Gaining Momentum

Annual Report 2005

interra resources

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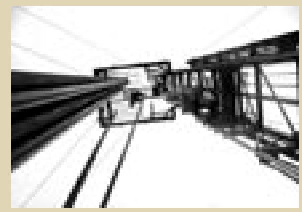
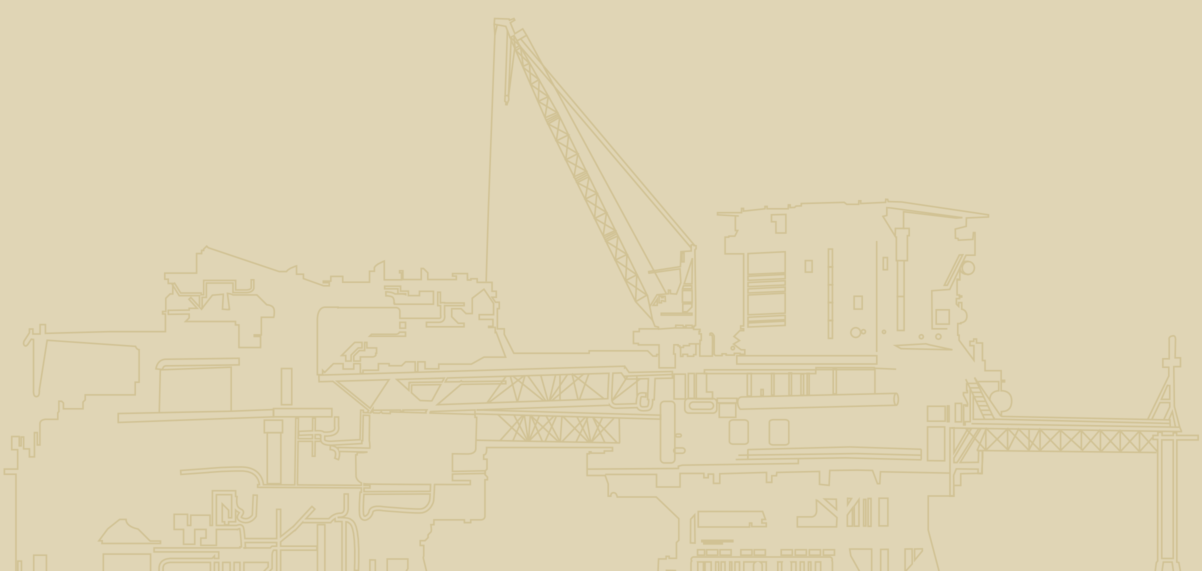




CORPORATE PROFILE

Interra Resources Limited is a Singapore-listed company specialising in the upstream petroleum business. Our core focus is petroleum production, field development and low-risk exploration. We are positioning ourselves to be a leading regional producer of oil and gas.

Currently, we have established interests and operations in five contract areas located in various parts of Myanmar and Indonesia.

In central Myanmar, we hold 60% of the rights to operate in two of the largest onshore oil fields, namely the Yenangyaung and Chauk Improved Petroleum Recovery ("IPR") contracts. The Myanmar concessions, covering a total area of approximately 1,800 square kilometres, are located along the Ayeyarwaddy River, approximately 580 kilometres north of Yangon.

Onshore south Sumatra, we own a 70% non-operated interest in the Tanjung Miring Timur ("TMT") Technical Assistance Contract ("TAC"). The TMT onshore oil field is located approximately 30 kilometres southeast of Prabumulih and about 120 kilometres southwest of Palembang. The operator of TMT is PT Retco Prima Energy ("Retco").

Offshore southeast Sumatra, we have a 50% stake in a joint venture company that owns a 5% non-operated interest in the Southeast Sumatra ("SES") Production Sharing Contract ("PSC"). The SES oil and gas fields are located off the southeast coast of Sumatra in the Java Sea, approximately 80 kilometres northwest of Jakarta, and cover an area of approximately 8,098 square kilometres. The operator of SES is CNOOC SES Ltd.

Offshore northwest Java, we have a 50% stake in a joint venture company that owns a 5% non-operated interest in the Offshore Northwest Java ("ONWJ") PSC. The ONWJ oil and gas fields are located along the coastline of northwest Java, northeast of Jakarta, and extend offshore to a maximum distance of approximately 75 kilometres. The fields cover a total area of approximately 11,052 square kilometres and the operator of ONWJ is BP West Java Ltd.

* Not drawn to scale

CHAIRMAN'S STATEMENT

"Annual shareable production exceeded 1 million boe for the first time"

DEAR SHAREHOLDERS,

I have pleasure in presenting to you the first annual report of Interra Resources Limited ("Interra") since I assumed the role of Chairman. I am pleased to report that the Company has had a successful and profitable year driven by increases in oil and gas production and strong oil prices. In particular,

(i) our net profit after tax for 2005 was S$3.4 million;

(ii) the Group's annual shareable production for 2005 exceeded 1 million barrels of oil equivalent ("boe") for the first time; and

(iii) we substantially increased our proven remaining oil and gas reserves to 18 million boe as at 31 December 2005.

Unfortunately, however, our successes have not translated into a stronger share price.

During 2005, Interra completed a major acquisition being the purchase of an indirect 2.5% stake in the Offshore Northwest Java ("ONWJ") production sharing contract ("PSC") and the South East Sumatra ("SES") PSC in Indonesia. The timing of this acquisition has proved to be good as values have risen considerably during 2005. Operationally, the acquisition has also performed better than our initial expectations. We have not only increased our production of oil but also gained entry into gas production (our oil and gas entitlements are now almost 4,400 boe per day in total). Whilst we are not the operator of the fields, our involvement has improved our technical expertise and enabled us to develop further relationships within the industry.

Our 70% interest in a technical assistance contract ("TAC") in the Tanjung Miring Timur ("TMT") oil field in South Sumatra, Indonesia also continues to perform well with our share of production in 2005 higher than 2004. As a result of the poor drilling performance in 2004, there was no drilling conducted during 2005. The partners have now agreed in principle to drill one development well and one infill well during 2006. Ongoing analysis regarding these proposed drillings is continuing.

After the technical difficulties experienced in 2004, no drilling was undertaken in the Chauk and Yenangyaung fields in Myanmar during the year. Despite this, our shareable production was higher than in the previous year. The long awaited field study by an external consultant was completed during the year. The study indicated that there are significant prospects and leads available within the fields and that the Stock Tank Original Oil In Place in our fields is much higher than in the 1996 Initial Joint Study. Additional reprocessing and interpretation of seismic data is being undertaken. Exploration drilling and detailed analysis is required to confirm

whether the prospects and leads will ultimately prove to contain or yield commercially recoverable hydrocarbons. We are working with our 40% partner on how best to optimise the recent findings commercially. Like many countries which are dependent upon oil imports, Myanmar experienced the burden of spiralling oil prices in 2005. Consequently, payments made to domestic oil producers have been irregular throughout the year.

I would like to thank Mr Purnardi Djojosudirdjo, Mr Yos Teo Sidy and Mr Sugiharto Soeleman, members of the Board of Directors who retired during the year. In particular, I wish to express my sincere thanks to Mr Sugiharto who resigned as Chief Executive Officer ("CEO") on 30 June 2005. Mr Sugiharto was CEO from July 2003 and was a driving force behind Interra's growth during this period. His contribution to the Company has been invaluable. I extend a warm welcome to our new Directors, Mr Ng Soon Kai and Mr Luke Targett who is also the new CEO.

Going forward, the Company is determined to continue growing as it has done each year from its rebirth as an oil and gas company in 2003. Notwithstanding this, the current high oil price is not conducive to making new acquisitions. Prices for both exploration and producing assets have risen sharply over recent times with Chinese and Indian interests continuing to be particularly active. Interra sees acquisitions of smaller scale exploration and producing assets together with mature fields as being ideal targets. The Company is looking to develop its current assets through low risk exploration and technical innovation. Strategic partnerships will be developed to broaden the Company's sphere of operations. Our focus will continue to be in South East Asia with particular emphasis on Indonesia in the short term where we anticipate upcoming opportunities ideally suited to Interra. The Company now has a solid base of production which will serve as a platform for future growth.

Interra recognises that our key asset is our people. In order to achieve our growth goals, the Company is looking to not only attract more of the best people in the industry to Interra but also to ensure that they are retained. In the current climate, there is a well documented shortage of qualified and suitably experienced professionals within the oil and gas industry. To this end, we intend to introduce an employee share plan which will not only reward our employees for superior performance but also motivate our team to stay and work together.

The Board considers that the Company is currently not in a position to declare a dividend. The Board is committed to maximising shareholder value and also focusing on strengthening the financial position of the Company so as to enable Interra to take advantage of opportunities that arise. At this stage, Interra does not have any hedging in place so the Company is able to benefit from further increases in energy prices.

I would like to thank my fellow members of the Board and also our employees and management for their dedication during the year. I also extend my thanks to our business partners for their ongoing support. In particular, I thank our shareholders and look forward to your continued support of the Company during these exciting times.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

BOARD OF DIRECTORS

EDWIN SOERYADJAYA

Chairman

Mr Edwin Soeryadjaya, Non-Executive Director since December 2004, was appointed the Chairman of the Board in July 2005. He is the Chairman of Saratoga Capital and sits on its investment committee. He is also the Chairman of PT MGTI and the President Director of PT Adaro. Previously, he served as Vice President Director at PT Astra International Tbk from 1978 to 1993.

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

SANDIAGA SALAHUDDIN UNO

Deputy Chairman

Mr Sandiaga Salahuddin Uno, Non-Executive Director since July 2003, was appointed the Deputy Chairman of the Board in July 2005. He is also Member of the Audit Committee, Member of the Nominating Committee and Member of the Remuneration Committee. He is presently the Principal and Managing Director of PT Saratoga Investama Sedaya, a private equity and direct investment company in Jakarta.

Mr Sandiaga graduated from the Wichita State University, Kansas with a Bachelor of Business Administration, majoring in Accounting, in May 1990. Subsequently, he completed a Master of Business Administration, majoring in International Business and Finance, at the George Washington University, Washington in May 1992.

LUKE CHRISTOPHER TARGETT

Executive Director & Chief Executive Officer

Mr Luke Christopher Targett was appointed as Executive Director and Chief Executive Officer in July 2005. In addition, he sits on the boards and management committees of the Group's subsidiary companies and joint venture entities.

Mr Targett was previously a Partner at Ernst & Young in Corporate Finance. He has over 17 years experience in mergers and acquisitions, valuations, restructuring and

risk management gained in Australia, London, Thailand and Indonesia.

Mr Targett graduated with a Bachelor of Commerce from the Melbourne University in 1991 and completed the Professional Year Program at the Institute of Chartered Accountants in Australia in 1993. Subsequently, he obtained a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a Member of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australasia.

SUBIANTO ARPAN SUMODIKORO

Non-Executive Director

Mr Subianto Arpan Sumodikoro was appointed as Non-Executive Director in December 2004. He had served PT Astra International Tbk, its affiliate and subsidiary companies for 34 years before retirement. Currently, he continues to serve with commissioner positions within the Astra Group. In addition, he is an active Chairman of PT Kirana Megatara, an active Chairman of Multi-Corporation (S) Pte Ltd and an active Commissioner of PT Adaro Indonesia. He also leads the Board of Directors of PT Tri Nur Cakrawala, PT Pandu Alam Persada, PT Persada Capital and PT Persada Capital Investama.

Mr Subianto graduated from the Bandung Institute of Technology in 1969 with a bachelor's degree in Engineering. He also has a master's degree in Business Administration from INSEAD.

CRESCENTO HERMAWAN

Alternate Director to Subianto Arpan Sumodikoro

Mr Crescento Hermawan was appointed as Alternate Director to Subianto Arpan Sumodikoro in May 2005. He is currently the President Director of PT Persada Capital, Director of PT Persada Capital Investama and Commissioner of PT Sahabat Finance.

Mr Crescento received his Bachelor of Finance from the University of Toledo, Ohio.

BOARD OF DIRECTORS

ALLAN CHARLES BUCKLER
Independent Director
Mr Allan Charles Buckler, appointed as Independent Director in December 2004, is the Chairman of the Nominating Committee, Member of the Audit Committee and Member of the Remuneration Committee.

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

LIM HOCK SAN
Independent Director
Mr Lim Hock San, appointed as Independent Director in July 2004, is the Chairman of the Audit Committee, Chairman of the Remuneration Committee and Member of the Nominating Committee. He is currently the President and Chief Executive Officer of both United Industrial Corporation Limited and Singapore Land Limited. He also sits on the boards of the Keppel Corporation Limited and United Test and Assembly Center Ltd.

Mr Lim graduated with a Bachelor of Accountancy from the University of Singapore. He received his Masters of Science from the Alfred P Sloan School of Management, Massachusetts Institute of Technology (MIT), USA in 1973 and attended the Advanced Management Program at Harvard Business School. He is a Fellow of The Chartered Institute of Management Accountants, UK and a Fellow of the Institute of Certified Public Accountants of Singapore.

NG SOON KAI
Independent Director
Mr Ng Soon Kai was appointed as Independent Director in November 2005. He is currently the Managing Director of Ng Chong & Hue LLC. He is in his 16th year of practice and has vast legal experience in litigation, merger and acquisition, corporate re-structuring, reverse take-over, scheme of arrangement under section 210 of the Companies Act, as well as work involving the Securities Industries Council and the Singapore Exchange. He has also done some cross-border work involving Indonesia, Myanmar and the People's Republic of China.

Mr Ng graduated from the National University of Singapore with a Bachelor of Laws (LLB) 2nd Class Upper Division Honours degree in 1989. He is also a commissioner for Oaths and a Notary Public.

KEY MANAGEMENT

STEVEN LWI TONG BOON

Chief Financial Officer,
Interra Resources Limited

Mr Steven Lwi Tong Boon is the Chief Financial Officer of Interra Resources Limited. He has overall responsibility for the Group's financial and management accounting, treasury, taxation and other corporate compliance matters.

Prior to Interra, Mr Lwi accumulated his financial and compliance experience as Financial Controller of Ferrell Asset Management Pte Ltd, a boutique fund management company and as Compliance and Internal Audit Manager of Fraser Securities Pte Ltd, a member company of the Singapore Exchange Securities Trading Limited.

Mr Lwi graduated from the Nanyang Technological University, Singapore with an honours degree in Accountancy in 1992. He was initially trained as an auditor at Price Waterhouse. In 1996, he was admitted into the Institute of Certified Public Accountants of Singapore as a non-practising Certified Public Accountant.

JOSEPH TARUNO POEDJOHARDJO

Technical Manager,
Goldwater Company Limited

Mr Joseph Taruno Poedjohardjo is the Technical Manager of Goldwater Company Limited. He looks after the technical aspects of the Group's projects in Indonesia and Myanmar.

Mr Taruno commenced his career in the oil industry with Pertamina in 1971. His assignments included Exploration Manager for Oil & Gas and Geothermal Pertamina and Joint Operating Body (JOB) Pertamina - Golden Spike; Head of Upstream for Corporate Planning Directorate, Pertamina Head Office; and General Manager for JOB Pertamina - Western Resources where he was responsible for running the entire upstream general operation and controlling both technical and non-technical matters. He retired from Pertamina in 2000.

Mr Taruno received his postgraduate degree in Geology and Magister Management, majoring in Financial Management, from the Gadjah Mada University, Jogyakarta. He was also trained in Geological and Geophysical Management both in Indonesia and abroad. In addition, he attended the Executive Program at the Michigan University Business School and the Top Management Oil & Gas Course at the Indonesia National Defense Institution.

SUGI HANDOKO

Country Manager,
Goldwater Company Limited

Mr Sugi Handoko is the Country Manager of Goldwater Company Limited and has been stationed in Myanmar since 1997.

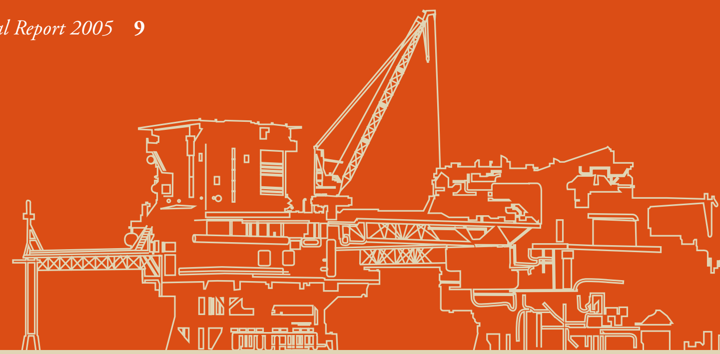
Previously, Mr Sugi was employed by PT Suryaraya Teladan, and assigned at Joint Operating Body (JOB) Pertamina - Suryaraya Teladan as Senior Operations Engineer from 1992 to 1996, and PT Caltex Pacific Indonesia as Petroleum Engineer in various aspects of Production, Completion/ Operation, and Reservoir Engineering between 1986 and 1991.

Mr Sugi received his Post-Graduate Degree in Petroleum Engineering from the Bandung Institute of Technology (ITB).

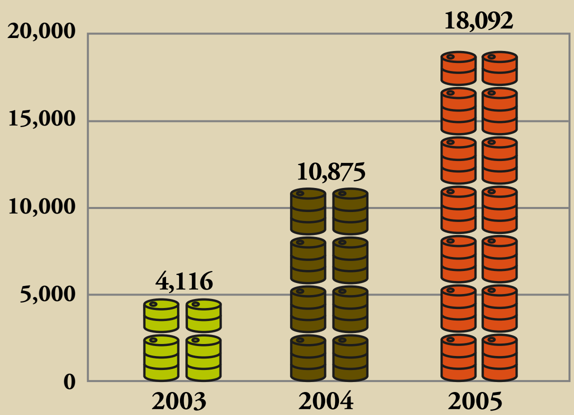
FINANCIAL HIGHLIGHTS

Group	2003	2004	2005
FINANCIAL PERFORMANCE	**(S$'000)**	**(S$'000)**	**(S$'000)**
Turnover	4,116	10,875	18,092
Gross profit	1,274	2,462	6,665
Profit /(Loss) before tax	5,261	(352)	4,595
Profit /(Loss) after tax	4,884	(773)	3,390
FINANCIAL STRENGTH	**(S$'000)**	**(S$'000)**	**(S$'000)**
Cash and cash equivalents	4,122	7,775	8,045
Debt and borrowings	7,441	7,174	25,456
Net current assets	4,440	5,493	6,576
Shareholders' equity	17,302	30,387	35,346
CASH FLOW POSITION	**(S$'000)**	**(S$'000)**	**(S$'000)**
Cash inflow from operating activities	9,415	1,055	1,529
Cash (outflow) from investing activities	(7,287)	(12,378)	(19,867)
Cash inflow from financing activities	1,638	14,977	18,608
SHAREHOLDERS' WEALTH			
Number of shares in issue at the end of the year	176,527,024*	192,527,024*	192,527,024
Weighted average number of shares in issue for the year	147,101,998*	186,712,816*	192,527,024
Earnings per share - basic & fully diluted^ (cents)	3.320*	(0.414)*	1.761
Net asset per share (cents)	9.801*	15.783*	18.359
STOCK INFORMATION	**(S$)**	**(S$)**	**(S$)**
Closing share price at end of the year	1.1750*	0.600*	0.2150
Average daily closing share price for the year	1.3350*	0.810*	0.3375*
Highest share price for the year	1.9000*	1.675*	0.7000*
Lowest share price for the year	0.8500*	0.475*	0.1850*
Market capitalization at end of the year	207,419,253	115,516,214	41,393,310
Average market capitalization for the year	235,394,299	151,213,696	64,977,871

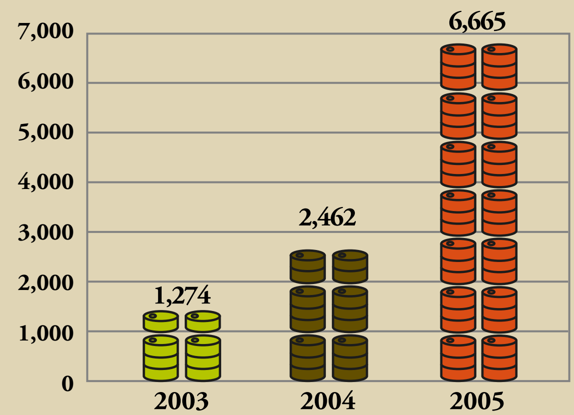
^ *See Note 34 of the notes to financial statements for full details on fully diluted earnings per share*
* *Adjusted for 5 to 1 share consolidation*



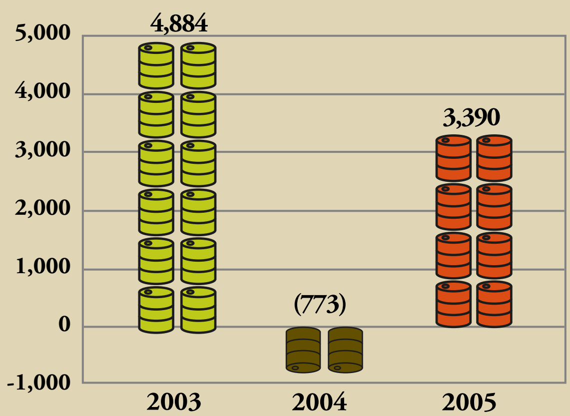
Turnover
(S$'000)



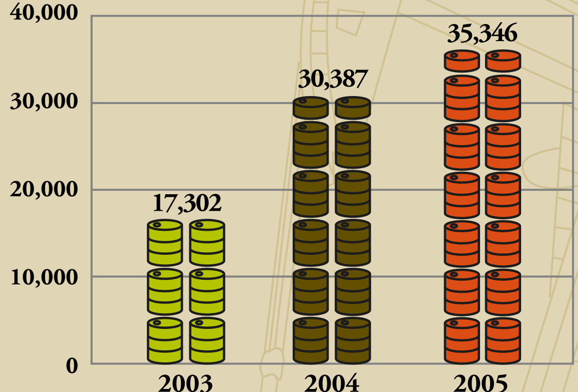
Gross Profit
(S$'000)



Profit/(Loss) After Tax
(S$'000)



Shareholders' Equity
(S$'000)



OPERATIONS REVIEW

FINANCIAL PERFORMANCE

The Group's revenue increased from S$10.9 million during 2004 to S$18.1 million during 2005, a 66% increase. The increase is due to a combination of increased production and higher oil prices. Gross profit increased 171% to S$6.7 million from S$2.5 million in the previous year. Net profit of S$3.4 million compares to a net loss incurred during the previous year. The increase in net profit for the year was partly due to a net S$0.7 million accounting adjustment as a result of adopting and complying with Singapore Financial Reporting Standard 39 - Financial Instrument: Recognition and Measurement. The unamortised balance as at 31 December 2005 will be amortised over the next 28 months. The Group's profit was reduced by S$0.6 million due to an allowance for doubtful debts due to the irregular payments in respect of Myanmar trade receivables.

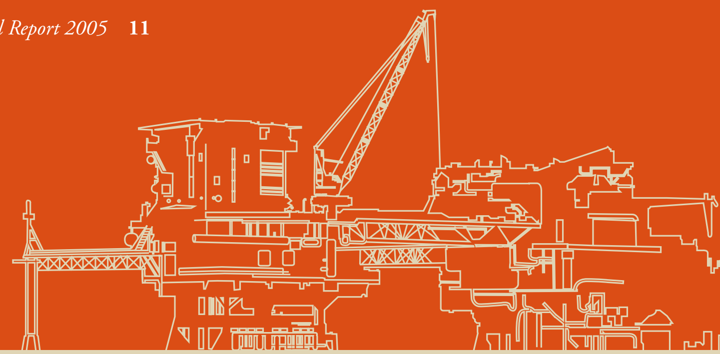
The TMT TAC contributed most to the Group's profit during 2005 with a contribution of approximately S$3.2 million. The indirect 2.5% stake in the ONWJ and SES PSC's contributed almost S$1.4 million whilst Myanmar posted a loss of S$0.1 million due to a once off training levy provision of S$0.8 million and the doubtful debt allowance detailed above.

Financial Position

The net assets as at 31 December 2005 increased to S$35.3 million compared to S$30.4 million as at 31 December 2004. The net asset backing per share increased to 18.359 cents compared to 15.783 cents the previous year. Debt and borrowings increased to S$25.5 million due mainly to the issuance of US$11 million bond in April 2005 to fund the acquisition of an indirect 2.5% stake in the ONWJ and SES PSCs.

Cash Flow

The Group's cash and cash equivalents as at 31 December 2005 slightly increased to S$8.0 million compared to the previous year end. The cash inflow from operating activities increased to S$1.5 million, however, this was less than would otherwise be expected due to the deterioration in the accounts receivable position in Myanmar. The cash flows from investing and financing activities mainly relate to the acquisition of the stake in the ONWJ and SES PSCs.



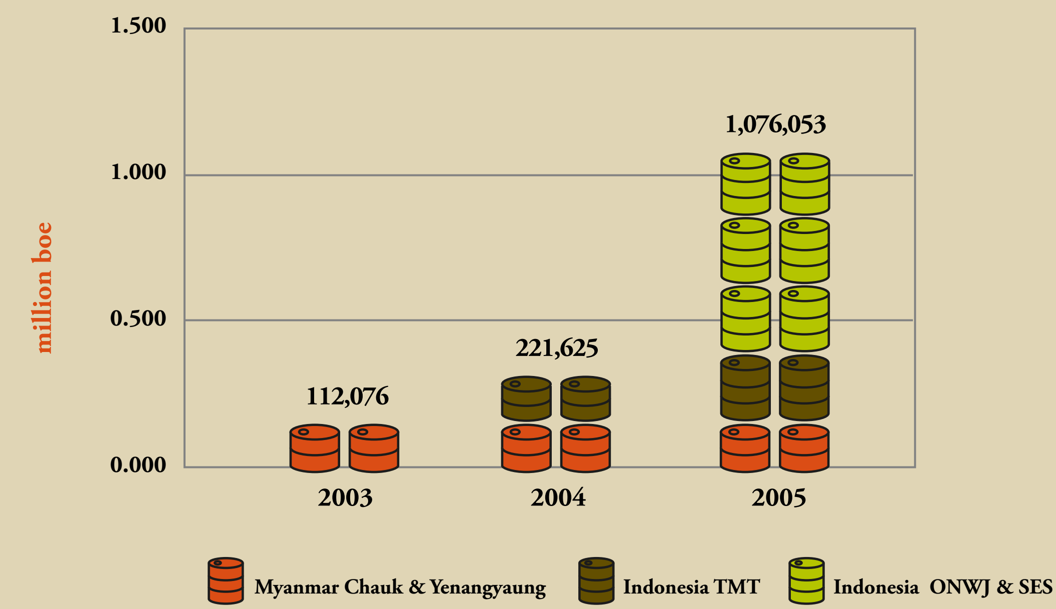
PRODUCTION

The Group's annual shareable production, after non-shareable oil, but before the application of the relevant host government's contractual arrangements for the past 3 years is as follows:

Field	2003	2004	2005
Myanmar Chauk & Yenangyaung	112,076	102,778	109,319
Indonesia TMT	NA	118,847	159,836
Indonesia ONWJ & SES	NA	NA	806,898
Total boe	**112,076**	**221,625**	**1,076,053**

"boe" means "barrels of oil equivalent"
"NA" means "not applicable"

Oil & Gas Production by Field

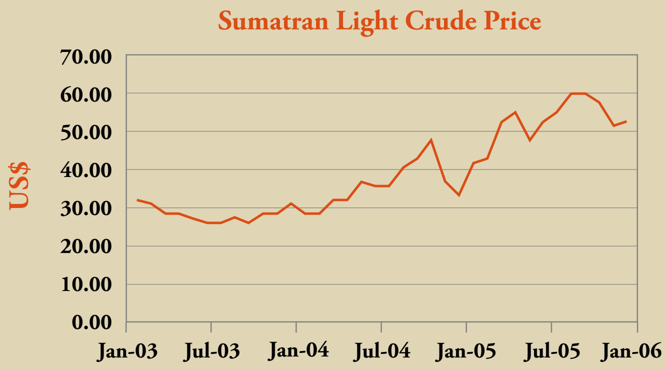


Production has increased significantly on a year on year basis with the Group's annual shareable production in 2005 exceeding 1 million boe. During 2005, the Group received a share of gas production for the first time.

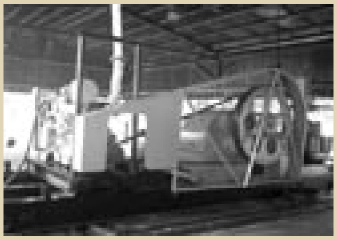
OPERATIONS REVIEW

OIL PRICES & HEDGING

Oil prices were strong during 2005 and the forward curve suggests that prices will remain strong for quite some time. The Sumatran Light Crude price for the past 3 years is summarised below.

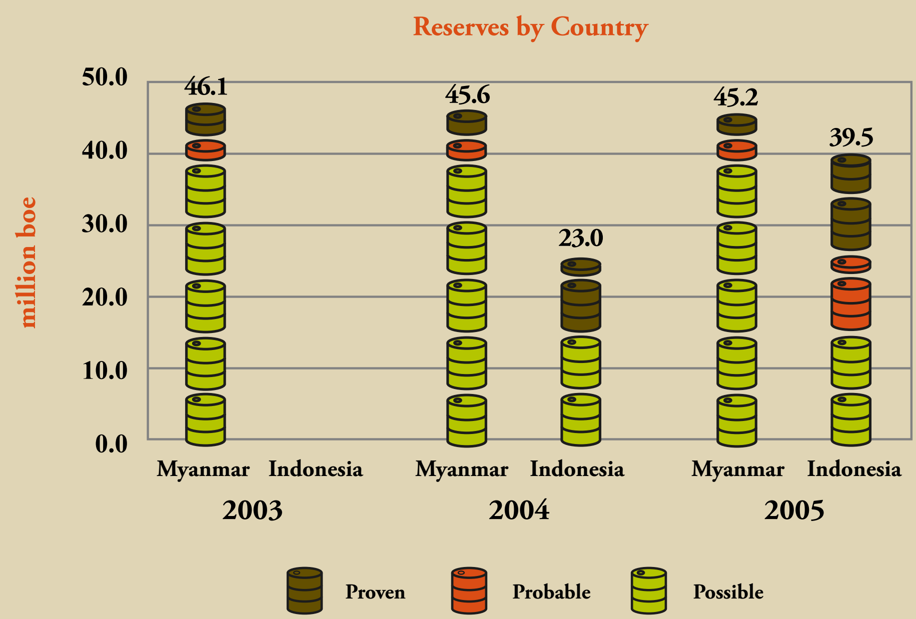


During the year, the Group did not enter into any hedge or derivative agreements. Accordingly, the Group remains in a position to benefit from any increases in the oil price. The Group is always reviewing its position especially in light of the high oil prices and strong forward price curves. Notwithstanding this, it is likely that the Group will only enter into hedge agreements if they are considered necessary as part of finance or acquisition activities. Gas sales contracts are at fixed price.



RESERVES

Interra has grown its gross petroleum reserves over the past 3 years. From 2004 to 2005, the Company increased its gross proven reserves by more than 4 million boe (approximately 32%). Interra's share of gross petroleum reserves by country is summarised in the following graph and table. The increased volume of Stock Tank Original Oil In Place relating to the developed areas and exploration prospects and leads in Myanmar identified in the recent full field study are not included in the statistics below.



OPERATIONS REVIEW

Gross Petroleum Reserves	2003 Myanmar	2003 Indonesia	2003 Total	2004 Myanmar	2004 Indonesia	2004 Total	2005 Myanmar	2005 Indonesia	2005 Total
Proven	5.1	-	**5.1**	4.6	9.0	**13.6**	4.2	13.8	**18.0**
Probable	2.1	-	**2.1**	2.1	-	**2.1**	2.1	11.0	**13.1**
Possible	38.9	-	**38.9**	38.9	14.0	**52.9**	38.9	14.7	**53.6**
Total mmboe	**46.1**	**-**	**46.1**	**45.6**	**23.0**	**68.6**	**45.2**	**39.5**	**84.7**

"mmboe" means "million barrels of oil equivalent"

Notes:

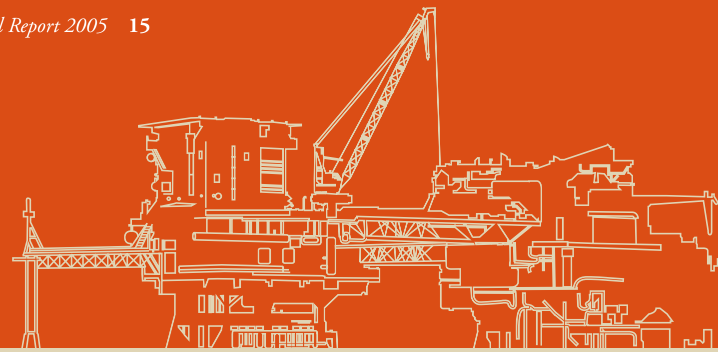
1. Gross petroleum reserves refer to the estimated petroleum reserves prior to the application of the relevant host government's contractual arrangements.

2. For the purpose of converting gas reserves to barrels of oil equivalent, a factor of 6,000 standard cubic feet of gas to 1 barrel of oil equivalent (boe) was used.

3. The sources of Interra's estimated petroleum reserves are as follows:-

Field	Source of Estimated Reserves
Myanmar Chauk & Yenangyaung	Certificate of Oil Reserves as of April 2002 By Lemigas dated September 2002*
Indonesia TMT	Reserves Certification of Tanjung Miring Timur as of 1 August 2005 By Gaffney, Cline & Associates (Consultants) Pte Ltd dated March 2006*
Indonesia ONWJ	Oil and Gas Reserves Report as of 1 January 2006 By BP West Java Ltd dated January 2006
Indonesia SES	Estimated Future Gross and Net Reserves as of 31 December 2005 By Ryder Scott Company Petroleum Consultants dated February 2006

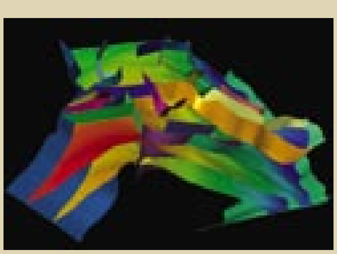
**Actual production since the cut off date has been deducted from the quantum of proven reserves*



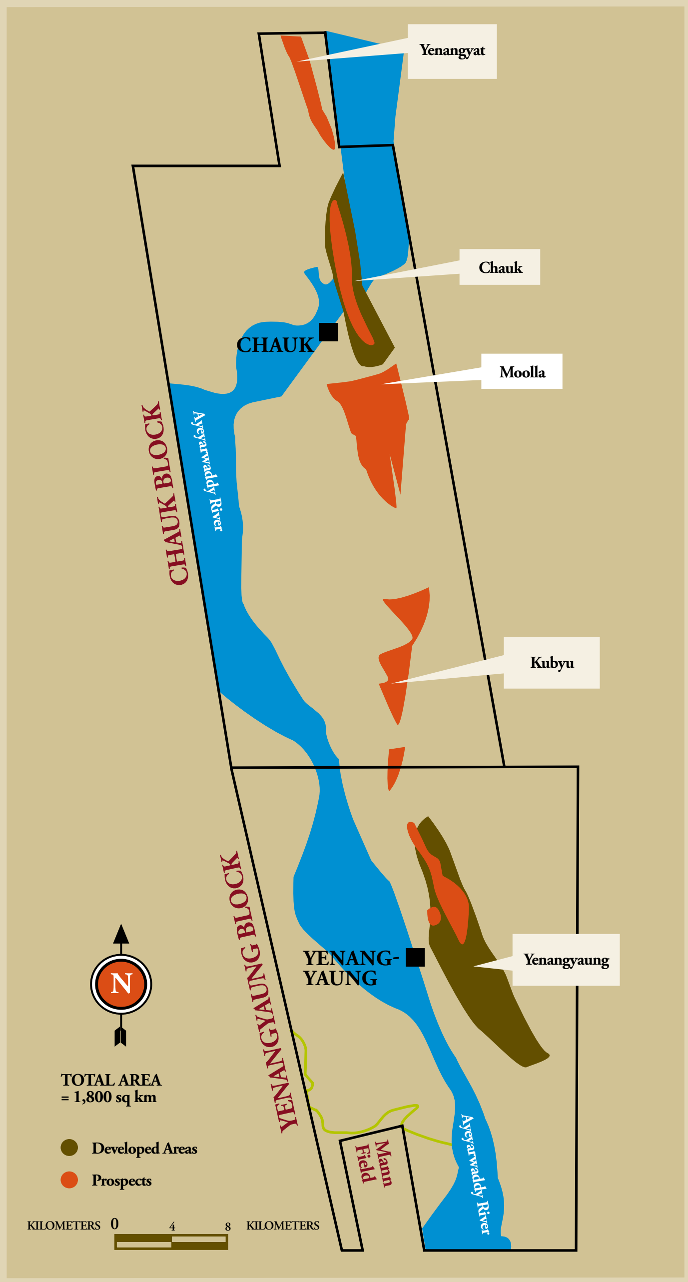
FIELD BY FIELD REVIEW

Myanmar: Chauk and Yenangyaung

Total gross production for the fields only marginally decreased compared to the previous year. No new wells were drilled during the year, however, significant routine maintenance was conducted. The Group's shareable production increased to 300 barrels of oil per day ("bopd") compared to 281 bopd during 2004. Operating conditions within Myanmar remain challenging with shortages of materials and unreliable power supply ongoing. The country has experienced rapid and unpredictable price rises which have exacerbated matters.



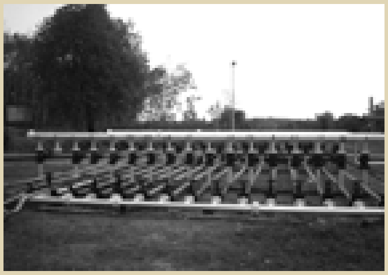
CHAUK & YENANGYAUNG FIELDS

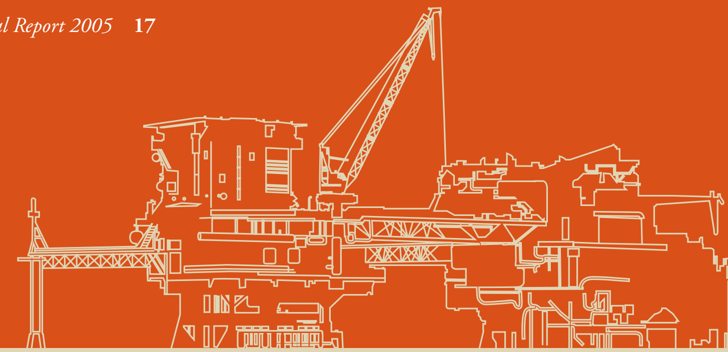


OPERATIONS REVIEW

Schlumberger Logelco Inc. completed a detailed geophysical and geological field study in December 2005 which highlighted 8 prospective areas that include both exploration prospects and leads and undeveloped areas (with tested hydrocarbons). The study indicated that the estimated Stock Tank Original In Place ("STOOIP") for both the existing developed areas and the prospects and leads amounts to 3,639 million barrels (unrisked) compared to the previous estimate of 1,715 million barrels from the 1996 Initial Joint Study. STOOIP refers to the volume of oil present in the subsurface. Actual reserves produced would be considerably less than this volume if the prospects and leads are ultimately successfully developed. Detailed further analysis and exploration drilling is required to definitively establish whether the prospects and leads will ultimately prove to contain or yield commercially recoverable hydrocarbons. In conjunction with the study, almost 450 line kms of seismic data was externally reprocessed using the latest developed technology. Specialised software and reservoir measurement equipment was also purchased during the year. Further reprocessing and in-house interpretation are continuing. We are currently working with our 40% partner to determine how we optimise the recent findings commercially.

For developed areas, it is planned that 2 intermediate depth infill wells and 1 deep infill well will be drilled during 2006. The intermediate depth wells will be drilled by a rig owned by the Group's 60% joint venture, Goldpetrol JOC Inc and there will be a call for tender for a rig for the deep well. In addition, improved recovery techniques including waterflood and ultra short radius drilling are being investigated.

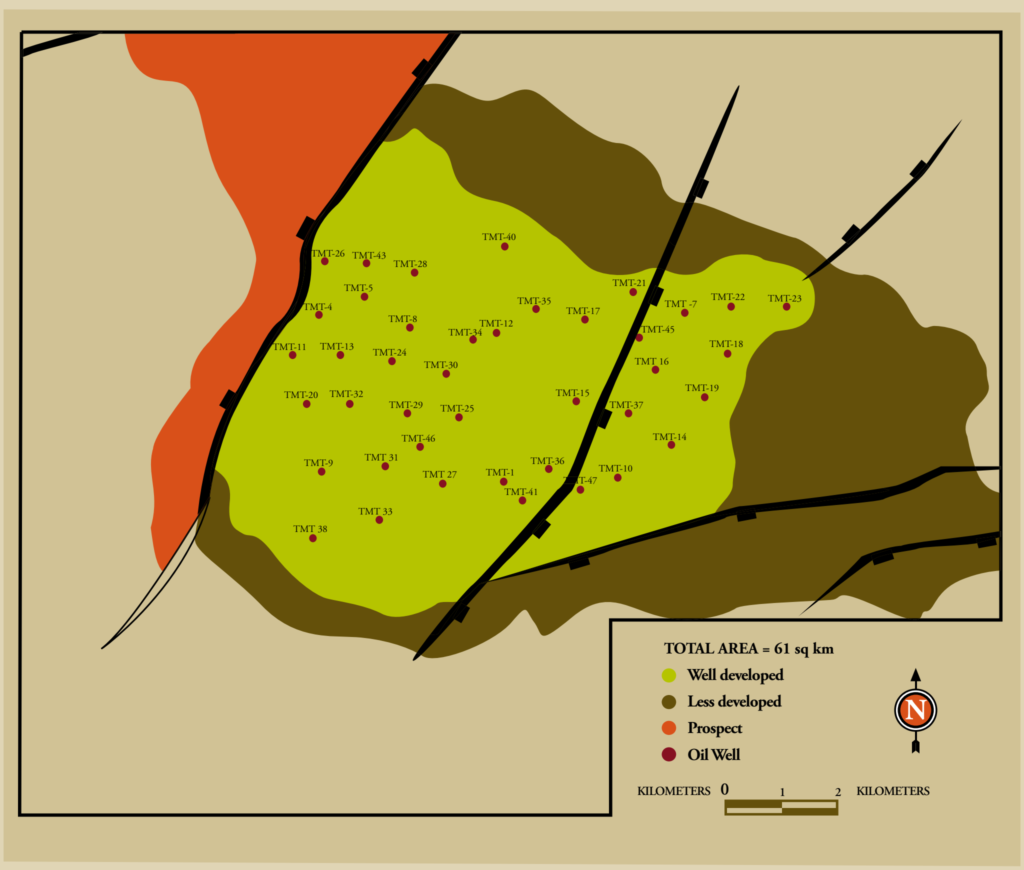




Indonesia: Tanjung Miring Timur ("TMT")

TMT performed well during 2005. Gross production was consistent with the previous year. This was achieved without any new drilling being undertaken. Regular work overs and stimulations together with reactivation of old wells were conducted. The Group's shareable production increased marginally to 438 bopd compared to 432 bopd during 2004. A review of various prospects was undertaken by a third party together with detailed internal analysis. Various drilling targets have been identified and it is planned that 1 development well and 1 infill well will be drilled during 2006. Improvements to the field's power supply and generation are also being contemplated.

TANJUNG MIRING TIMUR FIELD



OPERATIONS REVIEW

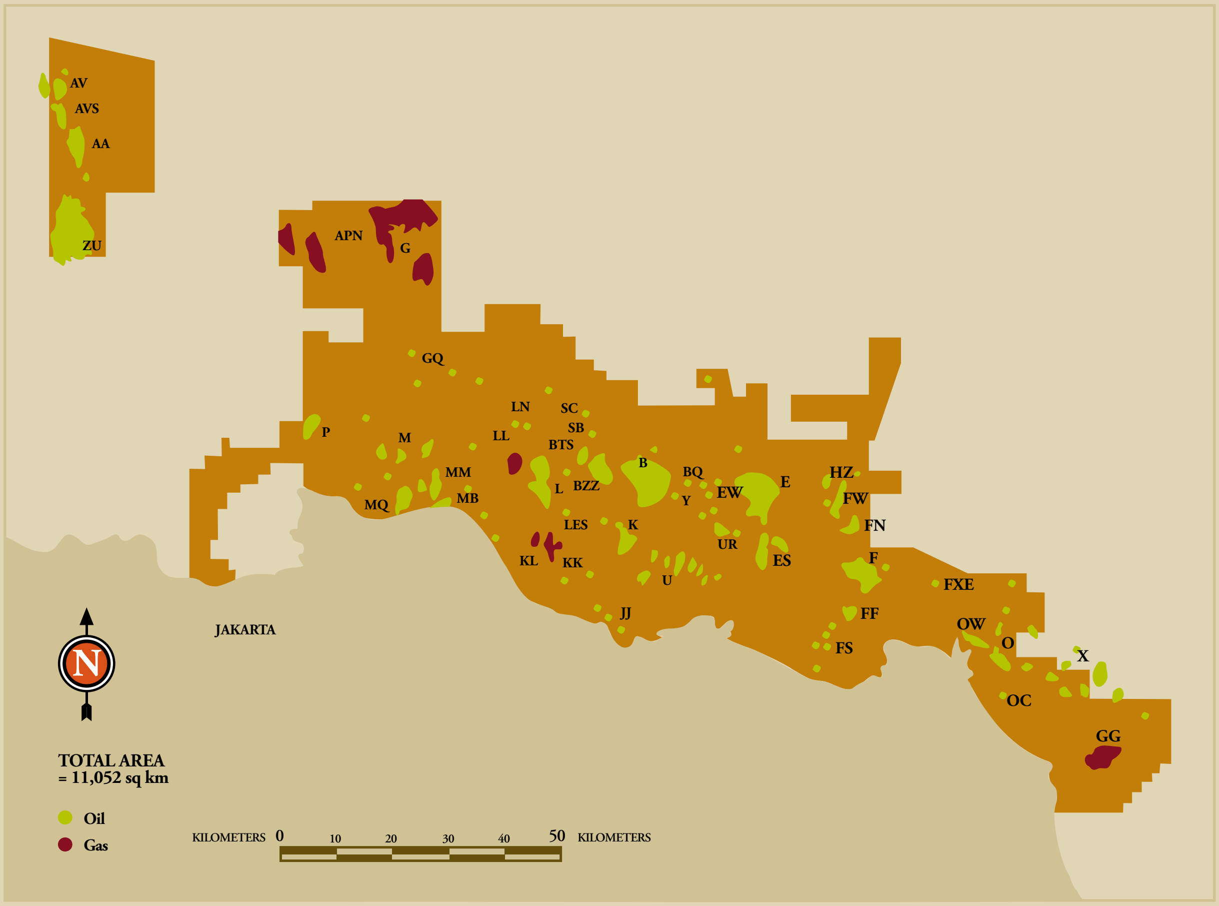
Indonesia: Offshore North West Java ("ONWJ") and South East Sumatra ("SES")

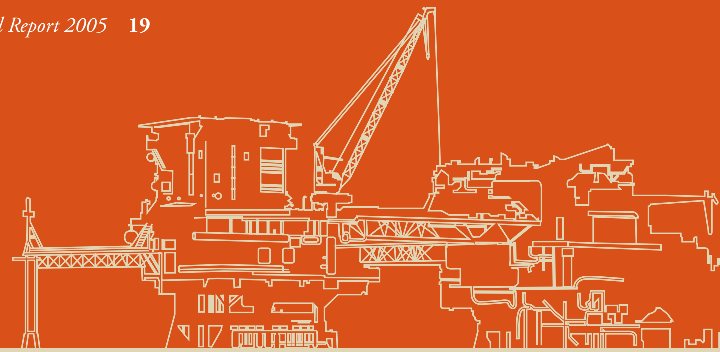
The acquisition of our share in ONWJ and SES was completed on 27 April 2005. Although Interra is not the operator of the fields, we closely monitor the fields' performance and we actively participate in all key decision making processes. BP West Java Ltd is the operator of ONWJ and CNOOC SES Ltd is the operator of SES. This acquisition is critical to Interra's future as it provides a solid platform of production from which we can grow. Specific commentary regarding the fields is as follows:

ONWJ

- met operational goals in terms of health, safety and environment
- drilled 18 wells but production was slightly below target due to delayed commencement of drilling
- APN gas project successfully came on stream in August 2005
- key goals in 2006 include drilling approximately 9 wells, securing new gas sales agreements and finalizing mandatory relinquishment areas

ONWJ FIELD

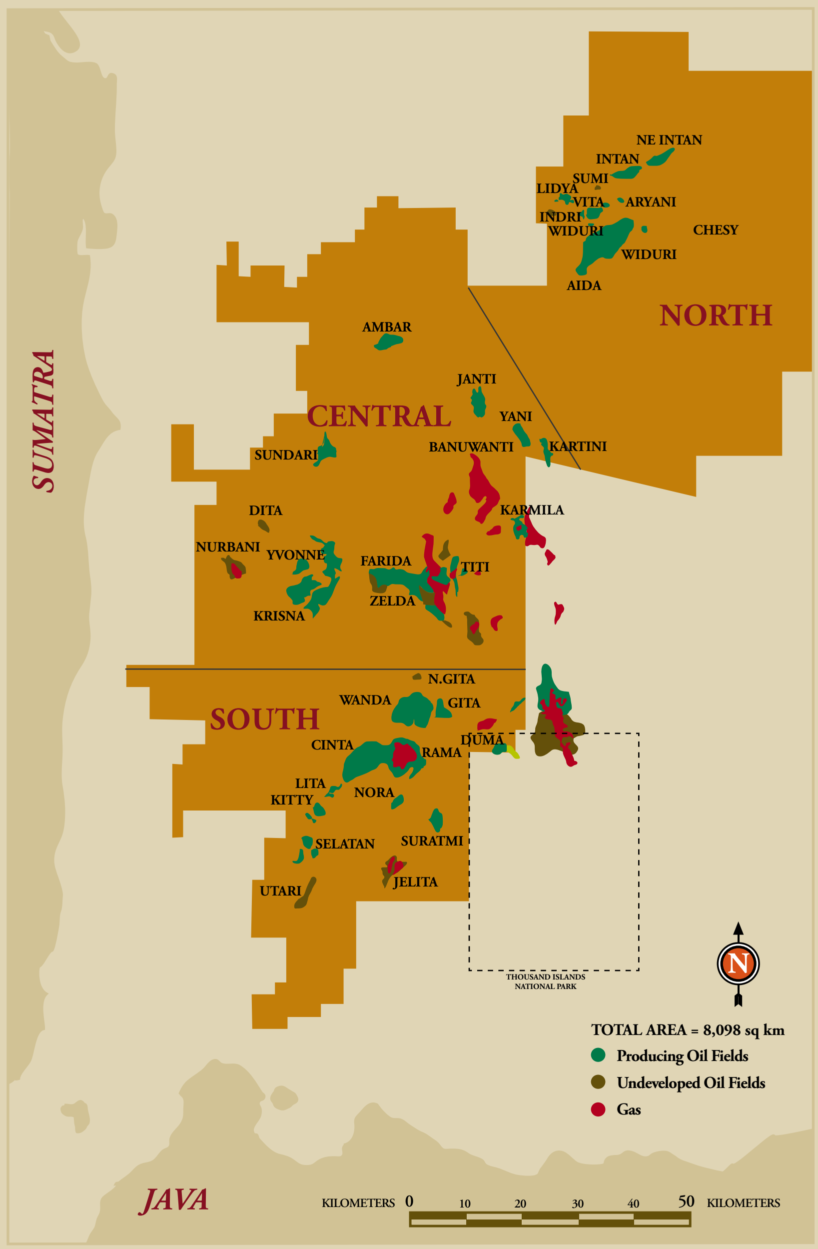




SES

- exceeded operational goals in terms of production, health, safety and environment
- tested new plays and executed 4d seismic
- achieved improvement over cost control
- key strategy in 2006 is to slow down production decline by new infill drilling and other methods
- maximise somewhat limited remaining exploration potential
- first gas sales expected to come on stream in April 2006

SES FIELD



OPERATIONS REVIEW

GOING FORWARD

Some of the key challenges facing the Company are:

(i) high prices being paid for oil and gas assets; and

(ii) the availability of quality staff, consultants and equipment during this period of high demand.

Our approach to these issues is as follows:

1. We will exercise discipline in any external acquisitions. We intend to continue to focus on South East Asia and Indonesia, in particular, as this area is where the Company has the most expertise. The Company is confident in its ability to source potential deals and to ensure that they perform in accordance with our expectations. As a principal, we are committed to securing operatorship of assets and to have a majority interest in those assets. We are looking to increase our exposure to gas as we believe this will become a relatively more important energy source as time goes by.

2. We intend to maximise our existing assets and reserves. We will continue to explore and adopt new technology to extract full value from our fields. We will also continue to review how we can generate operating synergies across our asset base. With respect to Myanmar, we do not discount the possibility of inviting strategic partners to participate in higher risk exploration projects.

3. We want to expand our human resources as we believe that our base of human capital is a key to us achieving our growth goals. As part of this, we intend to implement an employee share scheme which will not only help us to motivate and retain our team but also to attract new members. Where we are unable to directly employ people, we will negotiate specific agreements with our technology and equipment suppliers.

CORPORATE GOVERNANCE REPORT

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

The following report discloses the Company's corporate governance policies and practices in 2005, with specific references to the Principles and Guidelines found in the Code of Corporate Governance.

BOARD MATTERS

Principle 1 – Board's Conduct of its Affairs

During the year, the Board met regularly to review and approve various matters relating to business strategies, activities and performance of the Group. Board meetings were also scheduled to coincide with quarterly financial results reporting in order to facilitate a review of the financial statements and announcement of the unaudited quarterly results of the Group.

Ad-hoc Board meetings were convened when the need arose. Where the attendance of certain Directors was not physically possible, the meeting was conducted with these Directors communicating through teleconferencing. To further facilitate the efficient management of the Group, resolutions of the Board would be passed by way of circulating minutes pursuant to Article 105 of the Articles of Association.

To assist in the efficient discharge of its fiduciary duties, the Board had previously established three Board Committees namely, the Audit Committee, the Nominating Committee and the Remuneration Committee. Each Committee has its own terms of references to address their respective areas of focus.

The attendance of every member at the Board meetings and various Committee meetings expressed as a ratio of the total number of meetings held during each Director's period of appointment is set out as follows:-

Name	Board Meeting Attendance	Audit Committee Meeting Attendance	Nominating Committeeon Meeting Attendance	Remuneration Committee Meeting Attendance
Edwin Soeryadjaya	4/7	-	-	-
Sandiaga Salahuddin Uno	7/7	2/2	1/1	1/1
Luke Christopher Targett@	2/2	2/2^	-	1/1^
Subianto Arpan Sumodikoro	6/7	-	-	-
Allan Charles Buckler	5/7	3/4	1/1	1/1
Lim Hock San	7/7	4/4	1/1	1/1
Ng Soon Kai@	1/1	-	-	-
Crescento Hermawan@	3/3	-	-	-
Purnardi Djojosudirdjo*	3/3	1/1	-	-
Sugiharto Soeleman*	5/5	2/2^	-	-
Yos Teo Sidy*	3/3	1/1^	0/0	0/0

** denotes retired* *^ denotes by invitation*

@ Mr Targett was first appointed to the Board on 1 July 2005.
@ Mr Ng Soon Kai was first appointed to the Board on 1 November 2005.
@ Mr Crescento Hermawan was first appointed as an alternate Director to Mr. Subianto Arpan Sumodikoro on 11 May 2005.

CORPORATE GOVERNANCE REPORT

Principle 2 – Board Composition and Balance

The Board comprises eight Directors and is chaired by Mr Edwin Soeryadjaya who is a non-executive Director. He is responsible for the leadership and objective functioning of the Board. Profiles of the Directors are set out in the Board of Directors section of this Annual Report.

The following Directors retired from the Board during the year 2005:-

Name	Date of Retirement	Board	Audit Committee	Remuneration Committee	Nominating Committee
Purnardi Djojosudirdjo	26-Apr-2005	Non-Executive, Chairman	Member	-	-
Sugiharto Soeleman	30-Jun-2005	Executive, CEO	-	-	-
Yos Teo Sidy	26-Apr-2005	Non-Executive	-	Member	Member

The composition of the Board and Board Committees is set out below.

Name	Date of First Appointment / Last Re-election	Board	Audit Committee	Remuneration Committee	Nominating Committee
Edwin Soeryadjaya	26-Apr-2005	Non-Executive, *Chairman	-	-	-
Sandiaga Salahuddin Uno	26-Apr-2005	Non-Executive, *Deputy Chairman	*Member	Member	*Member
Luke Christopher Targett	01-Jul-2005	*Executive, *CEO	-	-	-
Subianto Arpan Sumodikoro	26-Apr-2005	Non-Executive	-	-	-
Allan Charles Buckler	26-Apr-2005	Non-Executive, Independent	*Member	*Chairman	*Member
Lim Hock San	26-Apr-2005	Non-Executive, Independent	Chairman	Member	Chairman
Ng Soon Kai	01-Nov-2005	*Non-Executive, *Independent	-	-	-
Crescento Hermawan	19-May-2005	*Alternate Director to Subianto Arpan Sumodikoro	-	-	-

** denotes appointed during the year*

Currently, there are three independent Directors appointed on the Board thereby fulfilling the Code's recommendation that independent directors make up one third of the Board.

The Board of Directors possesses the requisite experience and knowledge in various fields. As a group, the Board is skilled in core competencies such as law, accounting/finance, business/management, knowledge of the industry and strategic planning.

CORPORATE GOVERNANCE REPORT

Principle 3 – Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer ("CEO") are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. On 1 July 2005, Mr Edwin Soeryadjaya was appointed the Chairman of the Board, Mr Sandiaga Salahuddin Uno was appointed the Deputy Chairman, and Mr Luke Christopher Targett was appointed the CEO. The Chairman and CEO are not related to each other within the meaning of the Code.

Principle 4 – Board Membership

The Nominating Committee ("NC") comprises:

Mr Allan Charles Buckler	(Chairman)
Mr Lim Hock San	(Member)
Mr Sandiaga Salahuddin Uno	(Member)

The NC comprises three Directors, the majority of whom are independent, including the Chairman, Mr Allan Buckler. The role of the NC includes:

- being responsible for the re-nomination of Directors, having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour);

- being responsible for determining annually if a Director is independent;

- deciding if a Director is able to and has been adequately carrying out his duties as a Director of the Company; and

- the process for the selection and appointment of new Directors to the Board.

During the year, the NC confirmed the independent status of two Directors, Mr Allan Charles Buckler and Mr Lim Hock San. The NC also confirmed that the composition of the Board, the Remuneration Committee and the Audit Committee complies with the requirements of the Code.

When considering a new Board member, the NC reviewed the curriculum vitae of the potential candidate and considered his/her experience 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 fulfilled its duty of making the requisite recommendations to the Board on all Board appointments and has also carried out its duty of re-nomination and re-election. The NC has nominated Mr Ng Soon Kai to be an independent, non-executive Director. The Directors regularly submit themselves for re-election within the 3-year recommendation of the Code.

CORPORATE GOVERNANCE REPORT

Principle 5 – Board Performance

The Board is yet to establish a formal written process for assessing and documenting the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board. The NC intends to meet and discuss the implementation of a formal evaluation process.

Principle 6 – Access to Information

The management regularly keeps the Board updated on the operational activities, future prospects, progress and development of the Company. Comprehensive quarterly financial reports are submitted for approval and release to the public. Other information given the Board comprises of background or explanatory information, copies of disclosure documents, budgets, forecasts and monthly financial statements.

The Board communicates directly with the Company Secretary. This is done via Board meetings where the Directors have direct access to communication with the Company Secretary. The Board appointed a new Company Secretary on 20 May 2005. The responsibilities of the Company Secretary, amongst other things, include attending Board meetings, preparing minutes of these meetings, ensuring compliance with applicable laws and regulations, ensuring compliance with internal procedures and guidelines of the Group and also the maintenance and updating of all statutory books and records.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies
Principle 8 – Level and Mix of Remuneration
Principle 9 – Disclosure on Remuneration

The Remuneration Committee (“RC”) comprises:

Mr Lim Hock San	(Chairman)
Mr Allan Charles Buckler	(Member)
Mr Sandiaga Salahuddin Uno	(Member)

These three non-executive Directors form the RC. The Chairman of the RC is an independent Director, Mr. Lim Hock San. During the year, the existing fee structure for Directors was updated.

The RC also discussed the adoption of an Employee Share Incentive Scheme. The purpose of such a scheme would be to attract, retain and reward key employees who make a positive contribution to the Company’s performance. A discussion paper setting out the key features and details of the scheme and its impact on the Company’s profit and loss position will be prepared before a decision is taken on this matter.

CORPORATE GOVERNANCE REPORT

The remuneration of Directors for the financial year 2005 is tabularised below.

Name	Base / Fixed Salary	Variable Component or Bonuses	Directors' Fees	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Edwin Soeryadjaya	-	-	100%	-
Sandiaga Salahuddin Uno	-	-	100%	-
Luke Christopher Targett	60%	-	-	40%
Subianto Arpan Sumodikoro	-	-	100%	-
Allan Charles Buckler	-	-	100%	-
Lim Hock San	-	-	100%	-
Ng Soon Kai	-	-	100%	-
Crescento Hermawan	-	-	-	-
Purnardi Djojosudirdjo*	-	-	100%	-
Sugiharto Soeleman*	75%	-	-	25%
Yos Teo Sidy*	-	-	100%	-

** denotes retired*

The remuneration of the key executives for the financial year 2005 is tabularised below.

Name	Base / Fixed Salary	Variable Component or Bonuses	Directors' Fees	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Steven Lwi Tong Boon	86%	14%	-	-
Joseph Taruno Poedjohardjo	86%	14%	-	-
Sugi Handoko	95%	5%	-	-

There were also 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 undertakes the responsibility of overseeing the corporate performance of the Company and is accountable to shareholders for the processes and structure of directing and managing the Company's business and affairs. The management's role is to report to the Board the operational and financial performance of the Group by keeping the Board informed and updated with the provision of comprehensive financial reports.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company undertakes to circulate timely, adequate and non-selective disclosure of information. The Board has also issued quarterly financial statements as reviewed by the Audit Committee to provide shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

CORPORATE GOVERNANCE REPORT

Principle 11 – Audit Committee

The Audit Committee ("AC") comprises:

Mr Lim Hock San	(Chairman)
Mr Allan Charles Buckler	(Member)
Mr Sandiaga Salahuddin Uno	(Member)

The AC was established by the Board and comprises three Directors, all of whom, including the Chairman, are non-executive and the majority of whom are independent. The Board is of the view that the present members of the AC have sufficient financial management expertise and experience to discharge their responsibilities as set out in its terms of reference.

During the year, the AC met with the Management and the external auditors on four occasions. These meetings were, amongst other things, a review of the Group's financial statements, the internal control procedures, prospects of the Group and independence of the external auditors. The external auditors also met with the AC members without the presence of the Management. There were no non-audit services provided to the Group by the external auditors.

Principle 12 – Internal Controls

The external auditors review the internal controls of the Group and report these findings to the AC during its meetings. This gives the Board the opportunity to comment on the adequacy of internal controls and to reassure the AC that sufficient checks were in place. An efficient framework of internal controls is in place and will be refined constantly.

Principle 13 – Internal Audit

The Company does not have a dedicated internal audit unit in view of the size and nature of its operations. Where necessary, the Company outsources the internal audit function to external professionals.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 14 – Regular, Effective and Fair Communication with Shareholders
Principle 15 – Greater Shareholder Participation

The Company has in place a communication framework that disseminates timely and complete financial data, price-sensitive information and material developments to shareholders. Quarterly release of financial results and all other information are first announced on the website of the SGX-ST via SGXNET and then posted on the Company's website. The Company also issues press releases after the release of significant developments.

The Company also encourages active shareholder participation at its general meetings. Notices of meetings are published in the major newspapers. Reports or circulars of the general meetings are despatched to all shareholders by post. The Board, Chairmen of the three Committees, the Management as well as the Company Secretary and external auditors are present at meetings to address shareholders' queries. 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 proxy forms are sent in advance.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The details of interested person transactions for the financial year 2005 are set out below.

Name of Interested Person	Aggregate value of all interested person transactions during FY2005 (excluding transactions less than S$100,000 and transations conducted under shareholders' mandate pursuant to Rule 920	Aggregate value of all interested person transactions during FY2005 which are conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Persada Capital Limited	S$204,853 (0.75% of the Group's audited net tangible assets as at 31 December 2004)	-

In October 2005, the Group received an unsecured loan of US$750,000 from Persada Capital Limited, a company related to a Director of the Company. The amount listed as a transaction in the table above represents the interest payable to Persada Capital Limited for the entire tenure of the loan.

DEALING IN SECURITIES

The Company has adopted the Best Practices Guide issued by the SGX-ST in relation to dealings in securities of the Company. Directors and employees of the Company are expected to adhere to the following rules at all times:

- to observe insider trading laws and avoid potential conflict of interests at all times when dealing in securities;

- not to deal in the Company's shares while in possession of unpublished material price sensitive information;

- not to deal in the Company's shares for short-term considerations; and

- not to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the announcement of the Company's full year financial statements, and ending on the date of announcement of the relevant results.

DIRECTORS' REPORT

for the financial year ended 31 december 2005

The directors present their report to the members together with the audited balance sheet and statement of changes in equity of the Company and consolidated financial statements of the Group for the year ended 31 December 2005.

DIRECTORATE

The directors in office at the date of this report are as follows:-

Edwin Soeryadjaya	
Sandiaga Salahuddin Uno	
Luke Christopher Targett	(Appointed on 1 July 2005)
Subianto Arpan Sumodikoro	
Allan Charles Buckler	
Lim Hock San	
Ng Soon Kai	(Appointed on 1 November 2005)
Crescento Hermawan (Alternate to Subianto Arpan Sumodikoro)	(Appointed on 19 May 2005)

During the year, Mr Purnardi Djojosudirdjo and Mr Yos Teo Sidy retired on 26 April 2005 and Mr Sugiharto Soeleman resigned on 30 June 2005.

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 is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Holdings in the name of director or nominees		Other holdings in which director is deemed to have interest	
	At beginning of the year or date of appointment if later	At end of the year	At beginning of the year or date of appointment if later	At end of the year
	Ordinary shares of S$0.05 each fully paid	Ordinary shares of S$0.25 each fully paid	Ordinary shares of S$0.05 each fully paid	Ordinary shares of S$0.25 each fully paid
Edwin Soeryadjaya	-	-	199,800,000	17,031,000
Sandiaga Salahuddin Uno	-	-	7,800,000	1,560,000
Luke Christopher Targett	-	40,000	-	-
Subianto Arpan Sumodikoro	-	-	124,600,000	25,000,000
Allan Charles Buckler	18,751,000	3,945,600	-	-

DIRECTORS' REPORT
for the financial year ended 31 december 2005

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

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 of related corporations either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Except as disclosed above, there were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2006.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the last financial period, 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

During the financial year, there were:

(i) no options granted by the Company or its subsidiary companies to any person to take up unissued shares in the Company or its subsidiary companies; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiary companies.

WARRANTS

At an extraordinary meeting held on 21 April 2005, the shareholders of the Company approved the issuance of warrants with a nominal value of US$11,000,000 in conjunction with the issuance of Secured Bonds 7% due 2010. These warrants carry the rights to subscribe for the Company's new ordinary shares of S$0.25 each at a subscription price determined in accordance with the terms and conditions of the warrants. As at 31 December 2005, the subscription price in respect of these warrants is S$0.28 which is also the minimum subscription price under the terms and conditions of the warrants. The number of ordinary shares of S$0.25 each that may be converted at the subscription price of S$0.28 is 64,393,214. The warrants were issued on 25 April 2005 and expire at 4.00pm on the fifth anniversary of the issue date.

As at 31 December 2005, no warrants have been exercised.

DIRECTORS' REPORT

for the financial year ended 31 december 2005

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with the Companies Act, the Listing Manual and the Code of Corporate Governance. The nature and extent of the functions performed by the Audit Committee are further described in the Corporate Governance Report.

The Audit Committee has recommended to the Board of Directors the re-appointment of Nexia Tan & Sitoh, as auditors of the Company at the forthcoming Annual General Meeting.

AUDITORS

The auditors, Nexia Tan & Sitoh, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Edwin Soeryadjaya
Director

Luke Christopher Targett
Director

Singapore
24 March 2006

STATEMENT BY DIRECTORS

for the financial year ended 31 december 2005

We, **Edwin Soeryadjaya** and **Luke Christopher Targett**, being directors of Interra Resources Limited, do hereby state that in our opinion,

(a) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 33 to 81 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 2005 and changes in equity of the Company and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; 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.

On behalf of the Board of Directors

Edwin Soeryadjaya
Director

Luke Christopher Targett
Director

Singapore
24 March 2006

AUDITORS' REPORT

for the financial year ended 31 december 2005

REPORT OF AUDITORS TO THE MEMBERS OF INTERRA RESOURCES LIMITED AND ITS SUBSIDIARY COMPANIES

We have audited the financial statements of Interra Resources Limited (the "Company") as set out on pages 33 to 81 for the year ended 31 December 2005, comprising balance sheet and statement of changes in equity of the Company and consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the accompanying balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards 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 2005 and statement of changes in equity of the Company; and the results, changes in equity and cash flows of the Group for the financial year then ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Nexia Tan & Sitoh
Certified Public Accountants

Singapore
24 March 2006

BALANCE SHEETS

for the financial year ended 31 december 2005

	Notes	Company 2005 S$	Company 2004 S$	Group 2005 S$	Group 2004 S$
Non-current assets					
Property, plant and equipment	3	**13,962**	35,041	**1,683,705**	1,596,657
Exploration, evaluation and development costs	4	**-**	-	**23,758,760**	24,142,451
Intangibles	5	**10,000**	-	**8,580,776**	9,134,495
Interest in subsidiary companies	6	**40,154,572**	41,030,675	**-**	-
Interest in associates	7	**18,537,832**	-	**21,415,691**	-
Goodwill on reverse acquisition	8	**-**	-	**2,438,226**	2,438,226
Participating rights	9	**-**	-	**3,076,753**	3,301,749
Other investments	10	**7,193**	-	**7,193**	-
Current assets					
Inventories	11	**-**	-	**1,566,883**	1,880,895
Work in progress	12	**-**	-	**156,153**	
Trade receivables	13	**-**	-	**5,143,450**	2,281,768
Other receivables, deposits and prepayments	14	**332,513**	255,358	**742,863**	413,604
Cash at bank and in hand	15	**2,866,224**	5,930,480	**4,815,561**	7,774,975
Restricted cash	15	**3,229,344**	-	**3,229,344**	-
		6,428,081	6,185,838	**15,654,254**	12,351,242
Current liabilities					
Trade payables		**-**	-	**897,047**	1,296,213
Amounts due to related parties (trade)	42(a),(b)	**-**	-	**105,929**	1,753,269
Other payables and accruals	16	**1,448,345**	204,496	**3,537,832**	2,038,468
Loan from a related party (interest bearing)	17	**-**	-	**1,249,350**	-
Bond coupon payable	18	**277,759**	-	**277,759**	-
Interest payable	42(f)	**-**	-	**12,910**	-
Provision for taxation	19, 20	**5,664**	-	**2,997,336**	1,769,897
		1,731,768	204,496	**9,078,163**	6,857,847
Net current assets / (liabilities)		**4,696,313**	5,981,342	**6,576,091**	5,493,395
Non-current liabilities					
Loan from a director	21	**-**	-	**(2,028,118)**	(2,295,658)
Loan from a substantial shareholder	22	**-**	-	**(2,154,875)**	(2,439,137)
Loan from a related party	23	**-**	-	**(2,154,875)**	(2,439,137)
Secured Bond 7% due 2010	18	**(17,869,025)**	-	**(17,869,025)**	-
Deferred income	24	**-**	-	**(7,984,009)**	(8,546,526)
		45,550,847	47,047,058	**35,346,293**	30,386,515
Representing:					
Share capital	25	**48,131,756**	48,131,756	**48,131,756**	48,131,756
Reserves	26	**(2,580,909)**	(1,084,698)	**(12,785,463)**	(17,745,241)
		45,550,847	47,047,058	**35,346,293**	30,386,515

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

for the financial year ended 31 december 2005

Group	**Notes**	**2005 S$**	**2004 S$**
Revenue	27	**18,091,970**	10,875,125
Cost of production	28	**(11,427,395)**	(8,413,177)
Gross profit		**6,664,575**	2,461,948
Other income	29	**2,116,593**	951,937
Administrative expenses	30	**(4,073,989)**	(2,545,379)
Other operating expenses	31	**(1,095,938)**	(1,220,403)
Finance costs	32	**(1,894,210)**	-
Share of profit after tax of associates	7	**2,877,859**	-
Profit / (Loss) before tax	33	**4,594,890**	(351,897)
Taxation	19, 20	**(1,204,615)**	(420,948)
Net profit / (loss) after tax		**3,390,275**	(772,845)
Earnings / (Loss) per share (cents)			
- Basic	34, 44	**1.761**	(0.414)
- Fully diluted	34, 44	**1.761**	(0.414)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2005

Company	Share Capital S$	Share Premium S$	Warrants Premium Reserves S$	Accumulated Losses S$	Total S$
At 31 December 2003	44,131,756	163,198,220	-	(173,944,660)	33,385,316
Issuance of ordinary shares for cash	4,000,000	10,976,632	-	-	14,976,632
Net loss for the year	-	-	-	(1,314,890)	(1,314,890)
At 31 December 2004	**48,131,756**	**174,174,852**	**-**	**(175,259,550)**	**47,047,058**
Issuance of warrants	**-**	**-**	**899,548**	**-**	**899,548**
Net loss for the year	**-**	**-**	**-**	**(2,395,759)**	**(2,395,759)**
At 31 December 2005	**48,131,756**	**174,174,852**	**899,548**	**(177,655,309)**	**45,550,847**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 december 2005

Group	Share Capital S$	Share Premium S$	Warrants Premium Reserves S$	Foreign Currency Translation Reserve S$	Special Reserves S$	Unappropriated Profits S$	Total S$
At 31 December 2003	44,131,756	98,300,001	-	(27,409)	(135,457,376)	10,355,145	17,302,117
Issue of ordinary shares for cash	4,000,000	10,976,632	-	-	-	-	14,976,632
Foreign currency translation differences	-	-	-	(1,119,389)	-	-	(1,119,389)
Net loss for the year	-	-	-	-	-	(772,845)	(772,845)
At 31 December 2004	**48,131,756**	**109,276,633**	**-**	**(1,146,798)**	**(135,457,376)**	**9,582,300**	**30,386,515**
Adoption of FRS 39 (see Note 2(a))	**-**	**-**	**-**	**-**	**-**	**312,010**	**312,010**
As restated	**48,131,756**	**109,276,633**	**-**	**(1,146,798)**	**(135,457,376)**	**9,894,310**	**30,698,525**
Issuance of warrants	**-**	**-**	**899,548**	**-**	**-**	**-**	**899,548**
Foreign currency translation differences	**-**	**-**	**-**	**357,945**	**-**	**-**	**357,945**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**3,390,275**	**3,390,275**
At 31 December 2005	**48,131,756**	**109,276,633**	**899,548**	**(788,853)**	**(135,457,376)**	**13,284,585**	**35,346,293**

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 december 2005

Group	Notes	2005 S$	2004 S$
Cash flows from operating activities			
Profit / (Loss) before taxation		**4,594,890**	(351,897)
Adjustments for non-cash items			
Foreign currency translation		**273,712**	(332,067)
Share of profit after tax of associates	7	**(2,877,859)**	-
Depreciation of property, plant and equipment	3	**794,063**	460,758
Amortisation of:			
Exploration, evaluation and development costs	4	**1,695,338**	994,302
Concession rights	5	**48,831**	49,536
Intangible benefits	5	**709,641**	719,880
Computer software	5	**798**	-
Goodwill on reverse acquisition	8	-	47,190
Participating rights	9	**281,834**	205,270
Interest income		**(357,467)**	(42,574)
Interest expense		**1,894,210**	-
Other income		**(3,073)**	-
Gain from adjustment in fair value of financial liabilities	29	**(1,010,344)**	-
Deferred income	24	**(709,641)**	(719,880)
Exchange difference		**(14,407)**	140,197
Operating profit before working capital changes		**5,320,526**	1,170,715
Changes in working capital:			
Inventories		**314,013**	(827,423)
Trade and other receivables		**(3,221,979)**	(1,700,575)
Trade and other payables		**(623,803)**	2,878,009
Accrued operating expenses		**1,543,673**	(2,583)
Amount due from a related party (non-trade)		-	(219)
Amounts due to related parties (trade)		**(1,647,340)**	(451,284)
Amount due to a director (non-trade)		-	(11,845)
Work in progress		**(156,153)**	-
Net cash inflows from operating activities		**1,528,937**	1,054,795

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 december 2005

Group	Notes	2005 S$	2004 S$
Cash flows from investing activities			
Interest income received		**356,581**	42,574
Acquisition of 70% interest in TAC TMT*		**-**	(8,613,779)
Net proceeds from disposal from property, plant and equipment		**6,760**	-
Investment in associates		**(11,533,366)**	-
Loan extended to associates		**(7,294,798)**	-
Repayment of loan from associates		**420,163**	-
Investment in club membership		**(7,193)**	-
Additional investment in production phase properties:			
Purchase of property, plant and equipment		**(284,471)**	(1,313,162)
Purchase of computer software		**(48,305)**	-
Well drillings and improvements		**(1,211,152)**	(4,876,721)
Geological and geophysical studies		**(270,841)**	(128,838)
Refund of deposit for possible acquisition		**-**	2,511,300
Net cash outflows from investing activities		**(19,866,622)**	(12,378,626)
Cash flows from financing activities			
Proceeds from bonds issue		**18,129,100**	-
Proceeds from loan from a related party		**1,268,423**	-
Proceeds from shares issue		-	14,976,632
Interest paid		**(789,908)**	-
Net cash inflows from financing activities		**18,607,615**	14,976,632
Net increase in cash and cash equivalents		**269,930**	3,652,801
Cash and cash equivalents at beginning of the year		**7,774,975**	4,122,174
Cash and cash equivalents at end of the year	15	**8,044,905**	7,774,975

***Net Cash Flow Effect from Acquisition of 70% Interest in TAC TMT**

	2005 S$	2004 S$
Fair value of net assets assumed were as follows:		
Cash	-	658,490
Property, plant and equipment	-	257,205
Exploration, evaluation and development costs	-	4,580,146
Current assets	-	997,818
Current liabilities	-	(1,029,811)
Participating rights	-	3,808,421
Consideration paid	-	**9,272,269**
Less: cash acquired	-	(658,490)
Net cash paid for acquisition	-	**8,613,779**

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

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

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"). The address of its registered office is at 391A Orchard Road, #13-06 Ngee Ann City Tower A, Singapore 238873.

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

The principal activities, country of incorporation and place of operation of the subsidiary companies and associates are set out in the Notes 6 and 7 to the financial statements respectively. There have been no significant changes in such activities during the financial year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of the financial information 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 the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting year compared with the financial statements as at 31 December 2004, except for the changes discussed below.

Adoption of FRS 39: Financial Instruments: Recognition and Measurement

The Group has adopted FRS 39 prospectively with effect from 1 January 2005. At that date, loans within the scope of FRS 39 were measured at amortised cost using the effective interest rate method. In accordance with the transitional provisions of FRS 39, any differences between the carrying values and amortised cost at that date were recognised in retained earnings. As a result of this adoption, the retained earnings as at 1 January 2005 were increased by S$312,010 (see Note 45).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

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

(a) Basis of Preparation (cont'd)

Adoption of other new and revised FRSs

The Group adopted the following new and revised FRSs for the financial year ended 31 December 2005, which did not result in any significant change in accounting policies:-

FRS 1	(revised in 2004)	Presentation of Financial Statements
FRS 2	(revised in 2004)	Inventories
FRS 8	(revised in 2004)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	(revised in 2004)	Events After the Balance Sheet Date
FRS 16	(revised in 2004)	Property, Plant and Equipment
FRS 17	(revised in 2004)	Leases
FRS 21	(revised in 2004)	The Effects of Changes in Foreign Exchange Rates
FRS 24	(revised in 2004)	Related Party Disclosures
FRS 27	(revised in 2004)	Consolidated and Separate Financial Statements
FRS 28	(revised in 2004)	Investments in Associates
FRS 31	(revised in 2004)	Interest in Joint Ventures
FRS 32	(revised in 2004)	Financial Instruments: Disclosure and Presentation
FRS 33	(revised in 2004)	Earnings Per Share

FRS yet to be adpoted

The Group has yet to adpot FRS 106 Exploration for and Evaluation of Mineral Resources. FRS 106 will only be in effect for annual periods beginning on and after 1 January 2006.

(b) Principles of Consolidation

Subsidiary Companies

Subsidiary companies are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

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

On 10 July 2003, the Company became the legal parent of Goldwater Company Limited ("Goldwater") as part of its restructuring process. The shareholders of Goldwater became the majority shareholders of the Company with 76.18% of the enlarged share capital before the placement exercise. Further, the Company's continuing operations and executive management were those of Goldwater. Accordingly, the substance of the business combination was that Goldwater acquired the Company in a reverse acquisition. As a consequence of applying reverse acquisition accounting, the results for the financial year ended 31 December 2003 comprised the results of Goldwater for the year ended 31 December 2003 and the Company from 10 July 2003, the date of reverse acquisition, to 31 December 2003.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(b) Principles of Consolidation (cont'd)

Joint Ventures

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

Proportionate consolidation involves combining the Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows 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 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 an impairment loss.

Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting whereby the Group's share of results of associates is included in the consolidated income statement and the Group's share of net assets is included in the consolidated balance sheet. Investments in associates in the consolidated balance sheet includes goodwill.

Equity accounting involves investments in associates initially at cost, and recognising the Group's share of its associates' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

In applying the equity method, unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the accounting policies of associates do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

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

(c) 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 annually, or more frequency if events or changes in circumstances indicate that the goodwill might be impaired.

(d) Participating Rights

Participating rights represent the excess of the fair value of the identifiable assets acquired and liabilities assumed over the cost of acquisition of the 70% interest in the Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT"). Participating rights is amortised on a straight line basis from the date of initial recognition over the remaining period of TAC TMT (see Note 9).

(e) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. 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 the profit and loss account.

Depreciation

Depreciation is provided for all property, plant and equipment on a straight-line basis so as to write off the cost of these assets over the following continual useful life:-

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

Fully depreciated property, plant and equipment is retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(f) 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, feasibility studies, and manpower and associated overhead charges incurred during the initial joint study period.

Exploration, evaluation and development costs are carried forward 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 a 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 the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of the financial period and accumulated costs written off to the extent that they will not be recoverable. Each potential or recognised area of interest will be evaluated once in every three years to ascertain if there is any significant change in the oil reserves.

(ii) Development and Production Phase

Development costs are only incurred within an area of interest as a component of a commercial development phase only upon 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, cost is recoverable monthly to the extent and out of a maximum allowable depending on production output. Any excess expenses not recovered for the period are carried forward to the extent where these may be recouped in the following periods. The carrying amount of the recoverable cost is reviewed to determine whether there is any indication of impairment. If there is an indication of impairment, capitalisation of recoverable cost will cease and impairment will be recognised to the extent where it is not recoverable.

(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 will be amortised on a units of production basis over the life of the economically recoverable reserves.

Capitalised recoverable costs are amortised on a units of production basis over the life of the economically recoverable reserves for the year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(g) Intangibles

Intangibles capitalised are amortised on a straight line basis over their remaining useful life (see Note 5).

(h) Deferred Income

Deferred income is recognised in the profit and loss account on a straight line basis over the remaining period of the Myanmar Improved Petroleum Recovery ("IPR") contracts (see Note 24).

(i) Receivables and Payables

Trade and other receivables are initially recognised at fair value less allowance for impairment.

Trade and other payables, and interest-bearing liabilities are initially measured at fair value and subsequently measured at amortised cost.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the Group's cash management.

(k) 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.

(l) Deferred Taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill which is not deductible for tax purposes. They are also not recognised if they arise from the initial recognition of assets or liabilities in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising from investments in subsidiary companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(m) Impairment of Assets

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. In determining whether there is an indication of impairment, the recoverable amount is estimated by an individual asset or its cash generating unit by discounting the expected net cash flows to their present value using a risk free rate until the end of its useful life. When estimating these future cash flows, the Company has made 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 the profit and loss account whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised of an asset or its cash-generating unit no longer exists or has decreased. The reversal is recorded as income in the profit and loss account.

(n) Finance Costs

Interest expense and similar charges are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are being capitalised as part of cost that is being 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.

(o) Employee Benefits

(i) Defined Contribution Plans
Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the profit and loss account when incurred.

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

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(q) Foreign 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 ("Functional Currency"). The consolidated financial statements and balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the functional and presentation currency of the Company.

(ii) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

(iii) Translation of Group Entities' Financial Statements for Consolidated Financial Statements

The results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars on the following basis:-

(1) Assets and liabilities for each balance sheet presented are translated at the rate of exchange approximating those ruling at the balance sheet date; and

(2) Income and expenses for each income statement 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 at the dates of the transactions).

All resulting foreign currency translation differences are taken into the shareholders' equity as foreign currency translation reserve.

(r) 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. Measurement of liabilities is based on current legal requirements and existing technology.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(s) Income Recognition

Income 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. Income is recognised in the profit and loss account as follows:-

(i) Sales Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and it can be reliably measured.

(ii) Interest Income
Interest income from bank deposits and advances made to subsidiary companies and associates are accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

(iii) Dividend Income
Dividend income from subsidiary companies and associates is recognised when the dividends are formally declared payable.

(iv) Management and Services Fees
Fees are recognised upon the rendering of management and consultation services to and the acceptance by subsidiary companies and associates.

(t) Segment Reporting

For management purposes, the Group operates primarily in two geographical areas, namely Indonesia and Myanmar. The Group operates in one business segment, namely exploration for and operation of oil fields for crude petroleum production and derives its revenue solely from the sales of petroleum. Segment revenues, expenses, assets and liabilities are those directly attributable to or allocated to a segment on a reasonable basis. Segment assets do not include income tax assets and segment liabilities do not include income tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

3. PROPERTY, PLANT AND EQUIPMENT

Company	Computers S$	Office Equipment S$	Renovations, Furniture and Fittings S$	Total S$
Cost				
Opening balance	**26,625**	**6,966**	**33,069**	**66,660**
Addition	-	-	-	-
Disposal	-	-	-	-
Closing balance	**26,625**	**6,966**	**33,069**	**66,660**
Accumulated depreciation				
Opening balance	**9,815**	**2,571**	**19,233**	**31,619**
Charge	8,815	1,810	10,454	21,079
Disposal	-	-	-	-
Closing balance	**18,630**	**4,381**	**29,687**	**52,698**
Depreciation charge for 2004	7,623	2,048	13,882	23,553
Net book value as at				
31 December 2005	**7,995**	**2,585**	**3,382**	**13,962**
31 December 2004	16,810	4,395	13,836	35,041

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

Group	Computers S$	Office Equipment S$	Renovations and Furniture and Fittings S$	Pumping Tools S$	Drilling and Field Equipment S$	Total S$
Cost						
Opening balance	**39,758**	**39,034**	**90,900**	**1,255,563**	**1,167,949**	**2,593,204**
Addition	18,551	5,459	11,511	-	248,950	284,471
Transfer from assets under construction*	-	-	-	-	565,340	565,340
Disposal	-	-	-	(9,832)	-	(9,832)
Foreign currency realignment	(754)	1,545	1,028	24,278	26,983	53,080
Closing balance	**57,555**	**46,038**	**103,439**	**1,270,009**	**2,009,222**	**3,486,263**
Accumulated depreciation						
Opening balance	**13,760**	**23,283**	**42,231**	**542,981**	**374,292**	**996,547**
Charge	17,410	8,477	34,596	356,585	376,995	794,063
Disposal	-	-	-	(3,072)	-	(3,072)
Foreign currency realignment	54	350	385	8,778	5,453	15,020
Closing balance	**31,224**	**32,110**	**77,212**	**905,272**	**756,740**	**1,802,558**
Depreciation charge for 2004	11,424	11,084	35,822	257,478	144,950	460,758
Net book value as at 31 December 2005	**26,331**	**13,928**	**26,227**	**364,737**	**1,252,482**	**1,683,705**
31 December 2004	25,998	15,751	48,669	712,582	793,657	1,596,657

* Transfer refers to tangible property, plant and equipment which have been put in use after the completion of well construction. These were reclassified from assets under construction (see Note 4).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

4. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Group	Exploration and Evaluation			Development and Production			
	Initial Joint Study Cost S$	Contractual Bonus S$	Exploration, Geological and Geophysical S$	Assets under Construction S$	Completed Assets S$	Cost Recovery S$	Total S$
Cost							
Opening balance	**3,096,071**	**884,304**	**128,838**	**2,022,814**	**13,774,192**	**6,961,850**	**26,868,069**
Addition	-	-	270,841	456,686	754,466	-	1,481,993
Transfer to completed well	-	-	-	(1,917,684)	1,917,684	-	-
Transfer to property, plant and equipment	-	-	-	(565,340)	-	-	(565,340)
Disposal						(3,029)	(3,029)
Foreign currency translation	53,315	15,228	987	3,524	251,273	120,923	445,250
Closing balance	**3,149,386**	**899,532**	**400,666**	**-**	**16,697,615**	**7,079,744**	**28,226,943**
Accumulated amortisation							
Opening balance	**304,979**	**86,721**	**-**	**-**	**1,941,585**	**392,333**	**2,725,618**
Charge	125,031	35,654	-	-	1,249,927	284,726	1,695,338
Disposal	-	-	-	-	-	-	-
Foreign currency translation	5,182	1,474	-	-	32,831	7,740	47,227
Closing balance	**435,192**	**123,849**	**-**	**-**	**3,224,343**	**684,799**	**4,468,183**
Amortisation charge for 2004	33,728	9,602	-	-	870,431	80,541	994,302
Net book value as at 31 December 2005	**2,714,194**	**775,683**	**400,666**	**-**	**13,473,272**	**6,394,945**	**23,758,760**
31 December 2004	2,791,092	797,583	128,838	2,022,814	11,832,607	6,569,517	24,142,451

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

5. INTANGIBLES

Group	Concession Rights S$	Intangible Benefits S$	Computer Software S$	Total S$
Cost				
Opening balance	**982,560**	**9,825,600**	**-**	**10,808,160**
Addition	-	-	48,305	48,305
Write off	-	-	-	-
Foreign currency translation	16,920	169,200	-	186,120
Closing balance	**999,480**	**9,994,800**	**48,305**	**11,042,585**
Accumulated amortisation				
Opening balance	**394,591**	**1,279,074**	**-**	**1,673,665**
Charge	48,831	709,641	798	759,270
Write off	-	-	-	-
Foreign currency translation	6,798	22,076	-	28,874
Closing balance	**450,220**	**2,010,791**	**798**	**2,461,809**
Amortisation charge for 2004	49,536	719,880	-	769,416
Net book value as at				
31 December 2005	**549,260**	**7,984,009**	**47,507**	**8,580,776**
31 December 2004	587,969	8,546,526	-	9,134,495

Concession Rights

Concession rights refer to the amount paid to acquire the interest in IPR contracts which is amortised over the remaining period of the IPR contracts of approximately 14 years on a straight line basis from 1 March 2003 to 31 March 2017.

Intangible Benefits

Intangible benefits which were initially, recognised as S$10,410,600, refer to the US$6 million technical services that Goldwater will benefit from the farm out to Geopetrol Singu Inc. ("Geopetrol") in 2003. Intangible benefits are amortised over the remaining period of the IPR contracts of approximately 14 years from 1 March 2003 to 31 March 2017.

Computer Software

Computer software acquired is amortised on a straight line basis so as to write off the cost of these assets over their useful life of 3 to 4 years.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

6. INTEREST IN SUBSIDIARY COMPANIES

	Company 2005 S$	Company 2004 S$
Unquoted equity shares at cost		
Goldwater Company Limited	**30,000,000**	30,000,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**2**	2
	30,000,003	30,000,003
Advances made to subsidiary companies		
Goldwater Company Limited	**1,259,640**	520,047
Goldwater TMT Pte. Ltd.	**8,894,929**	10,510,625
	10,154,569	11,030,672
Interest in subsidiary companies	**40,154,572**	41,030,675

Advances made to Subsidiary Companies

Advances made to subsidiary companies are interest free advances for the purpose of operating and development activities in their respective fields.

The principal activities, place of business and incorporation of the subsidiary companies and joint ventures as at 31 December 2005 are:

Name of Company / Entity	Principal Activities	Country of Incorporation / Place of Operation	Group's Effective Interest 2005 %	Group's Effective Interest 2004 %
Goldwater Company Limited [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands / Myanmar	100	100
Goldwater TMT Pte. Ltd. [a]	Exploration and operation of oil fields for crude petroleum production	Singapore / Indonesia	100	100
Goldwater Eagle Limited [b]	Dormant	British Virgin Islands	100	100

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

6. INTEREST IN SUBSIDIARY COMPANIES (CONT'D)

Name of Company / Entity	Principal Activities	Country of Incorporation / Place of Operation	Group's Effective Interest 2005 %	Group's Effective Interest 2004 %
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 Goldwater TMT Pte. Ltd.				
TAC Tanjung Miring Timur [(c)]	Exploration and operation of oil fields for crude petroleum production	Indonesia / Indonesia	70	70

[(a)] Audited by Nexia Tan & Sitoh, a Member Firm of Nexia International
[(b)] Not required to be audited under the laws of the country of incorporation
[(c)] Audited by Johan Malonda Astika & Rekan, a Member Firm of Nexia International

7. INTEREST IN ASSOCIATES

	Company 2005 S$	Company 2004 S$	Group 2005 S$	Group 2004 S$
Unquoted equity shares at cost				
Orchard Energy Holding Java and Sumatra B.V.	**11,583,117**	-	**11,583,117**	-
Advances made to associates				
Orchard Energy Holding Java and Sumatra B.V.	**6,954,715**	-	**6,954,715**	-
Add: Share of post acquisition reserves	-	-	**2,877,859**	-
	18,537,832	-	**21,415,691**	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

7. INTEREST IN ASSOCIATES (CONT'D)

The following sets out the movement in share of post-acquisition reserves:-

	Group	
	2005 S$	2004 S$
At beginning of the financial year	-	-
Share of profit before tax	**6,707,068**	-
Share of tax	**(3,829,209)**	-
At end of the financial year	**2,877,859**	-

Interest in associates relates to the Group's 50% interest in Orchard Energy Java and Sumatra Holding B.V. ("OEH"), a company incorporated in the Netherlands. OEH in turn owns 100% of the paid up share capital of Orchard Energy Java B.V. ("OEJ") and Orchard Energy Sumatra B.V. ("OES"), companies incorporated in the Netherlands. OEJ and OES own a 5% working interest each in the production sharing contracts of Offshore North West Java ("ONWJ") and South East Sumatra ("SES") respectively. OEJ and OES were acquired by OEH on 27 April 2005.

Advances made to OEH are unsecured and bear interest at LIBOR + 0.5% per annum. These advances are for the purposes of operating and development activities in ONWJ and SES. Advances are denominated in United States dollars.

Name of Company / Entity	Principal Activities	Country of Incorporation / Place of Operation	Group's Effective Interest 2005 %	Group's Effective Interest 2004 %
Orchard Energy Java and Sumatra Holding B.V. [(a)]	Investment holding	Netherlands	50	-
Orchard Energy Java B.V. [(a)]	Exploration and operation of oil fields for crude petroleum production	Netherlands / Indonesia	50	-
Orchard Energy Sumatra B.V. [(a)]	Exploration and operation of oil fields for crude petroleum production	Netherlands / Indonesia	50	-

[(a)] Audited by Deloitte, Netherlands

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

7. INTEREST IN ASSOCIATES (CONT'D)

The following is a summary of the major items of the consolidated financial statements of OEH for the year ended 31 December 2005 prepared in accordance to the International Financial Reporting Standards.

	2005 **S$**
Balance sheet	
Non-current assets	79,139,395
Current assets	19,339,131
Current liabilities	(2,166,402)
Loan from shareholders	(13,909,430)
Term loan	(63,338,330)
Net assets	**19,064,364**
Share capital	**1,638,400**
Reserves	**17,425,964**
	19,064,364
Profit and loss account	
Revenue	47,510,170
Other income	421,841
Expenses	(28,023,671)
Finance cost	(6,494,204)
Profit before tax	**13,414,136**
Taxation	(7,658,418)
Profit after tax	**5,755,718**
Group's 50% share of profit after tax	2,877,859

There are no comparative figures as 2005 is the first year of operation of OEH and its subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

8. GOODWILL ON REVERSE ACQUISITION

	Group	
	2005	**2004**
	S$	**S$**
Cost		
Opening balance	**2,438,226**	2,579,796
Change in accounting policy		
- Reclassified from accumulated amortisation	-	(141,570)
Closing balance	**2,438,226**	2,438,226
Accumulated amortisation		
Opening balance	-	94,380
Charge to profit and loss statement	-	47,190
Change in accounting policy		
- Reclassified to cost	-	(141,570)
Closing balance	-	-
Net book value	**2,438,226**	2,438,226

Goodwill on reverse acquisition arose from the difference between the deemed cost of acquisition and the fair value of the assets acquired and liabilities assumed at the reverse acquisition date, 10 July 2003 (see Note 2(c)).

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") and Shantex Holdings Pte Ltd as at the reverse acquistion date multiply by the net assets of Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to S$2,579,796 is recognised in the consolidated financial statement. Previously, the Group had amortised this cost over the remaining period of the IPR contracts 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 for the financial year ended 31 December 2005. Amortisation charges for the year ended 31 December 2004 were for the period 1 January 2004 to 31 March 2004.

As at 31 December 2005, the management is of the view that no provision for impairment is necessary for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

9. PARTICIPATING RIGHTS

	Group	
	2005	**2004**
	S$	**S$**
Cost		
Opening balance	**3,506,981**	-
Addition	**-**	3,808,421
Write off	**-**	-
Foreign currency translation	**60,391**	(301,440)
Closing balance	**3,567,372**	3,506,981
Accumulated amortisation		
Opening balance	**205,232**	-
Charge	**281,834**	205,270
Write off	**-**	-
Foreign currency translation	**3,553**	(38)
Closing balance	**490,619**	205,232
Net book value	**3,076,753**	3,301,749

Participating rights recognised in the Group's balance sheet arose from the acquisition of the 70% interest in TAC TMT. The amount recognised as participating rights is the excess of the net fair value of the identifiable assets acquired and liabilities assumed over the cost of acquisition. This participating rights cost is amortised on a straight line basis over the remaining life of TAC TMT contract of 12.75 years from 1 April 2004 to 31 December 2016.

10. OTHER INVESTMENTS

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Club membership	**7,193**	-	**7,193**	-

11. INVENTORIES

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Consumables	**-**	-	**1,566,883**	1,880,895

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

12. WORK IN PROGRESS

Work in progress are expenses which have been incurred for the improvement of existing oil wells that have not been completed at the end of the financial year.

13. TRADE RECEIVABLES

Trade receivables are receivables from the Myanmar Oil and Gas Enterprise ("MOGE") and Pertamina in respect of sales of the Group's petroleum entitlement. Allowances for doubtful debts are in respect of the Group's crude oil sales in its Myanmar operations. Trade receivables are denominated in United States dollars.

	Group	
	2005	**2004**
	S$	**S$**
Trade receivables	**5,733,191**	2,281,768
Less: Allowances for doubtful debts	**(589,741)**	-
	5,143,450	2,281,768

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Deposits	**64,377**	36,907	**102,008**	80,088
Other receivables	**179,409**	18,198	**459,788**	66,055
Prepayments	**80,398**	200,253	**172,738**	267,242
Amounts due from related parties (non-trade)	**-**	-	**-**	219
Amounts due from associates (non-trade)	**8,329**	-	**8,329**	-
	332,513	255,358	**742,863**	413,604

15. CASH AND CASH EQUIVALENTS

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Cash at bank and in hand	**2,866,224**	5,930,480	**4,815,561**	7,774,975
Restricted cash	**3,229,344**	-	**3,229,344**	-
	6,095,568	5,930,480	**8,044,905**	7,774,975

Restricted Cash

Restricted cash deposits (Secured Debt Service Reserve Account) of S$3,229,344 relates to the cash that has been put aside to service the first 6 coupon payments of the Secured Bond 7% due 2010 (see Note 18).

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value. Cash and cash equivalents are subject to interest rate risk as excess cash is placed into the short term money market (see Note 38(f)).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

16. OTHER PAYABLES AND ACCRUALS

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Accrued expenses	**458,837**	169,328	**2,040,355**	540,295
Other creditors	**989,508**	35,168	**1,458,090**	1,473,251
Amounts due to joint venture partners	**-**	-	**39,387**	24,922
	1,448,345	204,496	**3,537,832**	2,038,468

17. LOAN FROM A RELATED PARTY (INTEREST BEARING)

The outstanding loan as at 31 December 2005 refers to an unsecured loan from a related party, Persada Capital Limited which charges interest at 12% per annum (2004:Nil). This loan is repayable on 31 December 2006. The loan is denominated in United States dollars. The carrying amount is stated at amortised cost.

18. SECURED BOND 7% DUE 2010

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Principal outstanding	**18,323,800**	-	**18,323,800**	-
Bond accretion account	**(454,775)**	-	**(454,775)**	-
	17,869,025	-	**17,869,025**	-

On 25 April 2005, the Company issued Secured Bond 7% due 2010 ("Bonds") with the principal amount of US$11,000,000 (S$18,323,800). The coupon is at 7% per annum and is payable semi-annually.

The Bonds may be redeemed by the Company at any time after the date of issue at a premium bearing a yield to maturity of approximately 10.13% per annum. The bondholder has the option to redeem the Bonds on one particular day being the third anniversary after the issue date.

In conjunction with the issuance of the Bonds, detachable warrants were also issued to the bondholder at no cost. In accordance with FRS 32 and FRS 39, a value is allocated to these warrants issued as an equity component on the balance sheet even though they were issued at no cost. This value amounts to S$899,548 and is recognised on the issue date as warrants premium reserves.

The coupon payable, redemption premium, and warrants premium reserves are amortised as interest expense at an effective interest rate of approximately 11.12% per annum.

The Bonds are secured by

(a) a charge over the shares held by the Company of Goldwater Company Limited;
(b) a charge over the shares held by the Company of Goldwater TMT Pte. Ltd.; and
(c) an assignment of all rights in respect of the Secured Debt Service Reserve Account.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

19. PROVISION FOR TAXATION AND TAXATION

	Company		Group	
	2005 S$	2004 S$	2005 S$	2004 S$
Provision for taxation	**5,664**	-	**2,997,336**	1,769,897

The Company is liable to income tax in Singapore on its chargeable income arising from the Management and service fees that the Company charges its subsidiary companies. The fees charged are based on a cost plus 5% mark up basis.

The subsidiary companies are liable to pay income taxes in the countries where the petroleum contracts exist. The subsidiary companies and joint ventures of the Company have made the necessary tax provisions under their respective petroleum contracts. However, no payments have been made as they have unrecovered cost pools.

	Group	
	2005 S$	2004 S$
Prior year income tax	**343**	-
Current year income tax	**1,204,272**	420,948
	1,204,615	420,948

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

20. TAX EFFECT RECONCILIATION

	Group	
	2005	**2004**
	S$	**S$**
Current year tax	**1,204,615**	420,948
Reconciliation of effective tax rate		
Profit / (Loss) before tax	**4,594,890**	(351,897)
Notional income tax expense / (benefit) using Singapore tax rate	**918,978**	(70,379)
Effect of different tax rates in other countries	**534,705**	140,310
Tax effect of income not subject to tax	**(1,712,041)**	(453,350)
Tax effect of expenses not deductible for tax purposes	**1,462,973**	514,573
Deferred benefits not recognised	**-**	289,794
	1,204,615	420,948

The following temporary differences have not been recognised as deferred tax assets:-

	Group	
	2005	**2004**
	S$	**S$**
Opening balance	**289,794**	-
Differences in depreciation and capital allowances	**-**	4,710
Unutilised tax losses	**-**	285,084
	289,794	289,794

The unutilised tax losses are subject to agreement by the relevant tax authorities and compliance with tax regulations. Deferred tax assets have not been recognised in respect of these items because it is uncertain if these deferred tax assets can be utilised against future profits.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

21. LOAN FROM A DIRECTOR (UNSECURED)

The outstanding loan as at 31 December 2005 refers to an unsecured and interest free loan from a director, Mr Edwin Soeryadjaya which is repayable on 30 April 2008. The loan is denominated in United States dollars. The carrying amount is stated at amortised cost.

	Group	
	2005	**2004**
	S$	**S$**
Loan	**2,335,190**	2,295,658
Less: Unamortised deemed interest expense	**(307,072)**	-
	2,028,118	2,295,658

As a result of first time adoption of FRS 39 (see Note 2(a)), the opening balance of this loan was restated (see Note 45).

22. LOAN FROM A SUBSTANTIAL SHAREHOLDER (UNSECURED)

The outstanding loan as at 31 December 2005 refers to an unsecured and interest free loan from a substantial shareholder, Canyon Gate Investments Ltd which is repayable on 30 April 2008. The loan is denominated in United States dollars. The carrying amount is stated at amortised cost.

	Group	
	2005	**2004**
	S$	**S$**
Loan	**2,481,139**	2,439,137
Less: Unamortised deemed interest expense	**(326,264)**	-
	2,154,875	2,439,137

As a result of first time adoption of FRS 39 (see Note 2(a)), the opening balance of this loan was restated (see Note 45).

23. LOAN FROM A RELATED PARTY

The outstanding loan as at 31 December 2005 refers to an unsecured and interest free loan from a related party, Prairie Heritage Ltd. which is repayable on 30 April 2008. The loan is denominated in United States dollars. The carrying amount is stated at amortised cost.

	Group	
	2005	**2004**
	S$	**S$**
Loan	**2,481,139**	2,439,137
Less: Unamortised deemed interest expense	**(326,264)**	-
	2,154,875	2,439,137

As a result of first time adoption of FRS 39 (see Note 2(a)), the opening balance of this loan was restated (see Note 45).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

24. DEFERRED INCOME

	Group	
	2005	**2004**
	S$	**S$**
Opening balance	**8,546,526**	9,794,587
Income recognised for the year	**(709,641)**	(719,880)
Foreign currency translation	**147,124**	(528,181)
Closing balance	**7,984,009**	8,546,526
Income recognised for the year	**709,641**	719,880

Deferred income arose from Goldwater's 40% farm-out to Geopetrol for a total consideration of US$10 million of which US$4 million was received in cash and US$6 million is the value of technical services to be provided by Geopetrol. The cash consideration was recognised in the profit and loss account in 2003, whereas US$6 million was recognised as deferred income on the balance sheet. The initial amount recognised was S$10,410,600.

Deferred income is recognised in the profit and loss account on a straight line basis over the remaining period of the IPR contracts, which is approximately 14 years from 1 March 2003 to 31 March 2017.

25. SHARE CAPITAL

	Group	
	2005	**2004**
	S$	**S$**
Authorised		
As at beginning of financial year		
- 2,000,000,000 ordinary shares of S$0.05 each	**100,000,000**	100,000,000
Share consolidation of 2,000,000,000 ordinary shares of S$0.05 each into 400,000,000 ordinary shares of S$0.25 each	-	-
As at end of financial year		
- 400,000,000 ordinary shares of S$0.25 each	**100,000,000**	100,000,000
Issued and fully paid		
As at beginning of financial year	**48,131,756**	44,131,756
Issue of ordinary shares for cash	**-**	4,000,000
As at end of financial year	**48,131,756**	48,131,756

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

25. SHARE CAPITAL (CONT'D)

At an extraordinary general meeting held on 21 April 2005, the shareholders of the Company approved the consolidation of five ordinary shares of S$0.05 each into one ordinary share of S$0.25 each. The shareholders also approved the issuance of warrants with nominal value of US$11,000,000 in conjunction with the issuance of Secured Bonds 7% due 2010. These warrants carry the right to subscribe for the Company's new ordinary shares of S$0.25 each at a subscription price determined in accordance with the terms and conditions of the warrants. As at 31 December 2005, the subscription price of these warrants is S$0.28 which is also the minimum subscription price under the terms and conditions of the warrants. The number of ordinary shares of S$0.25 each that may be converted at the subscription price of S$0.28 is 64,393,214 shares.

During the financial year ended 31 December 2004, the Company issued 80,000,000 new ordinary shares of S$0.05 each at S$0.19332 per share.

26. RESERVES

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Share premium	**174,174,852**	174,174,852	**109,276,633**	109,276,633
Revenue reserves	**(177,655,309)**	(175,259,550)	**13,284,585**	9,582,300
Special reserves	**-**	-	**(135,457,376)**	(135,457,376)
Warrants premium reserves	**899,548**	-	**899,548**	-
Foreign currency translation reserve	**-**	-	**(788,853)**	(1,146,798)
	(2,580,909)	(1,084,698)	**(12,785,463)**	(17,745,241)

Share Premium

During the financial year ended 31 December 2005, there was no movement in share premium.

During the financial year ended 31 December 2004, the Company issued 80,000,000 new ordinary shares of S$0.05 each at a premium of S$0.14332 per share.

Special Reserves

	2005
	S$
Cost of investment	**(30,000,000)**
Share capital of Goldwater	**321,800**
Pre-acquisition accumulated loss of the Company	**(173,257,191)**
Share premium amount prior to debt conversion	**64,898,219**
Goodwill on reverse acquisition	**2,579,796**
	(135,457,376)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

26. RESERVES (CONT'D)

As a result of applying the reverse acquisition accounting as set out in Note 2(c), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, Goldwater. As such, cost of investment to the Company and the reserves of the Company immediately prior to the reverse acquisition are transferred to special reserves when consolidating the financial statements.

Warrants Premium Reserves

See Note 18.

27. REVENUE

	Group	
	2005	**2004**
	S$	**S$**
Sales of crude oil	**18,091,970**	10,875,125

28. COST OF PRODUCTION

	Group	
	2005	**2004**
	S$	**S$**
Royalty	**972,637**	639,587
Depreciation of property, plant and equipment	**738,431**	402,428
Amortisation of exploration, evaluation and development costs	**1,695,338**	994,302
Amortisation of computer software	**798**	-
Production expenses	**8,020,191**	6,376,860
	11,427,395	8,413,177

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

29. OTHER INCOME

	Group 2005 S$	Group 2004 S$
Bank interest income	**149,211**	42,574
Interest income from associates	**208,256**	-
Gain from adjustment in fair value of financial liabilities	**1,010,344**	-
Management fees	**-**	187,553
Deferred income	**709,641**	719,880
Other income	**24,734**	1,930
Foreign exchange gain, net	**14,407**	-
	2,116,593	951,937

Gain from Adjustment in Fair Value of Financial Liabilities

The amount relates to interest free loans from a director, a substantial shareholder and a related party which were extended to 30 April 2008 in April 2005. In accordance to FRS 39, the Group has restated the carrying amount of these loans at fair value at the time these loans were extended to 30 April 2008. As these loans are interest free, the present value of the loan is lower than the carrying amount, and hence a gain is recognised in the profit and loss account. The present value of the loans is discounted at the interest rates which were originally due to be charged on the loans of approximately 6.21%. This gain will be amortised as deemed interest expense over the next 37 months, from April 2005 to April 2008.

30. ADMINISTRATIVE EXPENSES

Administrative expenses comprise principally staff costs, rental of premises, traveling expenses, accommodation, auditors' remuneration, tax and accounting fees, other professional fees and allowances for doubtful debts (see Note 13).

31. OTHER OPERATING EXPENSES

	Group 2005 S$	Group 2004 S$
Depreciation of property, plant and equipment	**55,632**	58,330
Amortisation of concession rights	**48,831**	49,536
Amortisation of intangible benefits	**709,641**	719,880
Amortisation of participating rights	**281,834**	205,270
Amortisation of goodwill on reverse acquisition	**-**	47,190
Foreign exchange loss, net	**-**	140,197
	1,095,938	1,220,403

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

32. FINANCE COSTS

	Group	
	2005	2004
	S$	S$
Interest expense amortisation for bonds issued	**1,499,660**	-
Interest on loan from a related party	**37,570**	-
Amortisation of deemed interest expense	**356,980**	-
	1,894,210	-

Interest Expense Amortisation for Bonds Issued

See Note 18.

Interest on Loan from a Related Party

This interest was incurred from an unsecured loan from the related party which charges interest at 12% per annum (see Note 42(f)).

Amortisation of Deemed Interest Expense

This amount relates to interest free loans from a director, a substantial shareholder and a related party which were extended to 30 April 2008 in April 2005. In accordance to FRS 39, the difference between the present value of the loans and carrying amount is amortised as interest expense over the life of these loans. The present value of the loans is discounted at the interest rates which were originally due to be charged on the loans.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

33. PROFIT / (LOSS) BEFORE TAX

The profit / (loss) before tax is determined:

		Group	
	Notes	**2005 S$**	**2004 S$**
After charging:			
Directors' remuneration			
Directors of the Company			
Salaries		**254,368**	179,938
Directors' fees		**182,833**	268,239
Others		**132,404**	77,449
Directors of joint ventures who are not Directors of the Company			
Salaries		**-**	27,084
Staff Costs			
Production	35	**1,065,491**	1,035,592
Administrative	35	**822,313**	420,823
Depreciation of property, plant and equipment	3	**794,063**	460,758
Amortisation of			
Exploration, evaluation and development costs	4	**1,695,338**	994,302
Concession rights	5	**48,831**	49,536
Intangible benefits	5	**709,641**	719,880
Computer software	5	**798**	-
Goodwill on reverse acquisition	8	**-**	47,190
Participating rights	9	**281,834**	205,270
Foreign exchange loss, net		**-**	140,197
Allowances for doubtful debts		**594,999**	-
After crediting:			
Bank interest income	29	**149,211**	42,574
Interest income from associates	29	**208,256**	-
Gain from fair value adjustment	29	**1,010,344**	-
Foreign exchange gain, net	29	**14,407**	-
Deferred income	24	**709,641**	719,880

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

34. EARNINGS / (LOSS) PER SHARE

Earnings per share is calculated by dividing the Group's results for the financial year by the weighted average number of ordinary shares in issue during the year as follows:-

	Group	
	2005	**2004**
Net profit / (loss) for the year (S$)	**3,390,275**	(772,845)
Weighted average number of ordinary shares in issue	**192,527,024**	186,712,816
Basic earnings / (loss) per share (cents)	**1.761**	(0.414)
Fully diluted earnings / (loss) per share (cents)	**1.761**	(0.414)

For comparison purposes, the weighted average number of shares of S$0.05 each in issue for the financial year ended 31 December 2004 of 933,564,082 has been adjusted to 186,712,816 shares to reflect the 5 to 1 share consolidation which took effect on 29 April 2005.

For the purposes of calculating fully diluted earnings per share, potential shares arising from the conversion of warrants are considered to be anti-dilutive as the subscription price of S$0.28 per share is higher than the average share price of the Company for the period 25 April 2005 to 31 December 2005 of S$0.258 per share. For the financial year ended 31 December 2004, there were no warrants in issue.

35. STAFF COSTS

	Group	
	2005	**2004**
	S$	**S$**
Staff costs		
Production	**1,065,491**	1,035,592
Administrative	**822,313**	420,823
	1,887,804	1,456,415
Cost of defined contribution plan included in staff costs	**40,462**	28,798

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

36. COMMITMENTS

(a) Operating Lease Commitments

The Group has operating lease commitments in respect of rental of office premises, vehicles and equipment in Singapore, Myanmar and Jakarta.

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Not later than 1 year	**60,867**	126,417	**971,014**	174,535
After 1 year	**104,870**	-	**193,795**	24,067
	165,737	126,417	**1,164,809**	198,602

(b) Capital Commitments

	Company		Group	
	2005	**2004**	**2005**	**2004**
	S$	**S$**	**S$**	**S$**
Not later than 1 year	**-**	-	**-**	386,515
After 1 year	**-**	-	**-**	-
	-	-	**-**	386,515

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

37. CONTINGENT LIABILITIES

(a) Corporate guarantee given by Goldwater to Multi-Corporation (S) Pte Ltd ("Multi Co") in respect of the indebtedness incurred by the Company's 60% joint venture, Goldpetrol, using Multi Co as a purchasing and financing agent. The guarantee is for a maximum of US$1,200,000 (see Note 42(a)).

(b) The operations and earnings of the Group have been, and in the future may be, affected from time to time in varying degrees by political developments in Myanmar, and laws and regulations both in Myanmar and in other countries in response to developments in Myanmar. These may include sanctions by other countries on trade with Myanmar, forced divestment of assets, expropriation of property, cancellation of contracts, restrictions on production, changes in tax rules and environmental regulations. The likelihood of such occurrences and their overall effect upon the Group are not predictable.

The Myanmar Investment Commission (''MIC") has 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 site. 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 be exposed to the cost of restoration of project sites. The potential costs are not estimated as the Group does not foresee any circumstances to arise which may require it to make such provisions to comply with the MIC.

(c) In late 2005, the Ministry of Finance and Revenue of Myanmar issued a notification stating that all capital gains arising from any transaction in foreign currency relating to the sale, exchange or transfer of company shares, capital assets, ownership of, or any interest in a company doing business in the oil and gas sector in Myanmar is subject to tax. This change is to be applied retrospectively from 15 June 2000. In late 2002, the Group's subsidiary, Goldwater, farmed out a 40% interest in the IPR contracts to Geopetrol Singu Inc. At that time, Goldwater informed MOGE that Goldwater's net cumulative investment was higher than the cash proceeds received from Geopetrol and as such, Goldwater did not derive any capital gain. At this point in time, the Group does not believe there is any requirement for a tax provision to be included in the accounts. Furthermore, it is not possible to estimate the quantum of any amount which may eventually become payable in respect of this matter.

(d) As per the Technical Assistance Contract of TMT, Article II 3.4 on Abandonment and Site Restoration, "Operating costs shall include all expenditures incurred in the abandonment of all wells and the restoration of their drill sites, together with all estimates of monies required for the funding of any abandonment and site restoration program established in conjunction with any approved plan of development for a commercial discovery." The Group does not foresee any requirement for immediate provision at this point in time.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group does not have any written risk management policies and guidelines and is exposed to credit, crude oil price and other market risks arising in the normal course of business.

The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest and foreign exchange rates.

(a) Credit Risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Company, resulting in a loss to the Company.

As the Group currently sells all its crude oil production to MOGE and Pertamina, the Group has a significant credit risk concentration. The Group does not foresee its exposure to Pertamina to be significant as payments have been regular. However, payments from MOGE have been irregular due to spiralling oil prices. Accordingly, the Group has made an allowance for doubtful debts. The maximum exposure to financial assets risk in the event of full default by MOGE as at 31 December 2005 is S$3,247,330.

Cash is placed with reputable financial institutions.

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

(b) Crude Oil Price Risk

The Group derives its revenue from the sales of crude oil. Its operations are subject to fluctuations in oil prices which are dependent on market demand and supply. The Group does not hedge this risk.

(c) Foreign Currency Risk

The Group's foreign exchange risk arises from its subsidiary companies operating in foreign countries which generate revenue and incur costs denominated in foreign currencies and the Company's assets and liabilities which are denominated in foreign currencies. The Group's primary exposure is in United States dollars. These subsidiary companies, whose net assets are measured in United States dollars, are also exposed to translation risk.

The Group currently does not seek to hedge these exposures. As at the balance sheet date, the Group does not have any forward foreign currency contracts.

(d) Fair Value of Financial Assets and Liabilities

Except for those disclosed in Notes 18, 21, 22 and 23, the carrying amounts of financial assets and liabilities reported on the balance sheet approximate their fair values.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

(e) Liquidity Risk

Prudent liquidity risk management implies having sufficient cash and obtaining credit facilities if the need arises. The Group has not arranged for any committed credit facilities as there was no requirement for such facilities. However, when the need arises, the directors believe that the Group will be able to secure the necessary credit facilities or raise funds from the public capital market.

(f) Interest Rate Risk

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

As at 31 December 2005, the Group has the following financial assets which are subject to interest rate risk:-

	2005 S$
Advances made to associates (see Note 7)	**6,954,715**
Cash at bank and in hand	**4,815,561**
Restricted cash	**3,229,344**
Total assets	**14,999,620**

<u>**Cash at Bank and in Hand**</u>

Excess cash in hand is placed in short term deposits of less than 1 month.

<u>**Restricted Cash**</u>

Restricted cash is placed in short term deposits of less than 3 months.

As at 31 December 2005, the Group does not have any significant financial liabilities which are subject to variable interest rates. All interest bearing borrowings are obtained at fixed rates.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

39. DECOMMISSIONING AND RESTORATION COSTS

The Group has not made any allowances for decommissioning and restoration costs, as it is believed that there are no significant costs involved in meeting legal and regulatory requirements laid down at the current time.

40. INVESTMENT IN JOINT VENTURES

The Group's share of joint ventures' results and assets and liabilities are as follows:-

	Group	
	2005	**2004**
	S$	S$
Balance sheet		
Non-current assets	**12,963,737**	12,972,441
Current assets	**8,267,524**	5,995,503
Current liabilities	**(2,894,441)**	(5,311,076)
Net assets	**18,336,820**	13,656,868
Profit and loss account		
Revenue	**18,091,970**	10,875,125
Expenses	**(10,984,967)**	(8,926,690)
Profit before tax	**7,107,003**	1,948,435
Taxation	**(1,198,608)**	(420,948)
Profit after tax	**5,908,395**	1,527,487
Group's share in operating lease commitment of joint ventures	**815,035**	13,564
Group's share in capital commitment of joint ventures	-	386,515

Details on joint ventures are set out in Note 6.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

41. SEGMENT REPORTING

Group	Indonesia		Myanmar		Eliminations		Consolidated	
	2005 S$	2004 S$	2005 S$	2004 S$	2005 S$	2004 S$	2005 S$	2004 S$
Revenue								
Sales to external customers	**11,095,064**	6,080,712	**6,996,906**	4,794,413	-	-	**18,091,970**	10,875,125
Total revenue	**11,095,064**	6,080,712	**6,996,906**	4,794,413	-	-	**18,091,970**	10,875,125
Results								
Segment results	**3,754,626**	807,150	**582,355**	707,275	-	-	**4,336,981**	1,514,425
Finance costs							**(1,894,210)**	-
Share of profit after tax from associates							**2,877,859**	-
Unallocated corporate net operating results							**(725,740)**	(1,866,322)
Profit / (Loss) before tax							**4,594,890**	(351,897)
Taxation							**(1,204,615)**	(420,948)
Net profit /(loss) after tax							**3,390,275**	(772,845)
Assets								
Segment assets	**14,098,484**	12,850,916	**32,203,715**	31,421,822	-	-	**46,302,199**	44,272,738
Unallocated corporate assets							**30,313,159**	8,659,105
Total assets							**76,615,358**	52,931,843
Liabilities								
Segment liabilities	**9,843,634**	12,107,032	**18,704,112**	19,081,710	**(9,892,222)**	(10,617,807)	**18,655,524**	20,570,935
Unallocated corporate liabilities							**22,613,541**	1,974,393
Total liabilities							**41,269,065**	22,545,328
Net assets as per consolidated balance sheet							**35,346,293**	30,386,515

41. SEGMENT REPORTING (CONT'D)

Group	Indonesia 2005 S$	Indonesia 2004 S$	Myanmar 2005 S$	Myanmar 2004 S$	Total 2005 S$	Total 2004 S$
Other information						
Capital expenditure (tangible and intangible assets)	**1,267,104**	2,789,054	**537,665**	3,513,874	**1,804,769**	6,302,928
Depreciation and amortisation	**1,475,364**	840,265	**2,034,060**	1,565,944	**3,509,424**	2,406,209

42. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties are entities with common directors, indirect shareholders and / or directors.

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant transactions with related parties during the year on terms agreed between the parties.

Significant Related Parties Transactions

	Group 2005 S$	Group 2004 S$
Fees paid by the Group for purchases of drilling materials made through Multi-Corporation (S) Pte Ltd (see (a) below)	-	211,054
Rental of drilling rigs and equipment from Contium Engineers Far East Pte Ltd (see (b) below)	-	731,252
Loan from Persada Capital Limited (see (f) below)	**1,268,423**	-
Interest paid to Persada Capital Limited (see (f) below)	**37,570**	-

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

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

(a) Multi-Corporation (S) Pte Ltd ("Multi Co")

Multi Co is related to the Group because Mr Subianto Arpan Sumodikoro, who was appointed as a director of the Company on 14 December 2004, is a deemed substantial shareholder of the Company through Canyon Gate Investments Ltd. He is also a director and shareholder of Multi Co.

Multi Co acts as a purchasing and financing agent to the Group's joint venture, Goldpetrol. Multi Co will act on instructions from Goldpetrol to arrange for payments to the suppliers of Goldpetrol by Letters of Credit and make the necessary import arrangements to Myanmar, for a fee based on the amount invoiced by the suppliers of Goldpetrol. The suppliers are sourced by Goldpetrol to provide supplies required by Goldpetrol to carry out the operations in Myanmar.

(b) Contium Engineers Far East Pte Ltd ("Contium")

Contium is related to the Group because it is a wholly owned subsidiary of Multi Co.

Contium rents drilling rigs and other drilling equipment to Goldpetrol. The rig rental contract which was awarded to Contium through a tendering exercise in 2001 is in compliance with MOGE's requirements. The rig rental contract expired in August 2004 and Goldpetrol has decided not to renew the contract.

(c) Loan from a Director (Unsecured) – Mr Edwin Soeryadjaya

The amount outstanding as at 31 December 2005 is in relation to a loan extended to Goldwater in 1997 by a director of the Company, Mr Edwin Soeryadjaya. Mr Soeryadjaya gave a deed of undertaking on 8 March 2004 in favour of Goldwater whereby Mr Soeryadjaya undertook not to require repayment of the loan by Goldwater until 21 January 2006. On 4 April 2005, Mr Soeryadjaya gave another deed of undertaking not to require repayment of the loan by Goldwater until 30 April 2008. The loan is interest-free from 17 December 2002 onwards and is unsecured. The amount outstanding as at 31 December 2005 is US$1,401,843 or equivalent to S$2,335,190.

(d) Loan from a Substantial Shareholder (Unsecured) – Canyon Gate Investments Ltd ("Canyon Gate")

The amount outstanding as at 31 December 2005 is in relation to a loan extended to Goldwater by Canyon Gate in 1997. Canyon Gate gave a deed of undertaking on 8 March 2004 in favour of Goldwater whereby Canyon Gate undertook not to require repayment of the loan by Goldwater until 21 January 2006. On 4 April 2005, Canyon Gate gave another deed of undertaking not to require repayment of the loan by Goldwater until 30 April 2008. The loan is interest-free from 17 December 2002 onwards and is unsecured. The amount outstanding as at 31 December 2005 is US$1,489,458 or equivalent to S$2,481,139. Mr Subianto Arpan Sumodikoro who is director of the Company, is a director and shareholder of Canyon Gate.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 december 2005

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

(e) Loan from a Related Party (Unsecured) – Prairie Heritage Ltd. ("Prairie")

The amount outstanding as at 31 December 2005 is in relation to a loan extended to Goldwater by Prairie in 1997. Prairie gave a deed of undertaking on 8 March 2004 in favour of Goldwater whereby Prairie undertook not to require repayment of the loan by Goldwater until 21 January 2006. On 4 April 2005, Prairie gave another deed of undertaking not to require repayment of the loan by Goldwater until 30 April 2008. The loan is interest-free from 17 December 2002 onwards and is unsecured. The amount outstanding as at 31 December 2005 is US$1,489,458 or equivalent to S$2,481,139.

Prairie is considered to be related to the Company because Mr Sugiharto Soeleman, (the former Chief Executive Officer of the Company), Mr Purnardi Djojosudirdjo and Mr Yos Teo Sidy are former directors of the Company and also directors and shareholders of Prairie.

(f) Loan from a Related Party (Unsecured) – Persada Capital Limited ("Persada")

The amount outstanding as at 31 December 2005 is in relation to a loan extended to Goldwater by Persada on 4 October 2005. This loan is unsecured and extended for the tenure of 12 months. Goldwater has the option to extend the repayment up to 31 December 2006. The interest rate is charged at 12% per annum and is payable monthly in arrears. The amount outstanding as at 31 December 2005 is US$750,000 or equivalent to S$1,249,350. The outstanding interest payable as at 31 December 2005 is US$7,750 or equivalent to S$12,910 (2004:Nil).

(g) Key Management's Remuneration

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

	Group	
	2005	**2004**
	S$	**S$**
Directors' fees	**182,833**	268,239
Short term employee benefits	**706,165**	257,387
Post employment benefits including CPF	**11,980**	-
Total costs incurred by the Group	**900,978**	**525,626**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

43. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in accordance with a resolution of the Board of Directors of the Company on 24 March 2006.

44. COMPARATIVE FIGURES

Certain prior period's comparative figures in the consolidated financial statements have been restated.

Restatement of Earnings Per Share

	Group	
Earnings per share	**2004 (As restated)**	**2004 (As previously reported)**
Weighted average number of ordinary shares in issue	186,712,816	933,564,082
Basic (loss) per share (in cents)	**(0.414)**	(0.083)
Fully diluted (loss) per share (in cents)	**(0.414)**	(0.083)

For better comparison purposes, the number of shares in issue as at 31 December 2004 comprising 962,635,120 shares of S$0.05 each has been adjusted to reflect the 5 to 1 share consolidation which took effect on 29 April 2005.

45. EFFECTS ON FIRST TIME ADOPTION OF FRS 39

The adoption of FRS 39 has resulted in the Group recognising its financial liabilities at fair value initially and subsequently at amortised cost. In accordance with the transitional provision of FRS 39, the comparative financial statements for 2004 are not restated. Instead, the changes have been accounted for by restating the retained earnings as at 1 January 2005. The following sets out the effects on the opening balances arising from the first time adoption of FRS 39:-

	As previously reported	**Adjustments increased / (reduced) by**	**After adjustment for FRS 39 adoption**
Loan from a director (unsecured)	2,295,658	(99,844)	2,195,814
Loan from a substantial shareholder (unsecured)	2,439,137	(106,083)	2,333,054
Loan from a related party (unsecured)	2,439,137	(106,083)	2,333,054
Retained earnings	9,582,300	312,010	9,894,310

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

46. SUPPLEMENTARY INFORMATION ON PETROLEUM RESERVES

It is the Group's accounting policy to conduct a petroleum reserves certification on each potential or recognised area of interest once in every three years to ascertain if there is any significant change in its petroleum reserves, if reliable and credible information is not available. During the financial year, the Group commissioned Gaffney, Cline and Associates (Consultants) Pte Ltd to perform a reserves certification for TAC TMT. The Group did not conduct any petroleum reserves certification for its Chauk and Yenangyaung fields in Myanmar as an external party has recently concluded a full field study. The output of the study was a reservoir characterisation and assessment of prospects and leads. For the purpose of amortising exploration, evaluation and development costs, the Group has relied on internal estimates which are assessed on an on-going basis and are based on experience and relevant factors including expectation of future events that are believed to be reasonable under the circumstances.

The information on gross petroleum reserves tabulated below are estimates only and do not purport to reflect the realisable value or fair market value of Group's share of petroleum reserves. Whenever possible, the Group has relied on external and third party reports which are considered to be reliable and credible. In estimating the gross petroleum reserves, the Management has used certain assumptions and variables in its calculation of estimated recoverable reserves. The estimated recoverable reserves are reviewed at each balance sheet date when additional data of new wells and / or further production history becomes available.

As at 31 December 2005, the Group's estimated share of petroleum reserves is as follows:-

Petroleum Type		Unit	Gross Proven Reserves	Gross Probable Reserves	Gross Possible Reserves	Total
Gas		Bcf	37.4	8.9	9.3	**55.6**
Gas	(a)	mboe	6,230	1,484	1,545	**9,259**
Crude oil	(b)	mbbl	11,747	11,672	52,080	**75,499**
Total	**(a)+(b)**	**mboe**	**17,977**	**13,156**	**53,625**	**84,758**

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 december 2005

46. SUPPLEMENTARY INFORMATION ON PETROLEUM RESERVES (CONT'D)

The above petroleum reserves were based on the following sources of information:-

Area of Interest	Report	Remark
Yenangyaung and Chauk, Myanmar	Certificate of Oil Reserves as of April 2002, Lemigas (dated September 2002)	Actual production since the cut off date has been deducted from the quantum of proven reserves
TAC Tanjung Miring Timur, Indonesia	Reserves Certification of Tanjung Miring Timur as of 1 August 2005, Gaffney, Cline and Associates (Consultants) Pte Ltd (dated March 2006)	Actual production since the cut off date has been deducted from the quantum of proven reserves
Offshore North West Java, Indonesia	Oil and Gas Reserves Report as of 1 January 2006, provided by BP West Java Ltd (dated January 2006)	
South East Sumatra, Indonesia	Estimated Future Gross and Net Reserves as of 31 December 2005, Ryder Scott Company Petroleum Consultants (dated February 2006)	

Conversion from Gas Reserves to Barrels of Oil Equivalent

For the purpose of converting gas reserves to barrels of oil equivalent, a factor of 6,000 standard cubic feet of gas to 1 barrel of oil equivalent (boe) was used (6 mscf = 1 boe).

Gross Petroleum Reserves

Gross petroleum reserves refer to the estimated oil and gas reserves prior to the application of the relevant host government's contractual arrangements.

Abbreviations

mbbl : thousand barrels
mscf : thousand standard cubic feet
Bcf : billion standard cubic feet
boe : barrels of oil equivalent
mboe : thousand barrels of oil equivalent

SHAREHOLDING STATISTICS
as at 13 March 2006

SHARE CAPITAL

Paid-Up Capital	:	S$48,131,756
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

SHAREHOLDING DISTRIBUTION

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	6,352	48.08	2,117,423	1.10
1,000 - 10,000	5,137	38.88	20,951,547	10.88
10,001 - 1,000,000	1,709	12.94	71,944,779	37.37
1,000,001 and above	13	0.10	97,513,275	50.65
Total	13,211	100.00	192,527,024	100.00

TOP 20 REGISTERED SHAREHOLDERS

Name of Shareholder	No. of Shares	%
Citibank Nominees Singapore Pte Ltd	23,822,230	12.37
Raffles Nominees Pte Ltd	20,737,716	10.77
Purnardi Djojosudirdjo	10,340,000	5.37
UOB Kay Hian Pte Ltd	8,971,243	4.66
Amex Nominees (S) Pte Ltd	7,501,200	3.90
Yos Sidy Teo	6,668,000	3.46
Sugiharto Soeleman	6,625,000	3.44
DBS Nominees Pte Ltd	3,439,156	1.79
United Overseas Bank Nominees Pte Ltd	2,697,346	1.40
Kim Eng Securities Pte Ltd	2,575,652	1.34
Angky Minarti Hamdani	1,599,000	0.83
Lam Tin Yie	1,500,000	0.78
OCBC Nominees Singapore Pte Ltd	1,036,732	0.54
Lie Tjoei Tjoe	996,000	0.52
Phillip Securities Pte Ltd	917,118	0.48
Tjiong Boen Ngiap @ Bushar Tomi	747,000	0.39
Koh Kim Hoay	700,000	0.36
Kwa Ching Tze	700,000	0.36
DBS Vickers Securities (Singapore) Pte Ltd	662,618	0.35
OCBC Securities Private Ltd	603,342	0.31
Total	102,839,353	53.42

SHAREHOLDING STATISTICS

as at 13 March 2006

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Edwin Soeryadjaya [1]	-	-	20,593,000	10.75
Fleur Enterprises Limited [2]	19,033,000	9.89	-	-
Canyon Gate Investments Ltd [3]	25,000,000	12.99	-	-
Subianto Arpan Sumodikoro [4]	-	-	25,000,000	12.99
Purnardi Djojosudirdjo	10,340,000	5.37	-	-

[1] Edwin Soeryadjaya is deemed to be interested in the 19,033,000 shares held by Fleur Enterprises Limited and 1,560,000 shares held by Saratoga Equity Partners I Limited, by virtue of Section 7 of the Companies Act, Chapter 50.

[2] Fleur Enterprises Limited's interest of 19,033,000 shares is held by Raffles Nominees Pte Ltd as its nominee.

[3] Canyon Gate Investments Ltd's interest comprises 5,000,000 shares held by Amex Nominees (S) Pte Ltd, 15,000,000 shares held by Citibank Nominees Singapore Pte Ltd, and 5,000,000 shares held by UOB Kay Hian Pte Ltd as its nominees.

[4] Subianto Arpan Sumodikoro is deemed to be interested in the 25,000,000 shares held by Canyon Gate Investments Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

PUBLIC SHAREHOLDINGS

Based on the information available to the Company as at 13 March 2006, approximately 74.25% of the ordinary shares of the Company are held in the hands of the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

WARRANTS

REGISTER OF WARRANTHOLDERS

Name of Warrantholder	No. of Warrants	%
Amaranth LLC	1,100[#]	100.00

[#] See Note 25 of the notes to the financial statements for details on the warrants.

NOTICE OF ANNUAL GENERAL MEETING

INTERRA RESOURCES LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Interra Resources Limited (the **"Company"**) will be held at Meritus Mandarin Hotel, Mandarin Court D, Level 4 Grand Tower, 333 Orchard Road, Singapore 238867, on Wednesday, 26 April 2006 at 2.30 pm for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2005 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the sum of S$182,833 as Directors' fees for the financial year ended 31 December 2005 (FY 2004: S$268,239). **Resolution 2**

3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 89 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:-

   (a) Mr Edwin Soeryadjaya **Resolution 3(a)**

   (b) Mr Subianto Arpan Sumodikoro **Resolution 3(b)**

   (c) Mr Allan Charles Buckler **Resolution 3(c)**

4. To re-elect the following Directors, each of whom will cease to hold office pursuant to Article 95 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:-

   (a) Mr Luke Christopher Targett **Resolution 4(a)**

   (b) Mr Ng Soon Kai **Resolution 4(b)**

5. To re-appoint Nexia Tan & Sitoh as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modifications, the following resolutions as Ordinary Resolutions:-

   (a) **To Authorise the Directors to Allot and Issue Shares Pursuant to Section 161 of the Companies Act, Chapter 50**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority which would or might require shares or convertible securities to be issued during the continuance of this authority or thereafter) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution), provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty (50) per centum of the issued shares of the Company, and provided further that where members of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a *pro rata* basis, then the number of shares and convertible securities to be issued under such circumstances shall not exceed twenty (20) per centum of the issued shares of the Company, and for the purpose of this Resolution, the percentage of issued shares shall be based on the Company's issued share capital at the time this Resolution is passed (after adjusting for (i) new shares arising from the conversion or exercise of convertible securities, and (ii) any subsequent consolidation or subdivision of shares), and unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.
   Resolution 6(a)

   (b) **Proposed Issue of Additional New Shares**

   That approval be and is hereby given to the Directors of the Company to allot and issue (notwithstanding that the issue thereof may take place after the next or any ensuing annual or other general meeting of the Company) up to 3,066,344 additional new ordinary shares in the capital of the Company ("Additional New Shares"), as described in the Company's addendum to shareholders dated 10 April 2006 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2005) pursuant to the exercise of the Warrants approved by the shareholders on 21 April 2005 and issued by the Company on 25 April 2005, subject to and in accordance with the terms and conditions of the Warrants, such new Additional New Shares to be credited as fully-paid when issued and to rank *pari passu* in all respects with the ordinary shares in the capital of the Company then in issue save that they shall not rank for any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date thereof is before the date of exercise of the Warrants (the "Exercise Date") and notice of the amount and the record date for which has been given to the SGX-ST prior to the relevant Exercise Date. **Resolution 6(b)**

NOTICE OF ANNUAL GENERAL MEETING

7. To transact any other business that may properly be transacted at an AGM of the Company.

   By Order of the Board

   Adrian Chan Pengee
   Company Secretary
   Singapore
   10 April 2006

Explanatory Notes

Resolution 3(a) - If re-elected, Mr Luke Christopher Targett will remain as the Chief Executive Officer of the Company.

Resolution 3(b) - If re-elected, Mr Ng Soon Kai will remain as an Independent Director of the Company.

Resolution 4(a) - If re-elected, Mr Edwin Soeryadjaya will remain as the Non-Executive Chairman of the Company.

Resolution 4(c) - If re-elected, Mr Allan Charles Buckler will remain as an Independent Director of the Company, the Chairman of the Nominating Committee, a Member of the Audit Committee and a Member of the Remuneration Committee.

Resolution 6(a) - If passed, will empower the Directors, from the date of the above AGM until the next AGM, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by the resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed fifty (50) per centum of the issued share capital of the Company at the time of the passing of this Resolution. For issues of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty (20) per centum of the issued share capital of the Company at the time of the passing of this Resolution.

Resolution 6(b) - If passed, will give authority to the Directors to allot and issue up to 3,066,344 additional new ordinary shares in the Company pursuant to the exercise of the Warrants, being the shortfall that was understated in the circular to shareholders dated 6 April 2005. Further information may be found in the Company's addendum dated 10 April 2006 despatched together with the Annual Report of the Company for the financial year ended 31 December 2005.

NOTES

1. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy must be lodged at the registered office of the Company not less than 48 hours before the time fixed for the AGM.

PROXY FORM
ANNUAL GENERAL MEETING

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)

IMPORTANT
1. *For investors who have used their CPF monies to buy ordinary shares in the capital of Interra Resources Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.*
2. *This Proxy Form is not valid for use by such CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*

I/We, ______________________________(Name) ____________________________________(NRIC/Passport No.)

of ____(Address)

being a member/members of Interra Resources Limited (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (No. of Shares)	(%)

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (No. of Shares)	(%)

or failing him/them, the Chairman of the Annual General Meeting ("AGM") as my / our proxy / proxies to attend and to vote on my / our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held **at Meritus Mandarin Hotel, Mandarin Court D, Level 4 Grand Tower, 333 Orchard Road, Singapore 238867 on Wednesday, 26 April 2006 at 2.30 pm** and at any adjournment thereof. I / We direct my / our proxy / proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy / proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Ordinary Resolutions	For	Against
	Ordinary Business		
1	Adoption of Directors' Report and Audited Accounts		
2	Approval of Directors' fees		
3	(a) Re-election of Mr Edwin Soeryadjaya as Director		
	(b) Re-election of Mr Subianto Arpan Sumodikoro as Director		
	(c) Re-election of Mr Allan Charles Buckler as Director		
4	(a) Re-election of Mr Luke Christopher Targett as Director		
	(b) Re-election of Mr Mr Ng Soon Kai as Director		
5	Re-appointment of Auditors and authorise Directors to fix their remuneration		
	Special Business		
6	(a) Authority to allot and issue shares pursuant to Section 161 of the Companies Act, Chapter 50		
	(b) Proposed Issue of Additional New Shares		
7	Any other business		

(Please indicate your vote "For" or "Against" with [X] in the box provided.)

Dated this __________ day of ____________ 2006

TOTAL NUMBER OF SHARES HELD

____
Signature(s) of Member(s) or duly authorised officer or attorney or common seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined In Section 130A of the Companies Act, Chapter 50), he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead.

3. A proxy need not be a member of the Company.

4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 391A Orchard Road, #13-06 Ngee Ann City Tower A, Singapore 238873 not less than 48 hours before the time appointed for the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Luke Christopher Targett
Chief Executive Officer & Executive Director

Subianto Arpan Sumodikoro
Non-Executive Director

Crescento Hermawan
Alternate Director to Subianto Arpan Sumodikoro

Allan Charles Buckler
Independent Director

Lim Hock San
Independent Director

Ng Soon Kai
Independent Director

AUDIT COMMITTEE
Lim Hock San *(Chairman)*
Allan Charles Buckler
Sandiaga Salahuddin Uno

NOMINATING COMMITTEE
Allan Charles Buckler *(Chairman)*
Lim Hock San
Sandiaga Salahuddin Uno

REMUNERATION COMMITTEE
Lim Hock San *(Chairman)*
Allan Charles Buckler
Sandiaga Salahuddin Uno

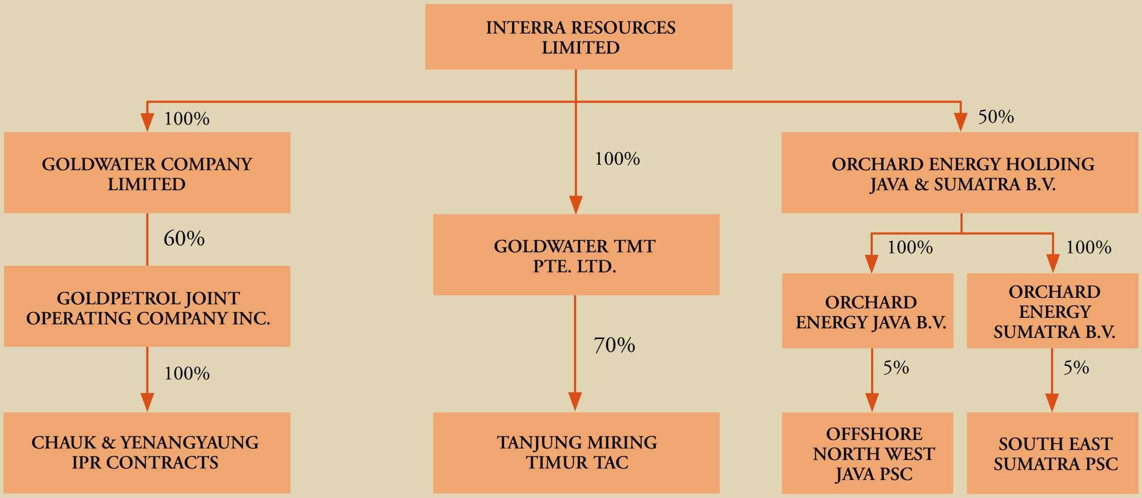
COMPANY SECRETARY
Adrian Chan Pengee
Lun Chee Leong

REGISTERED OFFICE
391A Orchard Road #13-06
Ngee Ann City Tower A
Singapore 238873
Company Registration No. 197300166Z

Tel	(65) 6732 1711
Fax	(65) 6738 1170
Email	interra@interraresources.com
Website	www.interraresources.com
ISIN Code	SG1R37924805

SHARE REGISTRAR
M & C Services Private Limited
138 Robinson Road #17-00
The Corporate Office
Singapore 068906

AUDITORS
Nexia Tan & Sitoh
Certified Public Accountants
Member Firm of Nexia International
5 Shenton Way #23-03
UIC Building
Singapore 068808
Date of Appointment: 24 April 2001
Partner-in-Charge: Henry Tan Song Kok



INTERRA RESOURCES LIMITED

Company Registration No. 197300166Z

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Singapore 238873
Tel (65) 6732 1711
Fax (65) 6738 1170
Email interra@interraresources.com
Website www.interraresources.com