624,929
Total assets	<u>13,914,809</u>	<u>22,582,564</u>	<u>3,262,390</u>	<u>39,759,763</u>
Total assets includes:				
Investments in associated companies	–	–	2,381,656	2,381,656
Capital expenditures (tangible and intangible assets)	24,187	5,037,757	628	5,062,572
Total liabilities	<u>(1,614,294)</u>	<u>(3,204,416)</u>	<u>(1,276,195)</u>	<u>(6,094,905)</u>
2017				
Revenue				
Sales to external customers	<u>2,142,284</u>	<u>9,102,616</u>	–	<u>11,244,900</u>
Adjusted EBITDA	<u>1,884,353</u>	<u>3,902,275</u>	<u>(3,198,602)</u>	<u>2,588,026</u>
Amortisation and depreciation	99,095	140,959	30,106	270,160
Inventories written-off	20,285	–	–	20,285
Share of losses of associated companies	–	–	185,711	185,711
Total assets	<u>16,661,384</u>	<u>19,119,442</u>	<u>14,673,648</u>	<u>50,454,474</u>
Total assets includes:				
Investments in associated companies	–	–	3,771,108	3,771,108
Capital expenditures (tangible and intangible assets)	32,636	6,662,649	33,461	6,728,746
Total liabilities	<u>(3,700,364)</u>	<u>(5,479,192)</u>	<u>(9,531,188)</u>	<u>(18,710,744)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. SEGMENT INFORMATION (CONTINUED)

Reconciliations

(i) Segment Profits

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

	Group	
	2018 US\$	2017 US\$
Adjusted EBITDA for reportable segments	6,855,076	5,786,628
Adjusted EBITDA for other segments	(3,305,728)	(3,198,602)
Amortisation and depreciation	(981,824)	(270,160)
Inventories written-off	–	(20,285)
Finance expenses	(102,458)	(130,428)
Fair value gain on investment properties	43,016	83,347
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)
Allowance for impairment of investments in an associated company	(2,137,795)	–
Gain on disposal of granite operations	216,818	–
Loss on disposal of property, plant and equipment	(4,872)	–
Loss on deconsolidation of subsidiary corporations	(48,176)	–
Interest income	354,274	286,255
Share of losses of associated companies	(624,929)	(185,711)
Profit before income tax and discontinued operations	263,402	1,211,851

(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 were reconciled to total assets as follows:

	Group	
	2018 US\$	2017 US\$
Segment assets for reportable segments	36,497,373	35,780,826
Other segment assets	3,262,390	14,673,648
Unallocated:		
Assets of disposal group classified as held-for-sale	–	4,496,702
	39,759,763	54,951,176

(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 2018

35. SEGMENT INFORMATION (CONTINUED)

Reconciliations (Continued)

(iii) Segment Liabilities (Continued)

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

	Group	
	2018 US\$	2017 US\$
Segment liabilities for reportable segments	4,818,710	9,179,556
Other segment liabilities	1,276,195	9,531,188
Unallocated:		
Liabilities directly associated with disposal group classified as held-for-sale	–	1,510,154
Current and deferred income tax liabilities	4,508,406	7,608,327
	10,603,311	27,829,225

(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 2018 and 2017 amounting to US\$14,884,703 and US\$11,244,900 respectively. 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 were as follows:

	Revenue		Non-Current Assets	
	2018 US\$	2017 US\$	2018 US\$	2017 US\$
<u>Continuing operations</u>				
Indonesia	1,161,668	2,142,284	10,640,543	10,958,286
Myanmar	13,723,035	9,102,616	10,683,202	6,587,310
Other countries	–	–	19,329	30,554
	14,884,703	11,244,900	21,343,074	17,576,150

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

In the prior financial year, 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 have 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

36. LITIGATION (CONTINUED)

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

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

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

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

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

Based on Relas 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.

As at 30 June 2018, due to loss of control over MITI, it was deconsolidated (Note 39).

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) Purchases of Drilling Equipment and Services Received from Related Parties

	<u>Group</u>
	<u>2018</u>
	<u>US\$</u>
Purchases of drilling equipment	318,208
Geological and geophysics study services	271,680
	<u>589,888</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

37. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) Purchases of Drilling Equipment and Services Received from Related Parties (Continued)

On 30 January 2018, North Petroleum International Company Limited ("NPI") became the Company's substantial shareholder after the completion of the private placement. NPI is also the common shareholders of China North Vehicle Corporation Ltd. and Chengdu North Petroleum Exploration and Development Technology Co., Ltd. During the financial year, the Group purchased drilling equipment and received geological and geophysics study services at terms agreed between both parties. The outstanding balances due from related parties as at 31 December 2018 were US\$130,115 and US\$271,680 respectively.

(b) Employment Services Received by Related Party

The daughter of substantial shareholder of the Company, Edwin Soeryadjaya occupying a managerial position during the financial year. The total remuneration was US\$33,853 (2017: US\$6,893) for the financial year ended 31 December 2018.

(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 was as follows:

	Group	
	2018 US\$	2017 US\$
Directors' fees	254,152	224,084
Wages and salaries	1,122,880	1,142,649
Other short-term benefits	63,022	63,136
Employer's contribution to defined contribution plan	16,036	21,409
Share option expenses	254,696	20,878
Total costs incurred by the Group	1,710,786	1,472,156
Costs are incurred for the following categories of key management:		
– Directors of the Company (Note 29)	917,756	701,723
– Other key management personnel	793,030	770,433
Total costs incurred by the Group	1,710,786	1,472,156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. DISPOSAL OF GRANITE OPERATIONS

On 31 January 2018, the Company's subsidiary corporation, MITI completed the disposal of granite operation by transferred all of its interest in PT BMS to PT SMA. Following the completion of the disposal, the Company does not have any interest in the granite quarry. Details of the disposal were as follows:

	2018 US\$
<u>Carrying amounts of the net assets of the granite operations</u>	
Property, plant and equipment	39,264
Mining properties (tangible assets)	2,362,355
Mining properties (intangible assets)	337,842
Intangible assets	412,970
Restricted cash	959,410
Inventories	963,270
	<u>5,075,111</u>
Retirement benefit obligations	(187,156)
Provision for environmental and restoration costs	(959,410)
Other liabilities	(574)
Deferred income tax liabilities	(391,977)
	<u>(1,539,117)</u>
Total net identifiable assets disposed	3,535,994
Total purchase consideration	3,752,812
Gain on disposal of granite operations (Note 27)	216,818
	<u>216,818</u>
	<u>2018 US\$</u>
<u>Net cash inflow arising on disposal</u>	
Total purchase consideration	3,752,812
Less: Deposit received for proposed disposal of granite operations in financial years 2015 and 2017	(3,129,714)
Less: cash inflow from disposal of granite operations in 2018	(185,360)
	<u>437,738</u>
Less: Foreign exchange loss	(223,785)
Balance of purchase consideration settled (included in deconsolidation of subsidiary corporations)	213,953
	<u>213,953</u>

The impact of disposal of granite operations on the Group's results and cash flows for the financial years ended 31 December 2018 and 2017 were disclosed in Note 15 to the financial statements.

39. DECONSOLIDATION OF SUBSIDIARY CORPORATIONS

On 30 June 2018, due to the change of the composition of the board of directors and commissioners of MITI, the Company does not have the majority representation on MITI's Boards and lost control over MITI. Accordingly, the Company has deconsolidated MITI and its subsidiary corporation, GLS and reclassified its interest in MITI as an investment in associated company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. DECONSOLIDATION OF SUBSIDIARY CORPORATIONS (CONTINUED)

Details of assets and liabilities deconsolidated and the effects on the cash flows of the Group, at the deconsolidation date, were as follows:

	MITI 2018 US\$	GLS 2018 US\$	Total 2018 US\$
Property, plant and equipment (Note 4)	39,264	–	39,264
Producing oil and gas properties (Note 5)	–	18,719	18,719
Investments in associated companies (Note 9)	3,326,640	–	3,326,640
Investment properties (Note 10)	266,116	–	266,116
Inventories	–	1,126,777	1,126,777
Trade and other receivables	5,416,548	858,338	6,274,886
Cash and bank balances	392,922	1,126,777	1,519,699
Restricted cash	133,497	98,559	232,056
	<u>9,574,987</u>	<u>3,229,170</u>	<u>12,804,157</u>
Trade and other payables (Note 16)	(1,002,226)	(463,551)	(1,465,777)
Provision for environmental and restoration costs (Note 20)	(133,497)	(1,580,360)	(1,713,857)
Retirement benefit obligations (Note 21)	(91,177)	61,455	(29,722)
Borrowings	(700,599)	–	(700,599)
Current income tax liabilities (Note 18)	442	(2,011,090)	(2,010,648)
Deferred income tax liabilities (Note 22)	(4,315)	–	(4,315)
	<u>(1,931,372)</u>	<u>(3,993,546)</u>	<u>(5,924,918)</u>
Total net identifiable assets/(liabilities) derecognised	<u>7,643,615</u>	<u>(764,376)</u>	<u>6,879,239</u>
Net (assets)/liabilities derecognised	(7,643,615)	764,376	(6,879,239)
Non-controlling interest derecognised	5,459,970	(3,177,767)	2,282,203
Fair value of retained interests classified as associated companies, represents fair value of deemed consideration	4,833,225	10	4,833,235
Cumulative exchange reclassified due to deconsolidation of subsidiary corporations (Note 25(b)(iii))	(254,378)	–	(254,378)
Defined benefits obligation re-measurements – reclassification to profit or loss due to deconsolidation of subsidiary corporations	(29,997)	–	(29,997)
Gain/(Loss) on deconsolidation of subsidiary corporations (Note 27)	<u>2,365,205</u>	<u>(2,413,381)</u>	<u>(48,176)</u>
Effects on cash flows of the Group			
Cash and bank balances deconsolidated	<u>392,922</u>	<u>1,126,777</u>	<u>1,519,699</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. NEW OR REVISED SFRS(I) 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 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 – Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 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.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US\$718,974 (Note 32(a)). Of these commitments, approximately US\$163,000 relate to short-term leases and US\$28,000 to low-value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately US\$487,000 on 1 January 2019, lease liabilities of US\$487,000 (after adjustments for prepayments and accrued lease payments recognised) and deferred tax assets of nil. Overall net assets will be approximately US\$7,800 lower and net current assets will be US\$191,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately US\$8,600 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately US\$215,000, as the operating lease payments are included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded for this measure.

Operating cash flows will increase and financing cash flows decrease by approximately US\$218,000 and US\$181,000 respectively as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

40. NEW OR REVISED SFRS(I) AND INTERPRETATIONS (CONTINUED)

(b) SFRS(I) INT 23 – Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- (ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- (v) that the judgments and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgments.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

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 27 March 2019.

APPENDIX

27th March 2019

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 2019.

We have prepared the Reserves estimates in line with the requirements of the Singapore Exchange ("SGX") and the June 2018 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 2019. 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 (km ²)	Outstanding Commitments
					Start of Current	End of Current		
Myanmar	Chauk IPRC	Chauk	GJOC	60.00	04/04/2017	03/04/2028	955	None
Myanmar	Yenangyaung IPRC	Yenangyaung	GJOC	60.00	04/04/2017	03/04/2028	845	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 Economic Limit Tests ("ELTs") on the volumes. The Reserves volumes calculated are based on ERCE's 2019 Q1 Price Deck and the cost and fiscal

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assumptions are detailed in the respective QPRs. ERCE's estimates of the oil Reserves, as at 1st January 2019 are summarised for each asset in **Table 2**.

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

Country	Block / Licence		Oil Reserves (Mstb)			Sub-Classification
			1P	2P	3P	
Myanmar	Chauk IPRC	Gross Volumes (100.00% field)	2,661	3,563	4,621	On Production
		Net Interra Working Interest (60.00%)	1,596	2,138	2,773	
		Net Interra Entitlement	667	912	1,197	
Myanmar	Yenangyaung IPRC	Gross Volumes (100.00% field)	3,736	4,710	5,817	On Production
		Net Interra Working Interest (60.00%)	2,241	2,826	3,490	
		Net Interra Entitlement	555	867	1,160	
Indonesia	Benakat Barat KSO	Gross Volumes (100.00% field)	0	1,999	3,184	On Production
		Net Interra Working Interest (30.65%)	0	613	976	
		Net Interra Entitlement	0	346	469	

Notes:

- 1) Gross Reserves represent a 100% total of estimated commercially recoverable oil within the licence period. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 2) Gross Reserves include deductions to account for losses between oil volumes measured at the collection stations and at the point of sale.
- 3) Net Working Interest Reserves represent the fraction of Gross Reserves allocated to Interra, based on their working interest in the Contractor group, to be used under the terms of the contract 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.
- 4) Net Entitlement Reserves represent Interra's share of commercially recoverable oil after taking into account the contractual terms with the host government. Net Entitlement Reserves are the basis for the calculation of cash flows.

In the case of the two Myanmar Improved Petroleum Recovery Contracts ("IPRCs"), volumes which are still economically 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

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estimates of the oil Contingent Resources in the Myanmar assets as at 1st January 2019 are presented in **Table 3**.

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

Country	Block / Licence		Oil Contingent Resources (Mstb)			Sub-Classification	Risk Factor
			1C	2C	3C		
Myanmar	Chauk IPRC	Gross Volumes (100% field)	300	1,750	2,611	Development On Hold	80%
		Net Interra Working Interest (60%)	180	1,050	1,567		
Myanmar	Yenangyaung IPRC	Gross Volumes (100% field)	26	3,325	4,494	Development On Hold	80%
		Net Interra Working Interest (60%)	16	1,995	2,696		

Notes:

- 1) Gross Contingent Resources represent a 100% total of estimated economically recoverable oil. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 2) Gross Contingent Resources include deductions to account for losses between oil volumes measured at the collection stations and at the point of sale.
- 3) Net Working Interest Contingent Resources represent the fraction of Gross Contingent Resources allocated to Interra, based on their working interest in the Contractor group (i.e. the GJOC in the Myanmar IPRCs).
- 4) 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).
- 5) The "Risk Factor" shown in the far-right column of the table is equivalent to the Chance of Development factor associated with the Contingent Resources. This is the chance that the Contingent Resources will become commercially recoverable.
- 6) 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 km² to 1,630.74 km². This exploration block contains multiple undrilled prospects at 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. A summary of the Unrisked Prospective Resources of oil for each individual prospect is shown in **Table 4**. A summary of the total Unrisked Prospective Resources of oil in the Kuala Pambuang PSC is presented in **Table 5**. Prospective Resources are reported at the 1U, 2U and 3U levels of confidence (as per PRMS 2018) which correspond with P90, P50 and P10 values respectively.

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Table 4: Summary of Unrisked Prospective Resources for Individual Prospects for Interra's Kuala Pambuang PSC, Indonesia

Block / Licence	Prospect		Oil Prospective Resources (MMstb)			Sub-Classification	Risk Factor
			1U	2U	3U		
Kuala Pambuang PSC	PR1	Gross Volumes (100.00% field)	14	81	430	Prospect	29%
		Net Interra Working Interest (67.50%)	10	55	291		
Kuala Pambuang PSC	PR2	Gross Volumes (100.00% field)	19	70	247	Prospect	9%
		Net Interra Working Interest (67.50%)	13	48	167		
Kuala Pambuang PSC	PR3	Gross Volumes (100.00% field)	18	81	346	Prospect	7%
		Net Interra Working Interest (67.50%)	12	54	234		
Kuala Pambuang PSC	W1	Gross Volumes (100.00% field)	11	49	194	Prospect	9%
		Net Interra Working Interest (67.50%)	7	33	131		
Kuala Pambuang PSC	W2	Gross Volumes (100.00% field)	2	8	22	Prospect	9%
		Net Interra Working Interest (67.50%)	2	5	15		
Kuala Pambuang PSC	W3	Gross Volumes (100.00% field)	2	8	22	Prospect	9%
		Net Interra Working Interest (67.50%)	1	5	15		
Kuala Pambuang PSC	W4	Gross Volumes (100.00% field)	2	8	27	Prospect	9%
		Net Interra Working Interest (67.50%)	1	5	18		

Notes:

- 1) Gross Prospective Resources represent a 100% total of estimated technically recoverable oil. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 2) Net Working Interest Contingent Resources represent the fraction of Gross Prospective Resources allocated to Interra, based on their working interest in the Contractor group.
- 3) Volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the accumulation(s) may not be discovered (i.e. no Chance of Geological Success factor has been applied).
- 4) The "Risk Factor" shown in the far-right column of the table is equivalent to the Geological Chance of Success factor associated with the Prospective Resources. This is the chance that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.

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Table 5: Summary of Unrisked Prospective Resources for Interra's Kuala Pambuang PSC, Indonesia

Country	Block / Licence		Oil Prospective Resources (MMstb)			Sub-Classification	Risk Factor
			1U	2U	3U		
Indonesia	Kuala Pambuang PSC	Gross Volumes (100.00% field)	67	305	1,288	Prospect	15%
		Net Interra Working Interest (67.50%)	46	206	870		

Notes:

- 1) Prospective Resources reported here are the arithmetic sum of the individual prospects (i.e. 1U + 1U + 1U... etc.).
- 2) Gross Prospective Resources represent a 100% total of estimated technically recoverable oil. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 3) Net Working Interest Contingent Resources represent the fraction of Gross Prospective Resources allocated to Interra, based on their working interest in the Contractor group.
- 4) Volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the accumulation(s) may not be discovered (i.e. no Chance of Geological Success factor has been applied).
- 5) The "Risk Factor" shown in the far-right column of the table is equivalent to the Geological Chance of Success factor associated with the Prospective Resources. This is the chance that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
- 6) The Risk Factor for the arithmetically summed Prospective Resources has been calculated based on the summed mean unrisked and risked Prospective Resources.

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 (2018).

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°F.

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The work completed by ERCE was done so using a dataset provided by Interra. This contained seismic data, horizon interpretations, well data, historical production data, TCM/OCM documents and historical cost budgets.

No site visit was undertaken in the generation of this report.

Definition of Reserves and Resources

The PRMS presents the following definitions of Reserves and Resources.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

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

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

General Manager, 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
(Lead Independent Director)

Allan Charles Buckler
(Independent Director)

Lim Hock San
(Independent Director)

NOMINATING COMMITTEE

Allan Charles Buckler – Chairman
(Independent Director)

Lim Hock San
(Independent Director)

Low Siew Sie Bob
(Lead Independent Director)

Ng Soon Kai
(Non-Executive Director)

REMUNERATION COMMITTEE

Allan Charles Buckler – Chairman
(Independent Director)

Lim Hock San
(Independent Director)

Low Siew Sie Bob
(Lead Independent Director)

Ng Soon Kai
(Non-Executive Director)

COMPANY SECRETARY

Adrian Chan Pengee

INDEPENDENT AUDITOR

Nexia TS Public Accounting
Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Meriana Ang
(Appointed since 28 April 2016)

REGISTERED OFFICE

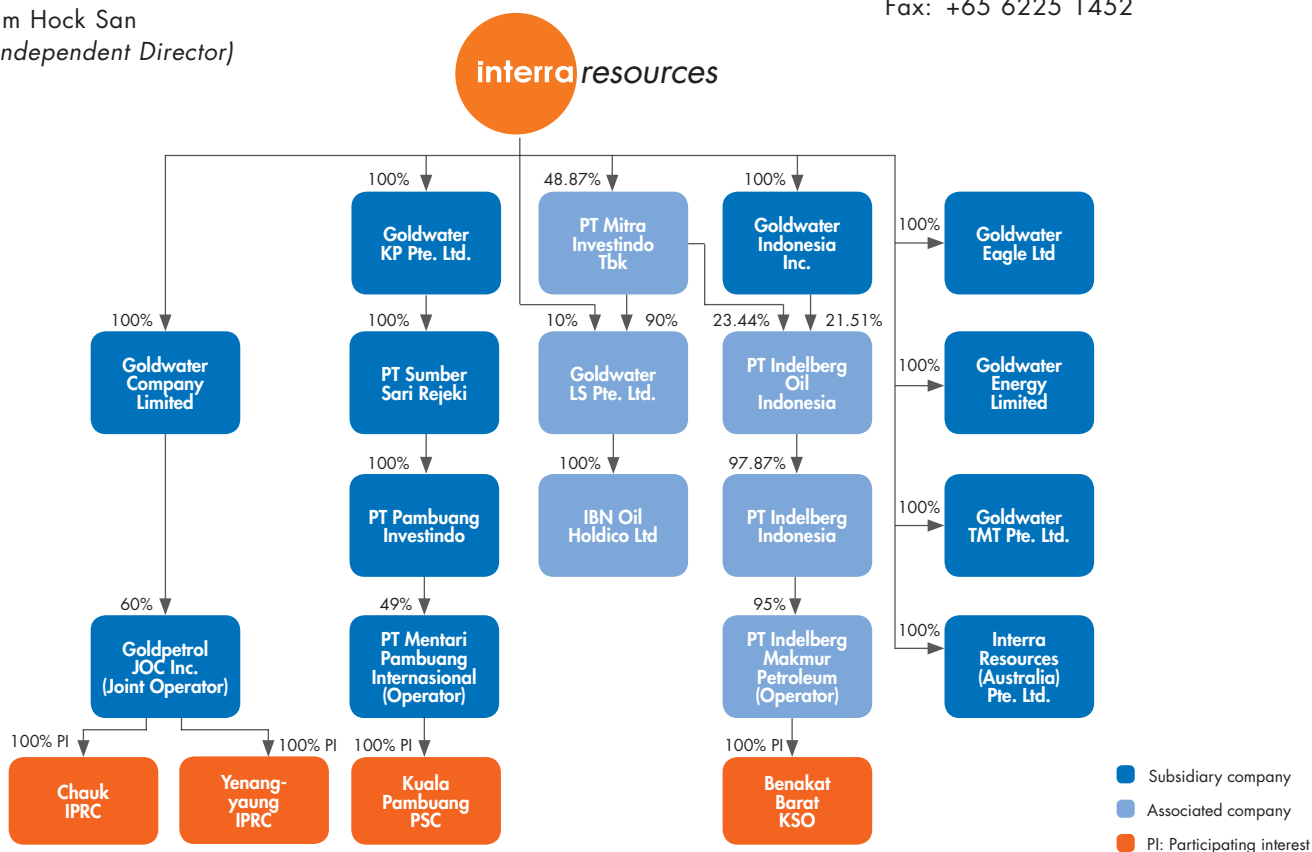
1 Grange Road
#05-04 Orchard Building
Singapore 239693
Tel: +65 6732 1711
Fax: +65 6738 1170
Website: www.interraresources.com

STOCK EXCHANGE LISTING

Singapore Exchange (SGX)
Counter Name: Interra Res (Code: 5GI)

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel: +65 6227 6660
Fax: +65 6225 1452



■ Subsidiary company
■ Associated company
■ PI: Participating interest

INTERRA RESOURCES LIMITED

COMPANY REGISTRATION NO: 197300166Z

1 GRANGE ROAD #05-04 ORCHARD BUILDING
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