TRANSFORMATION
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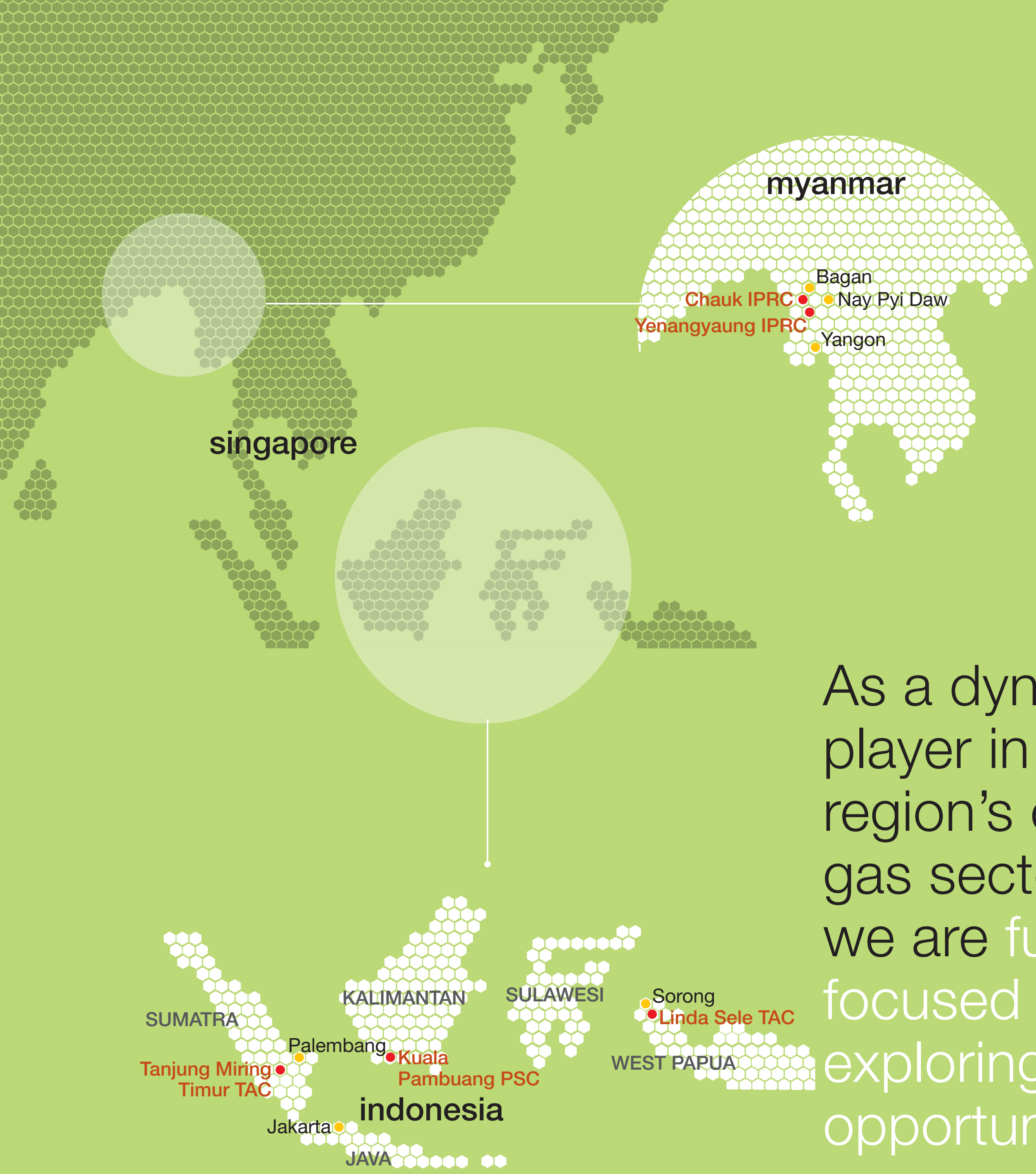
Interra Resources Limited Annual Report 2012

To transform is to grow.

The capacity for transformation reinforces Interra Resources Limited's ability to generate lasting shareholder value.

In light of our positive growth during the year and as we prepare for future opportunities, we continue to build on our solid vision, strive to do more, and seek new ways of delivering long-term growth.

Contents



As a dynamic player in the region's oil & gas sector, we are fully focused on exploring yield opportunities across our expansive network.

Interra Resources Limited, a Singapore-incorporated company listed on the SGX Mainboard is engaged in the business of oil and gas exploration and production (E&P). Our E&P activities include oil and gas production, field development and exploration. Since our inception, we have grown both organically by developing our existing assets and through disciplined acquisitions by seeking attractive targets across Southeast Asia.

Our Operations

myanmar

Chauk and Yenangyaung IPRCs

In central Myanmar, we hold 60% of the rights and interests to two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs). The IPRCs with the Myanma Oil and Gas Enterprise (MOGE) commenced on 4 October 1996 for a term of 20 years and 6 months. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol Joint Operating Company Inc. The two Myanmar concessions extend over a total area of approximately 1,800 square kilometres and are located along the Ayeyarwaddy River, approximately 580 kilometres north of Yangon. During 2012, the combined gross production for both fields was 812,468 barrels of oil.

indonesia

Tanjung Miring Timur TAC

Onshore South Sumatra, we own a 100% participating interest in the Tanjung Miring Timur (TMT) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 17 December 1996 for a term of 20 years and we are the operator of the field. The TMT TAC covers an area of approximately 61 square kilometres and is located around 30 kilometres southeast of Prabumulih and about 120 kilometres southwest of Palembang. During 2012, the gross production of the field was 96,304 barrels of oil.

Linda Sele TAC

In the province of West Papua, we have a 100% participating interest in the Linda Sele (LS) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 16 November 1998 for a term of 20 years and we have the full operatorship of the onshore field. The LS TAC covers an area of approximately 15 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong. During 2012, the gross production of the field was 66,001 barrels of oil.

Kuala Pambuang PSC

Onshore Central Kalimantan, we own a 49% participating interest in an exploration block, namely the Kuala Pambuang (KP) Production Sharing Contract (PSC). The PSC was recently granted by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) on 19 December 2011 and the initial exploration term is 6 years with an option to extend up to 4 years. The KP PSC spans an area of approximately 8,150 square kilometres and is located around 180 kilometres southwest of Palangkaraya. This exploration block was acquired recently in 2012.

Financial Highlights

GROUP	2008	2009	2010	2011	**2012**
Financial Performance *(US$'000)*					
Revenue	17,479	12,617	14,854	24,824	**30,407**
Cost of production	10,708	9,181	10,142	14,472	**19,932**
Gross profit	6,771	3,436	4,712	10,353	**10,475**
Net profit before tax	3,358	2,256	2,907	10,882	**5,338**
Net profit after tax	1,696	1,478	1,710	8,890	**3,042**
Financial Strength *(US$'000)*					
Cash and cash equivalents	17,257	17,341	18,748	13,676	**18,989**
Debt and borrowings	-	-	-	-	**-**
Net current assets	16,779	15,521	17,659	10,112	**16,759**
Shareholders' equity	34,010	35,312	36,637	49,279	**70,473**
Cash Flow *(US$'000)*					
Operating cash flow	2,014	3,371	2,623	7,758	**7,027**
Investing cash flow	(3,199)	(3,140)	(615)	(16,574)	**(18,525)**
Financing cash flow	(5,325)	-	-	3,760	**16,698**
Per Share Data *(US cents)*					
Basic earnings per share	0.660	0.575	0.666	2.422[a]	**0.762**[b]
Net asset value per share	13.238	13.744	14.260	16.681	**15.904**

a. Restated for effects of rights issue.

b. See Note 24 of the Notes to the Financial Statements for full details on fully diluted earnings per share.

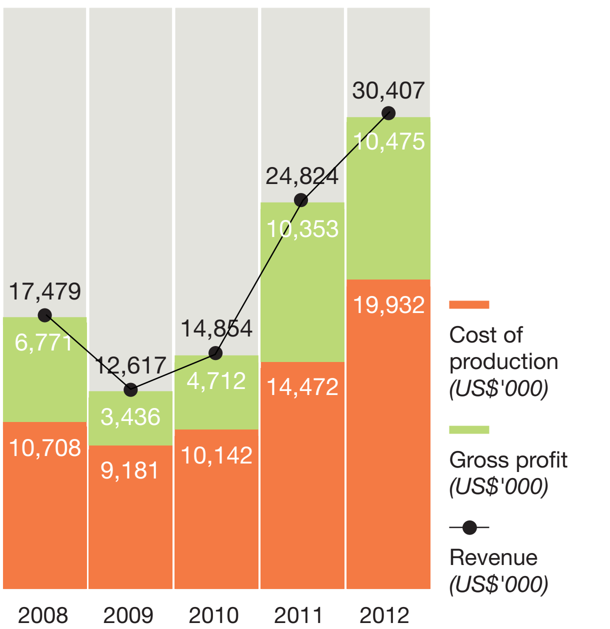
COMPANY	2008	2009	2010	2011	**2012**
SGX Share Price Information *(S$)*					
Year-end closing price	0.095	0.200	0.140	0.097	**0.405**
Average closing price	0.190	0.166	0.157	0.130	**0.359**
Highest traded price	0.295	0.260	0.215	0.180	**0.520**
Lowest traded price	0.070	0.055	0.130	0.088	**0.095**
Year-end market capitalisation	24,407,423	51,384,048	35,968,833	28,655,763	**179,467,795**
Average market capitalisation	48,917,613	42,743,575	40,211,600	36,892,626	**120,447,892**

Source: www.sgx.com

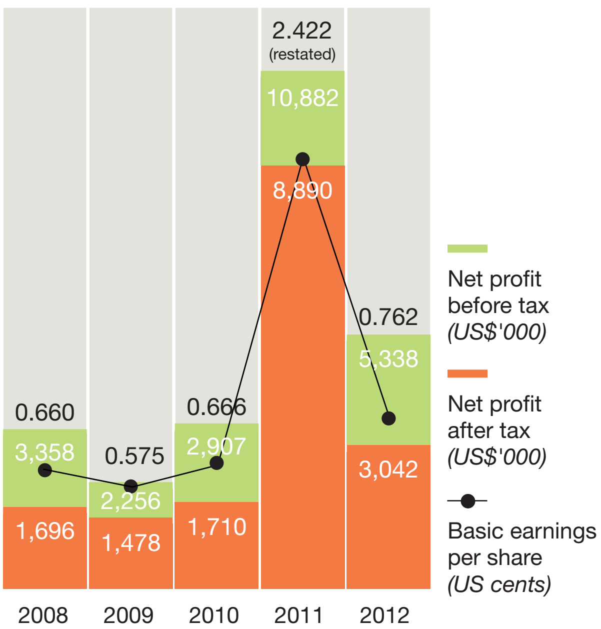



Financial Highlights

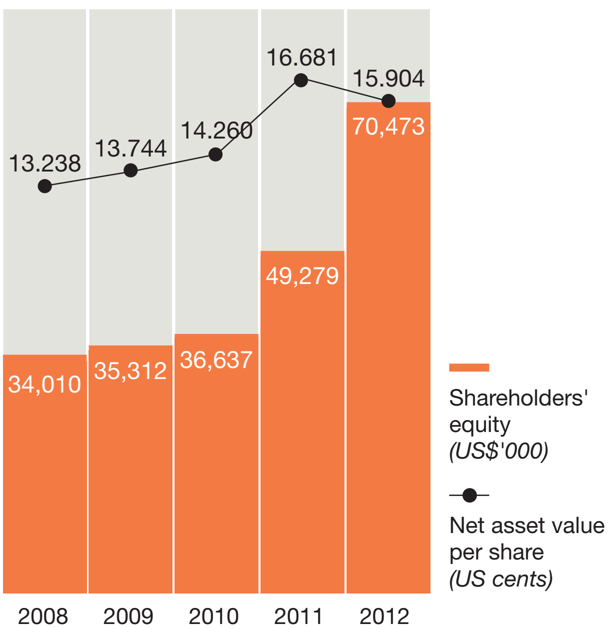
Revenue, Cost of production & Gross profit



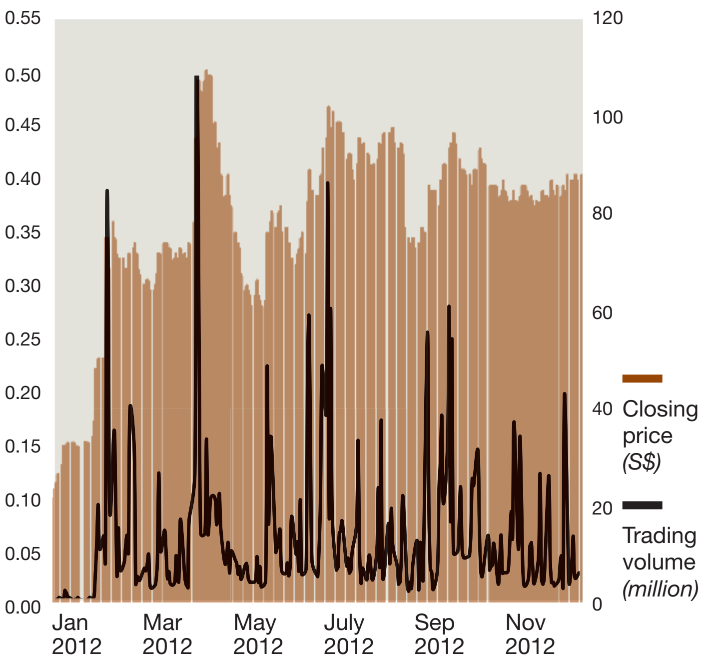
Net profit before & after tax, Basic earnings per share



Shareholder's equity & Net asset value per share



SGX share price performance for 2012



invest

Over the years, we have built a
platform that supports
our vision to create value...

yield

...in FY2012, we delivered a healthy production rate.

MYANMAR
Shareable production
211,658 barrels
Revenue
US$17.60M

INDONESIA
Shareable production
158,251 barrels
Revenue
US$12.81M

Chairman's Statement

Dear Shareholder,

I am pleased to report that 2012 was a fruitful year for Interra Resources Limited (the "**Company**") and our subsidiaries (the "**Group**"). We accelerated our drilling programmes as well as our corporate activities. I am pleased to report a set of satisfactory results for the financial year ended 31 December 2012 ("**FY2012**"). Revenue for the Group was US$30.41 million. The Group's total shareable production grew 23.4% to 369,909 barrels in FY2012 from 299,736 barrels in the financial year ended 31 December 2011 ("**FY2011**"). Our net profit after tax for the year was US$3.04 million.

Building on Momentum

During the year, the Group commenced its drilling programme in Indonesia. New drilling at the TMT field was temporarily suspended from April 2009 as the Group undertook a 3D seismic programme with the objective of yielding a better understanding of the subsurface structural geometry and reservoir characteristics of the field. The 3D seismic data interpretation was completed during the second quarter of 2012 and drilling of the first new development well kicked off in October 2012. We commenced drilling two new development wells by year end. To date, both wells were completed as oil producers and in fact, the gross production of the TMT field has doubled to almost 500 barrels of oil per day. We will continue to expand the drilling programme and endeavour to boost the production level at the TMT field. We are confident that we are able to outperform the annual shareable production of 92,250 barrels in FY2012

In West Papua, new drilling at the Linda Sele fields was temporarily suspended after we acquired the onshore fields in January 2011. A 3D seismic survey was subsequently conducted during the third quarter of 2012. While interpretation of the 3D data seismic data acquired is ongoing, drilling of the first new development well commenced in November 2012. To date, the well has reached total depth and we are currently testing the well to optimise oil production. In the year under review, our efforts in field infrastructure reorganisation, facilities upgrade, equipment replacement or repair, and work plans review paid off as we saw the shareable production of the Linda Sele fields increased 81.0% from 34,468 barrels in FY2011 to 66,001 barrels in FY2012. This significant increase was mainly attributable to the improvement in production facilities. In the year ahead, we will focus on improving the production level through new wells based on the 3D seismic data interpretation as well as the continued upgrading programme and reservoir engineering field studies.

In Myanmar, we successfully completed nine shallow-intermediate development wells drilled during the year as oil producers (FY2011: seven wells). At the Chauk field, we undertook the drilling of a 11,890-feet deep exploration well in June 2012. The deep drilling operation was smoothly and efficiently completed at the end of the third quarter of 2012 and efforts are currently underway to conduct further tests to evaluate the drilling results. The combined shareable production at the Chauk and Yenangyaung fields increased by 8.9% to 211,658 barrels in FY2012 from 194,424 barrels in FY2011. In view of the consistently positive results, we will continue to focus on drilling shallow and intermediate depth development wells using our own rigs, one of which was purchased towards the end of 2012, to develop areas in producing reservoirs that are not currently drained by existing wells.

Consolidation

Over the last two years, the Group has placed an extensive emphasis on the organic growth of the Indonesian and Myanmar concessions. Given the increased level of activities in production, development and exploration, there was a corresponding increase in operating expenses and capital expenditure. As a result, our shareable production and revenue have been growing steadily from year to year. The Group's revenues from Indonesia and Myanmar for FY2012 were US$12.81 million and US$17.60 million, or 42.1% and 57.9% in proportion, respectively. The respective contributions from the TMT and Linda Sele fields were US$7.95 million and US$4.86 million, or 36.7% and 56.6% higher than FY2011.

In re-aligning our focus on Southeast Asia, we officially disposed of our 50% participating interest in the PEP 167 exploration block in Australia on 30 June 2012. All costs relating to this block has been fully provided for in FY2011 and the withdrawal from the joint venture in respect of PEP 167 had no further significant financial impact in FY2012. We are currently working towards the completion of the acquisition of 49% stake in the Central Kalimantan exploration block which was initiated in early 2012. The Group intends to embark on a 2D seismic survey over the most prospective area of the block as soon as the transaction is concluded.

During 2012, crude oil prices traded in the range of US$90-130 per barrel. In today's climate of economic uncertainty, crude oil prices will continue to be unpredictable. Nevertheless, we will remain steadfast amidst the volatility in the global environment and focus on strengthening our core competencies. Moving forward, we will maintain the strategy of developing existing assets through, inter alia, new drilling, seismic surveys and geological studies, thereby increasing our production yields and enhancing our reserves. At the same time, we will continue to seek new concessions so as to expand our production capacity and reserve base. We will continue to manage costs and expenses and apply rigorous discipline with reasonable prudence in the execution of our strategy.

Corporate Actions

On 1 October 2012, we successfully completed a 1-for-2 rights issue of 147,710,119 new ordinary shares in the capital of the Company at S$0.15 each and raised approximately S$21.75 million or US$17.70 million in net proceeds. The purpose is to fund the work programmes of the various concessions in 2012 and 2013 and any excess may be utilised for new acquisitions if such opportunities arise. As at 31 December 2012, the Group had US$16.74 million (excluding restricted cash) in cash and cash equivalents and no borrowings.

During the year, the Company submitted an application to the Singapore Exchange ("**SGX**") for the transfer of listing from SGX Catalist to SGX Mainboard and received the in-principle approval from SGX on 18 October 2012. The transfer was subsequently approved by shareholders in general meeting and the Company shares are listed and traded on SGX Mainboard with effective from 10 January 2013. This marks an important milestone for us and provides us with a more suitable listing platform given our sound track record and relative stability. We believe that the transfer is timely and appropriate, and serves to enhance long-term shareholder value.

The Board will endeavour to adopt high standards of corporate governance practices and fulfil corporate environmental and social responsibilities. The Group is committed to upholding good health, safety and environmental standards in the course of running our operations.

Acknowledgements

On behalf of the Board, I would like to extend a warm welcome to Mr Lim Hock San who came on board as Independent Director on 8 September 2012. Mr Lim has a wealth of knowledge and experience which would bring invaluable contributions to the Group. I would also like to commend our management and staff for their commitment and dedication. They provide the key pillar to our success in operations and profitability record.

Last but not least, I wish to thank our partners and stakeholders for the unwavering support throughout the year. Looking ahead into the future, our vision is to transform the Company into a significant resource player in Southeast Asia, focused on executing a sound strategy with a view to creating long-term value for all shareholders.

Yours sincerely,

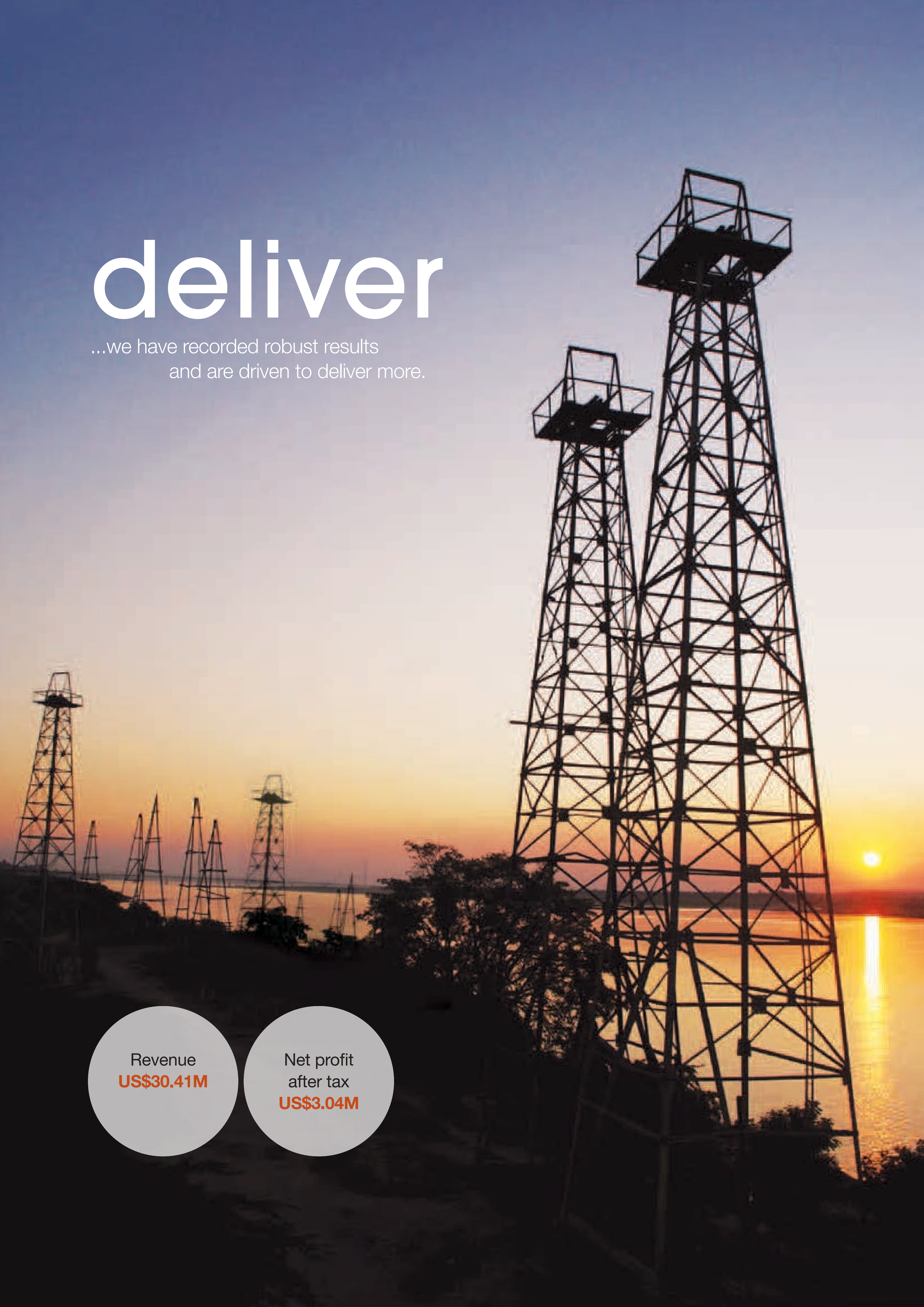
EDWIN SOERYADJAYA
Chairman

22 March 2013




strategise

Backed by a strategy that optimises our asset mix,
financial standing and industry expertise...



deliver

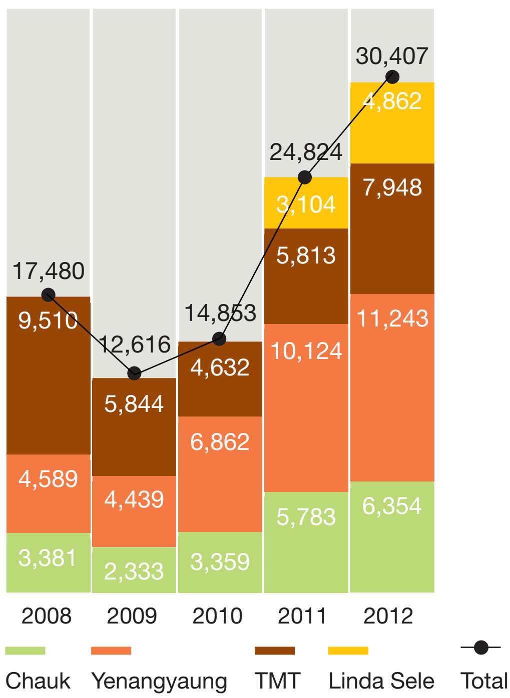
...we have recorded robust results
and are driven to deliver more.

Revenue
US$30.41M

Net profit
after tax
US$3.04M

Operating and Financial Review

Revenue breakdown
(US$'000)



FINANCIAL REVIEW

Financial Performance

For FY2012, the Group's revenue grew to a new high of US$30.41 million from US$24.82 million for FY2011, underpinned by good production performance from all producing fields of the Group. Sales of crude oil produced from the Linda Sele and TMT concessions increased substantially by 43.6% to US$12.81 million for FY2012 from US$8.92 million for FY2011. The increase in production was partially attributable to the Linda Sele fields where, after taking over the operatorship subsequent to the acquisition of the Linda Sele fields, the Group implemented appropriate work plans, invested in facilities, equipment and technology, and trained the field personnel in field practices and technical knowledge. As a result, the revenue contribution from the Linda Sele fields rose by 56.6% from US$3.10 million for FY2011 to US$4.86 million for FY2012. On the other hand, with 100% entitlement to the TMT shareable production after the acquisition of the remaining 30% participating rights in November 2011, revenue contribution from the TMT field for FY2012 was 36.7% higher at US$7.95 million as compared to US$5.81 million for the previous year. The Group will strive to further optimise the production yields at TMT and Linda Sele fields in the coming years. The Group's revenue breakdown by concession for FY2012 is charted above.

With the aggressive work programmes implemented at all the producing fields during the year, the overall cost of production increased to US$19.93 million from US$14.47 million for FY2011. Consequently, although revenue increased by 22.5%, gross profit remained relatively flat at US$10.47 million for FY2012 as compared to US$10.35 million for FY2011. In the year ahead, the Group will step up its work plans and undertake to drill a total of at least 22 wells (FY2012: 13 wells), which will give rise to higher production cost and expenses. While the Group will prudently manage expenditure, it is hopeful that these expenses spent on field improvement, drillings, well reopening and workover jobs as well as investments in facilities upgrade, seismic programmes, geological and geophysical studies, and purchase of property, plant and equipment will translate into sustainable growth in production and revenue in the years to come.

The net profit before tax was US$5.34 million for FY2012 and US$10.9 million for FY2011. The lower earnings are primarily due to the absence of a non-recurring post-acquisition revaluation gain of US$7.70 million in respect of the TMT participating rights that was recognised in FY2011. Without taking into account this one-off gain, the net profit for FY2012 can be considered better than the year before. Income tax expense for the year increased by 15.3% to US$2.30 million along with the increase in revenue and interest income earned was US$0.08 million. With the low interest rate environment, interest income will continue to be insignificant. The Group posted a net profit after tax of US$3.04 million for FY2012 as compared to US$8.89 million recorded in the previous year. Moving forward, the Group will strive to maintain its profitable track record by constantly reviewing and rationalising its operations, processes and resources.

Financial Strength

The extensive work programmes of the Indonesian and Myanmar fields resulted in a general increase in the Group's assets, which were mainly inventories (US$6.73 million), property, plant and equipment (US$2.38 million), and exploration, evaluation and development costs (US$47.64 million). Crude oil produced by the Linda Sele fields and stored at the stock points pending uplift contributed US$1.08 million to the inventories and gave rise to deferred revenue of an equal value.

Trade payables relating to drilling activities made up the bulk of the trade payables, other payables and accruals of US$6.69 million. Current trade and other receivables of US$5.79 million comprised mostly trade receivables from crude oil sales, of which payments have been regular and within credit terms. Non-current other receivables of US$1.04 million was a loan to a third party for payment of signature bonus pursuant to the acquisition of Kuala

Pambuang PSC in Indonesia. As at the end of FY2012, no impairment was required on the carrying value of the Group's assets based on the assessments performed on a regular basis.

Net cash inflow from operations for FY2012 remained strong at US$7.03 million as compared to US$7.76 million for FY2011. The slightly lower amount was mainly attributable to payment of income taxes provided for in prior years. Net cash outflow of US$18.53 million was used to invest in the various drilling and seismic programmes and to purchase property, plant and equipment for the operations. The rights issue undertaken during the year contributed US$17.70 million to the financing inflow. The Group intends to utilise the proceeds to fund its work programmes in the various concessions in 2013 and any excess may be utilised for new acquisitions, if such opportunities arise.

As at 31 December 2012, the Group's balance sheets remained strong with no borrowing. Cash and cash equivalents (excluding restricted cash) as at year end amounted to US$16.74 million. Total shareholders' equity increased US$21.19 million to US$70.47 million as at 31 December 2012. The Group has sufficient cash on hand to meet its operating expenses for the near future.

Share Capital

On 1 October 2012, the Company completed a 1-for-2 rights issue of 147,710,119 new ordinary shares in the capital of the Company at S$0.15 each. Therefore, the number of issued and paid-up shares of the Company as at year end increased to 443,130,357.

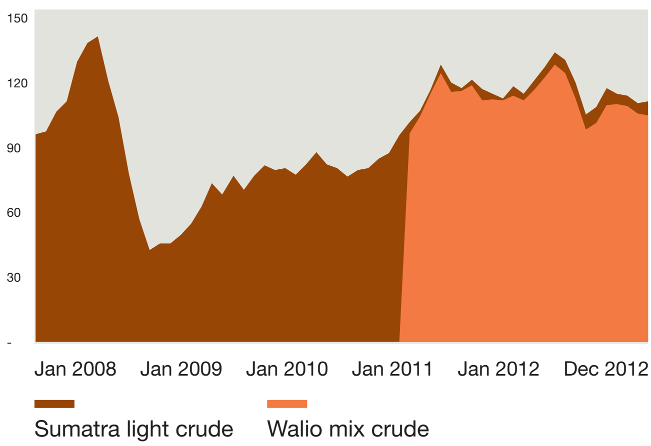
As at 31 December 2012, there were 10,550,000 unissued ordinary shares of the Company pursuant to the options granted to directors and employees of the Company under the Interra Share Option Plan. To date, an unexercised option comprising 250,000 ordinary shares in the Company has expired and 2,420,000 ordinary shares in the capital of the Company have been issued pursuant to various options exercised after FY2012, resulting in a balance of 7,880,000 unissued ordinary shares in the Company under option.

The Company did not renew the share purchase mandate at the annual general meeting held last year and did not hold any treasury shares as at year end.

Crude Oil Prices and Hedging

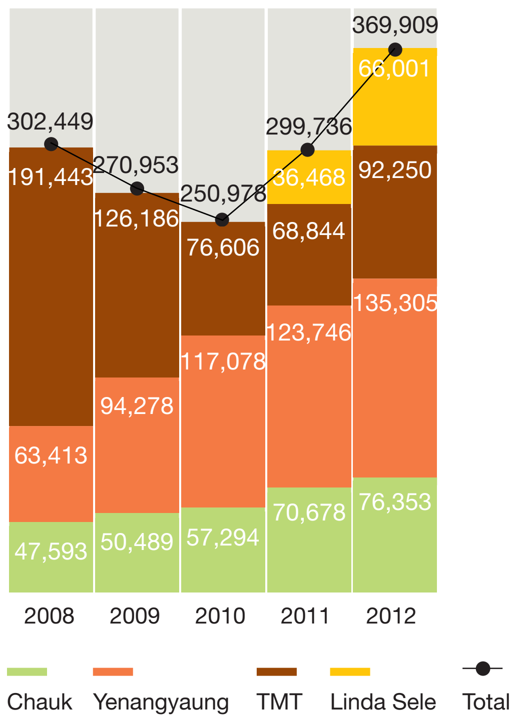
The crude oil produced at the three Myanmar and TMT fields was sold at the prevailing Sumatran Light Crude ("**SLC**") prices whereas the crude oil produced at the Linda Sele fields was sold at the prevailing Walio Mix Crude ("**WMC**") prices. In FY2012, the weighted average transacted price for SLC was US$115.83 per barrel and for WMC was US$109.35 per barrel, compared to US$113.72 per barrel and US$111.41 per barrel respectively in FY2011. The historical weighted average transacted SLC and WMC prices are charted below.

Crude oil prices
(US$ per barrel)



In the year ahead, the Group anticipates crude oil prices to remain unpredictable amid the current global economic volatility. As a measure of risk management policy, the Group had not and has no intention to utilise hedging instruments to hedge against crude oil prices.

Annual shareable production
(barrels of oil)



focus >

By focusing on the strengths that
continue to underpin our performance...

excel

...we are ready to enhance our productivity
and expand our horizons.

- strong regional footprint
- expansion opportunities
- strategic investments
- astute management

Operating and Financial Review

OPERATING REVIEW

Production

For FY2012, the Group's total shareable crude oil production increased by 23.4% to 369,909 barrels from 299,736 barrels in FY2011. The annual shareable production by concession before application of contractual arrangement with the respective host government for the past 5 years is charted on page 13.

The Linda Sele fields acquired in January 2011 performed satisfactory, contributing 81.0% more crude oil or 66,001 barrels to the Group's shareable production as compared to 36,468 barrels in FY2011. This was the result of the introduction of a full range of effective measures to restore the production level of the fields. New drilling resumed with the spud of the first development well in November 2012. Going forward, the Group is optimistic that production will continue to improve with the drilling of new wells based upon the 3D seismic data acquired in 2012.

At the TMT field, the shareable production after the acquisition of the remaining 30% interest was 92,250 barrels as compared to 68,844 barrels of the previous year. New drilling also resumed during the last quarter of the year. The drilling results have been very positive and the Group is confident that a significant positive impact on production will be realised through the development drilling based on the new 3D seismic data interpretation which was completed in the fourth quarter of 2012.

In Myanmar, shareable production from the Chauk and Yenangyaung fields increased 8.0% to 76,353 barrels and 9.3% to 135,305 barrels respectively. During the year, the joint venture embarked on an aggressive drilling campaign and completed a total of nine shallow-intermediate development wells as oil producers as compared to seven in the previous year. All nine wells were successfully completed as oil producers, with one being one of the best producers in the Yenangyaung field. The Group's strategy of drilling shallow-intermediate development wells using its own rig and re-activating/re-opening old/shut-in wells has been yielding results over the years. Shareable production has been climbing steadily at minimal operating costs and capital expenditure. In the year ahead, the Myanmar operations will step up the drilling programme with the addition of the second drilling rig and continue the objective of increasing production yields.

FIELD ACTIVITIES

- **Myanmar – Chauk and Yenangyaung Fields**

  The combined gross production of the two fields in Central Myanmar was 812,468 barrels in 2012, a 1.3% increase from 801,998 barrels in 2011. The respective output at the Chauk and Yenangyaung fields was 201,923 barrels and 610,545 barrels as compared to 197,858 barrels and 604,140 barrels in the previous year. The increase was primarily due to the continued success of the shallow-intermediate development drilling programme and the optimisation of producing wells and the reactivation of old wells. In total, nine development wells were completed as oil producers in 2012 – seven in the Yenangyaung field and two in the Chauk field, of which the primary objectives were to develop producing reservoirs that are not currently drained by existing wells. Of these, well YNG 3246 became the highest producer in the Yenangyaung field.

  In the fourth quarter of 2012, the joint venture took delivery of a second intermediate depth drilling rig to complement its existing owned rig. The two rigs should greatly enhance the Group's ability to increase production. Throughout the year, the Group continued to conduct production enhancements combined with scheduled maintenance aimed at maintaining or increasing production levels. Reactivation of old shut-in wells that have been identified from geologic and reservoir engineering studies continued.

  At the Chauk field, the Group undertook drilling of a 11,890-feet deep exploration well in June 2012. This deepest well attempted by the joint venture marks the culmination of several years of geological studies and technical planning. The deep drilling operation was completed at the end of the third quarter of 2012. As a cost saving measure, the externally contracted drilling rig was released and further tests over the most promising shallow reservoir will be conducted in 2013.

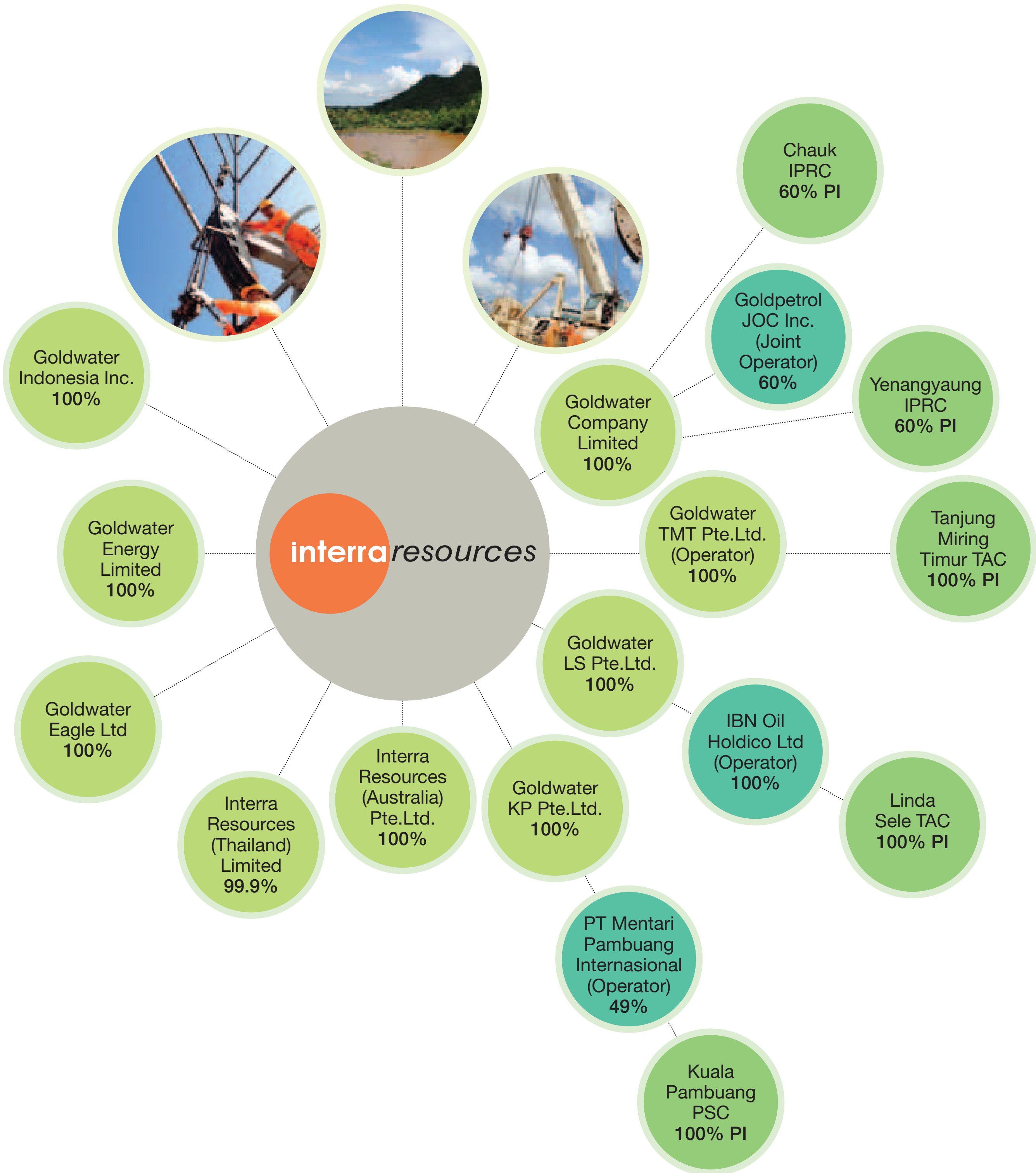
  The 2013 work plan, which includes drilling of a minimum of 13 new development wells over the two fields, is anticipated to be the most aggressive yet by the Group in aiming to maximise crude oil extraction while keeping costs low by using its own rigs. Re-activations of shut-in wells, and workover and servicing of producing wells as well as new perforations of prospective zones in selective wells are also scheduled. Surface facilities and borehole enhancements as well as focused maintenance will continue.

- **Indonesia – TMT Field**

  At the TMT field, the Group managed to contain the decline in production with the change in management philosophy and implementation of improved field practices after taking over the operatorship in late 2011. Gross production in 2012 was 96,304 barrels as compared to 99,620 barrels in the previous year.

  During the fourth quarter 2012, two development wells commenced drilling using contracted rigs at locations based on the new 3D seismic interpretation.

Group Structure



Operating and Financial Review

As mentioned previously, new drilling at the TMT field was temporarily suspended from April 2009 as the Group undertook a 3D seismic programme with the objective of yielding a better understanding of the subsurface structural geometry and reservoir characteristics of the field. Through the completed 3D seismic data interpretation, numerous quality locations were delineated. In addition to the conventional locations aimed at producing oil from undrained areas as infill wells, many will be designed to test new reservoir concepts gained from the 3D interpretation. Promising results have already been realised in the two aforementioned wells which were completed in 2013.

Due to delays beyond the Group's control, drilling of two of the scheduled four wells kicked off in 2012 with the remaining two having commenced in the first quarter of 2013. This marks the beginning of a drilling programme that will continue through 2013 with an anticipated six new wells (including the two carry-overs) to be drilled. Specialised studies with respect to using the 3D seismic data to determine reservoir properties as well as reservoir engineering field studies are ongoing. Surface and borehole enhancements combined with scheduled maintenance and the installation of new lifting and other production equipment will continue in 2013 with the aim of enhancing production from current producing wells.

• Indonesia – Linda Sele Fields

In West Papua, the Linda Sele fields had a 48.4% jump in gross production from 44,490 barrels in 2011 to 66,001 barrels in 2012. This was the result of the Group's efforts to reorganise field infrastructure, improve technical capabilities and upgrade facilities.

After the completion of the acquisition and taking over operatorship of the Linda Sele fields in January 2011, the Group temporarily suspended new drilling in the fields and embarked on a seismic programme in the third quarter of 2012. Interpretation of 3D seismic data acquired in 2012 has allowed a much better understanding concerning the very complex structural and stratigraphy nature of the carbonate reef formations, thereby enhancing the selection of optimal drill locations. The first of the approved two-well drilling programme based on the new 3D seismic data interpretation commenced drilling in the fourth quarter of 2012. The second well was carried forward and one additional well has been approved for drilling in 2013. Numerous quality locations have been delineated and additional wells will be presented for government approval for 2013 drilling.

The ongoing improvement agenda of conducting various surface and borehole enhancements, replacing or repairing equipment, establishing best practices, implementing workovers and reopening of existing wells, and conducting reservoir engineering and geological studies will continue through 2013. These coupled with the new well drillings are expected to significantly increase production.

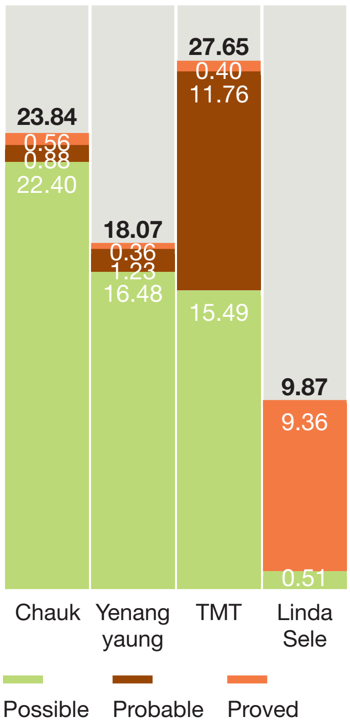
• Indonesia – Kuala Pambuang Block

While awaiting the conclusion of the acquisition of the Kuala Pambuang block onshore Central Kalimantan, the Group conducted a detailed study of all available technical data and the most prospective areas of the approximately 8,150 square kilometres block were delineated. The best of these was chosen for the first phase of exploration work and a 2D seismic programme was designed to evaluate the potential for the discovery of new petroleum resources. Geologic and reservoir studies are ongoing and the 2D seismic survey is expected to commence in the second quarter of 2013. Processing and interpretation of the seismic data should be completed in 2013 with the possible delineation of an exploration well location the ultimate aim.

Reserves

The Group's gross reserves by concession are charted below.

Gross reserves
(million stock tank barrels)



Notes:

1. Gross reserves refer to the estimated petroleum reserves in the ground before application of contractual arrangement with the respective host government for the hydrocarbons produced.
2. The gross reserves are internal estimations based upon the following sources:

Field	Source of Data
Chauk & Yenangyaung Myanmar	Certificate of Oil Reserves as of April 2002* By Lemigas dated September 2002
TMT Indonesia	Reserves Certification of Tanjung Miring Timur as of 1 August 2005* By Gaffney, Cline & Associates (Consultants) Pte Ltd dated March 2006
Linda Sele Indonesia	Oil Reserves Certification Report of Linda Sele Fields as of March 2007* By Lemigas dated March 2007

* *Actual production since the cut-off date has been deducted from the quantum of proved reserves.*

There were no external reserves certifications done for FY2012. The Group's share of gross reserves as of 31 December 2012 was derived by deducting the actual production from the last reserves certifications compiled by external industry experts.

Factors Affecting Performance of the Business

The key factors affecting the Group's business including financial and operating conditions are set out below.

• Sales of Crude Oil

The marketability of crude oil produced by the Group depends on the proximity of its reserves to pipelines and processing facilities and is related to operational problems with such pipelines and facilities which could cause delays in the delivery of crude oil and thus affect its billings. The Group currently sells all the crude oil that it produces to the respective host governments and is subject to extensive government regulation relating to price, taxes, royalties, land tenure, allowable production and many other aspects of the oil and gas business.

• Crude Oil Prices

Oil and gas exploration and production is fundamentally a commodity business and hence, revenue is exposed to fluctuations in the prevailing crude oil prices which are dependent on the global economic conditions and demand for oil and gas. The Group currently 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 it produces. Any material decline in crude oil prices may affect profitability or even may render extraction from some wells commercially unviable.

• Operating Costs

The Group operates in a very challenging business environment and faces competition on access to oil services and rigs, technology and equipment, and human resources. Although high crude oil prices may give rise to higher revenue, it may also result in higher operating costs due to greater demand for materials, equipment, rigs, oil services and human resources. This may in turn affect the bottom line of the business. Limited availability of materials and equipment may also delay exploration and production activities and increase cost of operations.

• 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 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

Oil and gas exploration and production is a long-term and capital intensive business. Substantial capital expenditure is required to exploit and develop reserves for oil and gas production. Cash flow 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 may cause the Group to forfeit its interests in certain concessions or to discontinue some of its exploration, development and production activities, thus resulting in material adverse effects on the Group's financial condition, results of operations or prospects. On the other hand, raising capital through certain debt or equity financing may have dilutive effect on the Group's earnings.

• Concession Terms

The petroleum contractual agreement with the respective host government 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. The final shareable production, to be translated into revenue and split with the host government, is derived after deducting the various capital and operational expenditure, royalties and taxes, etc. Due to the intrinsic complexity of the formulae used in the calculation of shareable production, revenue is not proportionately dependent on gross production and crude oil prices. In addition, there is no guarantee that contract renewal or extension will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value.

Operating and Financial Review

• 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, import and export restrictions, price controls, tax increases and other retroactive tax claims, expropriation of property, cancellation of contract rights, international conflicts including war, civil unrest, acts of sabotage or terrorism and local security concerns that threaten the safe operation of facilities, and environmental regulations. In countries which lack well-developed legal systems or have not yet adopted clear regulatory frameworks for oil and gas development, the Group's operations are exposed to increased risk of adverse or unpredictable actions by government officials and may also face difficulty in enforcing contracts.

• Reserve Replacement

Future oil and gas production will depend on the Group's access to new reserves through exploration and development of existing concessions, negotiations with governments and other owners of reserves, and acquisitions of new concessions. Failures in exploration or development drilling, or in identifying and finalising transactions to access potential reserves could slow its oil and gas production and replacement of reserves. Given the limited availability of oil and gas acreages, the Group faces stiff competition and price pressure in the search for the acquisition of oil and gas concessions.

• Exploration Risk

Exploration activity involves a significant inherent risk of not discovering any accumulation of hydrocarbons, or that the discovery of hydrocarbons is not commercially recoverable or viable. In the event that an exploration programme proves to be unsuccessful, it may lead to hefty losses, considerable reduction in cash reserves, significant diminution in asset values and possible relinquishment of concessions.

• Drilling Risk

The Group endeavours to maintain and grow its oil and gas 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, it is not certain that such drillings will ultimately yield commercially recoverable hydrocarbons or profitable production. Besides, there is always a risk of drillings being unsuccessful and thus affecting the operating results and financial position of the Group. Even if these drillings are successful, it may not be able to lift the overall production due to the simultaneous decline of mature wells.

• 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). Continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production.

• Reserve Calculation Risk

There are indefinite inherent uncertainties in respect of the estimation and evaluation of reserves. The estimation of oil and gas reserves is not an exact science and depends on numerous factors such as the reservoir type, source of reservoir energy, quantity and quality of the geological, engineering, and geophysical data, assumptions adopted when making the estimate, available technology, and the experience and knowledge of the evaluator. Inaccurate reserve estimates will affect the Group's financials particularly where the amount of oil and gas that the Group produces and the net cash flow that it receives from that production differ materially from the amounts reflected in its 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 the oil and gas business operations, the Group is exposed to a wide spectrum of risks related to health, safety, environment and security. Environmental and operational hazards including blowouts, leaks, spills, property damage and personal injury could cause disruptions and affect the Group's operational performance and financial results. 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.

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

- Note 3, Critical Accounting Estimates, Assumptions and Judgements
- Note 26, Contingent Liabilities
- Note 27, Financial Risk Management

Board of Directors

EDWIN SOERYADJAYA
Chairman

Mr Edwin Soeryadjaya is the Chairman and a controlling shareholder of the Company. He was first appointed as a Director on 14 December 2004 and subsequently took on the role of Chairman on 1 July 2005. Mr Soeryadjaya was last re-elected as a Director on 28 April 2011.

Mr Soeryadjaya is one of the Founding Partners of PT Saratoga Investama Sedaya, an active investment company in Indonesia and has deep insight into the Indonesian economy. He commenced his career with PT Astra International Tbk in 1978 and was responsible for its financial restructuring and public listing. He left the Astra group as Vice President Director in 1993 to set up his own investment company. His chairmanships include being the President Commissioner of PT Adaro Energy Tbk, PT Mitra Global Telekomunikasi Indonesia, PT Saptaindra Sejati and PT Indonesia Bulk Terminal. He also sits on the board of Seroja Investments Limited and Goldwater Company Limited.

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

MARCEL HAN LIONG TJIA
Executive Director & Chief Executive Officer

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

Prior to joining the Company, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. Over the past 25 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.

SANDIAGA SALAHUDDIN UNO
Deputy Chairman

Mr Sandiaga Salahuddin Uno is the Deputy Chairman and a controlling shareholder of the Company. He was appointed as a Director on 1 July 2003 and the Deputy Chairman on 1 July 2005. Mr Uno was last re-elected as a Director on 28 April 2010. He also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Currently, Mr Uno is the President Director of PT Saratoga Investama Sedaya, an active investment company in Indonesia. He is also a member of the National Economic Council appointed by the President of Republic of Indonesia since June 2010.

He sits on the board of directors of PT Adaro Energy Tbk, PT Lintas Marga Sedaya and Goldwater Company Limited, and also serves on the board of commissioners of PT Indonesia Bulk Terminal, PT Pulau Seroja Jaya and PT Saptaindra Sejati.

Mr Uno received a Bachelor of Business Administration with *summa cum laude* from the Wichita State University, Kansas in 1990 and a Master of Business Administration from The George Washington University, Washington D.C. in 1992.

NG SOON KAI
Non-Executive Director

Mr Ng Soon Kai is a non-executive Director of the Company. He was first appointed as a Director on 1 November 2005 and was last re-elected on 28 April 2011. Mr Ng also serves as a member of the Nominating Committee and the Remuneration Committee.

Mr Ng is currently the Managing Director of Ng Chong & Hue LLC and has vast legal experience in litigation, mergers and acquisitions, corporate restructuring, reverse takeovers and schemes of arrangement.

Mr Ng obtained a Bachelor of Laws with Second Class Upper Division Honours from the National University of Singapore in 1989. He is a Commissioner for Oaths and a Notary Public.

For further details, please refer to the Corporate Governance Report – Further Information On Board of Directors section of this Annual Report.

Board of Directors

SUBIANTO ARPAN SUMODIKORO

Non-Executive Director

Mr Subianto Arpan Sumodikoro is a non-executive Director and a substantial shareholder of the Company. He was first appointed as a Director on 14 December 2004 and was last re-elected on 24 April 2012.
Mr Subianto commenced his career with PT Astra International Tbk in 1969 and held a variety of positions within the Astra group, rising to be its Vice Chairman in 2000. Before he retired from the Astra group in 2006, he also served on the board of commissioners of PT Astra Agro Lestari Tbk.
Currently, Mr Subianto leads the board of directors of his own investment and holding companies, and is the Chairman of Multico Infracore Holdings Pte Ltd and Multi-Corporation (S) Pte Ltd. In addition, he is the President Commissioner of PT Kirana Megatara, PT Triputra Agro Persada (formerly PT Alam Permata Indah), PT Persada Capital, PT Agro Multi Persada, and PT Dharma Satya Nusantara and sits on the board of commissioners of PT Adaro Indonesia and PT Adaro Energy Tbk.

Mr Subianto graduated from the Bandung Institute of Technology in 1969 with a Bachelor's Degree in Mechanical Engineering.

LOW SIEW SIE BOB

Lead Independent Director

Mr Low Siew Sie Bob is the Lead Independent Director of the Company. He was appointed as a Director on 18 February 2011 and was elected on 28 April 2011. Mr Low also serves as the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.

Mr Low is currently the Principal Consultant of Bob Low & Co. CPA 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, liquidation and project evaluation. He is also an Independent Director of Liang Huat Aluminium Limited, China Hongcheng Holdings Limited, Sino Construction Limited, Wing Lung Opportunities Fund Ltd and Wing Lung Opportunities Master Fund Limited.

Mr Low qualified as a UK Chartered Certified Accountant in 1974 and subsequently obtained a Bachelor of Laws with Second Class Lower Division Honours from the University of London in 1985. He is a fellow of the Association of Chartered Certified Accountants, UK, Institute of Certified Public Accountants of Singapore, Certified Public Accountants, Australia, and Insolvency Practitioners Association of Singapore Limited, and a member of the Chartered Institute of Arbitrators of Hong Kong and UK, and Singapore Academy of Law.

For further details, please refer to the Corporate Governance Report – Further Information On Board of Directors section of this Annual Report.

ALLAN CHARLES BUCKLER

Independent Director

Mr Allan Charles Buckler is an independent Director of the Company. He was first appointed as a Director on 14 December 2004 and was last re-elected on 24 April 2012. Mr Buckler also serves as the Chairman of the Nominating Committee and the Remuneration Committee and a member of the Audit Committee.

Mr Buckler sits on the board of directors of Altura Mining Limited, a mining company listed on the Australian Securities Exchange.

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

PEPEN HANDIANTO DANUATMADJA

Alternate Director to Subianto Arpan Sumodikoro

Mr Pepen Handianto Danuatmadja is the Alternate Director to Mr Subianto Arpan Sumodikoro appointed on 18 February 2011.

Mr Pepen is currently the Executive Director of Multico Infracore Holdings Pte Ltd and Multi-Corporation (S) Pte Ltd. He also holds directorships in Orchard Maritime Logistics Pte Ltd and CoalTrade Services International Pte Ltd.

Mr Pepen graduated with a Diplom-Ingenieur in Mechanical Engineering from the Technische Universitaet Darmstadt, Germany in 1982.

LIM HOCK SAN

Independent Director

Mr Lim Hock San is an independent Director of the Company. He was appointed as a Director on 8 September 2012. Mr Lim also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Currently, 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. He obtained a Master of Science in Management from Massachusetts Institute of Technology, USA in 1973 and attended the Advanced Management Program at Harvard Business School in 1991. He is a fellow of The Chartered Institute of Management Accountants, UK and a fellow and past President of the Institute of Certified Public Accountants of Singapore.

For further details, please refer to the Corporate Governance Report – Further Information On Board of Directors section of this Annual Report.

Key Management

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 geoscience and other technical aspects of the oil and gas exploration and production business.

Before 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 geoscience career in 1971 while in graduate school as a National Aeronautics and Space Administration research assistant at The University of New Mexico, USA. 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 35 years experience in the oil and gas industry.

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

SUGI HANDOKO

Vice President, Operations

Mr Sugi Handoko was appointed the Vice President, Operations of the Company in January 2012. He has overall responsibility of managing the oil and gas exploration and production operations of the Group.

Prior to the current appointment, Mr Sugi was the Country Manager of Goldpetrol JOC Inc. He has more than 23 years of experience in oil and gas exploration and production management and operations, which includes engineering, production, finance, procurement, logistic, human resources, and government liaison.

Mr Sugi 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, Indonesian Petroleum Association and Ikatan Ahli Teknik Perminyakan Indonesia.

FOO SAY TAIN

Chief Financial Officer

Mr Foo Say Tain joined the Company as Chief Financial Officer in November 2007. He has overall responsibility for the Group's financial and management accounting, treasury, taxation and other corporate compliance matters. He has more than 20 years of experience in accounting, finance and administration in listed companies and foreign multinational corporations.

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

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The Company is required under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual (the "**Listing Manual**") to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2005 issued by the Committee on Corporate Governance (the "**Code**").

The following report discloses the Company's corporate governance policies and practices in 2012. The Company has generally adhered to the principles and guidelines as set out in the Code, and will specify any deviation from the Code.

BOARD MATTERS

Principle 1 – Board's Conduct of its Affairs

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

The role of the Board includes:
(a) providing entrepreneurial leadership and setting corporate strategy and direction;
(b) ensuring that the necessary financial resources and Management of high integrity are in place for the Company to meet its objectives;
(c) reviewing the risk management framework and controls, including safeguarding of shareholders' interests and the Company's assets;
(d) reviewing Management's performance and providing oversight in the proper conduct of the Group's business;
(e) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
(f) setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
(g) considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

To assist in the efficient discharge of its fiduciary duties and responsibilities, the Board had previously, without abdicating its responsibility, established three (3) Board Committees namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). Each Board Committee has its own terms of reference to address their respective areas of focus. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board.

The compositions of the Board and Board Committees as at the date of this Annual Report are set out at the end of this report.

The Company has ensured that the roles and responsibilities of the Board and the Management are clearly defined in order to facilitate better understanding of the respective accountabilities and contributions of the Board and the Management. The Management provides the Board with regular financial and operational updates and the Board has adopted internal guidelines which specifically reserve the following matters for the Board's approval: significant acquisitions and disposals or undertakings, funding proposals, and the releases of the Group's results and other significant announcements. Decisions on all such key matters are made by the Board. All Directors objectively take decisions in the interests of the Company and if necessary, abstain from voting to avoid any conflict of interests. Changes to the various applicable regulations and accounting standards are monitored closely by the Management. Where these changes have an important bearing on the Company's or Directors' disclosure obligations, Directors are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings.

A new Director, Mr Lim Hock San, was appointed during the year. If there is an appointment of a new Director, the Company would provide a formal letter to the Director, setting out the Director's duties and obligations. For first-time Directors, the Company would offer to provide training appropriate to the level of their previous experience in areas such as accounting, legal and industry knowledge. Incoming Directors would be provided with a comprehensive and tailored induction on joining the Board, including briefings on his duties as a director and how to discharge those

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duties. Further, the Company has in place an orientation programme to ensure that the incoming Directors become familiar with the Group's businesses and corporate governance practices. From time to time, the Company arranges training for all Directors, particularly on relevant new accounting standards, laws, regulations and corporate governance practices. The Company arranges and funds the training of the Directors.

During the year, the Board met on three (3) occasions to review and approve various matters relating to business strategies, corporate governance practices and performance of the Group. Whenever possible, Board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate the review of financial results announcements. Ad-hoc Board discussions via electronic means to approve material acquisitions and disposals of assets, and major undertakings of the Group were convened when the need arose. Where the attendance of certain Directors was not physically possible, meetings were conducted with these Directors communicating through teleconferencing. Article 97 of the Articles of Association 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. To further facilitate the efficient management of the Group, resolutions of the Board were passed by way of circulating minutes pursuant to Article 105 of the Articles of Association of the Company.

The attendance of every member at Board meetings and Board Committee meetings, expressed as a ratio of the total number of meetings held during each member's period of appointment in 2012, is set out below.

Name	Board Meeting Attendance	AC Meeting Attendance	NC Meeting Attendance	RC Meeting Attendance
Edwin Soeryadjaya	0/3	–	–	–
Sandiaga Salahuddin Uno	3/3	3/3	1/1	1/1
Marcel Han Liong Tjia	3/3	–	–	–
Ng Soon Kai	3/3	–	1/1	1/1
Subianto Arpan Sumodikoro	1/3	–	–	–
Low Siew Sie Bob	3/3	3/3	1/1	1/1
Allan Charles Buckler	1/3	1/3	0/1	1/1
Mr Lim Hock San	1/1	1/1	1/1	
Pepen Handianto Danuatmadja (Alternate Director to Subianto Arpan Sumodikoro)	3/3	–	–	–

PRINCIPLE 2 – BOARD COMPOSITION AND BALANCE

There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises eight (8) Directors and one (1) alternate Director. There are three (3) Independent Directors appointed on the Board thereby fulfilling the Code's recommendation that Independent Directors make up at least one third (⅓) of the Board. The three Independent Directors, collectively, have strong accounting and industry background and their independence is reviewed from time to time by the NC based on the guidelines set forth in the Code. Mr Low Siew Sie Bob has been appointed the lead Independent Director.

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations of the Company. The Directors possess the requisite experience and knowledge in various fields. As a group, the Board, which comprises both local and foreign Directors, is skilled in core competencies such as law, accounting/finance, business/management, industry knowledge and strategic planning.

The Non-Executive Directors met regularly without the presence of the Management so as to facilitate a more effective check on the Management. The matters discussed included developing proposals on strategy, reviewing the performance of the Management in meeting agreed goals and objectives, and monitoring the reporting of performance.

PRINCIPLE 3 – CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

There should be a clear division of responsibilities at the top of the company – the working of the board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman, Deputy Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The CEO, who is responsible for the day-to-day operations of the Group, has his role and responsibilities clearly established by the Board and set out in writing under his employment agreement. The Chairman and Deputy Chairman, who are both Non-Executive Directors, are responsible for the leadership and objective functioning of the Board. The Chairman and Deputy Chairman promote a culture of openness and debate at the Board and encourage constructive relations between the Board and Management. They also take a leading role in facilitating the effective contributions of Non-Executive Directors and ensure effective communication with shareholders. The Chairman and the CEO are not related to each other within the meaning of the Code.

PRINCIPLE 4 – BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment of new directors to the board.

As at the date of this Annual Report, the members of the NC are:
(a) Mr Allan Charles Buckler (Chairman);
(b) Mr Low Siew Sie Bob;
(c) Mr Ng Soon Kai;
(d) Mr Sandiaga Salahuddin Uno; and
(e) Mr Lim Hock San.
Note: Mr Lim Hock San was appointed as a member of the NC on 8 September 2012.

The NC comprises five (5) Non-Executive Directors, the majority of whom, including the Chairman are Independent Directors. The Chairman of the NC is not directly associated with a substantial shareholder of the Company within the meaning of the Code.

The NC has written terms of reference that describe the responsibilities of its members. The role of the NC includes:
(a) reviewing 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 recommending any changes it considers necessary to the Board;
(b) developing, implementing and maintaining a formal and transparent process for the search, nomination, selection, appointment and re-appointment of Directors (including alternate Directors) to the Board;
(c) reviewing 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) ensuring 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 Articles of Association of the Company, the Code and the Companies Act, Cap. 50 as amended or modified from time to time;
(e) determining annually, and as and when circumstances require, whether a Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect the Director's judgement, bearing in mind the years of services, relationships or circumstances set forth in the Code and any other salient factors;
(f) developing, implementing and maintaining a formal process for evaluation of the performance of the Board, Board Committees and Board members;
(g) deciding on how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval;

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(h) deciding on the maximum number of listed company board representations a Director may hold for the Board's approval;
(i) assessing and reporting 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) reviewing the results of the performance evaluation and recommending to the Board on whether to appoint new Directors or to seek resignation of Directors;
(k) reviewing the succession plans for Directors, in particular, the Chairman and the CEO of the Company;
(l) reviewing and making recommendations to the Board on the training and professional development programme for the Board;
(m) reviewing the various disclosure requirements on the appointment and resignation of Directors, particularly those required by regulatory bodies such as the SGX-ST;
(n) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily;
(o) undertaking such other duties and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the NC; and
(p) conducting periodic review of its own performance and, at least annually, reviewing its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommending any changes it considers necessary to the Board.

During the year, the NC made the requisite recommendations to the Board on the re-nomination and re-election of Directors in accordance with the Articles of Association of the Company and as contemplated by the Code. The NC also reviewed and determined that there was no change in the independent status of two (2) Independent Directors, Mr Allan Charles Buckler, and Mr Low Siew Sie Bob, and recommended to the Board the appointment of Mr Lim Hock San as an Independent Director, a member of the AC, a member of the NC, and a member of the RC. Mr Ng Soon Kai was re-designated as a Non-Executive Director with effect from 1 September 2012.

In the search of the Director, Mr Lim Hock San, the NC followed the internal process for selection and appointment. The members first evaluated the range of skills, experience and expertise of the Board and identified the competence that would best increase board effectiveness, and then searched externally for suitable candidates who are highly regarded in the relevant industry. When considering the new Board member, the NC reviewed the curriculum vitae of each potential candidate and considered his/her experience and expertise and likely contribution to the Board. Interviews were subsequently conducted before the NC made its recommendation to the Board. The Board made the final determination for the appointment.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. For Directors with multiple board representations, they are committed to ensure sufficient time and attention is given to the affairs of the Company, including through the appointment of a deputy or alternate director. The NC is of the view that the Directors are able to adequately carry out their duties as Directors of the Company.

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

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

PRINCIPLE 5 – BOARD PERFORMANCE

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as to assess the contribution of the Chairman, Deputy Chairman and each individual Director. 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.

The assessment parameters for the effectiveness of the Board as a whole include its working relationship with the Management, independent element, size and composition, mix of competency, conduct and frequency of meetings, decision-making processes and accountability, effectiveness of strategies and directions of the Company in enhancing long-term shareholders' value, and effectiveness of risk management and internal control systems in safeguarding the Company's assets and shareholders' investment. The Board is of the view that the financial indicators set out in the Code as guidelines for the evaluation of the Board are more a measure of Management's performance and therefore less applicable to Directors. The assessment parameters for performance of individual Directors, which aim to assess whether each Director continues to contribute effectively and demonstrate commitment to the role, includes attendance at meetings, adequacy of preparation for meetings, participation in discussions, response to circulating resolutions and matters that require prompt attention and decision, core competency contribution, maintenance of independence, and disclosure of related party transactions.

At the end of the financial year, all Directors are requested to complete a Board Performance Evaluation questionnaire to seek their view on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board, as well as complete an appraisal form to evaluate each individual Director's contributions to the Board and the Board Committees. Directors who are members of the respective Board Committees are also requested to complete appraisal forms for the respective Board Committees to assess the overall effectiveness of the Board Committees. The responses are reviewed by the NC and the results are submitted to the Board together with its recommendations for the Board's deliberation and decision.

PRINCIPLE 6 – ACCESS TO INFORMATION

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Management regularly keeps the Board updated on the operational activities, project progress and development, and future prospects of the Group through quarterly board papers and ad hoc email correspondences. Comprehensive quarterly financial and activity reports are submitted to the Board for review and approval for release to the public. These updates and reports are supported with background or explanatory information, disclosure documents, proposals, workplans and budgets, forecasts and valuations, and monthly management accounts. In respect of budgets, any material variance between the projections and actual results are disclosed and explained. In addition, the Board has separate and independent access to the senior executives of the Group if it needs to make further enquiries. The Directors are entitled to request from the Management such additional information as needed to make informed decisions.

The Directors have direct and independent access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole. The responsibilities of the Company Secretary include:
(a) attending all Board 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 Committees and between the Management and Non-Executive Directors;
(f) advising the Board on all governance matters; and
(g) facilitating orientation and assisting with professional development as required.

Corporate Governance Report

The Directors, in the furtherance of their duties, are allowed to take independent professional advice, if necessary, at the Company's expense.

REMUNERATION MATTERS

PRINCIPLE 7 – PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

PRINCIPLE 8 – LEVEL AND MIX OF REMUNERATION

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

PRINCIPLE 9 – DISCLOSURE ON REMUNERATION

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

As at the date of this Annual Report, the members of the RC are:
(a) Mr Allan Charles Buckler (Chairman);
(b) Mr Low Siew Sie Bob;
(c) Mr Ng Soon Kai;
(d) Mr Sandiaga Salahuddin Uno; and
(e) Mr Lim Hock San.

Note: Mr Lim Hock San was appointed as a member of the RC on 8 September 2012.

The RC comprises five (5) Non-Executive Directors, the majority of whom, including the Chairman, are Independent Directors.

The RC has written terms of reference that describe the responsibilities of its members. The role of the RC includes:
(a) developing, implementing and maintaining a formal and transparent policy for the determination of Directors' and key executives' remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind;
(b) reviewing and recommending to the Board a general framework of remuneration for the Board and Management, and the specific remuneration packages for each Director and key executive;
(c) structuring and proposing appropriate performance conditions to be linked to the remuneration of executive Directors and key executives for the Board's approval;
(d) reviewing the Company's obligations arising in the event of termination of contracts of services of executive Directors and key executives, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
(e) assessing and reporting to the Board annually the performance of executive Directors and key executives and whether their performance conditions are met;
(f) ensuring that the level of 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) administering 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) making remuneration recommendations in consultation with the CEO and submitting its recommendations for endorsement by the entire Board;

(i) reviewing the various disclosure requirements on the remuneration of Directors and key executives, particularly those required by regulatory bodies such as the SGX-ST, and ensuring that there is adequate disclosure in the financial statements;
(j) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily;
(k) undertaking such other duties as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the RC; and
(l) conducting periodic review of its own performance and, at least annually, reviewing its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommending any changes it considers necessary to the Board.

The RC has in place a remuneration scheme for Non-Executive Directors, which takes into account individual level of contribution and responsibilities based on the number of Board Committees the Director sits on and chairmanship of Board Committees. In setting the remuneration package of the Executive Director, the RC takes into consideration the remuneration and employment conditions within the same industry and comparable companies as well as the Group's size and scope of operations. The performance-related element of the Executive Director's remuneration is linked to the Group's operational and financial performance and expansion growth and aligned with shareholders' interests through the use of long-term incentive scheme, namely the Interra Share Option Plan ("**ISOP**"). The options that have been granted under the scheme have a vesting period of one (1) year. The remuneration scheme and package are reviewed annually to ensure that the level of compensation is optimal for attracting, retaining and motivating the Directors. Details of the ISOP are set out in the Directors' Report section of this Annual Report.

During the year, the RC made the requisite recommendations regarding the remuneration packages of Directors including the CEO and submitted them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. No Director was involved in deciding his own remuneration other than the framework of remuneration for the Board as a whole. The RC also reviewed the remuneration of the Management during the course of the year and made recommendations to the Board.

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

The Company has endeavoured to provide adequate disclosure of the remuneration of its Directors and key executives so as to enhance transparency between the Company and shareholders.

The remuneration of Directors for the financial year ended 31 December 2012 is summarised below.

Name	Directors' Fees	Base/Fixed Salary	Variable Component or Bonuses	Share-Based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000					
Edwin Soeryadjaya	100%	-	-	-	-
Sandiaga Salahuddin Uno	100%	-	-	-	-
Subianto Arpan Sumodikoro	100%	-	-	-	-
Allan Charles Buckler	46%	-	-	54%	-
Low Siew Sie Bob	47%	-	-	53%	-
Ng Soon Kai	40%	-	-	60%	-
Pepen Handianto Danuatmadja	-	-	-	-	-
Above S$500,000					
Marcel Han Liong Tjia	-	53%	21%	24%	2%

The total Directors' fees for the year, which will be put to shareholders for approval at the annual general meeting, amounted to S$347,000 (2011: S$324,917).

Corporate Governance Report

The Company has only three key management personnel and their remuneration for the financial year ended 31 December 2012 is summarised below.

Name	Base/Fixed Salary	Variable Component or Bonuses	Share-Based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Sugi Handoko	74%	12%	11%	3%
S$250,000 – S$500,000				
Frank Overall Hollinger	73%	12%	7%	8%
Foo Say Tain	69%	29%	-	2%

There were no employees who are immediate family members of a Director or CEO, and whose remuneration exceeds S$150,000 during the year.

ACCOUNTIBILITY AND AUDIT

PRINCIPLE 10 – ACCOUNTABILITY

The board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is mindful of its responsibility of overseeing the corporate performance of the Company and is accountable to shareholders for the processes of directing and managing the Company's business and affairs. The Board makes quarterly announcements of the Group's financial results and operating activities as well as ad hoc updates so as to provide shareholders with up-to-date, comprehensive information and a balanced view on the Group's performance, position and prospects.

The Management keeps the Board informed and updated of the Group's operational and financial performance with the provision of comprehensive monthly management accounts and reports which present a balanced and understandable assessment of the Group's performance, position and prospects. Apart from adopting corporate governance practices in line with the spirit of the Code, the Company also observes its obligations of continuing disclosure under the Listing Manual. The Company has endeavoured to circulate timely, adequate and non-selective disclosures of material information.

PRINCIPLE 11 – AUDIT COMMITTEE

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

As at the date of this Annual Report, the members of the AC are:
(a) Mr Low Siew Sie Bob (Chairman);
(b) Mr Allan Charles Buckler;
(c) Mr Sandiaga Salahuddin Uno; and
(d) Mr Lim Hock San.

Note: Mr Lim Hock San was appointed as a member of the AC on 8 September 2012.

The AC comprises four (4) Non-Executive Directors, the majority of whom, including the Chairman, are Independent Directors. The majority of the AC members, including the Chairman, have accounting and financial qualifications and work experience.

The AC has written terms of reference that describe the responsibilities of its members. The role of the AC includes:

(a) appraising the effectiveness of the audit efforts of the external auditors and reviewing their independence annually, and making recommendations to the Board on the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, including but not limited to approving remuneration and terms of engagement of the external auditors;
(b) reviewing the adequacy of the Company's internal controls including financial controls, operational and compliance controls and risk management policies and systems, and ensuring (at least annually) that the internal audit function is adequately resourced, independent of the activities it audits, and has appropriate standing within the Company;
(c) ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and systems, is conducted annually;
(d) reviewing the audit plans of the external auditors and the internal auditors, including the results of their review and evaluation of the adequacy and effectiveness of the system of internal audit controls;
(e) reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risks areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
(f) reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the Listing Manual, before submission to the Board for approval;
(g) reviewing and discussing with the external auditors and the internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
(h) meeting with the external auditors and the internal auditors without the presence of the Management at least once a year to review the co-operation given by the Management to them;
(i) reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
(j) reviewing, approving and ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual as may be amended from time to time and such other rules and regulations under the listing rules of the SGX-ST that may be applicable in relation to such matters from time to time;
(k) reviewing any potential conflicts of interest;
(l) undertaking such other reviews and projects as may be requested by the Board of Directors, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
(m) undertaking generally such other functions and duties as may be required by law, the Listing Manual or the Securities and Futures Act, Cap. 289 and by such amendments made thereto from time to time;
(n) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily; and
(o) considering the various disclosure requirements for financial reporting, particularly those required by regulatory bodies such as the SGX-ST so as to ensure that there is adequate disclosure in the financial statements.

The Board is of the view that the present members of the AC have sufficient accounting or related financial management expertise and experience to discharge their responsibilities as set out in its terms of reference.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of the Management and full discretion to invite any Director or executive officer to any of its meetings, and it is in possession of reasonable resources to enable it to discharge its functions properly.

During the year, the AC met with the Management and the external auditor on three (3) occasions. These meetings included, amongst other things, review of the Group's financial statements, accounting and internal control procedures, scope and findings of internal and external audit, and objectivity and independence of the external auditor. The AC also had one (1) separate session with the external auditor without the presence of the Management.

Corporate Governance Report

The Company has engaged the same Singapore-based accounting firm, Nexia TS Public Accounting Corporation ("**Nexia TS**"), to audit its accounts and all its subsidiaries' accounts, except for its Thailand subsidiary which is audited by V.A.T. Accounting, an accounting firm belonging to the same affiliation as Nexia TS. The Indonesia ventures of its subsidiaries are audited by Johan Malonda Mustika & Rekan, a reputable accounting firm based in Indonesia. 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.

Nexia TS is an accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority. The fees paid or payable by the Group to Nexia TS for their audit services of the financial year 2012 amounted to US$110,786 and there were no non-audit services provided. Should there be any non-audit services provided by Nexia TS to the Group, the AC will review the ad hoc engagement and ensure that such engagement is cost effective and will not affect the independence of Nexia TS as the Company's external auditor. After considering the experience and resources provided by the current external auditors as well as the terms and remuneration of their engagement and regulatory requirements, the AC has recommended to the Board the re-appointment of Nexia TS as the accounting firm for the Company's audit obligations for the financial year 2013 and will put the re-nomination to shareholders for approval at the annual general meeting.

In relation to its accounting firm, the Company has complied with Rule 712 and 715 of the Listing Manual.

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

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

PRINCIPLE 12 – INTERNAL CONTROLS

The board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

PRINCIPLE 13 – INTERNAL AUDIT

The company should establish an internal audit function that is independent of the activities it audits.

The AC is responsible for reviewing the adequacy of the Company's internal financial, operational and compliance controls, and the risk management policies and systems established by the Management. The external auditors conduct annual compliance check of the accounting records and financial statements of the Group, review of the principal management and internal accounting controls, and report their findings and recommendations to the AC. The internal auditors perform annual evaluation of the accounting and internal control system of the Group, and report their findings and recommendations to the AC. Besides identifying the key risks of the Group, including operating and financial risks which are outlined in the Operating and Financial Review section and the Financial Risk Management section of the Notes to the Financial Statements of this Annual Report, the Management responds and follows up on the audit recommendations so as to improve any accounting and internal control weaknesses. This three-dimensional approach facilitates the AC in assessing the adequacy of internal controls and in advising the Board on the effectiveness of the internal control framework.

The internal audit function is outsourced to a reputable independent accounting firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, who aligned their services to the standards set by the relevant professional bodies in Singapore including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports functionally to the AC and administratively to the Management, and the AC met with the internal auditor once without the presence of the Management. The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis.

Corporate Governance Report

The Board is of the opinion, with the concurrence of the AC, that based on the internal controls established by the Group and work performed by the internal and external auditors, the Management maintains a sound system of internal controls with respect to the Group's financial, operational and compliance risks and is assured of its adequacy to safeguard the shareholders' investments 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.

COMMUNICATIONS WITH SHAREHOLDERS

PRINCIPLE 14 – REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS

Companies should engage in regular, effective and fair communication with shareholders.

PRINCIPLE 15 – GREATER SHAREHOLDER PARTICIPATION

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company has in place a communication framework that disseminates timely and complete financial data, price-sensitive information and material developments to shareholders. Releases of quarterly financial and activity reports, project updates, media releases on significant developments and other pertinent information are first announced on the website of the SGX-ST via SGXNET and then posted on the Company's website at www.interraresources.com. From time to time, the key management meets with the media and analysts separately to explain and clarify the Company's operating and financial results.

The Company encourages active shareholder participation at its general meetings. Notices of general meetings are published in major newspapers and reports or circulars of the general meetings are despatched to all shareholders by post. Shareholders who are unable to attend the general meetings may appoint up to two proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged with the Company in advance. Shareholders whose shares are held through nominees are allowed to attend general meetings as observers with advance notice to the Company through their nominees. The Company has not amended its Articles to provide for absentia voting methods until security and other pertinent issues relating to absentia voting methods are satisfactorily resolved.

Resolutions proposed at general meetings are kept separate with respect to each distinct issue.

The Company endeavours to arrange at least one (1) chairperson of the AC, NC or RC to be present and available to address questions at general meetings. The chairpersons of the AC, NC and RC were present at the general meetings held by the Company during the financial year ended 31 December 2012. The external auditor is also present to assist the Directors in addressing relevant queries by shareholders.

INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during the financial year ended 31 December 2012 is tabulated below.

Name of interested person	Aggregate value of all interested person transactions for the year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Ng Soon Kai	S$130,000	Nil

The Company does not have any general mandate pursuant to Rule 920 of the Listing Manual during the financial year ended 31 December 2012.

Corporate Governance Report

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, 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 Listing Manual in relation to dealings in securities of the Company.

USE OF PROCEEDS

The Company issued and allotted 147,710,119 new ordinary shares in the capital of the Company at an issue price of S$0.15 each pursuant to a rights issue which was completed on 1 October 2012 (the "**Rights Issue**"). The net proceeds from the Rights Issue (after deducting related expenses incurred in connection with the Rights Issue) amounted to S$21,752,124 (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 at 15 March 2013, the Net Proceeds have been utilised as follows:

Purpose	**Amount utilised (US$)**	**(S$)#**
Payment for work activities relating to the work programme of Linda Sele TAC in Indonesia for the year 2013	7,011,800	8,570,523
Payment for work activities relating to the work programme of Tanjung Miring Timur TAC in Indonesia for the year 2013	3,557,880	4,396,236
Payment for work activities relating to the work programme of Yenangyaung and Chauk IPRCs in Myanmar for the year 2013	3,504,600	4,342,869
Total	**14,074,280**	**17,309,628**

Based on the relevant prevailing exchange rates on the date of disbursements.

The above utilisation of the Net Proceeds is in accordance with the intended uses of the Net Proceeds stated in the offer information statement dated 5 September 2012 issued by the Company in connection with the Rights Issue. The remaining balance of the Net Proceeds amounts to approximately S$4,442,496 as at 15 March 2013.

FURTHER INFORMATION ON BOARD OF DIRECTORS

For Directors' interests in the Company, please refer to the Directors' Report section of this Annual Report.

Edwin Soeryadjaya
Date first appointed as a director: 14 December 2004
Date last re-elected as a director: 28 April 2011

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive, Chairman	Nil	Present directorship Seroja Investments Limited Past directorship (preceding 3 years) Nil

Sandiaga Salahuddin Uno
Date first appointed as a director: 1 July 2003
Date last re-elected as a director: 28 April 2010

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive, Deputy Chairman	Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	Nil

Marcel Han Liong Tjia
Date first appointed as a director: 20 June 2009
Date last re-elected as a director: 28 April 2010

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Executive, CEO	Nil	Present directorship Nil Past directorship (preceding 3 years) Pacific Healthcare Holdings Ltd

Ng Soon Kai
Date first appointed as a director: 1 November 2005
Date last re-elected as a director: 28 April 2011

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive	Nominating Committee (Member) Remuneration Committee (Member)	Present directorship Seroja Investments Limited (Alternate director) Past directorship (preceding 3 years) Nil

Subianto Arpan Sumodikoro
Date first appointed as a director: 14 December 2004
Date last re-elected as a director: 24 April 2012

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive	Nil	Nil

Corporate Governance Report

Low Siew Sie Bob
Date first appointed as a director: 18 February 2011
Date last re-elected as a director: 28 April 2011

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive, lead independent	Audit Committee (Chairman) Nominating Committee (Member) Remuneration Committee (Member)	Present directorship China Hongcheng Holdings Limited Liang Huat Aluminium Limited Sino Construction Limited Past directorship (preceding 3 years) The Lexicon Group Limited (now known as Elektromotive Group Limited)

Allan Charles Buckler
Date first appointed as a director: 14 December 2004
Date last re-elected as a director: 24 April 2012

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive, independent	Audit Committee (Member) Nominating Committee (Chairman) Remuneration Committee (Chairman)	Nil

Lim Hock San
Date first appointed as a director: 8 September 2012
Date last re-elected as a director: -

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Non-executive, independent	Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	Present directorship United Industrial Corporation Limited Singapore Land Limited Gallant Venture Ltd. Indofood Agri Resources Ltd Past directorship (preceding 3 years) Hsu Fu Chi International Limited Keppel Corporation Limited

Pepen Handianto Danuatmadja
Date first appointed as a director: 18 February 2011
Date last re-elected as a director: -

Board Appointment	Board Committee Appointment	Directorship in other companies listed in Singapore
Alternate Director to Subianto Arpan Sumodikoro	Nil	Nil

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the balance sheet of the Company as at 31 December 2012 and financial statements of the Group for the financial year ended 31 December 2012.

DIRECTORS

The directors of the Company at the date of this report are as follows:

Edwin Soeryadjaya	(Chairman)
Sandiaga Salahuddin Uno	(Deputy Chairman)
Marcel Han Liong Tjia	
Subianto Arpan Sumodikoro	
Allan Charles Buckler	
Low Siew Sie Bob	
Ng Soon Kai	
Lim Hock San	(Appointed on 8 September 2012)
Pepen Handianto Danuatmadja	(Alternate to Subianto Arpan Sumodikoro)

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 40 and 42 of this report.

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 of related corporations other than wholly-owned subsidiaries were as follows:

	Number of ordinary shares in the name of director or nominee		**Number of ordinary shares in which the director is deemed to have an interest**	
	At end of the financial year and 21 January 2013	**At beginning of the financial year or date of appointment, if later**	**At end of the financial year and 21 January 2013**	**At beginning of the financial year or date of appointment, if later**
<u>The Company</u>				
Edwin Soeryadjaya	–	–	79,364,000	51,349,000
Sandiaga Salahuddin Uno	–	–	79,364,000	51,349,000
Subianto Arpan Sumodikoro	–	–	52,500,000	35,000,000
Allan Charles Buckler	5,918,400	3,945,600	–	–

Directors' Report

For the financial year ended 31 December 2012

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

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Interra Share Option Plan as set out below and under "Share Options" on pages 40 and 42 of this report.

	Number of unissued ordinary shares under option	
	At end of the financial year and 21 January 2013	**At beginning of the financial year or date of appointment, if later**
2012 Options		
Allan Charles Buckler	1,350,000	–
Low Siew Sie Bob	1,350,000	–
Ng Soon Kai	1,350,000	–
Marcel Han Liong Tjia	4,000,000	–

(c) Except as disclosed in this report, 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 report, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed as directors' remuneration and fees in the accompanying financial statements) 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

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

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

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

SHARE OPTIONS (CONT'D)

(a) Interra Share Option Plan (Cont'd)

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

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

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

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

Details of the 2008 Options and 2012 Options granted to key management personnel and employees of the Company are as follows:

Number of unissued ordinary shares of the Company under option			
Granted during the financial year	**Aggregate granted since commencement of Plan to end of the financial year**	**Aggregate exercised since commencement of Plan to end of the financial year**	**Aggregate outstanding at the end of the financial year**
10,050,000	500,000	–	10,550,000

Directors' Report

For the financial year ended 31 December 2012

SHARE OPTIONS (CONT'D)

(a) Interra Share Option Plan (Cont'd)

Details of the 2012 Options granted to the directors of the Company are as follows:

	Number of unissued ordinary shares of the Company under option			
Name of director	Granted during the financial year	Aggregate granted since commencement of Plan to end of the financial year	Aggregate exercised since commencement of Plan to end of the financial year	Aggregate outstanding at the end of the financial year
Allan Charles Buckler	1,350,000	1,350,000	–	1,350,000
Low Siew Sie Bob	1,350,000	1,350,000	–	1,350,000
Ng Soon Kai	1,350,000	1,350,000	–	1,350,000
Marcel Han Liong Tjia	4,000,000	4,000,000	–	4,000,000

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

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

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

(b) Share Options Outstanding

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

	Number of unissued ordinary shares under option			
	At beginning of the financial year	At end of the financial year	Exercise price	Exercise period
2008 Options	250,000	250,000	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	250,000	S$0.550	4 March 2010 to 2 March 2013
2012 Options	–	10,050,000	S$0.148	21 January 2013 to 19 January 2017
	500,000	10,550,000		

Directors' Report

For the financial year ended 31 December 2012

AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this report are set out as follows:

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

All members of the Audit Committee are non-executive directors, three of whom, including the Chairman, are independent directors.

The Audit Committee carried out its function in accordance with Section 201B(5) of the 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 balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

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.

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	**Low Siew Sie Bob**
Director	Director

22 March 2013

Statement by Directors

For the financial year ended 31 December 2012

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 47 to 100 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Marcel Han Liong Tjia Director	**Low Siew Sie Bob** Director

22 March 2013

Independent Auditor's Report

To the Members of Interra Resources Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 47 to 100, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Interra Resources Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants

Director-in-charge: Chin Chee Choon
Appointed since financial year ended 31 December 2011

Singapore

22 March 2013

Balance Sheets

As at 31 December 2012

	Note	Company 2012 US$	Company 2011 US$	Group 2012 US$	Group 2011 US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**39,577**	57,204	**2,378,960**	1,198,213
Exploration, evaluation and development costs	5	**–**	–	**47,641,403**	34,358,522
Intangible assets	6	**–**	–	**5,058,955**	5,853,437
Investments in subsidiaries	7	**42,381,731**	36,267,031	**–**	–
Other receivables	9	**–**	–	**1,044,606**	–
		42,421,308	36,324,235	**56,123,924**	41,410,172
Current assets					
Inventories	8	**–**	–	**6,732,032**	3,127,213
Trade and other receivables	9	**196,501**	1,341	**5,793,641**	6,904,973
Other current assets	10	**72,726**	99,531	**1,100,902**	628,892
Cash and cash equivalents	11	**11,566,056**	5,451,950	**18,988,501**	13,675,782
		11,835,283	5,552,822	**32,615,076**	24,336,860
Total Assets		**54,256,591**	41,877,057	**88,739,000**	65,747,032
LIABILITIES					
Current liabilities					
Trade and other payables	12	**748,320**	639,048	**6,686,456**	5,623,805
Deferred revenue		**–**	–	**1,080,618**	646,730
Current income tax liabilities	13	**–**	30	**8,088,858**	7,954,730
		748,320	639,078	**15,855,932**	14,225,265
Non-current liabilities					
Provision for environmental and restoration costs	15	**–**	–	**2,409,609**	2,243,107
Total Liabilities		**748,320**	639,078	**18,265,541**	16,468,372
NET ASSETS		**53,508,271**	41,237,979	**70,473,459**	49,278,660
EQUITY					
Share capital	17	**61,567,224**	43,868,660	**61,567,224**	43,868,660
(Accumulated losses)/ Retained profits		**(8,521,473)**	(2,645,456)	**26,680,262**	23,638,011
Other reserves	19	**462,520**	14,775	**(17,774,027)**	(18,228,011)
TOTAL EQUITY		**53,508,271**	41,237,979	**70,473,459**	49,278,660

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

Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 US$	2011 US$
Revenue	20	**30,406,956**	24,824,232
Cost of production		**(19,932,572)**	(14,471,527)
Gross profit		**10,474,384**	10,352,705
Other income, net	21	**1,359,317**	9,484,426
Administrative expenses		**(6,495,566)**	(8,955,417)
Profit before income tax		**5,338,135**	10,881,714
Income tax expense	14	**(2,295,884)**	(1,991,343)
Net profit		**3,042,251**	8,890,371
Other comprehensive income, net of tax:			
Currency translation differences arising from consolidation		**6,239**	(8,470)
Total comprehensive income		**3,048,490**	8,881,901
Net profit attributable to:			
Equity holders of the Company		**3,042,251**	8,890,371
Total comprehensive income attributable to:			
Equity holders of the Company		**3,048,490**	8,881,901
Earnings per share attributable to equity holders of the Company (cents per share)			
- Basic	24	**0.762**	2.422
- Diluted	24	**0.751**	2.422

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

Group	Note	Share Capital US$	Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Retained Profits US$	Total Equity US$
		Attributable to Equity Holders of the Company					
At 1 January 2012		**43,868,660**	**(1,698,646)**	**(16,544,140)**	**14,775**	**23,638,011**	**49,278,660**
Issue of new ordinary shares							
pursuant to Rights issue	**17**	**18,022,807**	**–**	**–**	**–**	**–**	**18,022,807**
Rights issue expenses	**17**	**(324,243)**	**–**	**–**	**–**	**–**	**(324,243)**
Employee share option plan							
- value of employee services	**19(b)(ii)**	**–**	**–**	**–**	**447,745**	**–**	**447,745**
Total comprehensive income		**–**	**6,239**	**–**	**–**	**3,042,251**	**3,048,490**
At 31 December 2012		**61,567,224**	**(1,692,407)**	**(16,544,140)**	**462,520**	**26,680,262**	**70,473,459**
At 1 January 2011		40,108,575	(1,690,176)	(16,544,140)	14,775	14,747,640	36,636,674
Issue of new ordinary shares							
pursuant to placement	17	3,847,086	–	–	–	–	3,847,086
Share placement expenses	17	(87,001)	–	–	–	–	(87,001)
Total comprehensive income		–	(8,470)	–	–	8,890,371	8,881,901
At 31 December 2011		43,868,660	(1,698,646)	(16,544,140)	14,775	23,638,011	49,278,660

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 US$	2011 US$
Cash flows from operating activities			
Profit before income tax		**5,338,135**	10,881,714
Adjustments for non-cash items			
Depreciation of property, plant and equipment	4	**704,690**	664,667
Amortisation of exploration, evaluation and development costs	5	**3,171,074**	2,308,506
Impairment of exploration, evaluation and development costs	5	**–**	2,847,088
Reversal/Write-back of impairment of exploration, evaluation and development costs	5	**(42,068)**	(1,484,484)
Amortisation of intangible assets	6	**794,482**	467,820
Impairment of intangible assets	6	**–**	1,152,167
Write-back of impairment of concession rights	6	**–**	(110,886)
Share option expenses	19(b)(ii)	**447,745**	–
Interest income	21	**(84,030)**	(41,317)
Net gain on disposal of property, plant and equipment	21	**–**	(2,784)
Currency translation gain, net	21	**(106,595)**	(80,051)
Gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT	21	**–**	(7,700,149)
Property, plant and equipment written off	22	**28,469**	–
Operating profit before working capital changes		**10,251,902**	8,902,291
Changes in working capital, net of effects from acquisition of a subsidiary and 30% participating rights of joint venture			
Inventories		**(3,604,819)**	(530,327)
Trade and other receivables and other current assets		**672,563**	(174,570)
Trade and other payables and deferred revenue		**1,815,383**	618,384
Provision for environmental and restoration costs		**166,503**	116,747
Restricted cash		**(113,517)**	(655,594)
Cash generated from operations		**9,188,015**	8,276,931
Income tax paid	13	**(2,161,755)**	(519,280)
Net cash provided by operating activities		**7,026,260**	7,757,651

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 US$	2011 US$
Cash flows from investing activities			
Interest income received		**46,853**	42,465
Fixed deposit released from collateral for bankers' guarantees, net		**–**	670,000
Net proceeds from disposal of property, plant and equipment		**–**	1,544
Acquisition cost of subsidiary, net of cash acquired	31(i)(b)	**(250,000)**	(5,788,793)
Acquisition of remaining 30% participating rights in TAC TMT, net of cash acquired	31(ii)(j)	**–**	(6,138,989)
Capital expenditure			
- Additions to property, plant and equipment	4	**(1,913,906)**	(499,370)
- Additions to well drillings and improvements		**(12,039,806)**	(972,159)
- Additions to geological and geophysical studies		**(4,368,856)**	(3,889,013)
Net cash used in investing activities		**(18,525,715)**	(16,574,315)
Cash flows from financing activities			
Proceeds from issuance of shares	17	**18,022,807**	3,847,086
Share issue expenses	17	**(324,243)**	(87,001)
Loan to a third party		**(1,000,000)**	–
Net cash provided by financing activities		**16,698,564**	3,760,085
Net increase/(decrease) in cash and cash equivalents		**5,199,109**	(5,056,579)
Cash and cash equivalents			
Beginning of the financial year	11	**11,536,152**	16,593,883
Effects of currency translation on cash and cash equivalents		**93**	(1,152)
End of the financial year	11	**16,735,354**	11,536,152

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 with effect from 10 January 2013. Prior to 10 January 2013, the Company was publicly traded on the SGX-ST Catalist. The address of its registered office is at 1 Grange Road #05-04 Orchard Building Singapore 239693. Its Singapore company registration number is 197300166Z and the Australian business number is 37 129 575 275.

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

The principal activities, country of incorporation and place of operation of the subsidiaries and joint ventures of the Company are set out in Note 7 and Note 28 respectively to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (the "Group") and the Group's interests in joint ventures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of the financial statements of the Group and of the Company are as follows:

(a) Basis of Preparation

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

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

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, the Group adopted the new and amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

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

(b) Group Accounting

(i) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group's financial statements. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint Ventures

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interests in joint ventures are accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of joint ventures' income and expenses, assets and liabilities, and cash flows of the jointly controlled entities on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture to the extent that it is attributable to the interest of other venturers. The Group does not recognise its share of results from the joint venture that arises from its purchase of assets from the joint venture until the Group 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 the current assets or is an impairment loss.

The accounting policies of joint venturers have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Acquisition of Subsidiary or Business

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

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(b) Group Accounting (Cont'd)

(iii) Acquisition of Subsidiary or Business (Cont'd)

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

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.

(iv) Disposal of Subsidiaries or Businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary 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.

(v) Reverse Acquisition

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

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

- the assets and liabilities of the legal subsidiary (the accounting acquirer) recognised and measured at their pre-combination carrying amounts.

- the assets and liabilities of the legal parent (the accounting acquire) are recognised at fair value and measured in accordance with FRS 103.

- the retained profits and other equity balances of the legal subsidiary (the accounting acquirer) before the business combination.

- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to cost of reverse acquisition determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquire), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (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 acquire) issued in the reverse acquisition.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(c) Intangible Assets

(i) Goodwill on Reverse Acquisition

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

(ii) Participating Rights for Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT") and Linda Sele ("TAC LS")

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 100% participating interest in the TAC TMT and 100% participating interest in the TAC LS.

Participating rights are amortised on a straight line basis from the date of initial recognition over the remaining period of TACs. The remaining period of TAC TMT is 5.10 years from 25 November 2011 to 31 December 2016. The remaining period of TAC LS is 7.90 years from 24 January 2011 to 16 November 2018.

(iii) Participating Rights for Petroleum Concession Agreements ("PCAs") and Petroleum Exploration Permit ("PEP")

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 50% participating interests in the PCAs in Thailand and PEP in Australia. Participating rights are amortised on a straight line basis over the remaining life of PCAs and PEP upon commencement of production. As at 31 December 2012, both participating rights were fully written off.

(iv) Concession Rights

Concession rights refer to the amount paid to acquire the interest in Improved Petroleum Recovery Contracts ("IPRCs"). Concession rights are capitalised and amortised on a straight line basis over the remaining life of IPRCs of approximately 14 years from 1 March 2003 to 31 March 2017.

(v) Computer Software

Computer software is capitalised and amortised on a straight line basis over its useful life of 3 to 4 years.

(d) Property, Plant and Equipment

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(d) Property, Plant and Equipment (Cont'd)

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:

Pumping tools	4 years
Drilling and field equipment	4 years
Computers	3 years
Office equipment	3 years
Renovations, furniture and fittings	2 to 3 years

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

(e) Exploration, Evaluation and Development Costs

(i) Exploration and Evaluation Phase

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.

Exploration, evaluation and development 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.

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 reviewed at the end of a financial period and its accumulated costs are written off to the extent that they will not be recoverable. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the oil reserves.

(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.

Recoverable costs included in the production phase represent costs recoverable under the production sharing type of petroleum contracts. Under these contracts, costs are recoverable monthly to the extent of the maximum allowable depending on the production output. Any excess expenses not recovered for the period are carried forward to the extent where they may be recouped in the following periods. The carrying amounts of the recoverable cost are reviewed for impairment when there is any indication. Capitalisation of recoverable cost will cease when there is such indication.

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

(e) Exploration, Evaluation and Development Costs (Cont'd)

(iii) Amortisation

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 exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(f) Impairment of Non-Financial Assets

(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 cash-generating units ("CGU") which are expected to benefit from the synergies of the business combinations. An impairment loss is recognised in profit or loss when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

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

(ii) Non-Financial Assets Other Than Goodwill

Intangible assets, exploration, evaluation and development costs, property, plant and equipment, and investments in subsidiaries and joint ventures are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of these assets, 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 that 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.

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

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

(ii) Non-Financial Assets Other Than Goodwill (Cont'd)

An impairment loss for an asset other than goodwill 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 other than goodwill 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. 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.

(g) Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(h) Provisions

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

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

(i) Income Taxes

(i) Current Income Tax

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities.

(ii) Deferred Income Tax

Deferred income tax is recognised for all temporary differences except when the deferred income tax arising from the initial recognition of an asset or liability 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 subsidiaries and joint ventures, 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 future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

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

(i) Income Taxes (Cont'd)

(ii) Deferred Income Tax (Cont'd)

Current and deferred income taxes are measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and are recognised as income or expenses in profit or loss for the period, except to the extent that the tax arising from a business combination or a transaction is recognised directly in equity.

Deferred income tax is also measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

(j) Borrowings and Finance Costs

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 borrowings using effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Interest expense and similar charges are expensed in profit or loss in the period in 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.

(k) Environmental and Restoration Expenditure

Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and the amount can be reasonably estimated.

The environmental and restoration expenditure is accumulated using the units of production basis. Subsequent revisions to the environmental and restoration expenditure are considered as change in estimates and are accounted for on a prospective basis.

(l) Employee Benefits

(i) Post Employment Benefits

The Group operate both defined contribution post-employment benefit and defined benefit plans.

Defined Contribution Plans

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(l) Employee Benefits (Cont'd)

(i) Post Employment Benefits (Cont'd)

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 upon or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is estimated 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 yield of high quality corporate bond that is denominated in the currency and the country in which the benefit will be paid and has tenure approximating to that of the defined benefit obligation.

Actuarial gains and losses are recognised in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(ii) Employee Leave Entitlements

Employees' entitlements to annual leave are recognised when they are accrued to employees. An accrual is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the balance sheet date.

(iii) Share-Based Compensation

The share option plan allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The fair value is measured at grant date and spread over the period during which the employee become unconditionally entitled to the options. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

(m) Financial Assets

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the asset and the purpose for which the asset was acquired. Financial assets are recognised on the balance sheet only when the Group becomes a party to the contractual provision of the financial instrument. The Group determines the classification of the financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

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

(m) Financial Assets (Cont'd)

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 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables are presented as trade and other receivables (Note 9) and cash and cash equivalents (Note 11) on the balance sheet. 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 to the original terms of the receivables. The amount of the allowance is the difference between the asset's 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. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances, restricted cash and fixed 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.

(o) Inventories

Inventories comprise mainly consumable stocks which are stated at the lower of cost and net realisable value. Cost is determined by applying the first-in-first-out basis. Crude oil inventory is the crude oil stored at the stock points and not transferred.

(p) Revenue Recognition

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

(i) Revenue

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

(ii) Interest Income

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(p) Revenue Recognition (Cont'd)

(iii) Dividend Income

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

(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 subsidiaries and joint ventures.

(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 that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in United States Dollars, which is the functional and presentation 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 translation differences resulting from the settlement for such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation or when any loan forming part of the net investment of the foreign operation is repaid.

All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "Other income, net".

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

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

(q) Currency Translation (Cont'd)

(iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities that are in functional currencies other than United States Dollars are translated into United States Dollars on the following basis:

(1) Assets and liabilities for each balance sheet presented are translated at the rates of exchange at the balance sheet date;

(2) Income and expenses are translated at average exchange rates (unless this 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 date of transactions); and

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

Goodwill and fair value adjustments arising from the acquisitions of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates on the reporting dates. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisitions are used.

(r) Operating Leases

When the Group is the lessee:

Leases of property, plant and equipment where significant portions of the risks and rewards are retained by lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from lessors) are taken in profit or loss on a straight-line basis over the period of the leases.

Contingent rents are recognised as expenses in profit or loss in the financial period in which they are incurred. When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which the 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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

(u) Fair Value Estimation

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

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

(v) Government Grants

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

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

(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.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements concerning the future are made in preparation of the financial statements. They affect the application of the Group's accounting policies, and the reported amounts of the financial statements and the disclosures made. They are assessed on an on-going basis and are based on experience, relevant factors and conditions, including current and expected future events that are believed to be reasonable under the circumstances.

Key Sources of Estimating Uncertainty

(a) Amortisation of Exploration, Evaluation and Development Costs

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

The Group currently amortises exploration, evaluation and development costs 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 2012, the carrying amount of the exploration, evaluation and development costs is US$47,641,403 (2011: US$34,358,522) (Note 5). The amortisation charge for the financial year ended 31 December 2012 is US$3,171,074 (2011: US$2,308,506) (Note 5).

If management's estimated petroleum recoverable reserves had been higher/lower by 5%, the carrying amount of exploration, evaluation and development costs would have been increased/decreased in aggregate by approximately US$168,000 accordingly.

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

(b) Estimated Impairment of Exploration, Evaluation and Development Costs and Intangible Assets

The Group performs assessment of the carrying value of its assets (exclude goodwill) when there is an indication of impairment. Goodwill is assessed for impairment at least once a year. The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure and number of payment of invoices received by the Group in a year. Management has used the 2013 budgets reviewed by the respective joint ventures' owner committees and also past experiences as a guide. The period beyond 2013 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using a weighted average cost of capital of 13% per annum (a comparable rate used by other companies in the region and in the similar nature of business sector).

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.

If management's estimated pre-tax discount rates applied to the discounted cash flows for the Myanmar at 31 December 2012 had been raised by 2%, the carrying amount of goodwill on reverse acquisition would have been reduced by approximately US$1,057,000.

If management's estimated crude oil price used in the discounted cash flows for the Myanmar at 31 December 2012 had been lower by 5%, the carrying amounts of goodwill on reverse acquisition and exploration, evaluation and development costs would have been reduced by approximately US$1,489,000 and US$584,000 respectively.

(c) Provision for Environmental and Restoration Costs

Environmental and restoration costs are a normal consequence of oil extraction and the majority of this expenditure is incurred at the end of a well's life or an area of interest. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of wells), and the expected useful life of the areas of interest and the wells. The ultimate environmental and restoration cost are uncertain and may vary in response to many factors, including changes to the relevant legal requirements and the emergence of new restoration techniques or experience at other wells. The Group currently makes provisions for environmental and restoration costs for Indonesia operations using the units of production method. Changes in the petroleum recoverable reserves could impact future provision charges. The carrying amount of the provision for environmental and restoration costs as at 31 December 2012 is US$2,409,609 (2011: US$2,243,107) (Note 15).

If management's estimated petroleum recoverable reserves had been higher/lower by 5%, the carrying amounts of the provision for environmental and restoration costs would have been increased/decreased in aggregate by approximately US$9,200 accordingly.

(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. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, tax assessments have been finalised up to 2004. During the financial year, the current year income tax paid is US$2,157,501, of which US$1,970,723 relates to tax assessment 2012 and remaining of US$186,778 for tax assessment 2013 (2011: US$512,067) but is subject to the 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 the current tax provision. If such over-provision occurs, it will be reversed upon determination. Please refer to Note 26(b) for contingent liabilities for possible capital gain tax in Myanmar.

Notes to the Financial Statements

For the financial year ended 31 December 2012

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2012				
Cost				
Opening balance	**113,351**	**6,331**	**98,666**	**218,348**
Additions	18,619	2,995	–	21,614
Disposals	(29,749)	(310)	(924)	(30,983)
Closing balance	**102,221**	**9,016**	**97,742**	**208,979**
Accumulated depreciation				
Opening balance	**105,287**	**5,010**	**50,847**	**161,144**
Depreciation charge	6,515	1,241	31,485	39,241
Disposals	(29,749)	(310)	(924)	(30,983)
Closing balance	**82,053**	**5,941**	**81,408**	**169,402**
Net book value as at 31 December 2012	**20,168**	**3,075**	**16,334**	**39,577**
2011				
Cost				
Opening balance	**111,015**	**6,331**	**98,666**	**216,012**
Additions	2,336	–	–	2,336
Closing balance	**113,351**	**6,331**	**98,666**	**218,348**
Accumulated depreciation				
Opening balance	**93,193**	**4,016**	**19,101**	**116,310**
Depreciation charge	12,094	994	31,746	44,834
Closing balance	**105,287**	**5,010**	**50,847**	**161,144**
Net book value as at 31 December 2011	**8,064**	**1,321**	**47,819**	**57,204**

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

Group	Note	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Pumping Tools US$	Drilling and Field Equipment US$	Total US$
2012							
Cost							
Opening balance		**198,469**	**40,967**	**269,205**	**3,201,766**	**2,336,016**	**6,046,423**
Additions		20,335	8,401	123,695	409,443	1,352,032	1,913,906
Disposals		(29,749)	(310)	(69,269)	–	–	(99,328)
Write off		(17,721)	(4,644)	(10,622)	–	–	(32,987)
Closing balance		**171,334**	**44,414**	**313,009**	**3,611,209**	**3,688,048**	**7,828,014**
Accumulated depreciation and impairment losses							
Opening balance		**189,094**	**29,264**	**132,200**	**2,485,942**	**2,011,710**	**4,848,210**
Depreciation charge	22	7,809	6,185	87,175	378,143	225,378	704,690
Disposals		(29,749)	(310)	(40,800)	–	–	(70,859)
Write off		(17,721)	(4,644)	(10,622)	–	–	(32,987)
Closing balance		**149,433**	**30,495**	**167,953**	**2,864,085**	**2,237,088**	**5,449,054**
Net book value as at 31 December 2012		**21,901**	**13,919**	**145,056**	**747,124**	**1,450,960**	**2,378,960**
2011							
Cost							
Opening balance		**194,974**	**33,294**	**195,384**	**2,773,471**	**2,170,452**	**5,367,575**
Additions		3,481	7,673	63,785	327,245	97,186	499,370
Acquisition of subsidiary	31(i)(c)	–	–	–	19,390	36,960	56,350
Acquisition of 30% participating rights in TAC TMT	31(ii)(k)	14	–	10,036	81,660	31,418	123,128
Closing balance		**198,469**	**40,967**	**269,205**	**3,201,766**	**2,336,016**	**6,046,423**
Accumulated depreciation and impairment losses							
Opening balance		**164,930**	**29,153**	**69,884**	**2,116,307**	**1,803,269**	**4,183,543**
Depreciation charge	22	24,164	111	62,316	369,635	208,441	664,667
Closing balance		**189,094**	**29,264**	**132,200**	**2,485,942**	**2,011,710**	**4,848,210**
Net book value as at 31 December 2011		**9,375**	**11,703**	**137,005**	**715,824**	**324,306**	**1,198,213**

Notes to the Financial Statements

For the financial year ended 31 December 2012

5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Group	Note	Exploration and Evaluation			Development and Production			
		Initial Joint Study Cost US$	Contractual Bonus US$	Exploration, Geological and Geophysical US$	Asset under Construction US$	Completed Assets US$	Cost Recovery US$	Total US$
2012								
Cost								
Opening balance		**1,890,616**	**606,253**	**10,578,150**	**–**	**34,938,193**	**4,249,173**	**52,262,385**
Additions		–	–	4,442,107	11,521,414	445,141	–	16,408,662
Transfer to completed assets		–	–	–	(1,546,209)	1,546,209	–	–
Write off		–	(66,253)	(2,305,020)	–	–	–	(2,371,273)
Currency translation differences		–	–	3,225	–	–	–	3,225
Closing balance		**1,890,616**	**540,000**	**12,718,462**	**9,975,205**	**36,929,543**	**4,249,173**	**66,302,999**
Accumulated amortisation and impairment losses								
Opening balance		**933,613**	**245,569**	**5,448,890**	**–**	**9,165,895**	**2,109,896**	**17,903,863**
Amortisation charge	22	181,092	66,305	401,663	–	2,089,245	432,769	3,171,074
Reversal of impairment losses	22	–	–	(42,068)	–	–	–	(42,068)
Write off		–	(66,253)	(2,305,020)	–	–	–	(2,371,273)
Closing balance		**1,114,705**	**245,621**	**3,503,465**	**–**	**11,255,140**	**2,542,665**	**18,661,596**
Net book value as at 31 December 2012		**775,911**	**294,379**	**9,214,997**	**9,975,205**	**25,674,403**	**1,706,508**	**47,641,403**

5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS (CONT'D)

Group	Note	Exploration and Evaluation			Development and Production			
		Initial Joint Study Cost US$	Contractual Bonus US$	Exploration, Geological and Geophysical US$	Asset under Construction US$	Completed Assets US$	Cost Recovery US$	Total US$
2011								
Cost								
Opening balance		**1,890,616**	**606,253**	**5,595,774**	**1,162**	**16,760,779**	**4,249,173**	**29,103,757**
Additions		–	–	3,889,013	–	972,159	–	4,861,172
Acquisition of subsidiary	31(i)(c)	–	–	–	–	6,263,279	–	6,263,279
Acquisition of 30% participating rights in TAC TMT		–	–	1,097,792	-	10,940,814	–	12,038,606
Transfer to completed assets		–	–	-	(1,162)	1,162	–	–
Currency translation differences		–	–	(4,429)	–	–	–	(4,429)
Closing balance		**1,890,616**	**606,253**	**10,578,150**	**–**	**34,938,193**	**4,249,173**	**52,262,385**
Accumulated amortisation and impairment losses								
Opening balance		**1,474,372**	**174,825**	**2,790,017**	**–**	**7,097,091**	**2,696,448**	**14,232,753**
Amortisation charge	22	74,075	70,744	311,785	–	1,568,804	283,098	2,308,506
Impairment losses	22	–	–	2,347,088	–	500,000	–	2,847,088
Write-back of impairment losses	21	(614,834)	–	–	–	–	(869,650)	(1,484,484)
Closing balance		**933,613**	**245,569**	**5,448,890**	**–**	**9,165,895**	**2,109,896**	**17,903,863**
Net book value as at 31 December 2011		**957,003**	**360,684**	**5,129,260**	**–**	**25,772,298**	**2,139,277**	**34,358,522**

During the financial year, there was a reversal of impairment losses of US$42,068 from the PEP operations in Australia upon the finalisation of the exploration well. Following a decision from management to relinquish the PEP operations and transfer of Block L9/48 to joint venture partner, the impairment losses of US$2,305,020 and US$66,253 were written off. In financial year 2011, there was a write-back of impairment of exploration, evaluation and development of US$1,484,484 from Myanmar operations.

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For the financial year ended 31 December 2012

6. INTANGIBLE ASSETS

Group	Note	Goodwill on Reverse Acquisition US$	Participating Rights US$	Concession Rights US$	Computer Software US$	Total US$
2012						
Cost						
Opening balance		**1,488,902**	**9,484,081**	**600,000**	**146,552**	**11,719,535**
Write off		–	(1,152,167)	–	–	(1,152,167)
Closing balance		**1,488,902**	**8,331,914**	**600,000**	**146,552**	**10,567,368**
Accumulated amortisation and impairment losses						
Opening balance		**–**	**5,280,981**	**447,862**	**137,255**	**5,866,098**
Amortisation charge	22	–	758,940	28,979	6,563	794,482
Write off		–	(1,152,167)	–	–	(1,152,167)
Closing balance		**–**	**4,887,754**	**476,841**	**143,818**	**5,508,413**
Net book value as at 31 December 2012		**1,488,902**	**3,444,160**	**123,159**	**2,734**	**5,058,955**
2011						
Cost						
Opening balance		**1,488,902**	**5,857,403**	**600,000**	**146,552**	**8,092,857**
Acquisition of subsidiary	31(i)(c)	–	1,699,029	–	–	1,699,029
Acquisition of 30% participating rights in TAC TMT		–	1,927,649	–	–	1,927,649
Closing balance		**1,488,902**	**9,484,081**	**600,000**	**146,552**	**11,719,535**
Accumulated amortisation and impairment losses						
Opening balance		**–**	**3,704,225**	**548,828**	**103,944**	**4,356,997**
Amortisation charge	22	–	424,589	9,920	33,311	467,820
Impairment losses/ (write-back)	21 & 22	–	1,152,167	(110,886)	–	1,041,281
Closing balance		**–**	**5,280,981**	**447,862**	**137,255**	**5,866,098**
Net book value as at 31 December 2011		**1,488,902**	**4,203,100**	**152,138**	**9,297**	**5,853,437**

During the financial year, there was impairment written-off of US$1,152,167 following a management decision to relinquish the PEP operations in Australia. In financial year 2011, there was a write-back of impairment of concession rights of US$110,886 from Myanmar operations.

6. INTANGIBLE ASSETS (CONT'D)

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)(v)).

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 amounted to US$1,488,902 was recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining periods of the IPRCs of approximately 14 years from 10 July 2003 to 31 March 2017.

FRS 103, FRS 36 and FRS 38 which deal with the treatment of goodwill arising from business combinations were adopted prospectively from 1 April 2004 and hence no amortisation charges were made from the financial year ended 31 December 2005 onwards.

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

Based on the above assessment, management is of the view that no impairment is required as at 31 December 2012 and 31 December 2011 as its investment in Goldwater Company generated positive return from its business operations in Myanmar.

Notes to the Financial Statements

For the financial year ended 31 December 2012

7. INVESTMENTS IN SUBSIDIARIES

	Company 2012 US$	Company 2011 US$
Unquoted equity shares at cost		
Goldwater Company Limited	**19,062,000**	19,062,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**1**	1
Goldwater Indonesia Inc.	**1**	1
Goldwater Energy Limited	**1**	1
Interra Resources (Thailand) Limited	**76,325**	76,325
Interra Resources (Australia) Pte. Ltd.	**100**	100
Goldwater LS Pte. Ltd.	**100**	100
Goldwater KP Pte. Ltd.	**100**	100
	19,138,629	19,138,629
Advances made to/(from) subsidiaries		
Goldwater Company Limited	**369,724**	221,336
Goldwater TMT Pte. Ltd.	**7,274,038**	6,856,519
Goldwater Eagle Limited	**(1,000,104)**	(1,002,197)
Interra Resources (Thailand) Limited	**6,783,976**	6,754,926
Interra Resources (Australia) Pte. Ltd.	**3,937,106**	3,369,171
Goldwater LS Pte. Ltd.	**15,079,904**	7,759,998
IBN Oil Holdico Ltd	**584,796**	–
Goldwater KP Pte. Ltd.	**1,011,169**	(100)
	34,040,609	23,959,653
Net investments in subsidiaries	**53,179,238**	43,098,282
Allowance for impairment:		
Opening balance	**6,831,251**	13,905,310
Allowance for impairment	**3,966,256**	89,751
Write-back of allowance for impairment	**–**	(7,163,810)
Closing balance	**10,797,507**	6,831,251
Investments in subsidiaries	**42,381,731**	36,267,031

Advances made to/(from) subsidiaries

The advances made to/(from) subsidiaries form part of the Company's net investments in the subsidiaries. Advances made to/(from) subsidiaries are interest free advances for the purpose of operating and development activities in their respective fields. These advances are not expected to be repaid within the next 12 months from the balance sheet date.

The Company will assess annually whether there is evidence showing that the nature of the advances have changed. When evidence of change exists, the Company would consider the effects of the change in determining the fair value of the advances.

During the financial year, the net investment in Interra Resources (Australia) Pte. Ltd. of US$3,937,206 was fully impaired and additional impairment of US$29,050 was provided for net investment in Interra Resources (Thailand) Limited.

Notes to the Financial Statements

For the financial year ended 31 December 2012

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries as at 31 December 2012 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2012 %	Group's Effective Interest 2011 %
Goldwater Company Limited [b]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Myanmar	100	100
Goldwater TMT Pte. Ltd. [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Goldwater Eagle Limited [c]	Investment holding	British Virgin Islands	100	100
Goldwater Indonesia Inc [c]	Dormant	British Virgin Islands	100	100
Goldwater Energy Limited [c]	Dormant	British Virgin Islands	100	100
Interra Resources (Thailand) Limited [d]	Dormant	Thailand/Thailand	100	100
Interra Resources (Australia) Pte. Ltd. [b]	Dormant	Singapore/Australia	100	100
Goldwater LS Pte. Ltd. [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Goldwater KP Pte. Ltd. [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Held by a subsidiary, Goldwater LS Pte. Ltd.				
IBN Oil Holdico Ltd [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	100	100

[a] Not required to be audited under the laws of the country of incorporation, audited by Nexia TS Public Accounting Corporation, for consolidation purposes

[b] Audited by Nexia TS Public Accounting Corporation

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

[d] Audited by V.A.T Accounting, a member firm of Nexia International

Notes to the Financial Statements

For the financial year ended 31 December 2012

8. INVENTORIES

Inventories comprise consumables including 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.

	Group	
	2012	**2011**
	US$	**US$**
Consumable stock	**5,651,414**	2,480,483
Crude oil inventory	**1,080,618**	646,730
	6,732,032	3,127,213

9. TRADE AND OTHER RECEIVABLES

Trade receivables are receivables from the Myanma Oil and Gas Enterprise ("MOGE") and PT Pertamina EP in respect of the sales of the Group's share of petroleum entitlement.

	Company		Group	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Current				
Trade receivables				
– non-related parties	**–**	–	**4,015,782**	6,241,946
Other receivables	**196,501**	1,341	**1,777,859**	663,027
	196,501	1,341	**5,793,641**	6,904,973
Non-current				
Other receivables	**–**	–	**1,044,606**	–

The fair value of non-current other receivables at market borrowing rate of 5.017% per annum approximates its carrying amount.

10. OTHER CURRENT ASSETS

	Company		Group	
	2012	**2011**	**2012**	**2011**
	US$	**US$**	**US$**	**US$**
Deposits	**46,811**	44,116	**664,884**	157,093
Prepayments	**25,915**	55,415	**122,182**	153,039
Advances to suppliers	**–**	–	**313,836**	318,760
	72,726	99,531	**1,100,902**	628,892

Notes to the Financial Statements

For the financial year ended 31 December 2012

11. CASH AND CASH EQUIVALENTS

	Company		Group	
	2012 US$	2011 US$	2012 US$	2011 US$
Cash at bank and on hand	**249,385**	3,231,780	**5,418,683**	9,308,330
Short-term bank deposits	**11,316,671**	2,220,170	**11,316,671**	2,227,822
Restricted cash	**–**	–	**2,253,147**	2,139,630
Cash and bank balances	**11,566,056**	5,451,950	**18,988,501**	13,675,782
Less: Restricted cash			**(2,253,147)**	(2,139,630)
Cash and cash equivalents per consolidated statement of cash flows			**16,735,354**	11,536,152

Restricted Cash

On 22 July 2010, both TAC TMT and TAC LS entered into a joint account agreement with PT Pertamina EP to place the fund that has been provided for abandonment and site restoration costs in the joint bank account. The joint bank account is interest-bearing and is to be operated jointly by the operator and PT Pertamina EP. The amount in the bank will be utilised for the purpose of abandonment and site restoration at the end of the TAC.

12. TRADE AND OTHER PAYABLES

	Company		Group	
	2012 US$	2011 US$	2012 US$	2011 US$
Trade payables – non-related parties	**–**	–	**4,198,455**	1,958,394
Accrued expenses	**699,587**	532,545	**901,985**	1,361,946
Other payables	**48,733**	106,503	**1,586,016**	2,303,465
	748,320	639,048	**6,686,456**	5,623,805

Other payables include the provision for training levy and electricity charges of US$515,418 due to MOGE and the amount to the joint venture partner of US$409,881 being the reimbursement of the 3D seismic costs and remaining consideration of the 30% participating rights in TAC TMT (2011: US$666,541 and US$291,959 respectively).

In financial year 2011, other payables include the amount due to the joint venture partner of US$513,835 being the remaining consideration of the 100% participating rights in TAC LS which was subsequently settled during the financial year.

Notes to the Financial Statements

For the financial year ended 31 December 2012

13. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2012 US$	2011 US$	2012 US$	2011 US$
Opening balance	**30**	6,385	**7,954,730**	5,912,538
Current income tax expense (Note 14)	**–**	–	**2,291,660**	1,990,632
Under provision in prior financial years (Note 14)	**4,224**	711	**4,224**	711
Income tax paid	**(4,254)**	(7,213)	**(2,161,755)**	(519,280)
Acquisition of subsidiary (Note 31(i)(c))	**–**	–	**–**	569,982
Currency translation differences	**–**	147	**(1)**	147
Closing balance	**–**	30	**8,088,858**	7,954,730

14. INCOME TAX EXPENSE

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

The subsidiaries are liable to pay income taxes in the countries where the respective petroleum contracts are domiciled. The subsidiaries and joint ventures of the Company have made the necessary tax provisions as required under their respective petroleum contracts. As for the Myanmar operations, the current year income tax paid is US$2,157,501, of which US$1,970,723 relates to tax assessment 2012 and remaining of US$186,778 for tax assessment 2013 (2011: US$512,067) but is subject to the final tax assessments from the tax authority.

Tax expense attributable to profit is made up of:

	Group	
	2012 US$	2011 US$
Current income tax		
- Foreign (Note 13)	**2,291,660**	1,990,632
Under provision of current income tax in prior financial years		
- Singapore (Note 13)	**4,224**	711
	2,295,884	1,991,343

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 as explained as follows:

	Group	
	2012 US$	2011 US$
Profit before income tax	**5,338,135**	10,881,714
Tax calculated at tax rate of 17% (2011: 17%)	**907,483**	1,849,891
Effects of:		
- Different tax rates in other countries	**1,133,679**	941,425
- Income not subject to tax	**(1,182,438)**	(2,276,058)
- Expenses not deductible for tax purposes	**1,432,936**	1,475,374
	2,291,660	1,990,632

Notes to the Financial Statements

For the financial year ended 31 December 2012

15. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group has made provision for environmental and restoration costs for its TAC TMT and TAC LS operations. Provision is made based on units of production basis. 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 the current time (Note 26(a)).

	Group	
	2012	**2011**
	US$	**US$**
Opening balance	**2,243,107**	812,874
Provision for the financial year	**166,502**	116,747
Acquisition of subsidiary (Note 31(i)(c))	**–**	947,440
Acquisition of 30% participating rights in TAC TMT (Note 31(ii)(k))	**–**	366,046
Closing balance	**2,409,609**	2,243,107

16. RETIREMENT BENEFIT OBLIGATIONS

The Group's subsidiaries have a funded defined benefit plan for its employees. This plan is a final salary retirement and severance benefit. The assets of the plan are held independently of the Group's assets in an insurance fund managed by PT Panin Life Tbk for TAC TMT and PT AJ Manulife Indonesia for TAC LS in Indonesia.

The amounts recognised on the balance sheet are as follows:

	Group	
	2012	**2011**
	US$	**US$**
Present value of funded obligations	**372,702**	270,865
Fair value of plan assets	**(790,291)**	(794,994)
	(417,589)	(524,129)
Present value of unfunded obligations	**–**	56,124
Unrecognised past service costs	**–**	95,166
Assets not recognised on balance sheet	**449,709**	524,129
Net liabilities recognised on balance sheet	**32,270**	151,290

The amounts recognised in profit or loss are as follows:

	Group	
	2012	**2011**
	US$	**US$**
Interest cost	**16,826**	3,037
Current service costs	**133,794**	151,399
Expected return on plan assets	**(38,110)**	–
Past service costs	**(23,706)**	1,180
Curtailment	**(87,741)**	–
Total included in employee compensation (Note 23)	**1,063**	155,616

Retirement benefit costs included in Administrative expenses was US$1,063 (2011: US$155,616). The actual return on plan assets was US$38,110 (2011: US$36,566).

Notes to the Financial Statements

For the financial year ended 31 December 2012

16. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The movements in the defined benefit obligations are as follows:

	Group	
	2012	**2011**
	US$	**US$**
Opening balance	**326,989**	60,026
Acquisition of subsidiary	**–**	191,570
Acquisition of 30% participating rights in TAC TMT	**–**	25,726
Interest cost	**16,826**	3,037
Current service costs	**133,794**	151,399
Past service costs	**(9,283)**	1,180
Benefits paid	**(107,920)**	(46,242)
Actuarial gains/(losses)	**117,281**	(59,451)
Curtailment	**(87,741)**	–
Currency translation differences	**(17,244)**	(256)
Closing balance	**372,702**	326,989

The movements in the fair value of plan assets are as follows:

	Group	
	2012	**2011**
	US$	**US$**
Opening balance	**794,994**	444,790
Acquisition of subsidiary	**–**	150,633
Acquisition of 30% participating rights in TAC TMT	**–**	190,624
Contributions	**123,886**	26,599
Net return on plan assets	**38,110**	36,566
Withdrawn for settlement	**(104,387)**	(46,242)
Actuarial losses	**(25,008)**	–
Currency translation differences	**(37,304)**	(7,976)
Closing balance	**790,291**	794,994

The principal actuarial assumptions used are as follows:

	Group	
	2012	**2011**
	%	**%**
Discount rate	**4.6 – 4.7**	7.0
Expected return on plan assets	**4.6 – 4.7**	5.0
Future salary increases	**10.0**	10.0

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17. SHARE CAPITAL

Company and Group	2012	2011	2012	2011
	Number of ordinary shares		US$	US$
Opening balance	**295,420,238**	256,920,238	**43,868,660**	40,108,575
Issue of new ordinary shares	**147,710,119**	38,500,000	**18,022,807**	3,847,086
Share issue expenses	**–**	–	**(324,243)**	(87,001)
Closing balance	**443,130,357**	295,420,238	**61,567,224**	43,868,660

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 4 April 2011, the Company issued 38,500,000 new ordinary shares at S$0.126 per share pursuant to a placement for a total consideration of US$3,847,086 for cash to fund the Group's future acquisition of oil and gas concessions.

On 1 October 2012, the Company completed its Rights issue through allotment and issuance of 147,710,119 Rights Shares of S$0.15 each for a total consideration of US$18,022,807 for cash to provide funds for the Group's expansion.

The newly issued shares rank pari passu in all respect with the previously issued shares.

18. SHARE OPTIONS

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

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

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the SGX-ST for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) to be determined by the Remuneration Committee in its absolute discretion. Option granted at market price or premium may be vested after one year from the date of grant and are exercisable for a period of four years, while option granted at discount may be vested after two years from the date of grant and are exercisable for a period of three years. The options may be exercised, in whole or in part of 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.

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For the financial year ended 31 December 2012

18. SHARE OPTIONS (CONT'D)

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

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

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

	Number of ordinary shares under option				
	At beginning of the financial year	Granted during financial year	At end of the financial year	Exercise price	Exercise period
Company and Group					
2012					
2008 Options	250,000	–	250,000	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	–	250,000	S$0.550	4 March 2010 to 2 March 2013
2012 Options	–	10,050,000	10,050,000	S$0.148	21 January 2013 to 19 January 2017
	500,000	10,050,000	10,550,000		

	Number of ordinary shares under option				
	At beginning of the financial year	Granted during financial year	At end of the financial year	Exercise price	Exercise period
2011					
2008 Options	250,000	–	250,000	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	–	250,000	S$0.550	4 March 2010 to 2 March 2013
	500,000	–	500,000		

Out of the outstanding options for 10,550,000 (2011: 500,000) shares, options for 500,000 (2011: 500,000) shares are exercisable at the balance sheet date.

The fair value of options granted on 20 January 2012, determined using the Binomial Valuation Model was S$642,694 (US$504,568). The significant input for the model were the share price of S$0.146 at the grant date, the exercise price of S$0.148, standard deviation of expected share price returns of 65%, the option life shown above and the annual risk-free interest rate of 0.69%. The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices of the last five years.

19. OTHER RESERVES

(a) Composition:

	Company		Group	
	2012	2011	2012	2011
	US$	US$	US$	US$
Special reserve	**–**	–	**(16,544,140)**	(16,544,140)
Share option reserve	**462,520**	14,775	**462,520**	14,775
Currency translation reserve	**–**	–	**(1,692,407)**	(1,698,646)
	462,520	14,775	**(17,774,027)**	(18,228,011)

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting set out in Note 2(b)(v), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, 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	
	2012	2011
	US$	US$
Cost of investment	**(18,319,492)**	(18,319,492)
Share capital of Goldwater	**200,000**	200,000
Goodwill on reverse acquisition	**1,575,352**	1,575,352
	(16,544,140)	(16,544,140)

(ii) Share Option Reserve

	Company		Group	
	2012	2011	2012	2011
	US$	US$	US$	US$
Opening balance	**14,775**	14,775	**14,775**	14,775
Employee share option plan				
- value of employee services (Note 23)	**447,745**	–	**447,745**	–
Closing balance	**462,520**	14,775	**462,520**	14,775

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For the financial year ended 31 December 2012

19. OTHER RESERVES (CONT'D)

(b) Movements: (Cont'd)

(iii) Currency Translation Reserve

	Group	
	2012	**2011**
	US$	**US$**
Opening balance	**(1,698,646)**	(1,690,176)
Net currency translation differences of financial statement of foreign subsidiaries	**6,239**	(8,470)
Closing balance	**(1,692,407)**	(1,698,646)

20. REVENUE

	Group	
	2012	**2011**
	US$	**US$**
Sale of crude petroleum	**30,406,956**	24,824,232

21. OTHER INCOME, NET

	Group	
	2012	**2011**
	US$	**US$**
Bank interest income	**84,030**	41,317
Petroleum service fees	**34,406**	57,370
Other income	**680,313**	7,385
Write-back of impairment of exploration, evaluation and development costs (Note 5)	**–**	1,484,484
Write-back of impairment of concession rights (Note 6)	**–**	110,886
Management fee	**453,973**	–
Currency translation gain, net	**106,595**	80,051
Net gain on disposal of property, plant and equipment	**–**	2,784
Gain on revaluation of investment in fair value of the existing 70% participating rights of TAC TMT (Note 31(ii))	**–**	7,700,149
	1,359,317	9,484,426

Included in other income was US$670,579 which is a reimbursement of unrecovered costs incurred in Myanmar prior to farm-in from a joint venture partner.

Notes to the Financial Statements

For the financial year ended 31 December 2012

22. EXPENSES BY NATURE

	Group	
	2012	**2011**
	US$	**US$**
Royalties	**2,446,227**	2,211,243
Repair and maintenance expenses	**4,631,806**	3,453,797
Well servicing and workover expenses	**1,767,257**	857,697
Direct labour costs and related expenses	**1,107,403**	608,733
Geology and geophysical study	**93,375**	34,272
Other production expenses	**1,371,152**	822,875
Depreciation of property, plant and equipment (Note 4)	**704,690**	664,667
Amortisation of exploration, evaluation and development costs (Note 5)	**3,171,074**	2,308,506
(Reversal)/Impairment of exploration, evaluation and development costs (Note 5)	**(42,068)**	2,847,088
Amortisation of intangible assets (Note 6)	**794,482**	467,820
Impairment of participating rights (Note 6)	**–**	1,152,167
Total amortisation, depreciation and impairment	**4,628,178**	7,440,248
Employee compensation (Note 23)	**4,244,772**	3,175,072
Director's fees	**271,639**	265,218
Rental expenses on operating leases	**3,361,400**	2,370,944
Property, plant and equipment written off	**28,469**	–
Professional, legal and compliance expenses	**879,616**	1,036,690
Other expenses	**1,456,079**	1,002,070
Auditor's fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	**110,786**	111,513
- Other auditors	**29,979**	20,515
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**–**	11,787
- Other auditors	**–**	4,270
Total cost of production and administrative expenses	**26,428,138**	23,426,944

23. EMPLOYEE COMPENSATION

	Group	
	2012	**2011**
	US$	**US$**
Wages and salaries	**3,433,629**	2,775,955
Defined contribution plan	**114,933**	85,708
Defined benefit plan (Note 16)	**1,063**	155,616
Other short-term benefits	**247,402**	157,793
Share option expenses (Note 19(b)(ii))	**447,745**	–
Total employee compensation (Note 22)	**4,244,772**	3,175,072

Notes to the Financial Statements

For the financial year ended 31 December 2012

24. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares on issue during the financial year as follows:

	Group	
	2012	**2011**
Net profit attributable to equity holders of the Company (US$)	**3,042,251**	8,890,371
Weighted average number of ordinary shares outstanding for basic earnings per share after restated	**399,060,132**	367,114,769
Adjustments for share options		
- Share options	**6,038,757**	–
Weighted average number of ordinary shares outstanding for diluted earnings per share after restated	**405,098,889**	367,114,769
Basic earnings per share (US cents)	**0.762**	2.422
Fully diluted earnings per share (US cents)	**0.751**	2.422

The Group's has restated the 2011 weighted average number of ordinary shares outstanding to reflect the effects of the Rights issue during the financial year.

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.

25. COMMITMENTS

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

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

	Company		Group	
	2012 US$	**2011 US$**	**2012 US$**	**2011 US$**
Not later than 1 year	**94,375**	182,954	**5,913,543**	3,229,290
Between 1 and 5 years	**4,279**	93,476	**790,727**	1,104,448
	98,654	276,430	**6,704,270**	4,333,738

25. COMMITMENTS (CONT'D)

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar, TAC TMT and TAC LS in Indonesia. The capital expenditure for 2013 is based on the approved work program and budgets by the local authority. These include the development and deep well drilling in Myanmar and Indonesia.

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

	Group	
	2012	**2011**
	US$	**US$**
Not later than 1 year	**5,253,824**	20,763,400

26. CONTINGENT LIABILITIES

(a) 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 the 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.

(b) 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. In late 2002, the Group's subsidiary, 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.

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27. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (including, currency risk, country risk, interest rate risk and crude oil price 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 when necessary. The Group 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, interest and foreign exchange rates.

(a) Market Risk

(i) Price Risk

The Group is exposed to crude oil price risk. 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 fluctuation in crude oil price. The Group monitors the situation and manage the risk accordingly.

If crude oil price strengthen/weaken by 5% (2011: 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 US$1,520,000 (2011: US$1,241,000 higher/lower).

(ii) Interest Rate Risk

The Group's interest rate risk is primarily from interest income from short-term bank deposits. As short-term bank deposits are placed in short-term money market with tenures mostly within the range of 7 days to 3 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 long-term interest rate fluctuations.

The effective interest rates for short-term bank deposits ranged from 0.14% to 0.26% per annum in 2012 (2011: 0.08% to 0.45% per annum). These deposits are staggered in varying periods and amounts in accordance with the cash requirements of the Group. Any significant movement in the interest rates is not likely to be material to the Group.

(iii) Country Risk

The Group constantly assesses the prevailing circumstances of the countries in which it operates and manages its investments in view of the political, economic and social backdrop of the countries. The Group will also assess the relevant country risk of its future investments.

(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 foreign currency risks are predominantly in SGD and IDR. The Group currently does not seek to hedge against these exposures. As at the balance sheet date, the Group does not have any forward foreign currency contracts.

27. FINANCIAL RISK MANAGEMENT (CONT'D)

The Group's currency exposure is as follows:

	USD US$	SGD US$	IDR US$	Others US$	Total US$
2012					
Financial assets					
Cash and cash equivalents	**13,331,395**	**5,289,736**	**325,087**	**42,283**	**18,988,501**
Trade and other receivables	**5,823,848**	**(966)**	**989,126**	**26,239**	**6,838,247**
Inter-company balances	**23,243,102**	**–**	**–**	**–**	**23,243,102**
Other financial assets	**529,729**	**46,811**	**10,734**	**77,610**	**664,884**
	42,928,074	**5,335,581**	**1,324,947**	**146,132**	**49,734,734**
Financial liabilities					
Inter-company balances	**(23,243,102)**	**–**	**–**	**–**	**(23,243,102)**
Other financial liabilities	**(5,751,865)**	**(734,941)**	**(1,267,423)**	**(12,845)**	**(7,767,074)**
	(28,994,967)	**(734,941)**	**(1,267,423)**	**(12,845)**	**(31,010,176)**
Net financial assets	**13,933,107**	**4,600,640**	**57,524**	**133,287**	**18,724,558**
Add: Net non-financial assets	**51,632,562**	**51,916**	**–**	**64,423**	**51,748,901**
Currency profile including non-financial assets	**65,565,669**	**4,652,556**	**57,524**	**197,710**	**70,473,459**
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	**–**	**4,600,640**	**57,524**	**133,287**	**4,791,451**
2011					
Financial assets					
Cash and cash equivalents	10,897,099	2,326,732	274,584	177,367	13,675,782
Trade and other receivables	6,510,885	720	299,214	94,154	6,904,973
Inter-company balances	17,128,402	–	–	–	17,128,402
Other financial assets	95,043	44,116	17,767	167	157,093
	34,631,429	2,371,568	591,565	271,688	37,866,250
Financial liabilities					
Inter-company balances	(17,128,402)	–	–	–	(17,128,402)
Other financial liabilities	(4,396,563)	(599,187)	(526,271)	(748,514)	(6,270,535)
	(21,524,965)	(599,187)	(526,271)	(748,514)	(23,398,937)
Net financial assets/(liabilities)	13,106,464	1,772,381	65,294	(476,826)	14,467,313
Add: Net non-financial assets	34,625,842	101,655	75,597	8,253	34,811,347
Currency profile including non-financial assets	47,732,306	1,874,036	140,891	(468,573)	49,278,660
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	293	1,772,381	65,294	33,382	1,871,350

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For the financial year ended 31 December 2012

27. FINANCIAL RISK MANAGEMENT (CONT'D)

The Company's currency exposure is as follows:

	USD US$	SGD US$	Others US$	Total US$
2012				
Financial assets				
Cash and cash equivalents	**6,275,359**	**5,273,443**	**17,254**	**11,566,056**
Trade and other receivables	**197,467**	**(966)**	**–**	**196,501**
Other financial assets	**–**	**46,811**	**–**	**46,811**
	6,472,826	**5,319,288**	**17,254**	**11,809,368**
Financial liabilities				
Other financial liabilities	**(46,466)**	**(701,854)**	**–**	**(748,320)**
Net financial assets	**6,426,360**	**4,617,434**	**17,254**	**11,061,048**
Add: Net non-financial assets	**42,398,021**	**49,202**	**–**	**42,447,223**
Currency profile including non-financial assets	**48,824,381**	**4,666,636**	**17,254**	**53,508,271**
Currency exposure of financial assets net of those denominated in the Company's functional currency	**–**	**4,617,434**	**17,254**	**4,634,688**
2011				
Financial assets				
Cash and cash equivalents	3,134,798	2,311,330	5,822	5,451,950
Trade and other receivables	–	720	621	1,341
Other financial assets	–	44,116	–	44,116
	3,134,798	2,356,166	6,443	5,497,407
Financial liabilities				
Other financial liabilities	(59,823)	(566,764)	(12,461)	(639,048)
Net financial assets/(liabilities)	3,074,975	1,789,402	(6,018)	4,858,359
Add: Net non-financial assets	36,267,031	112,589	–	36,379,620
Currency profile including non-financial assets	39,342,006	1,901,991	(6,018)	41,237,979
Currency exposure of financial assets net of those denominated in the Company's functional currency	–	1,789,402	(6,018)	1,783,384

As at 31 December 2012, if SGD has strengthened/weakened by 5% (2011: 5%) against USD with other variables including tax rate being held constant, the Group's and Company's profit after tax and equity would have been US$221,550 and US$222,221 higher/lower (2011: US$89,240 and US$90,571 higher/lower) respectively, as a result of currency translation gains/(losses).

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk

The Group's main credit risk comes from its trade receivables and the financial institutions where the Group invests its surplus funds.

Surplus funds are placed with reputable financial institutions and interest income earned is subject to the fluctuation of interest rates. These surplus funds are placed on short-term deposits (usually within the range of 7 days to 3 months), according to the Group's cash flow requirement. The Group does not hedge against long-term fluctuations in interest rates.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

As the Group currently sells all the crude oil produced to MOGE and PT Pertamina EP, the Group has a significant concentration of credit risk. The Group does not foresee its exposure to MOGE and PT Pertamina EP to be significant as payments have been regular.

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

	Group	
	2012	**2011**
	US$	**US$**
By geographical areas		
Indonesia	**1,631,325**	2,586,154
Myanmar	**2,384,457**	3,655,792
	4,015,782	6,241,946
By types of customers		
Non-related parties – Government bodies	**4,015,782**	6,241,946

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

Bank deposits 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. The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

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27. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Financial assets that are past due and/or impaired

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2012 US$	**2011 US$**
Past due 1 to 3 months	–	1,698,519

(c) Capital Risk

The Group's objectives in managing capital are to safeguard the its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. With its cash holding, no borrowings and no long-term debts, the Group is in a negative gearing position. Future decisions to raise capital and fund will be based on the objective of maintaining an optimal capital structure.

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

(d) Liquidity Risk

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. The financial liabilities of the Company and the Group of US$748,320 and US$7,767,074 (2011: US$639,048 and US$6,270,535) respectively mature within one year.

(e) Fair Value Measurements

The fair values of current financial assets and liabilities carried at amortised costs are assumed to be approximate their carrying amounts.

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28. INVESTMENTS IN JOINT VENTURES

The following amounts represent the Group's share of results and assets and liabilities of its joint ventures. These items are included in the consolidated balance sheet and profit or loss using the line-by-line method of proportionate consolidation and making the necessary adjustments to comply with the FRS.

	2012 US$	2011 US$
Balance sheet		
Non-current assets	**6,220,555**	2,031,963
Current assets	**5,881,354**	5,725,367
Current liabilities	**(5,308,485)**	(6,215,205)
Net assets	**6,793,424**	1,542,125
Profit or loss		
Revenue	**17,597,547**	20,944,690
Expenses	**(7,190,315)**	(12,485,220)
Profit before income tax	**10,407,232**	8,459,470
Income tax expense	**(1,609,923)**	(1,741,408)
Profit after income tax	**8,797,309**	6,718,062
Group's share of operating lease commitments of joint ventures	**336,061**	174,966
Group's share of capital commitments of joint ventures	**2,796,728**	7,678,435

Notes to the Financial Statements

For the financial year ended 31 December 2012

28. INVESTMENTS IN JOINT VENTURES (CONT'D)

The details of the joint ventures as at 31 December 2012 are as follows:

Name of Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2012 %	2011 %
Joint Venture of Goldwater Company Limited				
Goldpetrol Joint Operating Company Inc. [(a)]	Exploration and operation of oil fields for crude petroleum production	Republic of Panama/ Myanmar	60	60
Joint Venture of Interra Resources (Thailand) Limited				
Blocks L17/48, L9/48 and L3/48 [(b)]	Exploration and operation of oil fields for crude petroleum production	Thailand/Thailand	-[(1)]	50[(1)]
Joint Venture of Interra Resources (Australia) Pte. Ltd.				
PEP 167 [(a)]	Exploration and operation of oil fields for crude petroleum production	Australia/Australia	-[(2)]	50

(a) Audited by Nexia TS Public Accounting Corporation, for consolidation purposes

(b) Audited by V.A.T Accounting, a member firm of Nexia International

(1) In year 2011, the Group has received the approval letter from Ministry of Energy of Thailand for the relinquishment of Blocks L17/48 and L3/48. The Group has transferred its rights for Block L9/48 to the joint venture partner during the financial year.

(2) On 30 June 2012, the Group has received the approval from Ministry of Energy of Australia for the transfer of 50% participating rights of PEP167 to the joint venture partner.

29. 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.

The Group operates primarily in four geographical areas, namely Indonesia and Myanmar. The Group operates in one business segment, namely the exploration and operation of oil fields for crude petroleum production, and derives its revenue solely from the sale of crude petroleum.

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".

29. SEGMENT INFORMATION (CONT'D)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2012 and 2011 are as follows:

Group	Indonesia 2012 US$	Myanmar 2012 US$	All Other Segments 2012 US$	Total Reporting Segment 2012 US$
Revenue				
Sales to external customers	**12,809,409**	**17,597,547**	**–**	**30,406,956**
Adjusted EBITDA	**1,657,230**	**10,727,966**	**(2,502,913)**	**9,882,283**
Depreciation and amortisation	**2,063,130**	**2,567,875**	**39,241**	**4,670,246**
Reversal of impairment	**–**	**–**	**(42,068)**	**(42,068)**
Total assets	**47,579,128**	**26,644,048**	**3,199,153**	**77,422,329**
Total assets includes:				
Capital expenditure (tangible and intangible assets)	**9,070,053**	**9,272,969**	**(20,454)**	**18,322,568**
Total liabilities	**(8,101,125)**	**(1,330,105)**	**(745,453)**	**(10,176,683)**

Group	Indonesia 2011 US$	Myanmar 2011 US$	Thailand 2011 US$	Australia 2011 US$	All Other Segments 2011 US$	Total Reporting Segment 2011 US$
Revenue						
Sales to external customers	8,917,100	15,907,132	–	–	–	24,824,232
Adjusted EBITDA	1,938,209	9,881,266	(93,394)	(141,862)	(2,599,093)	8,985,126
Depreciation and amortisation	1,301,654	2,092,563	–	–	46,776	3,440,993
Impairment and allowances	500,000	–	–	3,499,255	–	3,999,255
Write-back impairment and allowances	–	(1,595,370)	–	–	–	(1,595,370)
Total assets	38,033,011	20,298,971	103,283	222,264	4,869,333	63,526,862
Total assets includes:						
Capital expenditure (tangible and intangible assets)	2,507,766	1,349,841	–	1,500,599	2,336	5,360,542
Total liabilities	(5,953,525)	(1,194,656)	(4,505)	(729,495)	(631,461)	(8,513,642)

There is no inter-segment revenue.

Notes to the Financial Statements

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29. SEGMENT INFORMATION (CONT'D)

The BOD assesses the performance of the operating segments based on a measure of Earnings before interest income, tax, depreciation and amortisation ("adjusted EBITDA"). This measurement basis excludes the effects of expenditure from the operating segments such as impairment and write-back of impairment, which are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to the segments.

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2012 US$	2011 US$
Adjusted EBITDA for reportable segments	**12,385,196**	11,584,219
Other segments EBITDA	**(2,502,913)**	(2,599,093)
Depreciation and amortisation	**(4,670,246)**	(3,440,993)
Write-back of impairment of exploration, evaluation and development costs and concession rights	**–**	1,595,370
Reversal/Impairment of exploration, evaluation and development costs and intangible assets	**42,068**	(3,999,255)
Bank interest income	**84,030**	41,317
Gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT	**–**	7,700,149
Profit before income tax	**5,338,135**	10,881,714

The amounts provided to the BOD with respect to the total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the BOD monitors the property, plant and equipment, exploration, evaluation and development costs, intangible assets, inventories, receivables, deposits and prepayments and operating cash attributable to each segment. All assets are allocated to the reportable segments other than short-term bank deposits.

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

	2012 US$	2011 US$
Segment assets for reportable segments	**74,223,176**	58,657,529
Other segment assets	**3,199,153**	4,869,333
Unallocated:		
Short-term bank deposits	**11,316,671**	2,220,170
	88,739,000	65,747,032

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.

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29. SEGMENT INFORMATION (CONT'D)

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

	2012 US$	2011 US$
Segment liabilities for reportable segments	**9,431,230**	7,882,181
Other segment liabilities	**745,453**	631,461
Unallocated:		
Current income tax liabilities	**8,088,858**	7,954,730
	18,265,541	16,468,372

All revenues from sale of crude petroleum are derived from two external customers for the financial years ended 31 December 2012 and 2011.

30. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group had no other significant transactions with related parties during the financial year.

Related parties comprise mainly companies that are controlled or significantly influenced by the Group's key management personnel and their close family members.

(i) Services received from a related party

	2012 US$	2011 US$
Professional fees paid to Ng Chong & Hue LLC	**188,070**	137,926

One of the directors of the Company is associated with Ng Chong & Hue LLC. The professional fee paid to the firm is according to the prevailing market rates as compared to other firms providing similar services.

(ii) Key Management's Remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the costs incurred by the Group, and where the Group did not incur any costs, the fair value of the benefits. The key management's remuneration is as follows:

	2012 US$	2011 US$
Director's fees	**271,639**	265,218
Short-term employee benefits	**1,227,880**	839,495
Post employment benefits including Central Provident Fund	**19,901**	17,222
Share option expenses	**394,283**	–
Total costs incurred by the Group	**1,913,703**	1,121,935
Cost incurred for the following categories of key management are:		
- Directors of the Company	**1,194,857**	613,423
- Other key management personal	**718,846**	508,512
Total costs incurred by the Group	**1,913,703**	1,121,935

Notes to the Financial Statements

For the financial year ended 31 December 2012

31. BUSINESS COMBINATIONS

(i) Acquisition of Subsidiary

On 24 January 2011, the Group acquired 100% equity interest in IBN Oil Holdico Ltd ("IBN"), which owns 100% participating rights in TAC LS dated 16 November 1998. The principal activity of IBN is exploration and operation of oil fields for crude petroleum production.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, were as follows:

(a) Purchase Consideration

	US$
Total consideration	6,250,000
Consideration transferred for the business	**6,250,000**

(b) Effects on cash flows of the Group

	US$
Cash paid	6,000,000
Less: Cash and cash equivalents in subsidiary acquired	(211,207)
Cash outflow on acquisition	**5,788,793**

During the financial year ended 31 December 2012, the balance of purchase consideration of US$250,000 was settled.

(c) Identifiable assets acquired and liabilities assumed

	At fair value US$
Cash and cash equivalents	211,207
Property, plant and equipment (Note 4)	56,350
Exploration, evaluation and development costs (Note 5)	6,263,279
Inventories	729,839
Trade and other receivables (Note (e) below)	490,974
Total assets	7,751,649
Trade and other payables	(1,683,256)
Provision for environmental and restoration costs (Note 15)	(947,440)
Current income tax liabilities (Note 13)	(569,982)
Total liabilities	(3,200,678)
Total identifiable net assets	**4,550,971**
Add: Participating rights (Note (g) below)	1,699,029
Consideration transferred for the business	**6,250,000**

31. BUSINESS COMBINATIONS (CONT'D)

(i) Acquisition of Subsidiary (Cont'd)

(d) Acquisition-related costs

Acquisition-related costs of US$136,683 were included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2011.

(e) Acquired receivables

The fair value of trade and other receivables was US$490,974 and included trade receivables with fair value of US$349,569. The gross contractual amount for trade receivables due was US$349,569 and had been subsequently collected.

(f) Intangible development costs

The Group has assessed and recognised the intangible development costs at its fair value of US$6,263,279 (Exploration, evaluation and development costs). The recoverable amounts of CGU were determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum reserves, future crude oil prices, operating costs, capital expenditure and number of payment of invoices received by the Group in a year. Management has used the 2011 budgets reviewed and also past experiences as a guide. The period beyond 2011 until the expiry of the contracts assumed some drilling activities undertaken to further develop the existing fields. Future cash flows were discounted using discount rate of 12.8% per annum.

(g) Participating rights

The participating rights of US$1,699,029 arose from the acquisition was attributable to the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the acquisition of the 100% participating rights in TAC LS.

(h) Revenue and profit contribution

The acquired business contributed revenue of US$3,103,850 and the net loss after tax of US$446,066 to the Group from the period from 24 January 2011 to 31 December 2011.

Had IBN been consolidated from 1 January 2011, consolidated revenue and consolidated profit for the financial year ended 31 December 2011 would have been US$24,824,232 and US$8,884,155 respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2012

31. BUSINESS COMBINATIONS (CONT'D)

(ii) Acquisition of 30% participating rights in TAC TMT

On 25 November 2011, the Group acquired the remaining 30% participating rights in TAC TMT through its wholly owned subsidiary, Goldwater TMT Pte. Ltd. and assume the role of sole operator. Previously, the Group has accounted the 70% participating rights as "Investment in Joint Ventures" using proportionate consolidation. After the acquisition, the Group has established control and the acquisition is accounted under FRS 103 Business Combinations. In accordance to FRS 103, the Group had re-measured its existing 70% participating rights as of acquisition date at fair value of US$8,399,851 and deemed sale proceeds of US$16,100,000. As a result, the Group recognised a gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT of US$7,700,149 (Note 21).

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) Purchase Consideration

	US$
Total consideration	6,900,000
Consideration transferred for the business	**6,900,000**

(j) Effects on cash flows of the Group

	US$
Cash paid (as above)	6,900,000
Less: Cash and cash equivalents acquired	(761,011)
Cash outflow on acquisition	**6,138,989**

(k) Identifiable assets acquired and liabilities assumed

	At fair value US$
Cash and cash equivalents	761,011
Property, plant and equipment (Note 4)	123,128
Exploration, evaluation and development costs (Note (n) below)	5,230,253
Inventories	204,192
Trade and other receivables (Note (m) below)	542,688
Total assets	6,861,272
Trade and other payables	(630,928)
Provision for environmental and restoration costs (Note 15)	(366,046)
Total liabilities	(996,974)
Total identifiable net assets	**5,864,298**
Add: Participating rights (Note (o) below)	1,035,702
Consideration transferred for the business	**6,900,000**

(l) Acquisition-related costs

Acquisition-related costs of US$59,550 were included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows for the financial year ended 31 December 2011.

31. BUSINESS COMBINATIONS (CONT'D)

(ii) Acquisition of 30% participating rights in TAC TMT (Cont'd)

(m) Acquired receivables

The fair value of trade and other receivables is US$542,688 and includes trade receivables with fair value of US$339,640. The gross contractual amount for trade receivables due was US$339,640 and had been subsequently collected.

(n) Intangible development costs

The Group has assessed and recognised the intangible development costs at its fair value of US$5,230,253 (Exploration, evaluation and development costs). The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum reserves, future crude oil prices, operating costs, capital expenditure and number of payment of invoices received by the Group in a year. Management has used the 2011 budgets reviewed and also past experiences as a guide. The period beyond 2011 until the expiry of the contracts assumed some drilling activities undertaken to further develop the existing fields. Future cash flows were discounted using discount rate of 12.8% per annum.

(o) Participating rights

The participating rights of US$1,035,702 arising from the acquisition was attributable to the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the acquisition of the remaining 30% participating rights in the TAC TMT.

(p) Revenue and profit contribution

The acquired business contributed revenue of US$232,708 and the net profit after tax of US$28,163 to the Group from the period from 25 November 2011 to 31 December 2011.

Had TAC TMT been consolidated in full from 1 January 2011, consolidated revenue and consolidated profit for the financial year ended 31 December 2011 would have been US$26,983,185 and US$9,195,754 respectively.

32. SUBSEQUENT EVENTS

(a) On 10 January 2013, the Company was transferred from SGX Catalist to SGX Mainboard.

(b) On 21 January 2013, an aggregate of 1,865,000 ordinary shares pursuant to the 2012 Options granted under the Interra Share Option Plan were exercised at S$0.148 per share.

(c) On 1 March 2013, an aggregate of 250,000 and 305,000 ordinary shares pursuant to 2008 Options and 2012 Options under the Interra Share Option were exercised at S$0.45 per share and S$0.148 per share respectively. The remaining 2008 Options of 250,000 ordinary shares at S$0.55 per share have lapsed on 2 March 2013.

Notes to the Financial Statements

For the financial year ended 31 December 2012

33. NEW OR REVISED FRS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2013 or later periods and which the Group has not early adopted:

- Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- FRS 19 (Revised) – Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (Revised) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (Revised) – Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 – Financial Instruments: Offsetting of Financial liabilities and Assets (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 (New) – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 (New) – Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 (New) – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- FRS 113 (New) – Fair Value Measurements (effective for annual periods beginning on or after 1 January 2013)

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

34. 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 22 March 2013.

Shareholder Information

As at 13 March 2013

ORDINARY SHARES

The Company has one class of ordinary shares. Every holder of ordinary shares, who is entitled to attend and vote at a general meeting of the Company, present in person or by proxy or represented by attorney shall have one vote on a show of hands, and in case of a poll, shall have one vote for every ordinary share held or represented.

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

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Shares
1 - 999	4,292	37.54	1,311,488	0.29
1,000 - 10,000	4,274	37.38	18,068,817	4.06
10,001 - 1,000,000	2,844	24.88	153,212,961	34.39
1,000,001 and above	23	0.20	272,957,091	61.26
Total	**11,433**	**100.00**	**445,550,357**	**100.00**

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

Name of Shareholder	No. of Shares	% of Issued Shares
Citibank Nominees Singapore Pte Ltd	93,076,114	20.89
UOB Kay Hian Pte Ltd	91,791,620	20.60
HSBC (Singapore) Nominees Pte Ltd	18,694,528	4.20
OCBC Securities Private Ltd	9,715,116	2.18
Maybank Kim Eng Securities Pte Ltd	8,539,300	1.92
CIMB Securities (Singapore) Pte Ltd	6,589,700	1.48
United Overseas Bank Nominees Pte Ltd	5,555,852	1.25
Hong Leong Finance Nominees Pte Ltd	5,145,500	1.16
Bank of East Asia Nominees Pte Ltd	5,040,000	1.13
Representations International (HK) Ltd	5,000,000	1.12
DBS Nominees Pte Ltd	4,913,042	1.10
Phillip Securities Pte Ltd	4,440,889	1.00
Lin Ting Yie @ Lam Tin Yie	1,590,000	0.36
Raffles Nominees (Pte) Ltd	1,431,524	0.32
OCBC Nominees Singapore Pte Ltd	1,404,892	0.32
Lim Chin Leong	1,400,000	0.31
Lim Him	1,395,000	0.31
Lim & Tan Securities Pte Ltd	1,310,000	0.29
Merrill Lynch (Singapore) Pte Ltd	1,308,814	0.29
Maybank Nominees (S) Pte Ltd	1,245,000	0.28
Total	**269,586,891**	**60.51**

Shareholder Information

As at 13 March 2013

Substantial Shareholders
(As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Edwin Soeryadjaya[(1)]	–	–	79,364,000	17.81
Sandiaga Salahuddin Uno[(2)]	–	–	79,364,000	17.81
PT Saratoga Investama Sedaya[(1), (2)]	79,364,000	17.81	–	–
Subianto Arpan Sumodikoro[(3)]	–	–	52,500,000	11.78
Shining Persada Investments Pte. Ltd.[(3)]	52,500,000	11.78	–	–

Notes:

(1) Edwin Soeryadjaya is deemed to have an interest in the 79,364,000 shares held by PT Saratoga Investama Sedaya by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Sandiaga Salahuddin Uno is deemed to have an interest in the 79,364,000 shares held by PT Saratoga Investama Sedaya by virtue of Section 7 of the Companies Act, Chapter 50.

(3) Subianto Arpan Sumodikoro is deemed to have an interest in the 52,500,000 shares held by Shining Persada Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

Public Shareholdings

Based on the information available to the Company on 13 March 2013, approximately 69.0% of the issued ordinary shares of the Company are held by the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

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Corporate Information

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Marcel Han Liong Tjia
Executive Director & Chief Executive Officer

Ng Soon Kai
Director (Non-Executive)

Subianto Arpan Sumodikoro
Director (Non-Executive)

Low Siew Sie Bob
Lead Independent Director (Non-Executive)

Allan Charles Buckler
Independent Director (Non-Executive)

Lim Hock San
Independent Director (Non-Executive)

Pepen Handianto Danuatmadja
Alternate Director to Subianto Arpan Sumodikoro

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Adrian Chan Pengee
Kwa Xian-Zhen, Christie

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Partner-in-charge: Chin Chee Choon
(Appointed on 28 April 2011 with effect from FY2011)

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STOCK EXCHANGE LISTING

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