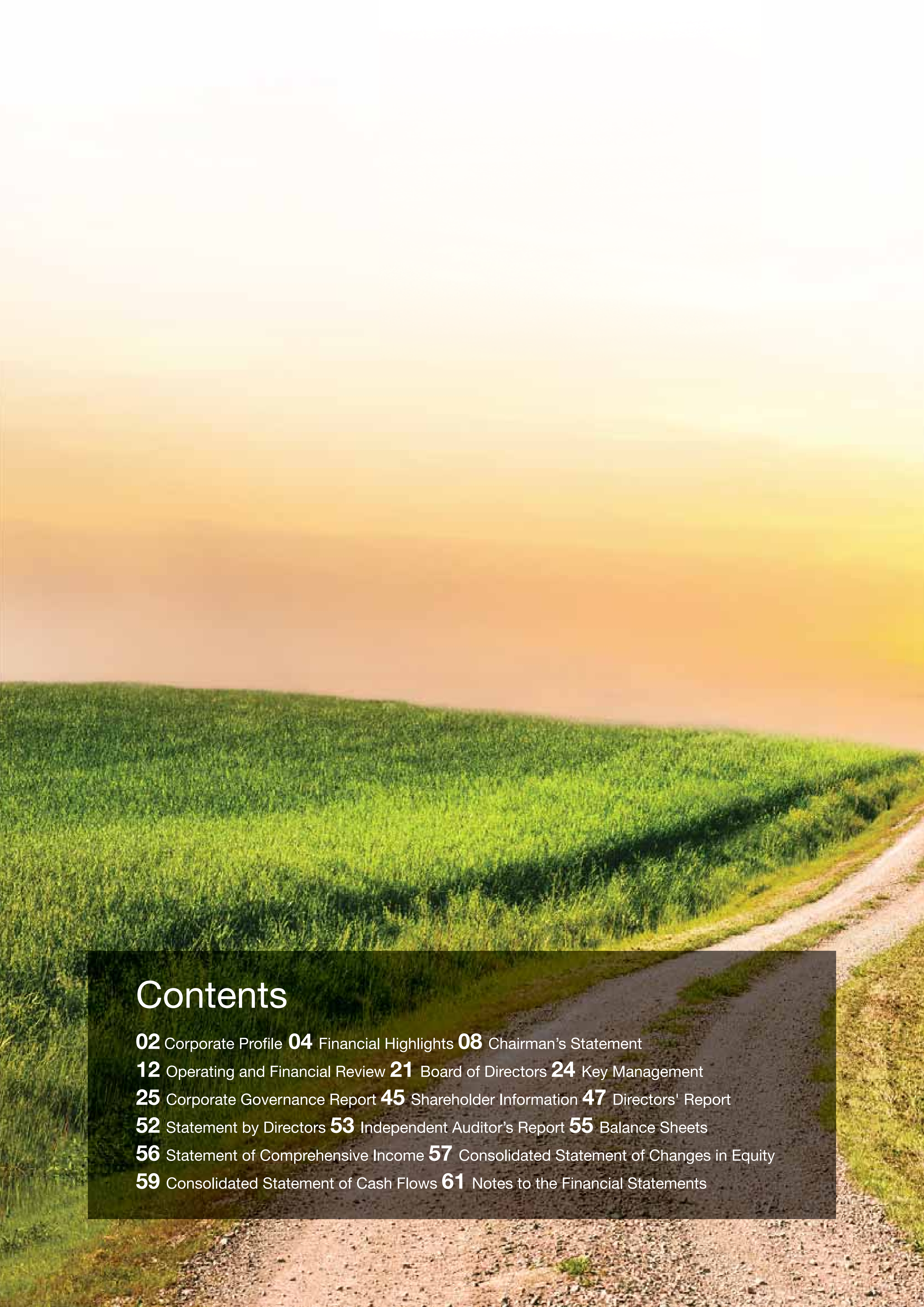
A Future Full of

energy

Interra Resources Limited

Annual Report 2013



Contents

Our Aspiration:
A More Dynamic Future

FY2013 has been a fruitful year, with robust returns driven by higher production and higher revenue.

With the best still ahead of us, we at Interra Resources are even more driven to further expand our presence, capabilities and capacity to deliver value.

Corporate Profile

Since our inception, we have grown both organically by developing our existing assets and through disciplined acquisitions.

Not drawn to scale

Interra Resources Limited, a Singapore-incorporated company listed on the SGX Mainboard, is engaged in the business of oil and gas exploration and production (E&P). Our E&P activities include oil and gas production, field development and exploration. We are positioning ourselves to become a leading regional independent producer of oil and gas.

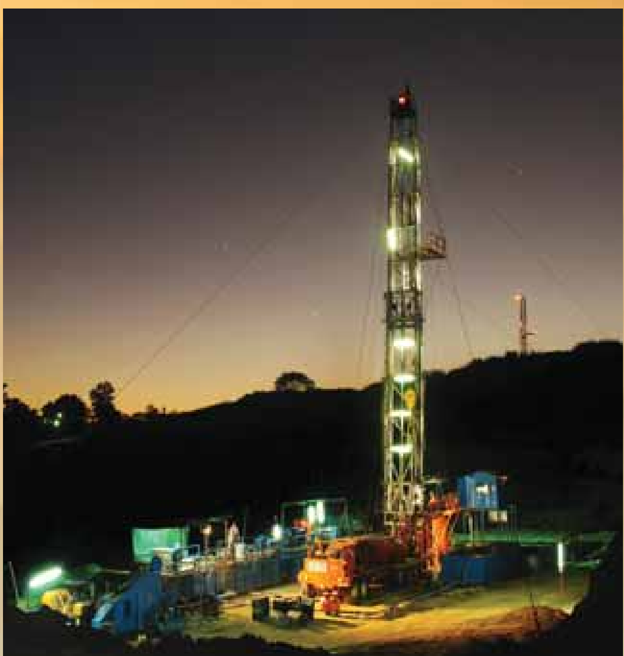
Since our inception, we have grown both organically by developing our existing assets and through disciplined acquisitions by seeking attractive targets across Southeast Asia. Our portfolio of production, development and exploration assets comprises five contract areas in Indonesia and Myanmar.

Corporate Profile

myanmar

Chauk and Yenangyaung IPRCs

In central Myanmar, we hold 60% of the rights and interests to two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs). The IPRCs with the Myanma Oil and Gas Enterprise (MOGE) commenced on 4 October 1996 for a term of 20 years and 6 months. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol Joint Operating Company Inc. The two Myanmar concessions extend over a total area of approximately 1,800 square kilometres and are located along the Ayeyarwaddy River, approximately 580 kilometres north of Yangon. During 2013, the combined gross production for both fields was 910,875 barrels of oil.



indonesia

Tanjung Miring Timur TAC

Onshore South Sumatra, we own a 100% participating interest in the Tanjung Miring Timur (TMT) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 17 December 1996 for a term of 20 years and we are the operator of the field. The TMT TAC covers an area of approximately 61 square kilometres and is located around 30 kilometres southeast of Prabumulih and about 120 kilometres southwest of Palembang. During 2013, the gross production of the field was 297,827 barrels of oil.

Linda Sele TAC

In the province of West Papua, we have a 100% participating interest in the Linda Sele (LS) Technical Assistance Contract (TAC). The TAC with PT Pertamina EP commenced on 16 November 1998 for a term of 20 years and we have the full operatorship of the onshore field. The LS TAC covers an area of approximately 15 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong. During 2013, the gross production of the field was 72,667 barrels of oil.

Kuala Pambuang PSC

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

Financial Highlights

GROUP	2009	2010	2011 (Restated)[a]	2012 (Restated)[a]	2013
Financial Performance *(US$'000)*					
Revenue	12,617	14,854	24,824	30,407	**50,163**
Cost of production	9,181	10,142	14,382	19,972	**26,839**
Gross profit	3,436	4,712	10,442	10,435	**23,324**
Net profit before tax	2,256	2,907	11,045	5,325	**10,568**
Net profit after tax	1,478	1,710	9,053	3,029	**7,001**
Financial Strength *(US$'000)*					
Cash and cash equivalents	17,341	18,748	11,536	16,735	**12,402**
Debt and borrowings	-	-	-	-	**-**
Net current assets	15,521	17,659	8,123	14,538	**14,491**
Shareholders' equity	35,312	36,637	49,412	70,513	**78,625**
Cash Flow *(US$'000)*					
Operating cash flow	3,371	2,623	7,758	7,026	**19,340**
Investing cash flow	(3,140)	(615)	(16,574)	(18,526)	**(23,670)**
Financing cash flow	-	-	3,760	16,698	**(2)**
Per Share Data *(US cents)*					
Basic earnings per share	0.575	0.666	2.466	0.759	**1.571**[b]
Net asset value per share	13.744	14.260	16.726	15.913	**17.622**

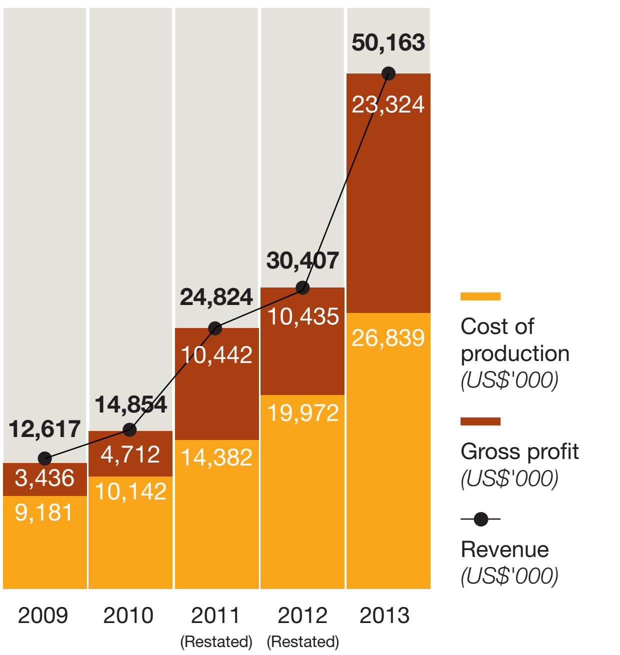
a. Restated due to the adoption of FRS 19 (Revised) - Employee Benefits.
b. See Note 25 of the Notes to the Financial Statements for full details on fully diluted earnings per share.

COMPANY	2009	2010	2011	2012	2013
SGX Share Price Information *(S$)*					
Year-end closing price	0.200	0.140	0.097	0.405	**0.415**
Average closing price	0.166	0.157	0.130	0.359	**0.460**
Highest traded price	0.260	0.215	0.180	0.520	**0.595**
Lowest traded price	0.055	0.130	0.088	0.095	**0.390**
Year-end market capitalisation	51,384,048	35,968,833	28,655,763	179,467,795	**185,160,698**
Average market capitalisation	42,743,575	40,211,600	36,892,626	120,447,892	**205,138,810**

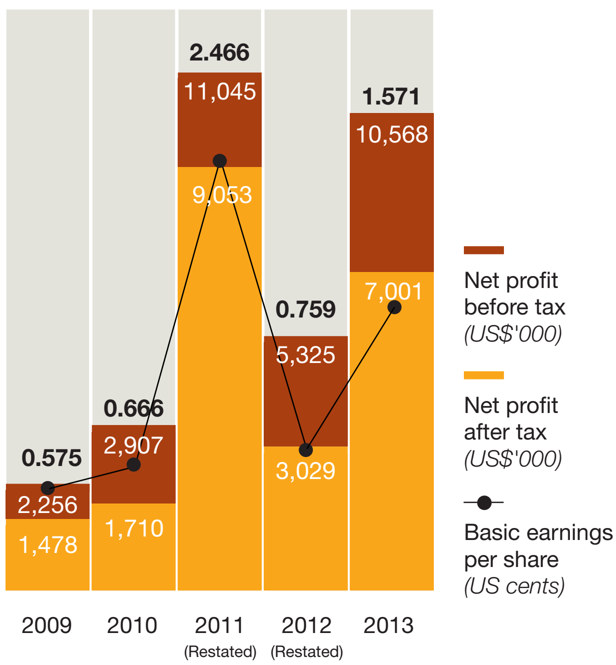
Source: www.sgx.com

Financial Highlights

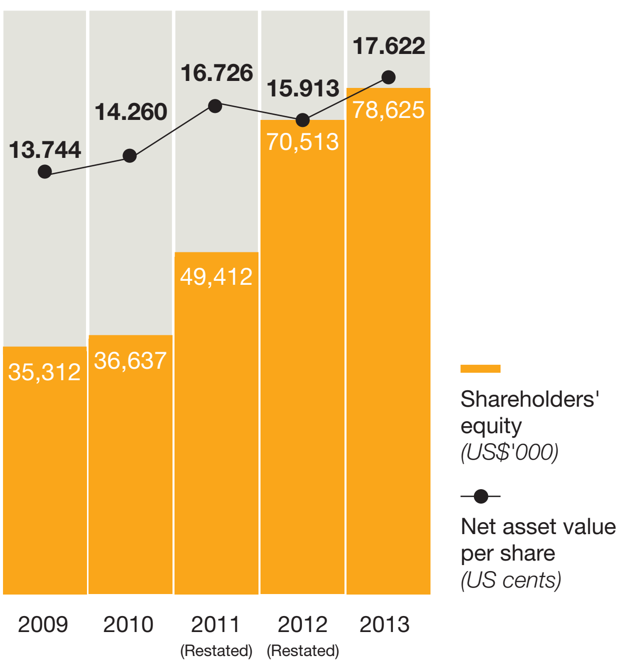
Revenue, Cost of production & Gross profit



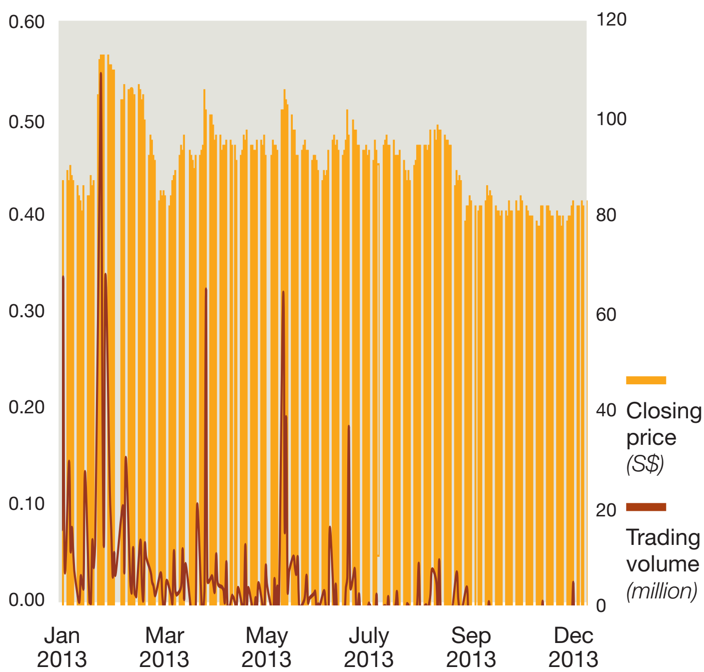
Net profit before & after tax, Basic earnings per share



Shareholders' equity & Net asset value per share



SGX share price performance for 2013



REVENUE

US$50.2 million +65%

NET PROFIT AFTER TAX

US$7.0 million +131%

MYANMAR SHAREABLE PRODUCTION

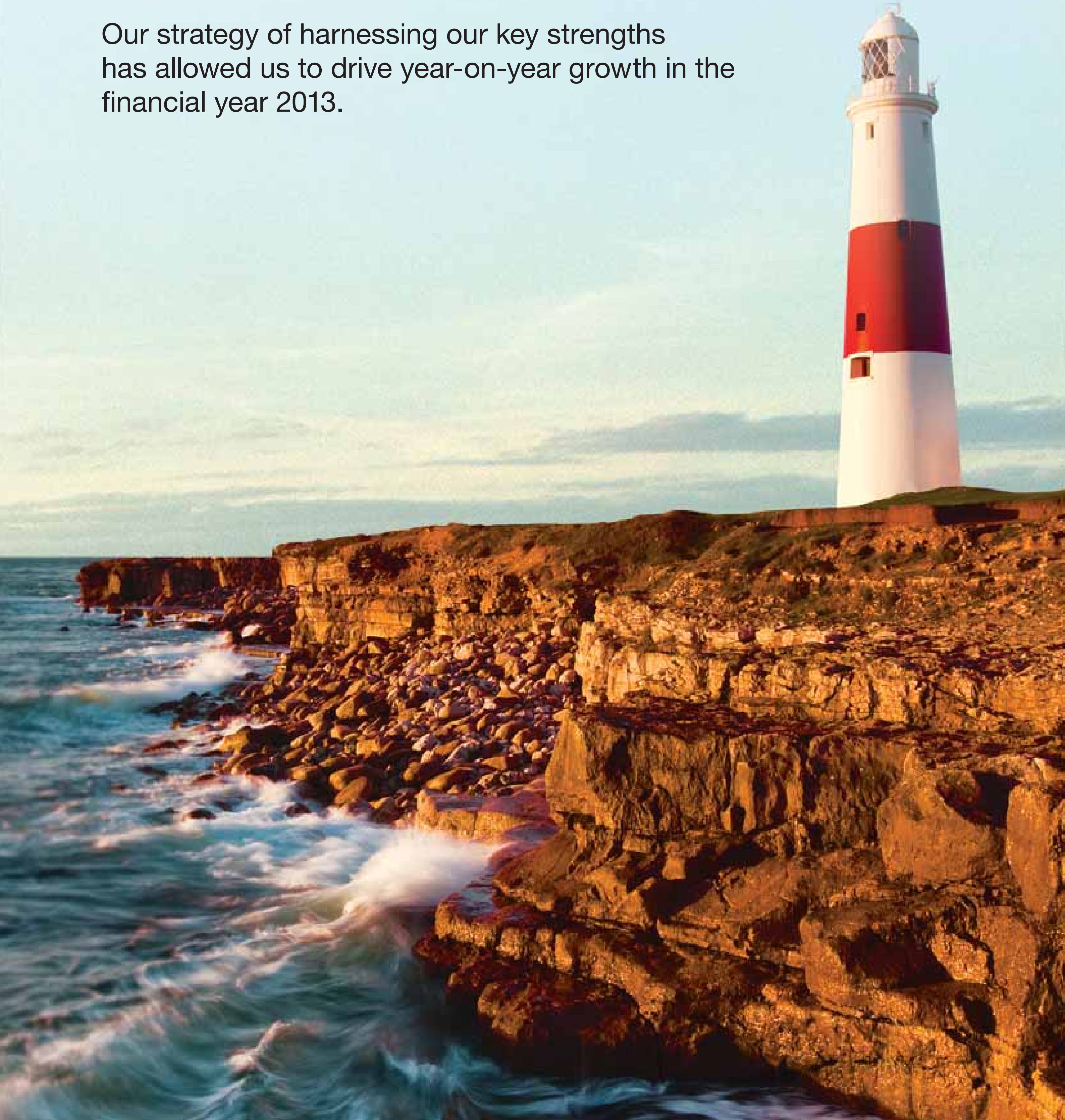
282,660 barrels +34%

INDONESIA SHAREABLE PRODUCTION

366,813 barrels +132%

Our Focus:
A Strong Performance

Our strategy of harnessing our key strengths has allowed us to drive year-on-year growth in the financial year 2013.



Chairman's Statement

Dear Shareholders,

We have enjoyed a rewarding year for the financial year ended 31 December 2013 ("**FY2013**"). I am very pleased to inform you that Interra Resources Limited (the "**Company**") and its subsidiaries (the "**Group**") achieved a record total revenue of US$50.16 million and made a net profit after tax of US$7.00 million for FY2013, which were increases of 65.0% and 131.1% respectively over the performance in the financial year ended 31 December 2012 ("**FY2012**").

Transformation On Track

In Myanmar, we undertook an aggressive drilling campaign of twenty-four shallow-to-intermediate depth development wells in 2013 (2012: ten wells) and completed twenty-two wells as oil producers with two still undergoing testing at year end. The smooth and efficient drilling operations were accomplished by maximising the simultaneous deployment of three drilling rigs in the Chauk and Yenangyaung fields. The Myanmar team reached an important milestone in the Chauk field by drilling its first directional well under the Ayeyarwaddy River with remarkable success. This technically challenging well was drilled by employing state-of-the-art directional drilling techniques and subsequently completed as a significant oil producer. In the year under review, the combined shareable production of the Chauk and Yenangyaung fields increased by 33.5% to 282,660 barrels from 211,658 barrels in FY2012. In terms of revenue, Myanmar accounted for US$21.94 million or 43.7% at the Group level in FY2013.

With regard to the deep exploration well drilled at the Chauk field in 2012, reservoir testing conducted during the year concluded that these reservoir zones are tight and gas will not flow naturally at commercial rates. Nevertheless, we continue to believe that the well not only may have potential to yield commercial production if reservoir enhancement can be performed, but also may serve to provide valuable information and data for future exploration in the surrounding areas. Hence, the well has been suspended while awaiting the availability of specialised reservoir enhancement equipment to perform further productivity tests. The well suspension has led to an impairment of drilling cost amounting to US$6.24 million in FY2013 and this has affected the bottom line of the Group.

It gives me pleasure to report the sterling performance of our Tanjung Tiring Timur ("**TMT**") field in South Sumatra, where the shareable crude oil production for FY2013 surged 218.9% to 294,146 barrels from 92,250 barrels in FY2012. This was mainly attributable to the long-awaited four-well drilling programme which started in October 2012. Following the success of the programme, the team embarked on another four-well drilling programme in August 2013. By the end of the year, three of these development wells had commenced drilling and all in all, seven new wells were drilled since drilling resumed, with five completed as oil producers and two undergoing testing. The TMT field generated US$22.14 million which represented 44.1% of the consolidated revenue in FY2013 (FY2012: 26.1%).

On the other hand, the results of two new development wells of the Linda Sele fields in West Papua, which were drilled in November 2012 and March 2013 and completed as oil producers during the year, were below expectations. Production optimisation is still ongoing with the aim of increasing production rates. Nevertheless, the overall production of the Linda Sele fields increased by 10.1% to 72,667 barrels in FY2013, and with the implementation of various cost control initiatives, the revenue contribution amounted to US$6.08 million (FY2012: US$4.86 million). Meanwhile, the detailed 3D seismic data interpretation and reservoir studies at the Linda Sele fields are nearing completion and is expected to provide an in-depth subsurface map of the reef structure. We are now in the process of disposing this asset as announced on 14 March 2014.

"It is vital that Interra Resources remains focused on increasing production to widen its capacity to generate strong yield."

The Road Ahead

2013 has been a year of significant progress for the Company as we move forward. I believe we have solidified the foundation for sustainable future growth. During the year, we rolled out major drilling campaigns and made significant achievements in the course of the operatorship at the Myanmar and TMT fields. Going forward, we have high hopes for the future at our Kuala Pambuang block in Central Kalimantan, and will continue to evaluate new assets both producing and exploration in nature. Our core strategies remain unchanged and we are committed to generate long-term value for shareholders while making investments for the future. With the ongoing shift of global economy to the Asian hemisphere, there continue to be exciting resource opportunities in Myanmar and Indonesia, we look forward to expand our presence in this part of the region.

The inherent challenge faced by the upstream petroleum business is the unpredictable crude oil price movements, which are susceptible to numerous increasingly complex factors, such as physical supply and demand, macroeconomic influences and geopolitical developments. In FY2013, the crude oil prices at which we transacted hovered between a tighter range of US$96-118 per barrel (FY2012: US$96-131). Although we are unable to predict the direction of price movements, we will endeavour to implement the best approach to mitigate identified risks and to manage our operations cost-effectively and efficiently. The good performance of 2013 is a testament to our capabilities, discipline and policies, and I believe we are well positioned to build further against the volatile backdrop.

Financially, the Group had US$12.40 million (excluding restricted cash) in cash and cash equivalents and no borrowings as at year end. The net proceeds of S$21.75 million (US$17.70 million) raised from the rights issue in October 2012 have been fully utilised to fund the work programmes in of the various concessions as announced on 15 May 2013. The Group has sufficient cash on hand to meet the work commitments in 2014, and will evaluate and source funding when the need arises. As a growth company that aims to reinvest profits to underpin future growth, the Board does not recommend any dividend payout for FY2013. The Board is committed to uphold the good corporate governance, social and environment-friendly practices, as well as to create wealth for stakeholders and enrich long-term shareholder value. At the same time, we are alert to the current environment around the remuneration arrangements for non-executive directors and we recognise the importance of linking pay to the longer-term objectives of the Company, and in turn, the longer-term interests of shareholders.

In Appreciation

As we march into the second decade of our listing on the Singapore Exchange, I would like to take this opportunity to extend my gratitude to my fellow Board members, past and present, for their invaluable advice and contributions throughout the years. I would also like to record my sincere appreciation to the dedication, hard work and commitment of all employees in the Group, who in their own way, are executing the core strategies and delivering the sustained success of the Company. Last but not least, on behalf of the Board, I would like to thank all our shareholders for your trust and confidence in us and for your investment in the Company. We are also very grateful to our business partners, associates, bankers and various government bodies for supporting us in our activities and helping us grow further. The transformation of the Company into a sustainable growth company is well on track and we are set to explore and discover the future of energy.

Yours sincerely,

EDWIN SOERYADJAYA
Chairman

24 March 2014

GOING FORWARD

TO ACHIEVE
our production targets

TO DRIVE
sustainable growth

TO CREATE
and deliver shareholder value

Our Strategy:
An Optimised Business

We will continue our efforts to develop and enhance our operational infrastructure to increase our capacity to maximise the production potential of our assets.

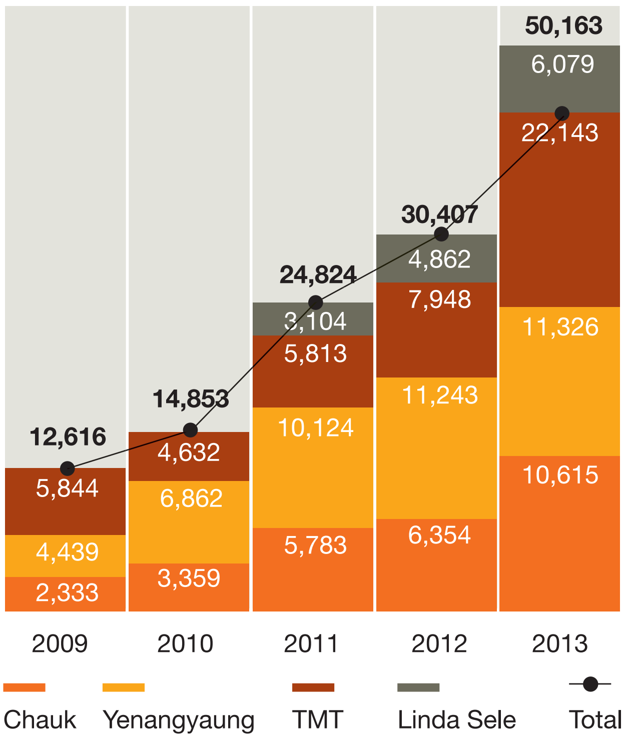
Operating and Financial Review

FINANCIAL REVIEW

Financial Performance

The consolidated revenue of the Company recorded another new high of US$50.16 million in FY2013, an increase of 65.0% from US$30.41 million generated in the previous year. This was solely driven by higher shareable crude oil production across all four producing fields. Consequently, the increased sales of crude oil boosted the overall revenue, with the TMT field being the best performer in FY2013. The revenue contribution from the TMT field increased 178.6% to US$22.14 million from US$7.95 million in FY2012. The Chauk field also performed reasonably well and contributed US$10.62 million in FY2013, 67.1% more than last year. These results were all due to the highly successful drilling campaign launched at the Myanmar and TMT fields over the last fifteen months. The Myanmar and Indonesia revenue proportion for FY2013 was shifted from 57.9% and 42.1% to 43.7% and 56.3% respectively. In the year ahead, the Group will continue with its drilling programmes and production enhancement in order to improve the production yields at its fields. The Group's revenue breakdown by concession for the past five years is charted below.

Revenue breakdown
(US$'000)



As the Group went full steam ahead with its drilling campaign at the Myanmar and TMT fields, the total cost of production went up in tandem by 34.4% to US$26.84 million from US$19.97 in FY2012. Its gross profit for the year increased from US$10.44 million in FY2012 to US$23.32 million, due to the higher sales of crude oil. In the year ahead, the Group anticipates continuing with the drilling programme and, as a result, the cost of production is expected to increase further in the year to come.

Net profit before tax for FY2013 was US$10.57 million, almost double the amount last year. The figure would have been higher if not for the one-off impairment of US$6.24 million made after the deep exploration well drilled at the Chauk field in 2012 was suspended pending further work. Net other income was reduced by foreign exchange loss of US$0.56 million and ended up US$0.99 million lower than the previous year. Higher revenue brought about higher income tax expense, which increased by 55.4% to US$3.57 million in FY2013. The Group posted a net profit after tax of US$7.00 million, up 131.1% compared to US$3.03 million in FY2012. The year ahead is expected to be challenging, with risings costs and business climate being increasing difficult, but the Group is committed to manage the business with a view to safeguard and enhance shareholders' interests and investments.

Financial Strength

Most of the Group's non-current assets as at 31 December 2013 was made up of producing oil and gas properties, which encompassed the production and development activities of the fields and amounted to US$61.35 million. The large-scale drilling programmes executed since late 2012 led to an overall increase in these non-current assets, of which US$6.24 million of exploration and evaluation assets was impaired in view of the suspension of the deep exploration well drilled at the Chauk field. The current assets were mainly consumable inventories at the fields of US$5.72 million, trade receivables relating to crude oil sales of US$8.82 million, and cash at bank and on hand and short term fixed deposits of US$12.40 million. The Group had no non-current liabilities apart from the provision for environmental and restoration costs, which amounted to US$2.72 million. Its main current liabilities were current income tax liabilities of US$7.57 million and trade payables relating to field operations of US$6.68 million.

The strong crude oil sales in FY2013 boosted the net cash inflow from operating activities to US$19.34 million from US$7.03 million in FY2012. At the same time, cash outflow for capital expenditure rose to US$23.67 million from US$18.53 million a year ago because of the accelerated drilling activities. The Group had fully utilised the proceeds from the rights issue undertaken in 2012 and did not raise further capital during the year. Its balance sheets remained healthy, with total shareholders' equity at US$78.62 million compared to US$70.51 million at the end of the previous year. There is sufficient cash on hand to meet the operating commitment in 2014.

The Group's capital expenditure incurred on exploration activities and development and/or production activities for FY2013 are US$23.69 million and US$0.01 million respectively.

Share Capital

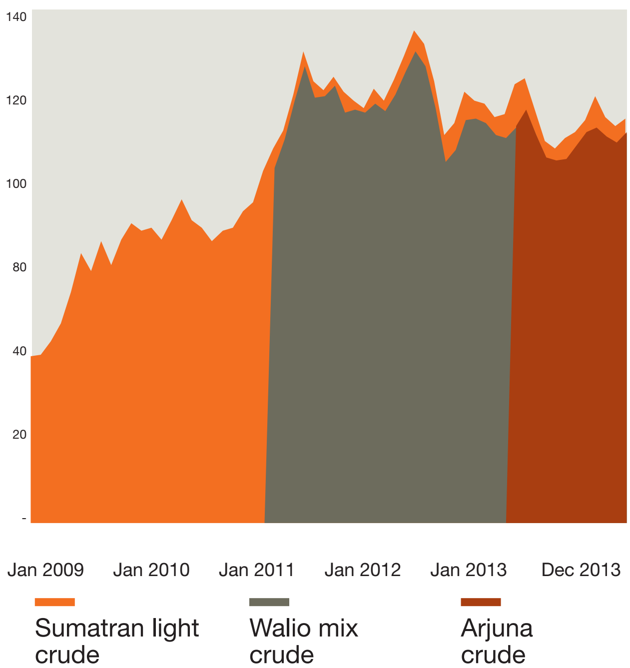
During the year, 2,790,000 ordinary shares at S$0.148 each and 250,000 ordinary shares at S$0.45 each were issued in the capital of the Company pursuant to the exercise to share options granted under the Interra Share Option Plan. As a result, the number of issued and paid-up shares of the Company increased from 443,130,357 to 446,170,357 as at 31 December 2013. The Company has neither treasury shares nor share purchase mandate.

No further share options have been granted since 20 January 2012 and the outstanding number of unissued shares under option was 7,260,000. For further information on share option scheme, please refer to the Directors' Report section of this Annual Report.

Crude Oil Prices

With effect from 1 January 2013, the crude oil produced at the TMT field was sold at Arjuna Crude prices instead of Sumatran Light Crude prices. The Arjuna Crude prices were similar to the Walio Mix Crude prices, the selling prices of crude oil produced at the Linda Sele fields. These two prices were slightly lower than the Sumatran Light Crude prices transacted for the two Myanmar fields. In FY2013, the weighted average transacted prices of the Myanmar, TMT and Linda Sele fields were US$107.90, US$101.21 and US$102.21 per barrel respectively, which were generally lower than US$115.57, US$115.83 and US$109.35 per barrel of the year before. The historical weighted average transacted crude oil prices are charted below.

Crude oil prices
(US$ per barrel)



Sales of the Group's shareable crude oil production are greatly dependent on the prevailing crude oil prices, which are typically unpredictable. In the year ahead, oil prices are expected to remain susceptible to developments regarding factors such as global economic conditions and monetary policies, geopolitical circumstances, and supply and demand situation. The Group has no intention to hedge against crude oil prices for the time being.

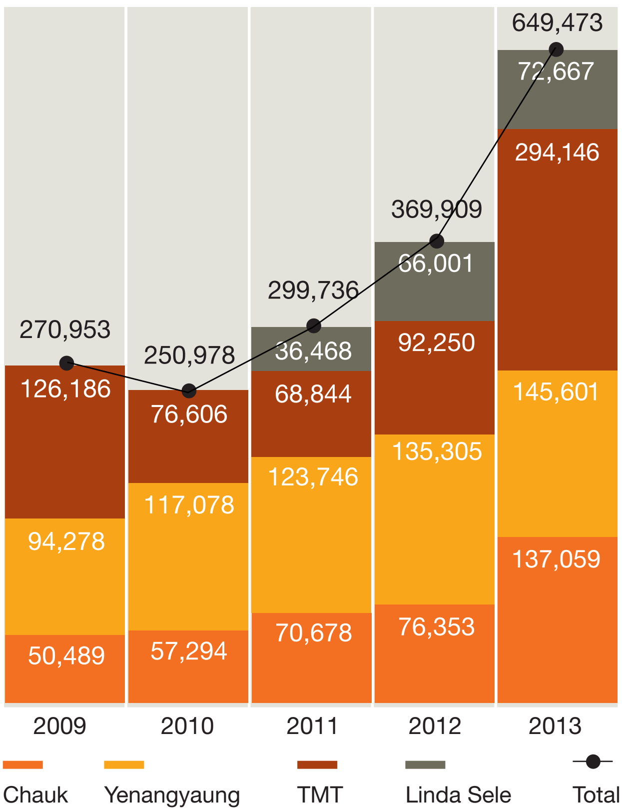
Operating and Financial Review

OPERATING REVIEW

Production

2013 was a very successful year for the Group as the aggressive drilling programmes at the Myanmar and TMT fields produced positive results. The Group's total shareable crude oil production grew by 75.6% to 649,473 barrels from 369,909 barrels in FY2012. The annual shareable production by concession before application of contractual terms with the respective host government for the past five years is charted below.

Annual shareable production
(barrels of oil)



The TMT field gave the most notable performance with shareable production reaching 294,146 barrels, up by 218.9% from 92,250 barrels in FY2012. This was mainly attributable to the successful drilling programme that resumed in 2012 after a four-year suspension, during which the Group had concentrated on developing comprehensive structural geological models and new reservoir concepts through 3D seismic data interpretation combined with detailed reservoir studies. Going forward, the Group will continue to optimise new drilling locations based on the 3D seismic data interpretation to maximize production increases before the concession is due for extension in December 2016.

Shareable production at the Linda Sele fields improved by 10.1% from 66,001 barrels in FY2012 to 72,667 barrels in FY2013. Although results of the two new development wells were not satisfactory, the Group managed to optimise production through surface and borehole enhancements and scheduled maintenance as well as low-cost equipment repair and replacement. In the near future, it will carry on the reservoir zone testing aimed at optimising and increasing production of the new wells and existing producing and shut-in wells.

In Myanmar, shareable production of the Chauk and Yenangyaung fields increased by 79.5% to 137,059 barrels and 7.6% to 146,601 barrels respectively. The sustainability of the production levels at reasonable costs and capital expenditure was achieved through sensible and disciplined execution of strategic work plans. This Group will maintain this strategy while it is in continual discussion with the host government regarding the extension of the concession which is expiring in March 2017.

Field Activities

- **Myanmar – Chauk and Yenangyaung Fields**

The two Myanmar fields saw heightened drilling activities throughout 2013 with three rigs drilling simultaneously in order to complete the aggressive drilling campaign of twenty-four shallow-to-intermediate depth development wells (2012: ten wells). In addition to the existing owned rig, a newly purchased rig was added at the beginning of the year to accelerate drilling of traditional prospects. A higher capacity rig was hired in the third quarter to drill deeper and more challenging wells. By year end, twenty-two wells were completed as oil producers with two undergoing testing. The accelerated drilling programme achieved exceptional success with several superior oil producers and for the near term, had arrested production declines. The combined gross production of the two fields exceeded the previous year's 812,468 barrels by 12.1%, producing 910,875 barrels in 2013. The respective output at the Chauk and Yenangyaung fields were 297,676 barrels and 613,199 barrels as compared to 201,923 barrels and 610,545 barrels in 2012.

"With a strong business model, stable financial position and a sound investment platform, Interra Resources is well poised to build on its positive momentum."

During the year, the Chauk field achieved a new milestone by drilling its first directional well under the Ayeyarwaddy River with good success. The technically challenging well was drilled using the hired rig and employing state-of-the-art directional drilling techniques, and subsequently completed as a significant oil producer. On the other hand, reservoir testing at the deep exploration well drilled in 2012 ended with the conclusion that these reservoir zones are tight with poor matrix permeability and that gas will not flow naturally at commercial rates. The technical team was of the opinion that the one or more of these reservoirs have the potential to produce commercial volumes of oil or gas with proper reservoir enhancement being performed, primarily via hydraulic fracturing. Unfortunately, such specialised equipment was not yet available in the country and so no further work could proceed. Therefore, the well was suspended awaiting the equipment availability and pending further evaluation tests which may ultimately result in economic production as well as provide valuable information and data for future exploration in the surrounding areas.

Throughout the year, technical reservoir studies aimed at identifying additional opportunities with respect to increasing production in existing wells and new well delineation were ongoing at both fields. Production optimisation via surface and borehole enhancements and scheduled maintenance were carried on with the objective of sustaining current production levels from existing wells. In 2014, the Group plans to maintain its pace and drill a minimum twenty-four development wells at the two fields. This is a continuation of the emphasis on drilling shallow to intermediate depth wells to develop areas in producing reservoirs that are not currently drained by existing wells, as well as new more aggressive targets like the deeper directional wells. It will also continue the renewed focus of perforating existing wells with new casing and reactivating old shut-in wells, as these measures have shown results in positive contribution to production increases.

- **Indonesia – TMT Field**

The four-well drilling programme which commenced in the last quarter of 2012 was fully completed in June 2013 with good success. In fact, one of the wells, TMT-53, became the best oil producer of the TMT field and pushed up the field production significantly. These four development wells were drilled based on the new reservoir concepts gained from the 2012 3D seismic data interpretation with respect to structural and depositional geological models. With the data from these new wells and the ongoing reservoir studies, the geological model of the field was further refined to enhance prospective locations. During the second half of 2013, the Group carried on the positive development by launching another four-well drilling programme. Despite the bad weather conditions, it managed to commence drilling three new development wells by year end and the preliminary results appeared promising. All in all, seven new wells were drilled since drilling resumed, with five completed as oil producers and two undergoing testing. The gross production of the TMT field for 2013 increased by 209.3% to 297,827 barrels from 96,304 barrels a year ago.

Operating and Financial Review

In the year ahead, the Group will continue to conduct additional reservoir zone testing on the new wells with the aim of optimising and increasing production. In addition to production and reservoir studies, it will continue to enhance production of existing producing wells through surface and borehole improvements to include scheduled maintenance, new equipment installations and facility upgrade. A minimum two new development wells are also being planned in line with the goal of boosting the production further.

• Indonesia – Linda Sele Fields

During the year, both wells of the development drilling programme which commenced in November 2012 were completed as oil producers, but the results were below expectations. Reservoir zone testing has been ongoing with the aim of optimising and increasing production of these two new wells as well as existing producing and shut-in wells. The Group also continued production optimisation works through surface and borehole enhancements, scheduled maintenance, and equipment repair and replacement. The total gross production of the Linda Sele fields continued to grow 10.1% from 66,001 barrels last year to 72,667 barrels.

The comprehensive 3D seismic data interpretation and reservoir studies undertaken in 2012 is nearing completion and of importance is that this new interpretation, which describes a much larger continuous area as compared to before the 3D mapping, can potentially support numerous development wells. The reef structure and characteristics of the Linda Sele fields are clearer and more completely imaged in the primary target reservoir, and in addition, a shallower objective covering a large area has been mapped. Future drilling of potential new wells will be based on this new interpretation.

• Indonesia – Kuala Pambuang Block

Following the finalisation of detailed study of all available technical data and the delineation of the most prospective areas, the Group has planned a 245-km line 2D seismic programme with the objective of evaluating the potential for the discovery of new hydrocarbon resources. The seismic survey is expected to commence in mid 2014 or as soon as the transaction for the acquisition of the exploration block is completed.

Environmental and Social Responsibility

The Group endeavours to operate responsibly towards local communities and the environment. These values have been adopted within the Group's business practices in which it aims to uphold good environmental, safety and social standards.

The Group aims to make a positive contribution to the protection of the environment where it operates and to minimise any adverse effects of its operations. The operations are required to comply with the environmental and restoration laws and regulations administered by the relevant government agencies. The Group currently adopts an approach best suited to the respective regulations and location of its operations.

Health and safety is a natural priority of the Group's activities and due care and attention is being paid to the physical health and well being of its employees and contractors whilst in the workplace. All sites are equipped with safety management systems which adhere to regulatory requirements of the relevant government bodies. The Group is proud of its health and safety record and is constantly working towards the goal of zero injuries and fatalities across all areas of its operations.

Operating and Financial Review

The Group believes that having close and cordial relationship with the government and local authorities is important and that relationships with local communities are to be conducted sensitively and with mutual respect. To ensure that healthy relationships are being maintained with the local communities and governments, the Group actively consults local communities and stakeholders to ensure mutually beneficial outcomes, enhances labour practices and relations, participates in community events, makes donations and sponsors community programmes, and facilitates relocation and fair compensation of land, etc.

The Group also has in place risk management policies and processes which address the environmental and social aspects of the operations. The risk management reporting provides management with useful data for identifying emerging issues and developing appropriate responses that help protect corporate reputation and improve shareholder value.

Factors Affecting Performance of the Business

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

• Sales of Crude Oil

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

• Crude Oil Prices

Oil and gas exploration and production is fundamentally a commodity business and hence, revenue is exposed to fluctuations in the prevailing crude oil prices which are dependent on the global economic conditions and demand for oil and gas. The Group currently does not have any hedging or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the crude oil it produces. Any material decline in crude oil prices may affect profitability or even may render extraction from some wells commercially unviable.

• Operating Costs

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

Operating and Financial Review

- **Credit Risk**

The Group currently sells all the crude oil that it produces to the respective host governments in Indonesia and Myanmar. Although the Group currently does not have any issues with invoice payments, there can be no assurance that risks of default would not occur in the future. Any significant default or delay in the payment could adversely affect its cash flow and financial position.

- **Capital Funding**

Oil and gas exploration and production is a long-term and capital intensive business. Substantial capital expenditure is required to exploit and develop reserves for oil and gas production. Cash flow from operations may not be sufficient to fund drilling activities and business operations from time to time. Failure to obtain additional funding on a timely may cause the Group to forfeit its interests in certain concessions or to discontinue some of its exploration, development and production activities, thus resulting in material adverse effects on the Group's financial condition, results of operations or prospects. On the other hand, raising capital through certain debt or equity financing may have dilutive effect on the Group's earnings.

- **Concession Terms**

The petroleum contractual agreement with the respective host government grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. The final shareable production, to be translated into revenue and split with the host government, is derived after deducting the various capital and operational expenditure, royalties and taxes, etc. Due to the intrinsic complexity of the formulae used in the calculation of shareable production, revenue is not proportionately dependent on gross production and crude oil prices. In addition, there is no guarantee that contract renewal or extension will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value.

- **Regulatory Risks**

The Group operates in countries where political, economic and social transitions are taking place or may occur from time to time. Developments in politics, laws and regulations can affect its operational performance and financial position. Potential developments include forced divestment of assets, limits on production or cost recovery, international sanctions, import and export restrictions, price controls, tax increases and other retroactive tax claims, expropriation of property, cancellation of contract rights, international conflicts including war, civil unrest, acts of sabotage or terrorism and local security concerns that threaten the safe operation of facilities, and environmental regulations. In countries which lack well-developed legal systems or have not yet adopted clear regulatory frameworks for oil and gas development, the Group's operations are exposed to increased risk of adverse or unpredictable actions by government officials and may also face difficulty in enforcing contracts.

- **Reserve Replacement**

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

- **Exploration Risk**

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

Operating and Financial Review

- **Drilling Risk**

The Group endeavours to maintain and grow its oil and gas production through drilling programmes, which may be developmental or exploratory in nature, based upon geological and geophysical studies of available information or new data. However, it is not certain that such drillings will ultimately yield commercially recoverable hydrocarbons or profitable production. Besides, there is always a risk of drillings being unsuccessful and thus affecting the operating results and financial position of the Group. Even if these drillings are successful, it may not be able to lift the overall production due to the simultaneous decline of mature wells.

- **Production Risk**

There are inherent risks involved in the production of hydrocarbons that, in addition to impacting the actual volumes produced, may ultimately affect the reserves (recovered). Continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production.

- **Reserve Calculation Risk**

There are indefinite inherent uncertainties in respect of the estimation and evaluation of reserves. The estimation of oil and gas reserves is not an exact science and depends on numerous factors such as the reservoir type, source of reservoir energy, quantity and quality of the geological, engineering, and geophysical data, assumptions adopted when making the estimate, available technology, and the experience and knowledge of the evaluator. Inaccurate reserve estimates will affect the Group's financials particularly where the amount of oil and gas that the Group produces and the net cash flow that it receives from that production differ materially from the amounts reflected in its reserve estimates. Moreover, reserves certification conducted by different estimators may vary considerably depending on the methodology and approaches employed in the assessment. Any such instance may adversely affect the future net cash flow and fair asset value of the Group.

- **Environmental and Operational Hazards**

Given the nature of the oil and gas business operations, the Group is exposed to a wide spectrum of risks related to health, safety, environment and security. Environmental and operational hazards including blowouts, leaks, spills, property damage and personal injury could cause disruptions and affect the Group's operational performance and financial results. The Group's insurance may limit or may not cover all risks of liabilities which the Group is exposed to, or the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. Moreover, the Group's operations may be affected by fire, typhoons, floods and other natural calamities, which are generally excluded from insurance policies.

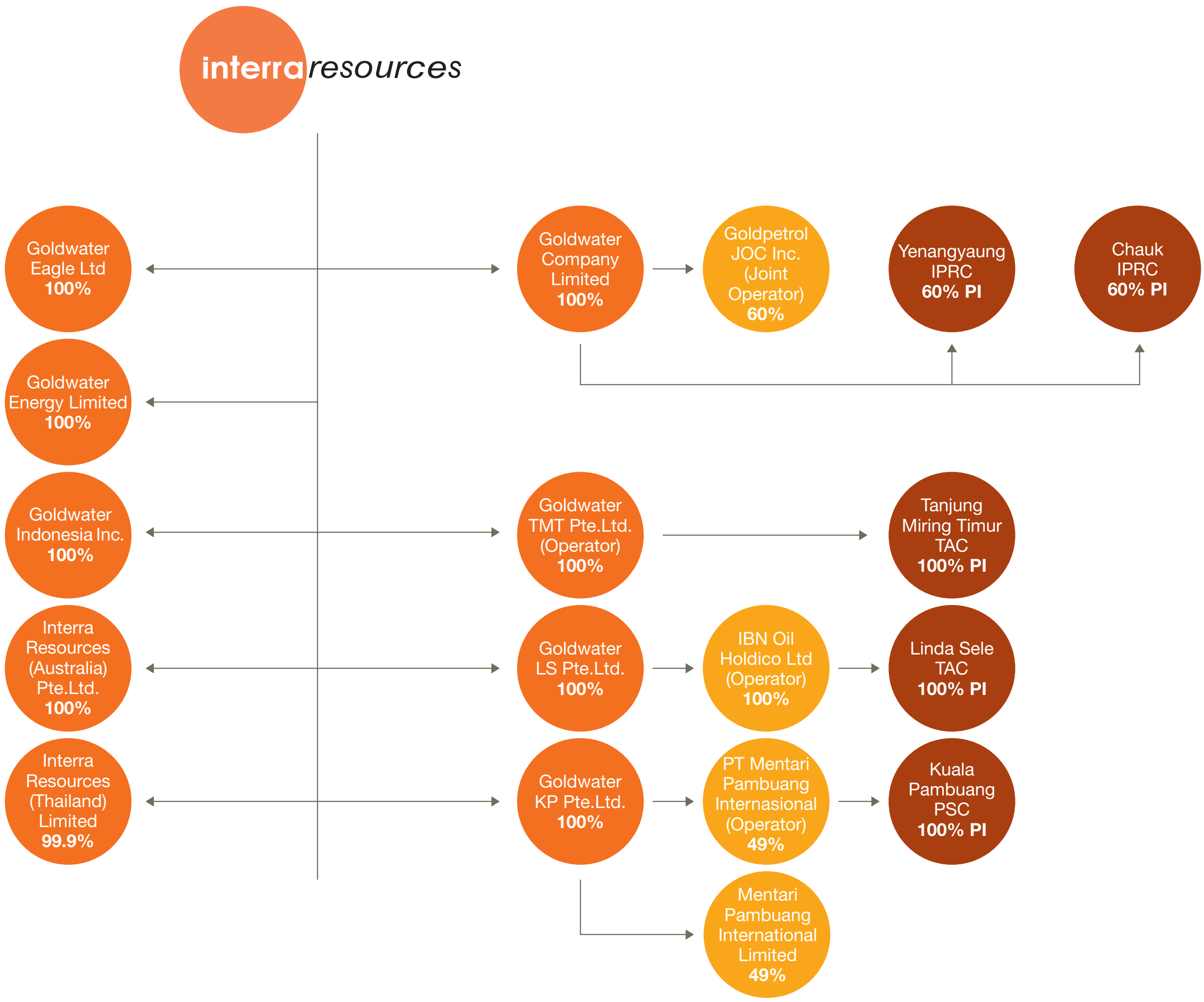
Operating and Financial Review

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

- -Note 3 Critical Accounting Estimates, Assumptions and Judgements
- -Note 27 Contingent Liabilities
- -Note 28 Financial Risk Management

The Group may be affected by a number of risks that may relate to the industries and countries in which the Group operates as well as those that may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. The risks described above are not intended to be exhaustive. There may be additional risks not presently known to the Group, or that the Group may currently deem immaterial, which could affect its operations, possibly materially.

Group structure



Board of Directors

EDWIN SOERYADJAYA

Chairman (Non-Executive)

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

Mr Soeryadjaya is the President Commissioner of PT Saratoga Investama Sedaya Tbk, an active investment firm in Indonesia and has deep insight into the Indonesian economy. He commenced his career with PT Astra International Tbk in 1978 and was responsible for its financial restructuring and public listing. He left the Astra group as Vice President Director in 1993 to set up his own investment company. His chairmanships include being the President Commissioner of PT Adaro Energy Tbk (coal mine), President Commissioner of PT Lintas Marga Sedaya (toll road concession holder, operator and contractor), President Commissioner of PT Mitra Pinashtika Mustika Tbk (distributor of Honda motorcycles), President Commissioner of PT Tower Bersama Infrastruktur Tbk (base telecommunication towers), and Commissioner of PT Provident Agro Tbk (palm plantation). He also sits on the boards of Seroja Investments Limited (maritime transportation) and Goldwater Company Limited (oil and gas).

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

SANDIAGA SALAHUDDIN UNO

Deputy Chairman (Non-Executive)

Mr Sandiaga Salahuddin Uno is the Deputy Chairman and a controlling shareholder of the Company. He was appointed as a Director on 1 July 2003 and the Deputy Chairman on 1 July 2005. Mr Uno was last re-elected as a Director on 26 April 2013. He also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

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

He sits on the boards of directors of PT Adaro Energy Tbk (coal mine) and PT Tri Wahana Universal (oil refinery), and also serves on the boards of commissioners of PT Lintas Marga Sedaya (toll road concession holder, operator and contractor), PT Mandala Airlines (low cost carrier) and PT Medco Power Indonesia (independent power plant).

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

SUBIANTO ARPAN SUMODIKORO

Non-Executive Director

Mr Subianto Arpan Sumodikoro is a Non-Executive Director and a substantial shareholder of the Company. He was first appointed as a Director on 14 December 2004 and was last re-elected on 26 April 2013.

Mr Subianto commenced his career with PT Astra International Tbk in 1969 and held a variety of positions within the Astra group, rising to be its Vice Chairman in 2000. Before he retired from the Astra group in 2006, he also served on the board of commissioners of PT Astra Agro Lestari Tbk.

Currently, Mr Subianto leads the boards of directors of his own investment and holding companies, and is the Chairman of Multico Infracore Holdings Pte Ltd and Multi-Corporation (S) Pte Ltd. In addition, he is the President Commissioner of PT Agro Multi Persada, PT Dharma Satya Nusantara, PT Kirana Megatara and PT Triputra Agro Persada; Commissioner of PT Adaro Energy Tbk; President Director of PT Persada Capital Investama; and Director of Shining Persada Investments Pte Ltd and Triple AR Holding Pte Ltd.

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

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report and Directors' Report sections of this Annual Report.

Board of Directors

NG SOON KAI

Non-Executive Director

Mr Ng Soon Kai is a Non-Executive Director of the Company. He was first appointed as a Director on 1 November 2005 and was last re-elected on 26 April 2013. Mr Ng also serves as a member of the Nominating Committee and the Remuneration Committee.

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

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

MARCEL HAN LIONG TJIA

Executive Director & Chief Executive Officer

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

Prior to joining the Company, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. Over the past 25 years, Mr Tjia has gained extensive experience in mergers and acquisitions as well as corporate finance in Hong Kong, Indonesia, Singapore and Canada. He is currently a partner in an investment company with holdings in real estate and the automotive industry.

Mr Tjia holds a Bachelor of Commerce (Honours) and a Master of Business Administration from the University of British Columbia, Vancouver.

LOW SIEW SIE BOB

Lead Independent Director (Non-Executive)

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

Mr Low is currently the Principal Consultant of Bob Low & Co. CPA and his area of expertise includes corporate assurance, corporate recovery and restructuring, judicial management, acting as receiver and manager, acting as scheme manager, due diligence and project evaluation. He also serves as a lead independent director of China Hongcheng Holdings Limited and LH Group Limited, an independent director of Veio Capital Master Fund Limited, Veio Capital Offshore Feeder Fund Limited and Veio Capital US Feeder Fund Limited, and a director of Wing Lung Opportunities Fund Limited and Wing Lung Opportunities Master Fund Limited.

Mr Low qualified as a UK Chartered Certified Accountant in 1974 and subsequently obtained a Bachelor of Laws (Second Class Lower) from the University of London in 1985. He is a Fellow of the Institute of Singapore Chartered Accountants, Certified Public Accountants, Australia, and Insolvency Practitioners Association of Singapore Limited, and a member of the Chartered Institute of Arbitrators of Hong Kong and UK, Singapore Academy of Law, Singapore Institute of Arbitrators, and an Accredited Tax Adviser/Practitioner.

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report and Directors' Report sections of this Annual Report.

Board of Directors

ALLAN CHARLES BUCKLER

Independent Director (Non-Executive)

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

Mr Buckler sits on the boards of directors of Altura Mining Limited and Sayona Mining Limited, both mining companies listed on the Australian Securities Exchange, as well as Merida Mining Pte Ltd.

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

LIM HOCK SAN

Independent Director (Non-Executive)

Mr Lim Hock San is an Independent Director of the Company. He was appointed as a Director on 8 September 2012 and was re-elected on 26 April 2013. Mr Lim also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

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

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

PEPEN HANDIANTO DANUATMADJA

Alternate Director to Subianto Arpan Sumodikoro

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

Mr Pepen is currently the Executive Director of Multico Infracore Holdings Pte Ltd and Multi-Corporation (S) Pte Ltd. He also holds directorships in Shining Persada Investments Pte Ltd and Triple AR Holding Pte Ltd.

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

Further information on the Directors and their respective interests in the Company can be found in the Corporate Governance Report and Directors' Report sections of this Annual Report.

Key Management

FOO SAY TAIN

Chief Financial Officer

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

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

FRANK OVERALL HOLLINGER

Chief Technical Officer

Mr Frank Overall Hollinger was appointed the Chief Technical Officer of the Company in July 2006. He manages the geoscience and other technical aspects of the oil and gas exploration and production business.

Before the Company, Mr Hollinger spent 8 years in Myanmar as a Geophysical Consultant for Premier Petroleum Myanmar Ltd., Myanmar Petroleum Resources Ltd. and Goldpetrol JOC Inc. He commenced his geoscience career in 1971 while in graduate school as a National Aeronautics and Space Administration research assistant at The University of New Mexico, USA. Subsequently, he worked on numerous exploration and development projects in different capacities with oil and gas corporations such as Texaco Inc., Petroleum Exploration Consultants Worldwide Inc., Mapco Production Co., Ladd Petroleum Corp., Enron Oil & Gas, Columbia Gas Development Corporation, and Petronas Carigali Sdn Bhd. He has more than 35 years experience in the oil and gas industry.

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

SUGI HANDOKO

Vice President, Operations

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

Prior to the current appointment, Mr Sugi was the Country Manager of Goldpetrol JOC Inc. He has more than 25 years of experience in oil and gas exploration and production management and operations, which includes engineering, production, finance, procurement, logistic, human resources, and government liaison.

Mr Sugi graduated from the Bandung Institute of Technology in 1988 with a Bachelor's Degree in Petroleum Engineering. He is a member of the Society of Petroleum Engineers, Indonesian Petroleum Association and Ikatan Ahli Teknik Perminyakan Indonesia.

Corporate Governance Report

The Company is required under the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual (the "**SGX-ST Listing Manual**") to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 issued by the Committee on Corporate Governance (the "**Code**").

The following report discloses the Company's corporate governance policies and practices which has been adopted in line with the spirit of the Code. The Company adheres largely to the principles and guidelines as set out in the Code, and endeavours to specify and explain any deviation from the Code.

BOARD MATTERS

Principle 1 – Board's Conduct of its Affairs

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

The role of the Board includes:

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

To assist in the efficient discharge of its fiduciary duties and responsibilities, the Board had previously, without abdicating its responsibility, established three (3) Board Committees namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). Each Board Committee has its own terms of reference, which has been recently amended to be in line with the revised Code, to address their respective areas of focus. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board. The compositions of the Board and Board Committees as at the date of this Annual Report are set out under the Further Information on Directors section of this report.

The Company has ensured that the roles and responsibilities of the Board and Management are clearly defined in order to facilitate better understanding of their respective accountabilities and contributions. Management has been charged to run the ordinary business of the Company and its operations, while major matters and material transactions are brought to the Board's attention for its decision. The Company has adopted internal guidelines which specifically reserve the following key matters for the Board's approval: significant acquisitions and disposals or undertakings, funding proposals, and the releases of financial results, exploratory drilling updates and other significant announcements. All Directors objectively take decisions in the interests of the Company and if necessary, abstain from voting to avoid any conflict of interests.

Corporate Governance Report

There was no resignation or new appointment of Director during the year. If a new Director is appointed, the Company would provide a formal letter to him, setting out the Director's duties and obligations. Further, the Company would provide the new Director with a comprehensive and tailored induction and orientation programme to enable him to become familiar with the Company's business and governance practices, including his duties as a Director and how to discharge those duties. If a new Director has no prior experience as a director of a listed company, the Company would endeavour to arrange for training appropriate to the level of his previous experience in areas such as accounting, legal and industry knowledge. All such training undertaken by Directors are funded by the Company.

To enable Directors to keep up with regulatory and industry changes, the Company encourages Directors to receive regular training, keeps Directors informed of and arranges for Directors to attend (as applicable) suitable training programmes organised by the Singapore Institute of Directors from time to time, particularly on relevant new accounting standards, laws, regulations and changing policies and changing commercial risks. Directors are also entitled to take up training that they deem suitable at the Company's expense.

During the year, the Board met formally on four (4) occasions to review and approve various matters relating to business strategies, corporate governance practices and performance of the Group. Whenever possible, Board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate the review of financial results announcements. Where the attendance of certain Directors was not physically possible, meetings were conducted with these Directors communicating through teleconferencing. The Articles of Association of the Company provides that the Directors may meet by audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants. In order to gather views and address major concerns without delay, ad-hoc Board discussions via electronic means were organised to deliberate material acquisitions and disposals of assets, and major undertakings whenever the need arose. To further facilitate efficient management of the Company's affairs, resolutions of the Board were passed by way of circulating minutes pursuant to the Articles of Association of the Company.

The attendance of every member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during each member's period of appointment in 2013, is set out below.

Name	**Board Meeting Attendance**	**AC Meeting Attendance**	**NC Meeting Attendance**	**RC Meeting Attendance**
Edwin Soeryadjaya *Chairman (Non-Executive)*	1/4	-	-	-
Sandiaga Salahuddin Uno *Deputy Chairman (Non-Executive)*	4/4	4/4	2/2	1/1
Marcel Han Liong Tjia *Executive Director & Chief Executive Officer*	4/4	-	-	-
Ng Soon Kai *Non-Executive Director*	4/4	-	2/2	1/1
Subianto Arpan Sumodikoro *Non-Executive Director*	1/4	-	-	-
Low Siew Sie Bob *Lead Independent Director (Non-Executive)*	4/4	4/4	2/2	1/1
Allan Charles Buckler *Independent Director (Non-Executive)*	4/4	4/4	2/2	1/1
Lim Hock San *Independent Director (Non-Executive)*	4/4	4/4	2/2	1/1
Pepen Handianto Danuatmadja *Alternate Director to Subianto Arpan Sumodikoro*	3/4	-	-	-

Corporate Governance Report

Principle 2 – Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Currently, the Board comprises eight (8) Directors (three (3) of whom are independent) and one (1) alternate Director. The three (3) Independent Directors, namely, Mr Low Siew Sie Bob, Mr Allan Charles Bucker and Mr Lim Hock San, currently form over one third (1/3) of the Board, with Mr Low being the Lead Independent Director.

Collectively, the Independent Directors have strong accounting and industry background and their independence is individually reviewed from time to time by the NC based on the guidelines set forth in the Code. The Board concurs with the NC's recommendation that each of the three (3) independent Directors has no relationship which could interfere, or could be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company. While Mr Buckler has served more than nine (9) years on the Board, his independence is subject to rigorous annual review by the NC. The Board has determined that Mr Buckler be considered independent notwithstanding that he has served on the Board beyond nine (9) years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company and he fulfils all other criteria of independence, as outlined in the Code.

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board and its Board Committees comprise Directors who possess the requisite experience and knowledge across various fields. As a group, the Board, which comprises both local and foreign Directors, is an appropriate balance and diversity of skills, experience and knowledge of the Company, and is skilled in core competencies such as accounting/finance, business/management, industry knowledge, law and strategic planning.

In addition to formal Board and Board Committee meetings, the Board and Management maintain active and effective communication through emails whereby Management provides the Board with regular financial and operational updates and the Board members engage in deliberation of important issues. This manner of electronic communication facilitates swift gathering of views or inputs and prompt address of major concerns. It also enables the non-executive Directors to communicate regularly without the presence of Management so as to facilitate a more effective check on Management. The matters discussed include developing proposals on strategy, reviewing the performance of Management in meeting agreed goals and objectives, and monitoring the reporting of performance.

Principle 3 – Chairman and Chief Executive Officer ("CEO")

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of the Chairman, Deputy Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Corporate Governance Report

The CEO, who is responsible for the day-to-day operations of the Group, has his role and responsibilities clearly established by the Board and set out in writing under his employment agreement. The Chairman and Deputy Chairman, who are both non-executive Directors, are responsible for the leadership and objective functioning of the Board. Their complementary roles provide a pillar of balance for the Board while promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and Management. With the support from the Lead Independent Director and Management, the Chairman and Deputy Chairman also take a leading role in facilitating the effective contributions of non-executive Directors and ensure effective communication with shareholders.

Mr Low Siew Sie Bob has been appointed the Lead Independent Director. The Lead Independent Director is available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate.

Principle 4 – Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The NC has been delegated by the Board to be in charge of Board membership matters. It comprises five (5) non-executive Directors, the majority of whom, including the Chairman, are Independent Directors. The Lead Independent Director is also a member of the NC. As at the date of this Annual Report, the members of the NC are:

(a) Mr Allan Charles Buckler (Independent Director) – Chairman;
(b) Mr Lim Hock San (Independent Director)
(c) Mr Low Siew Sie Bob (Lead Independent Director);
(d) Mr Ng Soon Kai (Non-Executive Director); and
(e) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The NC has written terms of reference that clearly sets out its duties and functions as follows:

(a) To review the size and composition of the Board and Board Committees, taking into consideration the independent element, the need for progressive refreshing, the necessity of alternate directorship, core competencies, and balance and diversity of skills, experience, gender and knowledge, and to recommend any changes it considers necessary to the Board.
(b) To develop, implement and maintain a formal and transparent process for the search, nomination, selection, appointment and re-appointment of Directors (including alternate Directors) to the Board.
(c) To review all nominations for the appointment and re-appointment of members of the Board (including alternate Directors), taking into consideration the composition and progressive renewal of the Board and the attributes of each nominee, before making recommendations to the Board.
(d) To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three (3) years or in accordance with the requirements of the Articles of Association of the Company, the Code and the Companies Act, Cap. 50 as amended or modified from time to time.
(e) To determine annually, and as and when circumstances require, whether a Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect the Director's judgement, bearing in mind the years of services, relationships or circumstances set forth in the Code and any other salient factors.
(f) To develop, implement and maintain a formal process for evaluation of the performance of the Board, Board Committees and Board members.
(g) To decide on how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.
(h) To decide on the maximum number of listed company board representations a Director may hold for the Board's approval.

Corporate Governance Report

(i) To assess and report to the Board annually the effectiveness of the Board as a whole and the Board Committees and the contributions of each individual Director to the effectiveness of the Board.
(j) To review the results of the performance evaluation and recommend to the Board on whether to appoint new Directors or to seek resignation of Directors.
(k) To review the succession plans for Directors, in particular, the Chairman and the CEO of the Company.
(l) To review and make recommendations to the Board the training and professional development programme for the Board.
(m) To review the various disclosure requirements on the appointment and resignation of Directors, particularly those required by regulatory bodies such as the SGX-ST.
(n) To retain such professional consultancy firm as the NC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
(o) To undertake such other duties and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the NC.
(p) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

During the year, the NC reviewed the performance of each Director, each Board Committee and the Board as a whole and made the requisite recommendations to the Board on the re-nomination and re-election of Directors in accordance with the Articles of Association of the Company and as contemplated by the Code. The NC also reviewed and determined, based on the guidelines set forth in the Code, that there was no change in the independent status of all three (3) Independent Directors. When considering the nomination of Directors for re-nomination and re-election, the NC took into account their competencies, commitment, contribution and performance.

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. To ensure that each Director is assessed accurately in relation to his ability to give sufficient time and attention to the affairs of the Company, including through the appointment of a deputy or alternate Director, the NC has recommended and the Board has approved that each individual Director be evaluated on an individual basis instead of identifying a maximum number of listed company board representations that a Director may hold which may not necessarily be representative of whether a Director is able to and has adequately carried out his duties as a Director of the Company. The NC is of the view that the each Director is able to adequately carry out their duties as Directors of the Company besides their principal commitments and other board representations. It is also satisfied with the commitment demonstrated by Mr Pepen Handianto Danuatmadja, the Alternate Director to Mr Subianto Arpan Sumodikoro.

There was no new appointment of Director during the year. If there is a need for a new Director, the NC has in place an internal process to facilitate the search, selection and nomination of suitable Director. The members would first evaluate the range of skills, experience and expertise of the Board and identify the necessary competencies required from the incoming Director that would best increase Board effectiveness, and then search externally for suitable candidates who are highly regarded in the relevant industry. When considering the new Board member, the NC would review the curriculum vitae of each potential candidate and consider his/her experience and expertise and likely contribution to the Board. Subsequently, interviews would be conducted before the NC makes its recommendation to the Board. The Board shall make the final determination for the appointment.

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

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

Corporate Governance Report

Principle 5 – Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole and its Board Committees as well as to assess the contribution of the Chairman, Deputy Chairman and each individual Director. The range of performance criteria used for the evaluation is proposed by the NC and approved by the Board, and does not change from year to year unless circumstances deem it necessary for any of the criteria to be changed.

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

Towards the end of the financial year, all Directors are requested to complete a Board performance evaluation questionnaire to seek their view on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board, as well as complete an appraisal form to evaluate each individual Director's contributions to the Board and the Board Committees. Directors who are members of the respective Board Committees are also requested to complete appraisal forms for the respective Board Committees to assess the overall effectiveness of each Board Committee. The responses are collated and compiled on a non-attribution basis to encourage open and frank discussions and feedback, and the collated results are reviewed by the NC and submitted to the Board together with its recommendations for the Board's deliberation and decision.

Principle 6 – Access to Information

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management regularly keeps the Board updated on the operational activities, project progress and development, and business prospects of the Group through monthly management accounts, quarterly Board papers and ad hoc email correspondences. Comprehensive quarterly financial and activity reports are submitted to the Board for review and approval before releasing to the public. These updates and reports are supported with background or explanatory information, disclosure documents, work plans, expenditure proposals, budgets and forecasts. In respect of budgets, any material variance between the projections and actual results are disclosed and explained. In addition, the Directors have separate and independent access to Management as and when they require further enquiries or additional information. Management endeavours to meet their requirements in a timely manner so as to enable them to make informed decisions.

The Directors have direct and independent access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole. The responsibilities of the Company Secretary include:

(a) attending all Board and Board Committee meetings and preparing minutes of these meetings;
(b) ensuring compliance with applicable laws and regulations;

Corporate Governance Report

(c) ensuring compliance with internal procedures and guidelines of the Company;
(d) maintaining and updating all statutory books and records;
(e) ensuring that good information flows within the Board and its Committees and between Management and non-executive Directors;
(f) advising the Board on all governance matters; and
(g) facilitating orientation and assisting with professional development as required.

In the furtherance of their duties, the Directors may seek independent professional advice, if necessary, at the Company's expense after reaching a general consensus.

REMUNERATION MATTERS

Principle 7 – Procedures for Developing Remuneration Policies

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

The RC has been delegated by the Board to be in charge of Board remuneration matters. It comprises five (5) non-executive Directors, the majority of whom, including the Chairman, are Independent Directors. As at the date of this Annual Report, the members of the RC are:

(a) Mr Allan Charles Buckler (Independent Director) – Chairman;
(b) Mr Lim Hock San (Independent Director)
(c) Mr Low Siew Sie Bob (Lead Independent Director);
(d) Mr Ng Soon Kai (Non-Executive Director); and
(e) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The RC has written terms of reference that clearly sets out its duties and functions as follows:

(a) To develop, implement and maintain a formal and transparent policy for the determination of Directors' and key executives' remuneration packages, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.
(b) To review and recommend to the Board a general framework of remuneration for the Board and Management, and the specific remuneration packages for each Director and key executive.
(c) To structure and propose appropriate performance conditions to be linked to the remuneration of executive Directors and key executives for the Board's approval.
(d) To review the Company's obligations arising in the event of termination of contracts of services of executive Directors and key executives, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
(e) To assess and report to the Board annually the performance of executive Directors and key executives and whether their performance conditions are met.
(f) To ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities undertaken, but not excessive to the extent that their independence may be compromised.
(g) To administer the share-based incentive scheme(s) of the Company as amended or modified from time to time and to report to the Board annually the important terms of the scheme(s).
(h) To make remuneration recommendations in consultation with the CEO and submit its recommendations for endorsement by the entire Board.
(i) To review the various disclosure requirements on the remuneration of Directors and key executives, particularly those required by regulatory bodies such as the SGX-ST, and to ensure that there is adequate disclosure in the financial statements.

Corporate Governance Report

(j) To retain such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
(k) To undertake such other duties as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the RC.
(l) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

During the year, the RC reviewed and made the requisite recommendations in relation to the general remuneration framework for the Board as well as regarding the specific remuneration packages of key management personnel and submitted them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind. No Director was involved in deciding his own remuneration other than the framework of remuneration for the Board as a whole.

There was no new appointment of executive Director or key management personnel during the year. If there is a new recruitment of an executive Director and/or key management personnel, the RC would review the Company's obligations arising in the event of termination of such executive Director's and/or key management personnel's service to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

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

Principle 8 – Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC has in place a remuneration scheme for non-executive Directors, which takes into account individual level of contribution and factors such as effort and time spent, and responsibilities based on the role undertaken on the Board and Board Committees and the number of Board Committees served on. The scheme is reviewed annually by the RC to ensure that the level of compensation is optimal for attracting, retaining and motivating the non-executive Directors, and does not change from year to year unless circumstances deem it necessary to be changed. To better align the interests of non-executive Directors with the interests of shareholders, share options or other share-based instruments are awarded from time to time, if necessary, under shareholders' approval. The RC is mindful that non-executive Directors should not be over-compensated to the extent that their independence may be compromised.

In setting the remuneration packages of the executive Director and key management personnel, the RC takes into consideration the remuneration and employment conditions within the same industry and of comparable companies as well as the Group's size and scope of operations. A significant and appropriate portion of the executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration takes into account the risk policies of the Company, is symmetric with risk outcomes and is sensitive to the time horizon of risks. In assessing

Corporate Governance Report

the performance of the executive Director and key management personnel, the RC takes into account the financial and operational performance of the Group as well as management execution and expansion growth of the Company.

A long-term incentive scheme, namely the Interra Share Option Plan ("**ISOP**"), has been employed to align the remuneration of the executive Director and key management personnel with the interests of shareholders and to promote long-term success of the Company. Options granted under the scheme are to meet the vesting period requirements of SGX-ST before they can be exercised. The executive Director and key management personnel are encouraged to hold their shares for longer term where possible, subject to the need to finance any cost of acquiring the shares and associated tax liability. The remuneration packages of the executive Director and key management personnel are reviewed annually by the RC to ensure that the level of compensation remains competitive for attracting, retaining and motivating capable and talented employees. While the use of contractual provisions to reclaim incentive components of remuneration from executives in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company is not a common industry practice, the RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key management personnel.

Principle 9 – Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The Company endeavours to provide adequate disclosure of its Directors', including CEO's, and key management personnel's remuneration for the purpose of enhancing transparency between the Company and shareholders without divulging too much information for its competitors to take advantage of.

The total remuneration of Directors including CEO for the financial year ended 31 December 2013, which amounted to S$1,167,963, is summarised below.

Name	**Directors' Fees**	**Base/Fixed Salary**	**Variable Component or Bonuses**	**Share-Based Incentives and Awards**	**Benefits-in-kind, Allowances and Other Incentives**
Below S$250,000					
Non-Executive Directors					
Edwin Soeryadjaya	100%	-	-	-	-
Sandiaga Salahuddin Uno	100%	-	-	-	-
Ng Soon Kai	85%	-	-	15%	-
Subianto Arpan Sumodikoro	100%	-	-	-	-
Low Siew Sie Bob	88%	-	-	12%	-
Allan Charles Buckler	88%	-	-	12%	-
Lim Hock San	100%	-	-	-	-
Pepen Handianto Danuatmadja	-	-	-	-	-
Above S$500,000					
Executive Director & CEO					
Marcel Han Liong Tjia	-	70%	23%	4%	3%

Corporate Governance Report

The Company has only three (3) key management personnel and their total remuneration for the financial year ended 31 December 2013, which amounted to S$950,322, is summarised below.

Name	Base/Fixed Salary	Variable Component or Bonuses	Share-Based Incentives and Awards	Benefits-in-kind, Allowances and Other Incentives
Below S$250,000				
Sugi Handoko	78%	17%	1%	4%
S$250,000 – S$500,000				
Frank Overall Hollinger	73%	15%	1%	11%
Foo Say Tain	75%	23%	-	2%

The remuneration of key management personnel generally comprises primarily a basic salary component and a variable component which is the bonuses, based on the performance of the Company and the Group as a whole and the individual performance of each key management personnel.

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

There were no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year.

No share options were granted under the ISOP during the year. Details of the ISOP and share options outstanding are set out in the Directors' Report section of this Annual Report.

ACCOUNTIBILITY AND AUDIT

Principle 10 – Accountability

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

The Board is mindful of its responsibility of overseeing the corporate performance of the Company and its accountability to shareholders for the processes of directing and managing the Company's business and affairs. Announcements of the quarterly operational activities and financial results as well as ad hoc updates are released by the Board with the aim of providing shareholders with a balanced and understandable assessment of the Company's performance, position and prospects. The information and assessments presented therein are based upon the comprehensive monthly management accounts, regular updates and ad hoc progress reports provided by Management to the Board. The Board endeavours to circulate timely, adequate and non-selective disclosures of material information to shareholders while giving due consideration to the commercial sensitivity and confidentiality constraints of such information. It is also committed to take adequate steps in ensuring compliance with legislative and regulatory requirements, including its continuing disclosure obligations under the SGX-ST Listing Manual, and is constantly seeking guidance from the Company Secretary and various legal advisers in this regard.

Corporate Governance Report

Principle 11 – Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

In furtherance of its continuing efforts to safeguard shareholders' interests and the Company's assets, the Board has recently formally tasked the AC with an additional responsibility of overseeing the risk management framework and policies of the Company which includes determining the Company's levels of risk tolerance and risk policies and overseeing Management in the design, implementation and monitoring of the risk management and internal control systems. It has also retained Crowe Horwath First Trust Advisory Pte Ltd ("**Crowe Horwath**"), a reputable professional firm specialising in audit and risk solutions, to provide enterprise risk management ("**ERM**") services in order to assist the Board in reviewing the adequacy and effectiveness of the Company's risk management and internal control systems.

The scope of the ERM services is to facilitate the development and subsequent updating of key risk profiles in respect of the Company's business and operations. During the annual review, key risk profiles are compiled by Crowe Horwath based on the risk management methodology adopted by the Company, which is aligned with an internationally recognised standard. The findings, which cover areas in strategic, financial, operational, compliance and information technology, are then presented to the AC for its deliberation and recommendation to the Board. In assessing these results, the AC aims to strike a balance between pursuing strategic objectives and focusing on the consensual levels of risk appetite and risk tolerance. Besides the assistance from the ERM services, the AC is provided with findings and recommendations from the internal auditor, who performs an annual review of the internal control systems, as well as the independent auditor, who conducts an annual compliance check on the accounting records and the financial statements prepared by Management. This three-dimensional approach facilitates the AC in assessing the adequacy and effectiveness of the Company's risk management framework and internal control systems.

The Board is of the opinion, with the concurrence of the AC, that based on the ERM evaluation and the review performed by the internal and independent auditors, the Company maintains a sound system of risk management and internal controls, including financial, operational, compliance risks and information technology controls, and is assured of its adequacy and effectiveness in safeguarding the shareholders' interests and the Company's assets. The Board however notes that no system of internal controls can provide absolute assurance against failure to meet business objectives, poor business judgement, human fallibility, material errors or losses, frauds, breaches of laws or regulations, or other unforeseeable occurrences.

The CEO and CFO have provided a letter of assurance with respect to the financial year ended 31 December 2013 to the AC confirming, *inter alia*, that:

(a) the financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of business and financial affairs of the Company; and
(b) the Company has put in place and will continue to maintain an effective and reliable system of risk management and internal controls.

Corporate Governance Report

Principle 12 – Audit Committee

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

The AC has been delegated by the Board to oversee matters pertaining to financial reporting, internal and independent audit as well as the aforementioned risk management function of the Company. It comprises four (4) non-executive Directors, the majority of whom, including the Chairman, are Independent Directors. In addition, the majority of the AC members, including the Chairman, have relevant accounting or related financial management expertise or experience and accounting qualifications. As at the date of this Annual Report, the members of the AC are:

(a) Mr Low Siew Sie Bob (Lead Independent Director) – Chairman;
(b) Mr Allan Charles Buckler (Independent Director);
(c) Mr Lim Hock San (Independent Director); and
(d) Mr Sandiaga Salahuddin Uno (Deputy Chairman).

The AC has written terms of reference that clearly sets out its duties and functions as follows:

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

Corporate Governance Report

(m) To review the independence and objectivity of the external auditors annually and to report the aggregate amount of fees paid to the external auditors, broken down into audit and non-audit services.
(n) To meet with the external auditors without the presence of Management at least once a year and to review the assistance given by the Company's officers, including Management, to the external auditors.
(o) To serve as a channel of communication between the Board and the external auditors on matters relating to and arising out of the external audit.
(p) To make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.
(q) To review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
(r) To review and discuss with the external and internal auditors and report to the Board, when appropriate, any suspected fraud or irregularity, or suspected infringement of any laws or regulations or rules of the SGX-ST Listing Manual or any other regulatory authority, which has or is likely to have a material impact on the Company's operating results or financial position and Management's response.
(s) To commission and review the findings of internal or external investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation or where it will be in the best interest of the Company.
(t) To determine and recommend to the Board for its approval, the nature and extent of significant risks in achieving the Board's strategic objectives.
(u) in relation to risk assessment, (i) to keep under review the Company's overall risk assessment processes that form the Board's decision making; (ii) to review regularly and approve the parameters used in these measures and the methodology adopted; and (iii) to set a process for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
(v) To advise the Board on proposed strategic transactions, focussing in particular on risk aspects and implications for the risk tolerance of the Company, and taking independent external advice where appropriate and available.
(w) To ensure that the financial records have been properly maintained and the financial statements give a true and accurate view of the Company's operations and finances.
(x) To monitor the independence of risk management functions throughout the organisation.
(y) To review any interested person transactions subject to the provisions of the Act or falling within the scope of the SGX-ST Listing Manual as may be amended or modified from time to time and such other rules and regulations of the SGX-ST that may be applicable in relation to such matters from time to time.
(z) To review any potential conflicts of interest.
  (aa) To take such measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.
  (bb) To undertake generally such other functions and duties as may be required by law, the Act, the SGX-ST Listing Manual or the Securities and Futures Act, Cap. 289 and by such amendments made thereto from time to time.
  (cc) To ensure the Company complies with requirements under the Act and the SGX-ST Listing Manual and any undertakings given by the Company to the SGX-ST.
  (dd) To undertake such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
  (ee) To retain such professional consultancy firm as the AC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
  (ff) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

Corporate Governance Report

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and is provided with reasonable resources to enable it to discharge its functions properly. The Board is of the view that the present members of the AC, whose professions or principal commitments require them to keep abreast of changes to accounting standards and issues, have sufficient accounting or related financial management expertise and experience to discharge their responsibilities as set out in the terms of reference. Furthermore, changes to the various accounting standards are monitored closely by Management. Where these changes have an important bearing on the Company's disclosure obligations, the Directors (including members of the AC) are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings.

During the year, the AC met with Management and the independent auditor on four (4) occasions. Agenda of these meetings included, *inter alia*, review of financial statements, accounting policies and internal control procedures that are relevant in the preparation of financial statements, scope and findings of audit, and objectivity and independence of the independent auditor. The AC also had one (1) separate session with the independent auditor, without the presence of Management.

The Company has engaged the same Singapore-based independent auditor, Nexia TS Public Accounting Corporation ("**Nexia TS**"), to audit its accounts and all its Singapore-incorporated subsidiaries' accounts. The accounts of its significant foreign-incorporated subsidiaries and ventures are audited by either Nexia TS or reputable accounting firms belonging to the same affiliation, Nexia International. The report of Nexia TS as the independent auditor of the Company is set out in the Independent Auditor's Report section of this Annual Report.

Nexia TS is a respectable accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority. In addition, both the firm and the director-in-charge have relevant experiences, professional capabilities and collective expertise in the oil and gas sector. The fees paid or payable by the Group to Nexia TS for its audit services with respect to the financial year ended 31 December 2013 amounted to US$124,483 and there were no non-audit services provided for the financial year ended 31 December 2013. Should there be any non-audit services provided by Nexia TS to the Group, the AC will review the nature and extent of the ad hoc engagement and ensure that such engagement is cost effective and will not affect the independence of Nexia TS as the Company's independent auditor. After considering the experience of and resources provided by Nexia TS and the director-in-charge as well as the terms and remuneration of the engagement and various regulatory requirements, the AC has recommended to the Board the re-appointment of Nexia TS as independent auditor for the Company's audit obligations in the financial year ending 31 December 2014. The re-nomination will be put to shareholders for approval at the annual general meeting.

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

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

Corporate Governance Report

Principle 13 – Internal Audit

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

The internal audit function of the Company is outsourced to Crowe Horwath, who aligned their services to the standards set by the relevant professional bodies in Singapore including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor has unfettered access to all the Company's documents, records, and personnel, including access to the AC. The AC reviews and approves the engagement, evaluation and remuneration of the internal auditor, who reports functionally to the AC Chairman and administratively to Management.

During the year, the AC met with the internal auditor on two (2) occasions, of which one separate session was held without the presence of Management. Agenda of these meetings included, *inter alia*, review of internal controls maintained by the Company, scope, findings and recommendations of audit, and objectivity and independence of the internal auditor. The AC has reviewed the adequacy and effectiveness of the internal audit function and is satisfied with qualifications and experience as well as the work performed and resources provided by Crowe Horwath. It has reported to the Board that the internal audit function of the Company is adequately resourced and independent of the activities it audits.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14 – Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15 – Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company has in place an investor communication framework that disseminates timely financial data, price-sensitive information and material developments to shareholders. All public releases are drafted under the legal or secretarial guidance, so as to provide relevant and sufficient information without being overly detailed and technical. Releases of quarterly financial and activity reports, project updates, media releases on significant developments and other pertinent information are first announced on the website of Singapore Exchange via SGXNET and then posted on the Company's website, which is updated regularly and also provides an avenue for communication with shareholders. The Company welcomes ad hoc enquiries from shareholders but avoids making inadvertent disclosures in the course of addressing their concerns. Besides engaging shareholders through email correspondence, the Company encourages active shareholder participation at its general meetings and Management solicits and gather views and inputs from shareholders at regular dialogue sessions held after general meetings, where shareholders openly communicate with the Directors and Management.

To promote regular and effective communication with analysts and the media, the Company has retained the services of an investor relation firm to manage its analyst and media relations. From time to time, Management meets with the analysts and media separately to explain and clarify the Company's financial results and industry operations.

The Company is a developing company and does not have a fixed dividend policy at this premature stage of growth. However, it endeavours to reward shareholders through other means, such as the enhancing the intrinsic value of the Company through long-term growth strategy.

Corporate Governance Report

Principle 16 – Conduct of Shareholder Meetings

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

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

Resolutions proposed at general meetings are kept separate with respect to each distinct issue, to which explanatory notes are furnished in the general meeting notices. Shareholders are also given the opportunity to ask questions relating to each resolution tabled for approval.

The Company endeavours to arrange for at least one (1) chairperson of the AC, NC or RC to be present and available to address shareholders' queries at general meetings. The Company Secretary and independent auditor are also present to assist the Directors in answering relevant questions raised by shareholders.

The Board noted that with effect from 1 August 2015, the Company is required by the Listing Rules to conduct the voting of all resolutions put to general meetings by poll. Until such time, voting at general meetings may be by show of hands unless a poll is demanded, as voting on show of hands enables the Company and shareholders to deal with the businesses of general meetings expeditiously.

INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during the financial year ended 31 December 2013 is tabulated below.

Name of interested person	Aggregate value of all interested person transactions for the year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Ng Soon Kai	S$209,795	Nil

The Company does not have any general mandate pursuant to Rule 920 of the SGX-ST Listing Manual during the financial year ended 31 December 2013.

Corporate Governance Report

DEALING IN SECURITIES

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

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

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

USE OF PROCEEDS

The Company issued and allotted 147,710,119 new ordinary shares in the capital of the Company at an issue price of S$0.15 each pursuant to a rights issue which was completed on 1 October 2012 (the "**Rights Issue**"). The net proceeds from the Rights Issue (after deducting related expenses incurred in connection with the Rights Issue) amounted to S$21,752,124 (the "**Net Proceeds**"). The Company has been providing updates on the use of the Net Proceeds as and when such proceeds are materially disbursed. As announced on 15 May 2013, the Net Proceeds have been fully utilised in accordance with the intended uses of the Net Proceeds stated in the offer information statement dated 5 September 2012 issued by the Company in connection with the Rights Issue. The breakdown of the utilisation is as follows:

Purpose	**Amount Utilised (US$)**	**(S$)#**
Payment for work activities relating to the work programme of Linda Sele TAC in Indonesia for the year 2013	7,794,400	9,540,688
Payment for work activities relating to the work programme of Tanjung Miring Timur TAC in Indonesia for the year 2013	4,395,180	5,433,976
Payment for work activities relating to the work programme of Yenangyaung and Chauk IPRCs in Myanmar for the year 2013	5,470,220	6,777,460
Total	**17,659,800**	**21,752,124**

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

Corporate Governance Report

FURTHER INFORMATION ON DIRECTORS

For Directors' profile and respective interests in the Company, please refer to the Board of Directors and Directors' Report sections of this Annual Report.

Edwin Soeryadjaya
Chairman (Non-Executive)

Date first appointed as Director 14 December 2004	**Date last re-elected as Director** 28 April 2011
Board Committee Nil	**Directorship in company listed in Singapore** Present Seroja Investments Limited Past (preceding 3 years) Nil

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Date first appointed as Director 1 July 2003	**Date last re-elected as Director** 26 April 2013
Board Committee Audit Committee (Member) Nominating Committee (Member) Remuneration Committee (Member)	**Directorship in company listed in Singapore** Present Nil Past (preceding 3 years) Nil

Subianto Arpan Sumodikoro
Non-Executive Director

Date first appointed as Director 14 December 2004	**Date last re-elected as Director** 26 April 2013
Board Committee Nil	**Directorship in company listed in Singapore** Present Nil Past (preceding 3 years) Nil

Ng Soon Kai
Non-Executive Director

Date first appointed as Director 1 November 2005	**Date last re-elected as Director** 26 April 2013
Board Committee Nominating Committee (Member) Remuneration Committee (Member)	**Directorship in company listed in Singapore** Present Seroja Investments Limited (Alternate director) Past (preceding 3 years) Nil

Marcel Han Liong Tjia
Executive Director & Chief Executive Officer

Date first appointed as Director 20 June 2009	**Date last re-elected as Director** 28 April 2010
Board Committee Nil	**Directorship in company listed in Singapore** Present Nil Past (preceding 3 years) Pacific Healthcare Holdings Ltd

Corporate Governance Report

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

Date first appointed as Director
18 February 2011

Date last re-elected as Director
28 April 2011

Board Committee
Audit Committee (Chairman)
Nominating Committee (Member)
Remuneration Committee (Member)

Directorship in company listed in Singapore
Present
China Hongcheng Holdings Limited
LH Group Limited
Past (preceding 3 years)
Sino Construction Limited
The Lexicon Group Limited
(now known as Elektromotive Group Limited)

Allan Charles Buckler
Independent Director (Non-Executive)

Date first appointed as Director
14 December 2004

Date last re-elected as Director
24 April 2012

Board Committee
Audit Committee (Member)
Nominating Committee (Chairman)
Remuneration Committee (Chairman)

Directorship in company listed in Singapore
Present
Nil
Past (preceding 3 years)
Nil

Lim Hock San
Independent Director (Non-Executive)

Date first appointed as Director
8 September 2012

Date last re-elected as Director
26 April 2013

Board Committee
Audit Committee (Member)
Nominating Committee (Member)
Remuneration Committee (Member)

Directorship in company listed in Singapore
Present
United Industrial Corporation Limited
Singapore Land Limited
Gallant Venture Ltd.
Past (preceding 3 years)
Hsu Fu Chi International Limited
Keppel Corporation Limited

Pepen Handianto Danuatmadja
Alternate Director to Subianto Arpan Sumodikoro

Date first appointed as Director
18 February 2011

Date last re-elected as Director
Not applicable

Board Committee
Nil

Directorship in company listed in Singapore
Present
Nil
Past (preceding 3 years)
Nil

Reserves and Resources
As At 31 December 2013

SUMMARY OF RESERVES AND RESOURCES AS AT 31 DECEMBER 2013

Oil Reserves	1P Reserves			2P Reserves			3P Reserves		
	Gross (mmstb)	Working Interest (mmstb)	Change	Gross (mmstb)	Working Interest (mmstb)	Change	Gross (mmstb)	Working Interest (mmstb)	Change
Myanmar	1.24	0.74	NA	1.65	0.99	NA	2.11	1.27	NA
Indonesia	0.91	0.91	NA	1.55	1.55	NA	2.74	2.74	NA

Oil Contingent Resources	1C Resources			2C Resources			3C Resources		
	Gross (mmstb)	Working Interest (mmstb)	Change	Gross (mmstb)	Working Interest (mmstb)	Change	Gross (mmstb)	Working Interest (mmstb)	Change
Myanmar	5.07	3.04	NA	5.95	3.57	NA	6.89	4.13	NA
Indonesia	1.36	1.36	NA	2.97	2.97	NA	8.05	8.05	NA

Notes:
(1) "1P": Proved
(2) "2P": Proved + Probable
(3) "3P": Proved + Probable + Possible
(4) "Gross": This is the gross reserves attributable to licence and refers to 100% of the estimated commercially recoverable hydrocarbons before the application of contractual terms with the respective host governments.
(5) "Working Interest": Refers to the Group's working interests in the respective contracts before the application of contractual terms with the respective host governments. Working Interest does not account for the government's take of petroleum under the relevant petroleum licence. Further information on the differences between Working Interest and net entitlement interest as a means of calculating reserves and resources is set out below.
(6) "mmstb": Million stock tank barrels
(7) "NA": Not applicable (no reserve certification or resource estimation was conducted for the financial year ended 31 December 2012)

Working Interest does not account for the government's take of petroleum under the relevant petroleum licence. Further information on the differences between Working Interest and net entitlement interest as a means of calculating reserves and resources is set out as follows:

Under certain fiscal regimes, the contractor's net entitlement (or economic) share in oil and gas reserves or resources can be equal to or less than its Working Interest in a given period due to the deduction of government's take payable to the applicable host government. For consistency, this document contains information on a Working Interest basis unless otherwise stated.

The Gross Reserves and Gross Resources data shown above extracted from the respective Qualified Person's Reports (QPR) prepared for the Group as at 31 December 2013 by the Qualified Person set out below.

Name of Qualified Person:	Mr Robert George of Gaffney, Cline & Associates (GCA)
Professional Society Affiliation/Membership:	Society of Petroleum Engineers/0528182
Date:	28 February 2014

The Kuala Pambuang block is a new exploration block awarded by the host government on 19 Dec 2011. The Group had not commenced any exploration work and hence, no geophysical or geological data was available for reporting.

Shareholder Information

As at 18 March 2014

ORDINARY SHARES

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

DISTRIBUTION OF SHAREHOLDERS

(As per the Register of Members and Depository Register)

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Shares
1 - 999	4,209	37.67	1,279,698	0.29
1,000 - 10,000	4,098	36.67	17,794,741	3.99
10,001 - 1,000,000	2,841	25.43	148,104,537	33.19
1,000,001 and above	26	0.23	278,991,381	62.53
Total	**11,174**	**100.00**	**446,170,357**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As per the Register of Members and Depository Register)

Name of Shareholder	No. of Shares	% of Issued Shares
UOB Kay Hian Pte Ltd	95,055,620	21.30
Citibank Nominees Singapore Pte Ltd	88,382,839	19.81
HSBC (Singapore) Nominees Pte Ltd	18,828,588	4.22
OCBC Securities Private Ltd	12,920,116	2.90
Raffles Nominees (Pte) Ltd	8,394,804	1.88
Maybank Kim Eng Securities Pte Ltd	6,563,800	1.47
Representations International (HK) Ltd	6,000,000	1.34
Hong Leong Finance Nominees Pte Ltd	5,425,000	1.22
DBS Nominees Pte Ltd	4,347,413	0.97
Phillip Securities Pte Ltd	3,349,889	0.75
United Overseas Bank Nominees Pte Ltd	3,086,132	0.69
CIMB Securities (Singapore) Pte Ltd	2,898,540	0.65
Maybank Nominees (S) Pte Ltd	2,730,000	0.61
Kwan Benny Ahadi	2,300,000	0.52
Bank of East Asia Nominees Pte Ltd	2,250,000	0.50
Lin Ting Yie @ Lam Tin Yie	2,190,000	0.49
Bank of Singapore Nominees Pte Ltd	2,163,628	0.49
Lim Chin Leong	1,700,000	0.38
OCBC Nominees Singapore Pte Ltd	1,514,672	0.34
DBS Vickers Securities (Singapore) Pte Ltd	1,450,800	0.33
Total	**271,551,841**	**60.86**

Shareholder Information

As at 18 March 2014

SUBSTANTIAL SHAREHOLDERS

(As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Edwin Soeryadjaya[1]	-	-	79,364,000	17.79
Sandiaga Salahuddin Uno[2]	-	-	79,364,000	17.79
PT Saratoga Investama Sedaya[1], [2]	79,364,000	17.79	-	-
Subianto Arpan Sumodikoro[3]	-	-	52,500,000	11.77
Shining Persada Investments Pte. Ltd.[3]	52,500,000	11.77	-	-

Notes:

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

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

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

PUBLIC SHAREHOLDINGS

Based on the information available to the Company on 18 March 2014, approximately 69% of the issued ordinary shares of the Company are held by the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

Directors' Report

For the financial year ended 31 December 2013

The directors present their report to the members together with the balance sheet of the Company as at 31 December 2013 and financial statements of the Group for the financial year ended 31 December 2013.

DIRECTORS

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

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

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 48 to 50 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Number of ordinary shares in the name of director or nominee		Number of ordinary shares in which the director is deemed to have an interest	
	At end of the financial year and 21 January 2014	At beginning of the financial year	At end of the financial year and 21 January 2014	At beginning of the financial year
The Company				
Edwin Soeryadjaya	-	-	79,364,000	79,364,000
Sandiaga Salahuddin Uno	-	-	79,364,000	79,364,000
Subianto Arpan Sumodikoro	-	-	52,500,000	52,500,000
Allan Charles Buckler	5,918,400	5,918,400	-	-

Directors' Report

For the financial year ended 31 December 2013

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

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Interra Share Option Plan as set out below and under "Share Options" on pages 48 to 50 of this report.

	Number of unissued ordinary shares under option	
	At end of the financial year and 21 January 2014	At beginning of the financial year
2012 Options		
Allan Charles Buckler	1,350,000	1,350,000
Low Siew Sie Bob	350,000	1,350,000
Ng Soon Kai	1,350,000	1,350,000
Marcel Han Liong Tjia	4,000,000	4,000,000

(c) Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or its related corporations either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the accompanying financial statements and in this report, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

SHARE OPTIONS

(a) Interra Share Option Plan

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

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

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

Directors' Report

For the financial year ended 31 December 2013

SHARE OPTIONS (CONT'D)

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

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

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

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

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

Number of unissued ordinary shares of the Company under option				
Granted during the financial year	**Aggregate granted since commencement of Plan to end of the financial year**	**Aggregate exercised since commencement of Plan to end of the financial year**	**Aggregate forfeited since commencement of Plan to end of the financial year**	**Aggregate outstanding at the end of the financial year**
-	10,550,000	3,040,000	250,000	7,260,000

Directors' Report

For the financial year ended 31 December 2013

SHARE OPTIONS (CONT'D)

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

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

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

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

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

(b) <u>Share Options Outstanding</u>

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

	Number of unissued ordinary shares under option			
	At beginning of the financial year	**At end of the financial year**	**Exercise price**	**Exercise period**
2008 Options	250,000	-	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	-	S$0.550	4 March 2010 to 2 March 2013
2012 Options	10,050,000	7,260,000	S$0.148	21 January 2013 to 19 January 2017
	10,550,000	7,260,000		

Directors' Report

For the financial year ended 31 December 2013

AUDIT COMMITTEE

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

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

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

The Audit Committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and their evaluation of the system of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2013 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit Committee has recommended to the Board of Directors that Nexia TS Public Accounting Corporation, be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

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

24 March 2014

Statement by Directors

For the financial year ended 31 December 2013

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 55 to 115 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 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Low Siew Sie Bob
Director

24 March 2014

Independent Auditor's Report

To the Members of Interra Resources Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 115, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report

To the Members of Interra Resources Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

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

Singapore

24 March 2014

Balance Sheet
As at 31 December 2013

	Note	Company 2013 US$	Company 2012 US$	Group 2013 US$	Group 31 Dec 2012 US$ Restated	Group 01 Jan 2012 US$ Restated
ASSETS						
Non-current assets						
Property, plant and equipment	4	**16,154**	39,577	**16,506**	40,151	57,701
Producing oil and gas properties	5	**-**	-	**61,346,474**	47,241,151	39,777,579
Exploration and evaluation assets	6	**-**	-	**72,311**	6,306,380	76,693
Intangible assets	7	**-**	-	**1,488,902**	1,491,636	1,498,199
Investments in subsidiaries	8	**44,776,089**	42,381,731	**-**	-	-
Other receivables	10	**-**	-	**1,531,495**	1,044,606	-
Retirement benefit obligations	17	**-**	-	**119,356**	7,426	-
Restricted cash	12	**-**	-	**2,273,948**	2,253,147	2,139,630
		44,792,243	42,421,308	**66,848,992**	58,384,497	43,549,802
Current assets						
Inventories	9	**-**	-	**6,135,569**	6,732,032	3,127,213
Trade and other receivables	10	**139,411**	196,501	**11,410,294**	5,793,641	6,904,973
Other current assets	11	**82,253**	72,726	**708,486**	1,100,902	628,892
Cash and cash equivalents	12	**3,716,476**	11,566,056	**12,401,632**	16,735,354	11,536,152
		3,938,140	11,835,283	**30,655,981**	30,361,929	22,197,230
Total Assets		**48,730,383**	54,256,591	**97,504,973**	88,746,426	65,747,032
LIABILITIES						
Current liabilities						
Trade and other payables	13	**761,154**	748,320	**8,596,059**	7,734,804	6,119,245
Current income tax liabilities	14	**-**	-	**7,568,904**	8,088,858	7,954,730
		761,154	748,320	**16,164,963**	15,823,662	14,073,975
Non-current liabilities						
Retirement benefit obligations	17	**-**	-	**-**	-	18,321
Provision for environmental and restoration costs	16	**-**	-	**2,715,279**	2,409,609	2,243,107
		-	-	**2,715,279**	2,409,609	2,261,428
Total Liabilities		**761,154**	748,320	**18,880,242**	18,233,271	16,335,403
NET ASSETS		**47,969,229**	53,508,271	**78,624,731**	70,513,155	49,411,629
EQUITY						
Share capital	18	**62,138,007**	61,567,224	**62,138,007**	61,567,224	43,868,660
(Accumulated losses) /Retained profits*		**(14,533,272)**	(8,521,473)	**33,890,808**	26,719,958	23,770,980
Other reserves	20	**364,494**	462,520	**(17,404,084)**	(17,774,027)	(18,228,011)
TOTAL EQUITY		**47,969,229**	53,508,271	**78,624,731**	70,513,155	49,411,629

*Retained profits of the Group are fully distributable.

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

Statement of Comprehensive Income

For the financial year ended 31 December 2013

	Note	2013 US$	2012 US$ Restated
Revenue	21	**50,162,649**	30,406,956
Cost of production		**(26,838,972)**	(19,972,253)
Gross profit		**23,323,677**	10,434,703
Other income, net	22	**385,175**	1,375,230
Administrative expenses		**(13,140,310)**	(6,484,611)
Profit before income tax		**10,568,542**	5,325,322
Income tax expense	15	**(3,567,074)**	(2,295,884)
Net profit		**7,001,468**	3,029,438
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- (Losses)/Gains	20(b)(iii)	**(9,073)**	6,239
- Reclassification	20(b)(iii)	**477,042**	-
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit obligation re-measurements	17	**162,699**	(80,460)
Other comprehensive income		**630,668**	74,221
Total comprehensive income		**7,632,136**	2,955,217
Profit attributable to:			
Equity holders of the Company		**7,001,468**	3,029,438
Total comprehensive income attributable to:			
Equity holders of the Company		**7,632,136**	2,955,217
Earnings per share attributable to equity holders of the Company (cents per share)			
-Basic	25	**1.571**	0.759
-Diluted	25	**1.554**	0.748

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

		Attributable to Equity Holders of the Company					
Group	**Note**	**Share Capital US$**	**Currency Translation Reserve US$**	**Special Reserve US$**	**Share Option Reserve US$**	**Retained Profits US$**	**Total Equity US$**
At 1 January 2013		**61,567,224**	**(1,692,407)**	**(16,544,140)**	**462,520**	**26,719,958**	**70,513,155**
Issue of new ordinary shares pursuant to share option plan	18	**573,564**	**-**	**-**	**(148,166)**	**-**	**425,398**
Share issue expenses	18	**(2,781)**	**-**	**-**	**-**	**-**	**(2,781)**
Employee share option plan	20(b)(ii)						
- value of employee services		**-**	**-**	**-**	**56,823**	**-**	**56,823**
- share options lapsed		**-**	**-**	**-**	**(6,683)**	**6,683**	**-**
Profit for the financial year		**-**	**-**	**-**	**-**	**7,001,468**	**7,001,468**
Other comprehensive income		**-**	**467,969**	**-**	**-**	**162,699**	**630,668**
Total comprehensive income for the financial year		**-**	**467,969**	**-**	**-**	**7,164,167**	**7,632,136**
At 31 December 2013		**62,138,007**	**(1,224,438)**	**(16,544,140)**	**364,494**	**33,890,808**	**78,624,731**

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2013

Group	Note	Share Capital US$	Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Retained Profits US$	Total Equity US$
		Attributable to Equity Holders of the Company					
At 1 January 2012, as previously reported		43,868,660	(1,698,646)	(16,544,140)	14,775	23,638,011	49,278,660
Impact of change in accounting policy							
- Adoption of FRS 19 (revised)							
Employee benefits	33(a)	–	–	–	–	132,969	132,969
At 1 January 2012, as restated		43,868,660	(1,698,646)	(16,544,140)	14,775	23,770,980	49,411,629
Issue of new ordinary shares pursuant							
to rights issue	18	18,022,807	–	–	–	–	18,022,807
Rights issue expenses	18	(324,243)	–	–	–	–	(324,243)
Employee share option plan							
- value of employee services	20(b)(ii)	–	–	–	447,745	–	447,745
Profit for the financial year,							
as previously reported		–	–	–	–	3,042,251	3,042,251
- Adoption of FRS 19 (revised)							
Employee benefits	33(a)	–	–	–	–	(12,813)	(12,813)
Profit for the financial year, as restated		–	–	–	–	3,029,438	3,029,438
Other comprehensive income,							
as previously reported		–	6,239	–	–	–	6,239
- Adoption of FRS 19 (revised)							
Employee benefits		–	–	–	–	(80,460)	(80,460)
Other comprehensive income, as restated		–	6,239	–	–	(80,460)	(74,221)
Total comprehensive income for the							
financial year		–	6,239	–	–	2,948,978	2,955,217
At 31 December 2012, as restated		61,567,224	(1,692,407)	(16,544,140)	462,520	26,719,958	70,513,155

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	2013 US$	2012 US$ Restated
Cash flows from operating activities			
Profit before income tax		**10,568,542**	5,325,322
Adjustments for non-cash items:			
Share option expenses	20(b)(ii)	**56,823**	447,745
Depreciation of property, plant and equipment	4	**26,114**	39,830
Amortisation of producing oil and gas properties	5	**9,489,455**	4,623,853
Amortisation of intangible assets	7	**2,734**	6,563
Impairment/(reversal of impairment) of exploration and evaluation assets	6	**6,242,912**	(42,068)
Bank interest income	22	**(98,128)**	(84,030)
Loss/(gain) on curtailment	17	**162,699**	(80,460)
Unrealised currency translation losses/(gains)		**532,939**	(42,047)
Producing oil and gas properties written off	23	**30,013**	28,469
Operating profit before working capital changes		**27,014,103**	10,223,177
Changes in working capital			
Inventories		**596,463**	(3,604,819)
Trade and other receivables and other current assets		**(5,284,748)**	676,859
Trade and other payables		**816,376**	1,839,813
Provision for environmental and restoration costs	16	**305,670**	166,502
Restricted cash		**(20,801)**	(113,517)
Cash generated from operations		**23,427,063**	9,188,015
Income tax paid	14	**(4,086,930)**	(2,161,755)
Net cash provided by operating activities		**19,340,133**	7,026,260
Cash flows from investing activities			
Interest received		**37,620**	46,853
Final payment of purchase consideration for acquisition of subsidiary		**-**	(250,000)
Additions to property, plant and equipment	4	**(2,469)**	(22,280)
Additions to producing oil and gas properties	5	**(23,691,843)**	(12,115,894)
Additions to exploration and evaluation assets	6	**(13,996)**	(6,184,394)
Net cash used in investing activities		**(23,670,688)**	(18,525,715)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	2013 US$	2012 US$ Restated
Cash flows from financing activities			
Proceeds from issuance of shares		**425,398**	18,022,807
Share issue expenses	18	**(2,781)**	(324,243)
Loan to a third party		**(425,000)**	(1,000,000)
Net cash (used in)/provided by financing activities		**(2,383)**	16,698,564
Net (decrease)/increase in cash and cash equivalents		**(4,332,938)**	5,199,109
Cash and cash equivalents at beginning of financial year		**16,735,354**	11,536,152
Effects of currency translation on cash and cash equivalents		**(784)**	93
Cash and cash equivalents at end of financial year	12	**12,401,632**	16,735,354

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

1. GENERAL

Interra Resources Limited (the "Company") is a company incorporated in the Republic of Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard with effect from 10 January 2013. The address of its registered office is at 1 Grange Road #05-04 Orchard Building Singapore 239693. Its Singapore company registration number is 197300166Z.

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

The principal activities, country of incorporation and place of operation of the subsidiaries and joint venture of the Company are set out in Note 8 and Note 29 respectively to the financial statements. During the current financial year, the Company's wholly-owned subsidiary, Goldwater KP Pte. Ltd. incorporated a company, Mentari Pambuang Internasional Limited ("MPIL") under the laws of the British Virgin Islands, which it holds 49% of the issued and paid up capital. To-date, MPIL remained as dormant.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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

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

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new and amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(a) Basis of Preparation (Cont'd)

Amendment to FRS 1 Presentation of Items of Other Comprehensive Income

The Group has adopted the amendment to FRS 1 Presentation of Items of Other Comprehensive Income on 1 January 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

Amendment to FRS 1 Presentation of Financial Statements – Clarification of the requirements for comparative information

This amendment arose from Annual Improvements to FRSs issued by the Accounting Standards Council in August 2012. The amendment clarified that when an entity presents a balance sheet at the beginning of the preceding period, it need not present the related notes to that balance sheet if that balance sheet was required as a result of either:
- retrospective application of an accounting policy, or
- retrospective restatement or reclassification of items in the financial statements.

However, when an entity chooses to present FRS-compliant comparative financial statements in addition to the minimum comparatives required, the entity shall present related note information for those additional statements.

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group.

FRS 19 (revised) Employee Benefits

FRS 19 (revised) amends the accounting for employment benefits. The Group has applied the standard retrospectively in accordance with the transition provisions of the standard. The impact on the Group has been in the following areas: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying discount rate to the net defined benefit liability/(asset). See Note 33(a) for the impact on the financial statements.

The effect of the change in accounting policy on the statement of cash flows and on earnings per share was immaterial.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(b) Group Accounting

(i) Subsidiaries

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

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

Investment in a subsidiary is stated in the Company's balance sheet at cost less impairment losses. On disposal of such investment, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(ii) Acquisition of Subsidiaries

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

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

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

If the business combination is achieved in stages, the acquisition date carrying value of acquirer's previously held equity, interest in the acquire is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit and loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(b) Group Accounting (Cont'd)

Any contingent consideration to be transferred by the consideration to be transferred by the Company is recognised at fair value at the acquisition date, Subsequent changes to the fair value of the contingent consider that is deemed to the asset or liability is recognised in accordance with FRS 39 Financial Instruments Recognition and Measurement either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

(iii) Changes in ownership interest in subsidiary without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity attributable to the equity holders of the Company.

(iv) Disposal of Subsidiaries

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

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

(v) Reverse Acquisition

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(b) Group Accounting (Cont'd)

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

- the assets and liabilities of the legal subsidiary (the accounting acquirer) recognised and measured at their pre-combination carrying amounts.
- the assets and liabilities of the legal parent (the accounting acquire) are recognised at fair value and measured in accordance with FRS 103 Business Combination.
- the retained profits and other equity balances of the legal subsidiary (the accounting acquirer) before the business combination.
- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to cost of reverse acquisition determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquire), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquire) issued in the reverse acquisition.

(vi) Joint Ventures

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(c) Oil and Gas Properties

The Group applies successful efforts method of accounting for exploration and evaluation costs, having regard to the requirements of FRS 106 Exploration for and Evaluation of Mineral Resources.

(i) Exploration and Evaluation Phase

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

Exploration and evaluation costs are accumulated in respect of each area of interest. Exploration and evaluation costs include the cost of acquisition, drilling, seismic, technical evaluation and feasibility studies, and include manpower and associated overhead charges incurred during the initial study period.

Costs of evaluation and unsuccessful exploration in areas of interest where economically recoverable reserves do not currently exist (or is held under Retention Lease or equivalent) are expensed as incurred even if facilities in this area of interest are continuing. When an area of interest is abandoned or decided by the directors that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period when the decision is made. Each area of interest is also subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year and its accumulated costs are written off to the extent that they will not be recoverable or impaired when proved reserves of oil and natural gas are identified and development is sanctioned by management due to unavailability of technical resources from development in near future. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the oil reserves.

Exploration and evaluation costs are carried forward to where the right to tenure of the area of interest is current and they are expected to be recouped through successful development and exploitation of the area of interest, or where activities in the area of interest have not yet reached a stage that allows reasonable assessment of the existence of economically recoverable reserves. If commercial reserves have been discovered, the carrying value, after the impairment loss of the relevant exploration and evaluation costs, is then reclassified as development and production assets.

Other than participating and concession rights, no amortisation is charged during the exploration and evaluation phase.

(ii) Development and Production Phase

Development costs are incurred within an area of interest as a component of a commercial development phase only upon its commitment to a commercial development.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within development and production assets and development tangible assets according to the nature.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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

The cost of development and production assets are capitalised as completed wells and related facilities when drilling or construction is completed. Uncompleted wells and related facilities are not amortised as these assets are not yet available for use.

(iii) Development Tangible Assets

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

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

(iv) Amortisation/Depreciation

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development and production costs are amortised on a units of production basis over the life of the economically recoverable reserves.

Depreciation of development tangible assets is calculated on a straight-line basis so as to write off the costs of these assets over their respective estimated useful life which range from 2 to 4 years.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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

(v) Impairment

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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

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

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

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

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

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

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

(vii) Concession Rights

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

(d) Intangible Assets

(i) Goodwill on Reverse Acquisition

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

(ii) Computer Software

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(e) Property, Plant and Equipment

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

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

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

Depreciation

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

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

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

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

(i) Goodwill

Goodwill is reviewed for impairment whenever there is an indication of impairment and at least once a year.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

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

(ii) Other Non-Financial Assets

Other non-financial assets including intangible assets, property, plant and equipment, and investments in subsidiaries and joint ventures are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

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

(g) Payables

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(h) Provisions

(i) General

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.

(ii) Environmental Expenditures and Liabilities

Environmental expenditures that relate to current or future revenues and expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings as expensed.

Liabilities for environmental costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. Generally the timing of recognition of these provisions coincides with the commitment to formal plan and action or, if earlier, on divestment or on closure of inactive site. The amount recognised is the best estimate of the expenditure required. If the effect of the time value of money is material, the amount recognised is the present value of the estimated future expenditure.

(i) Income Taxes

(i) Current Income Tax

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

(ii) Deferred Income Tax

Deferred income tax is recognised for all temporary difference except when the deferred income tax arises from the initial recognition of an asset or liability affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(j) Borrowings and Finance Costs

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of borrowings using effective interest method.

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

Interest expense and similar charges are expensed in profit or loss in the period in which they are incurred, except to the extent that the expense is being capitalised as part of a cost that is directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. All borrowing costs are recognised in profit or loss using the effective interest method.

(k) Employee Benefits

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

(i) Defined Contribution Plans

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

(ii) Defined Benefit Plans

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

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets together with adjustments for unrecognised past service costs. The defined benefit obligation calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of high quality corporate bond that is denominated in the currency and the country in which the benefit will be paid and has tenure approximating to that of the defined benefit obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(k) Employee Benefits (Cont'd)

(iii) Employee Leave Entitlements

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

(iv) Share-Based Compensation

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

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

Where the terms of the share option plan are modified, the expense that is not yet recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification as measured at the date of modification.

(l) Financial Assets

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets.

Loans and receivables are presented as trade and other receivables (Note 10) and cash and cash equivalents (Note 12) on the balance sheet and deposits refundable (Note 11). They are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(l) Financial Assets (Cont'd)

An allowance for impairment of loans and receivables is recognised when there is objective evidence that the Group will not be able to collect all the amounts due in accordance to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances, restricted cash and bank deposits which are subject to an insignificant risk of change in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts (if any) which are repayable on demand and which form an integral part of the Group's cash management and restricted cash. Restricted cash is not available for use by the Group, therefore it is not considered highly liquid and is excluded from cash and cash equivalents.

(n) Inventories

Inventories comprise mainly consumable stocks which are stated at the lower of cost and net realisable value. Cost is determined by applying the first-in-first-out basis. Crude oil inventory is the crude oil stored at the stock points and not transferred. The cost of crude oil is the cost of production, including the appropriate proportion of depreciation, amortisation and impairment and overheads based on normal operating capacity, determined on a weighted average basis. The net realisable value of crude oil is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Revenue Recognition

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

(i) Sale of Oil and Petroleum Products

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(o) Revenue Recognition (Cont'd)

(ii) Interest Income

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

(iii) Dividend Income

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

(iv) Management and Petroleum Services Fees

Management and petroleum services fees are recognised upon the rendering of management and consultation services to and the acceptance by subsidiaries and joint ventures.

(p) Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in United States Dollar ("USD"), which is the functional and presentation currency of the Company.

(ii) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement for such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in either comprehensive income and accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation or when any loan forming part of the net investment of foreign operation is repaid.

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(p) Currency Translation (Cont'd)

(iii) Translation of Group Entities' Financial Statements

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

(1) Assets and liabilities for each balance sheet presented are translated at the rates of exchange at the balance sheet date;
(2) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of transactions); and
(3) All resulting foreign currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

(q) Operating Leases

When the Group is the lessee:

The Group leases office premises, vehicles and drilling equipment under operating leases.

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

Contingent rents are recognised as expenses in profit or loss in the financial period in which they are incurred.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which the termination takes place.

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(r) Segment Reporting

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

(s) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(t) Fair Value Estimation

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

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

(u) Government Grants

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

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

(v) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Key Sources of Estimating Uncertainty

(a) Amortisation of Development and Production Assets

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

The Group currently amortises development and production assets using the units of production method against management's estimates of petroleum recoverable reserves. Changes in the petroleum recoverable reserves could impact future amortisation charges. Accordingly, there may be material adjustments made to the carrying amount of the respective assets. As at 31 December 2013, the carrying amount of the development and production assets is US$54,353,824 (2012: US$41,335,022) (Note 5). The amortisation charge for the financial year ended 31 December 2013 is US$7,524,753 (2012: US$3,171,074) (Note 5).

If management's estimated petroleum recoverable reserves had been higher/lower by 5%, the carrying amount of development and production assets would have been increased/decreased in aggregate by approximately US$393,000 and US$439,000 accordingly.

(b) Estimated Impairment of Producing Oil and Gas Properties and Goodwill on Reverse Acquisition

The Group performs assessment of the carrying value of its assets when there is indication of impairment. Goodwill on reverse acquisition is assessed for impairment at least once a year or when there is indication of impairment. The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure and number of payment of invoices received by the Group in the financial year. Management has used the 2014 budgets reviewed by the respective joint ventures' owner committees and also past experiences as a guide. The period beyond 2014 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using a discount rate of 11% per annum (a comparable rate used by other companies in the region and in the similar nature of business sector).

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(b) Estimated Impairment of Producing Oil and Gas Properties and Goodwill on Reverse Acquisition (Cont'd)

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

Management has assessed that there is no indication that producing oil and gas properties would be impaired based on the operating and financial performance of each field. As at 31 December 2013, the carrying amount of producing oil and gas properties is US$61,346,474 (2012: US$47,241,151) (Note 5). Accordingly, management has only performed impairment assessment of goodwill on reverse acquisition at the balance sheet date. As at 31 December 2013, the carrying amount of goodwill on reverse acquisition is US$1,488,902 (2012: US$1,488,902)(Note 7).

If management's estimated discount rates applied to the discounted cash flows for goodwill on reverse acquisition as at 31 December 2013 had been raised by 2% (2012: 2%), the carrying amount of goodwill on reverse acquisition would have been reduced by approximately US$840,000 (2012: US$1,057,000).

If management's estimated crude oil price used in the discounted cash flows for goodwill on reverse acquisition as at 31 December 2013 had been lower by 5% (2012: 5%), the carrying amount of goodwill on reverse acquisition would have been reduced by approximately US$1,489,000 (2012: US$1,489,000).

(c) Provision for Environmental and Restoration Costs

Environmental and restoration costs are a normal consequence of oil extraction and the majority of this expenditure is incurred at the end of a well's life or an area of interest. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of wells), and the expected useful life of the areas of interest and the wells. The ultimate environmental and restoration cost are uncertain and may vary in response to many factors, including changes to the relevant legal requirements and the emergence of new restoration techniques or experience at other wells. The Group currently makes provision for environmental and restoration costs for Indonesia operations using the units of production method. Changes in the petroleum recoverable reserves could impact future provision charges. The carrying amount of the provision for environmental and restoration costs as at 31 December 2013 is US$2,715,279 (2012: US$2,409,609) (Note 16).

If management's estimated petroleum recoverable reserves had been higher/lower by 5% (2012: 5%), the carrying amount of the provision for environmental and restoration costs would have been increased/decreased in aggregate by approximately US$6,600 (2012: US$9,200).

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

(d) Income Taxes

The Group's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, tax assessments have been finalised up to 2004. During the current financial year, the income tax expense paid is US$4,082,765, of which US$1,800,000 relates to tax assessment 2005 to 2009 and remaining of US$2,282,765 for tax assessment 2014 to 2015 (2012: US$2,157,501) but is subject to the final tax assessments from the tax authority. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than the current tax provision. If such over-provision occurs, it will be reversed upon determination. The amounts of current income tax liabilities and income tax expenses are disclosed in Note 14 and 15 respectively. Please refer to Note 27 for contingent liabilities for possible capital gain tax in Myanmar.

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2013				
Cost				
Opening balance	**102,221**	**9,016**	**97,742**	**208,979**
Additions	2,469	-	-	2,469
Closing balance	**104,690**	**9,016**	**97,742**	**211,448**
Accumulated depreciation				
Opening balance	**82,053**	**5,941**	**81,408**	**169,402**
Depreciation charge	8,148	1,410	16,334	25,892
Closing balance	**90,201**	**7,351**	**97,742**	**195,294**
Net book value as at 31 December 2013	**14,489**	**1,665**	**-**	**16,154**
2012				
Cost				
Opening balance	**113,351**	**6,331**	**98,666**	**218,348**
Additions	18,619	2,995	-	21,614
Write-off	(29,749)	(310)	(924)	(30,983)
Closing balance	**102,221**	**9,016**	**97,742**	**208,979**
Accumulated depreciation				
Opening balance	**105,287**	**5,010**	**50,847**	**161,144**
Depreciation charge	6,515	1,241	31,485	39,241
Write-off	(29,749)	(310)	(924)	(30,983)
Closing balance	**82,053**	**5,941**	**81,408**	**169,402**
Net book value as at 31 December 2012	**20,168**	**3,075**	**16,334**	**39,577**

Notes to the Financial Statements

For the financial year ended 31 December 2013

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

Group	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2013				
Cost				
Opening balance	**116,924**	**9,016**	**97,742**	**223,682**
Additions	2,469	-	-	2,469
Closing balance	**119,393**	**9,016**	**97,742**	**226,151**
Accumulated depreciation				
Opening balance	**96,182**	**5,941**	**81,408**	**183,531**
Depreciation charge (Note 23)	8,370	1,410	16,334	26,114
Closing balance	**104,552**	**7,351**	**97,742**	**209,645**
Net book value as at 31 December 2013	**14,841**	**1,665**	**-**	**16,506**
2012 (Restated)				
Cost				
Opening balance	**127,388**	**6,331**	**98,666**	**232,385**
Additions	19,285	2,995	-	22,280
Write-off	(29,749)	(310)	(924)	(30,983)
Closing balance	**116,924**	**9,016**	**97,742**	**223,682**
Accumulated depreciation				
Opening balance	**118,827**	**5,010**	**50,847**	**174,684**
Depreciation charge (Note 23)	7,104	1,241	31,485	39,830
Write-off	(29,749)	(310)	(924)	(30,983)
Closing balance	**96,182**	**5,941**	**81,408**	**183,531**
Net book value as at 31 December 2012	**20,742**	**3,075**	**16,334**	**40,151**

Notes to the Financial Statements
For the financial year ended 31 December 2013

5. PRODUCING OIL AND GAS PROPERTIES

Group	Development and Production Assets US$	Development Tangible Assets US$	Participating and Concession Rights US$	Total US$
2013				
Cost				
Opening balance	**57,388,063**	**7,604,331**	**6,368,215**	**71,360,609**
Additions	22,229,851	1,461,992	-	23,691,843
Transfer to profit or loss	(54,439)	-	-	(54,439)
Fair value adjustments	-	-	(12,613)	(12,613)
Transfer to development tangible assets	(1,631,857)	1,631,857	-	-
Write-off	-	(68,951)	-	(68,951)
Closing balance	**77,931,618**	**10,629,229**	**6,355,602**	**94,916,449**
Accumulated amortisation and impairment loss				
Opening balance	**16,053,041**	**5,265,523**	**2,800,894**	**24,119,458**
Amortisation charge (Note 23)	7,524,753	1,178,585	786,117	9,489,455
Write-off	-	(38,938)	-	(38,938)
Closing balance	**23,577,794**	**6,405,170**	**3,587,011**	**33,569,975**
Net book value as at 31 December 2013	**54,353,824**	**4,224,059**	**2,768,591**	**61,346,474**
2012 (Restated)				
Cost				
Opening balance	**47,163,795**	**5,814,037**	**6,368,215**	**59,346,047**
Additions	10,224,268	1,891,626	-	12,115,894
Disposals	-	(68,345)	-	(68,345)
Write-off	-	(32,987)	-	(32,987)
Closing balance	**57,388,063**	**7,604,331**	**6,368,215**	**71,360,609**
Accumulated amortisation and impairment loss				
Opening balance	**12,881,967**	**4,673,526**	**2,012,975**	**19,568,468**
Amortisation charge (Note 23)	3,171,074	664,860	787,919	4,623,853
Disposals	-	(39,876)	-	(39,876)
Write-off	-	(32,987)	-	(32,987)
Closing balance	**16,053,041**	**5,265,523**	**2,800,894**	**24,119,458**
Net book value as at 31 December 2012	**41,335,022**	**2,338,808**	**3,567,321**	**47,241,151**

Notes to the Financial Statements

For the financial year ended 31 December 2013

6. EXPLORATION AND EVALUATION ASSETS

	Group	
	2013 US$	**2012 US$ Restated**
Cost		
Opening balance	**6,811,631**	4,723,144
Additions	**13,996**	6,184,394
Write-off	**-**	(4,120,170)
Currency translation differences	**(38,764)**	24,263
Closing balance	**6,786,863**	6,811,631
Accumulated impairment losses		
Opening balance	**505,251**	4,646,451
Write-off	**-**	(4,120,170)
Impairment losses/(reversal) (Note 23)	**6,242,912**	(42,068)
Currency translation differences	**(33,611)**	21,038
Closing balance	**6,714,552**	505,251
Net book value	**72,311**	6,306,380

During the financial year, there was an impairment loss of exploration well from Myanmar of US$6,242,912 due to the suspension of well pending further work. In financial year 2012, there was a reversal of impairment losses of US$42,068 from the PEP operations in Australia, upon the finalisation of the exploration well.

7. INTANGIBLE ASSETS

Group	Goodwill on Reverse Acquisition US$	Computer Software US$	Total US$
2013			
Cost			
Opening and closing balance	**1,488,902**	**146,552**	**1,635,454**
Accumulated amortisation and impairment loss			
Opening balance	**-**	**143,818**	**143,818**
Amortisation charge (Note 23)	-	2,734	2,734
Closing balance	**-**	**146,552**	**146,552**
Net book value as at 31 December 2013	**1,488,902**	**-**	**1,488,902**

Notes to the Financial Statements

For the financial year ended 31 December 2013

7. INTANGIBLE ASSETS (CONT'D)

	Goodwill on Reverse Acquisition US$	Computer Software US$	Total US$
2012 (Restated)			
Cost			
Opening and closing balance	**1,488,902**	**146,552**	**1,635,454**
Accumulated amortisation and impairment loss			
Opening balance	**-**	**137,255**	**137,255**
Amortisation charge (Note 23)		6,563	6,563
Closing balance	**-**	**143,818**	**143,818**
Net book value as at 31 December 2012	**1,488,902**	**2,734**	**1,491,636**

Goodwill on Reverse Acquisition

Goodwill on reverse acquisition represents the goodwill that arose from the business combination in which Goldwater Company Limited ("Goldwater") acquired the Company through a reverse acquisition on 10 July 2003. Goodwill on reverse acquisition is the difference between Goldwater's deemed cost of acquisition over the fair value of assets acquired and liabilities of the Company on the reverse acquisition date (Note 2(b)(v)).

The deemed cost of acquisition is derived from the total percentage of shareholdings held by the shareholders of the former Van der Horst Limited (now known as "Interra Resources Limited") as at the reverse acquisition date and Shantex Holdings Pte Ltd multiplied by the net assets of Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounted to US$1,488,902 was recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining periods of the IPRCs of approximately 14 years from 10 July 2003 to 31 March 2017.

With the adoption of applicable standard which deal with the treatment of goodwill arising from business combinations prospectively from 1 April 2004, no amortisation charges were made from the financial year ended 31 December 2005 onwards.

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

Based on an impairment test of the Myanmar CGU as at 31 December 2013, the estimated recoverable amount of the CGU is higher than the carrying amount of the CGU (inclusive of attributable goodwill) by US$5,675,016. If the assumed crude oil price used to estimate recoverable amount decline by 13% or the discount rate increase by 17% the recoverable amount of the CGU would fall to its carrying amount.

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. INVESTMENTS IN SUBSIDIARIES

	Company 2013 US$	Company 2012 US$
Unquoted equity shares at cost		
Goldwater Company Limited	**19,062,000**	19,062,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**1**	1
Goldwater Indonesia Inc.	**1**	1
Goldwater Energy Limited	**1**	1
Interra Resources (Thailand) Limited	**76,325**	76,325
Interra Resources (Australia) Pte. Ltd.	**100**	100
Goldwater LS Pte. Ltd.	**100**	100
Goldwater KP Pte. Ltd.	**100**	100
	19,138,629	19,138,629
Advances made to/(from) subsidiaries		
Goldwater Company Limited	**1,499,737**	369,724
Goldwater TMT Pte. Ltd.	**8,758,361**	7,274,038
Goldwater Eagle Limited	**(997,922)**	(1,000,104)
Goldwater Indonesia Inc.	**2,040**	-
Interra Resources (Thailand) Limited	**6,444,081**	6,783,976
Interra Resources (Australia) Pte. Ltd.	**3,945,926**	3,937,106
Goldwater LS Pte. Ltd.	**17,753,456**	15,079,904
IBN Oil Holdico Ltd	**972,499**	584,796
Goldwater KP Pte. Ltd.	**1,451,768**	1,011,169
	39,829,946	34,040,609
Net investments in subsidiaries	**58,968,575**	53,179,238
Allowance for impairment:		
Opening balance	**10,797,507**	6,831,251
Allowance for impairment	**3,825,112**	3,966,256
Currency translation differences	**(430,133)**	-
Closing balance	**14,192,486**	10,797,507
Investments in subsidiaries	**44,776,089**	42,381,731

Advances made to/(from) subsidiaries

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

The Company will assess annually whether there is evidence showing that the nature of the advances have changed. When evidence of change exists, the Company would consider the effects of the change in determining the fair value of the advances. As at the end of financial year, the fair value of these advances is assessed to be approximate their carrying amounts.

Notes to the Financial Statements

For the financial year ended 31 December 2013

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the financial year, the Company recognised an impairment charge of US$3,825,112 for its net investment in a subsidiary, Goldwater LS Pte. Ltd. based on value-in-use calculation. Cash flow projections used in the calculation were based on the financial budgets approved by management covering the period till the expiry of the contract assumes some drilling activities undertaken to further develop the related fields. Key assumptions used for value-in-use calculations include petroleum recoverable reserves, future crude oil prices, operating costs and capital expenditure. Future cashflows are discounted using a discount rate of 11% per annum.

The details of the subsidiaries as at 31 December 2013 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %
Goldwater Company Limited [b]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Myanmar	100	100
Goldwater TMT Pte. Ltd. [b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Goldwater Eagle Limited [c]	Investment holding	British Virgin Islands	100	100
Goldwater Indonesia Inc [c]	Dormant	British Virgin Islands	100	100
Interra Resources (Thailand) Limited [d]	Dormant	Thailand/Thailand	100	100
Interra Resources (Australia) Pte. Ltd.[b]	Dormant	Singapore/Australia	100	100
Goldwater LS Pte. Ltd.[b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Goldwater KP Pte. Ltd.[b]	Exploration and operation of oil fields for crude petroleum production	Singapore/Indonesia	100	100
Held by a subsidiary, Goldwater LS Pte. Ltd.				
IBN Oil Holdico Ltd [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	100	100
Held by a subsidiary, Goldwater KP Pte. Ltd.				
Mentari Pambuang Internasional Limited [c]	Dormant	British Virgin Islands	49	-

[a] Not required to be audited under the laws of the country of incorporation, audited by Nexia TS Public Accounting Corporation, for consolidation purposes
[b] Audited by Nexia TS Public Accounting Corporation
[c] Not required to be audited under the laws of the country of incorporation
[d] Audited by V.A.T Accounting, a member firm of Nexia International

Notes to the Financial Statements
For the financial year ended 31 December 2013

9. INVENTORIES

Consumables stock including tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance. Crude oil inventory is the crude oil stored at the stock points and not uplifted as at balance sheet date.

	Group	
	2013	**2012**
	US$	**US$**
Consumable stock	**5,719,963**	5,651,414
Crude oil inventory	**415,606**	1,080,618
	6,135,569	6,732,032

10. TRADE AND OTHER RECEIVABLES

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

	Company		Group	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Current				
Trade receivables				
– non-related parties	**-**	-	**8,816,122**	4,015,782
Other receivables	**139,411**	196,501	**2,594,172**	1,777,859
	139,411	196,501	**11,410,294**	5,793,641
Non-current				
Other receivables	**-**	-	**1,531,495**	1,044,606

The non-current other receivables is unsecured and receivable upon commencement of production of which timing cannot determined at this point. Interest rate is charged at 5% above SIBOR per annum. The fair value of non-current other receivables at market borrowing rate of 5.017% (2012: 5.017%) per annum approximates its carrying amount.

Included in current other receivables are value added taxes to be reimbursed from PT Pertamina EP of US$2,256,067 (2012: US$1,403,897).

11. OTHER CURRENT ASSETS

	Company		Group	
	2013	**2012**	**2013**	**2012**
	US$	**US$**	**US$**	**US$**
Deposits	**47,933**	46,811	**215,548**	664,884
Prepayments	**34,320**	25,915	**227,258**	122,182
Advances to suppliers	**-**	-	**265,680**	313,836
	82,253	72,726	**708,486**	1,100,902

Notes to the Financial Statements

For the financial year ended 31 December 2013

12. CASH AND CASH EQUIVALENTS

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$
Cash at bank and on hand	**864,037**	249,385	**7,393,672**	5,418,683
Short-term bank deposits	**2,852,439**	11,316,671	**5,007,960**	11,316,671
Restricted cash	**-**	-	**2,273,948**	2,253,147
Cash and bank balances	**3,716,476**	11,566,056	**14,675,580**	18,988,501
Less: Restricted cash			**(2,273,948)**	(2,253,147)
Cash and cash equivalents per consolidated statement of cash flows			**12,401,632**	16,735,354

Restricted Cash

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

13. TRADE AND OTHER PAYABLES

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$ Restated
Trade payables – non-related parties	**-**	-	**6,683,543**	4,198,455
Accrued expenses	**705,320**	699,587	**1,002,005**	901,985
Other payables	**55,834**	48,733	**910,511**	2,634,364
	761,154	748,320	**8,596,059**	7,734,804

The Group's other payables include the provision for training levy and electricity charges due to MOGE of US$314,339 (2012: US$515,418). During the financial year, the amount due to the joint venture partner of US$409,881 included in other payables in financial year 2012, being reimbursement of the 3D seismic costs and remaining consideration of the 30% participating rights in TAC TMT, has been fully settled.

14. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$
Opening balance	**-**	30	**8,088,858**	7,954,730
Current income tax expense (Note 15)	**-**	-	**3,562,811**	2,291,660
Under provision in prior financial years (Note 15)	**4,263**	4,224	**4,263**	4,224
Income tax paid	**(4,165)**	(4,254)	**(4,086,930)**	(2,161,755)
Currency translation differences	**(98)**	-	**(98)**	(1)
Closing balance	**-**	-	**7,568,904**	8,088,858

Notes to the Financial Statements
For the financial year ended 31 December 2013

15. INCOME TAX EXPENSE

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

The subsidiaries are liable to pay income taxes in the countries where the respective petroleum contracts are domiciled. The subsidiaries and joint ventures of the Company have made the necessary tax provisions as required under their respective petroleum contracts. As for the Myanmar operations, the income tax paid for current financial year is US$4,082,765 of which US$1,800,000 relates to tax assessment 2005 to 2009 and remaining amount of US$2,282,765 is for tax assessment 2014 and 2015 (2012: US$2,157,501). These income tax expenses are still subject to the final tax assessments from the tax authority.

Tax expenses attributable to profit are made up of:

	Group	
	2013 US$	**2012 US$**
Current income tax - Foreign (Note 14)	**3,562,811**	2,291,660
Under provision of current income tax in prior financial years		
- Singapore (Note 14)	**4,263**	4,224
	3,567,074	2,295,884

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

	Group	
	2013 US$	**2012 US$ Restated**
Profit before income tax	**10,568,542**	5,325,322
Tax calculated at tax rate of 17% (2012: 17%)	**1,796,652**	905,305
Effects of:		
- Different tax rates in other countries	**1,830,396**	1,133,679
- Income not subject to tax	**(3,281,152)**	(1,184,300)
- Expenses not deductible for tax purposes	**3,216,915**	1,436,976
	3,562,811	2,291,660

Notes to the Financial Statements

For the financial year ended 31 December 2013

16. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group has made provision for environmental and restoration costs for its TAC TMT and TAC LS operations. Provision is made based on units of production basis. The Group has not made any provision for environmental and restoration costs for its Myanmar operations as the Group believes that there are no significant costs involved in meeting the legal and regulatory requirements laid down at the current time (Note 27).

	Group	
	2013	**2012**
	US$	**US$**
Opening balance	**2,409,609**	2,243,107
Provision for the financial year (Note 23)	**305,670**	166,502
Closing balance	**2,715,279**	2,409,609

17. RETIREMENT BENEFIT OBLIGATIONS

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

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2013	**2012**
	US$	**US$**
		Restated
Present value of funded obligations	**359,357**	372,703
Fair value of plan assets	**(632,355)**	(790,291)
Surplus of funded plan	**(272,998)**	(417,588)
Present value of unfunded obligation	**-**	-
Total surplus of defined benefit plan	**(272,998)**	(417,588)
Impact of minimum funding requirement/asset ceiling	**153,642**	410,162
Assets recognised in the balance sheet	**(119,356)**	(7,426)

Notes to the Financial Statements
For the financial year ended 31 December 2013

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Movements in the defined benefit obligation are as follows:

2013	Present Value of Obligation US$	Fair Value of Plan Assets US$	Total US$	Impact of Minimum Funding Requirement/ Asset Ceiling US$	Total US$
As at 1 January 2013	**372,703**	**(790,291)**	**(417,588)**	**410,162**	**(7,426)**
Current service cost	172,241	-	172,241	-	172,241
Interest expense/(income)	15,064	(27,609)	(12,545)	17,696	5,151
Past service costs and gains and losses on settlements	1,841	-	1,841	-	1,841
	189,146	(27,609)	161,537	17,696	179,233
Re-measurements:					
- Gains from change in financial assumptions	(40,835)	-	(40,835)	-	(40,835)
- Experience losses	29,159	11,263	40,422	-	40,422
- Change in asset ceiling, excluding amounts included in interest expense	-	-	-	(162,286)	(162,286)
	(11,676)	11,263	(413)	(162,286)	(162,699)
Exchange differences	(90,009)	169,744	79,735	(111,930)	(32,195)
Contributions:					
- Employers	-	(96,269)	(96,269)	-	(96,269)
Payments from plans:					
- Benefit payments	(100,807)	100,807	-	-	-
As at 31 December 2013	**359,357**	**(632,355)**	**(272,998)**	**153,642**	**(119,356)**

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

2012 (Restated)	Present Value of Obligation US$	Fair Value of Plan Assets US$	Total US$	Impact of Minimum Funding Requirement/ Asset ceiling US$	Total US$
As at 1 January 2012	**353,863**	**(779,762)**	**(425,899)**	**444,220**	**18,321**
Current service cost	133,793	-	133,793	-	133,793
Interest expense/(income)	16,826	(38,111)	(21,285)	-	(21,285)
Past service costs and gains and losses on settlements	(85,610)	-	(85,610)	2,891	(82,719)
	65,009	(38,111)	26,898	2,891	29,789
Re-measurements:					
- Losses from change in financial assumptions	11,822	-	11,822	-	11,822
- Experience losses	67,172	9,776	76,948	-	76,948
- Change in assets ceiling, excluding amounts included in interest expense	-	-	-	(8,310)	(8,310)
	78,994	9,776	88,770	(8,310)	80,460
Exchange differences	(17,243)	37,304	20,061	(28,639)	(8,578)
Contributions:					
- Employers	-	(123,885)	(123,885)	-	(123,885)
Payments from plans:					
- Benefit payments	(107,920)	104,387	(3,533)	-	(3,533)
As at 31 December 2012	**372,703**	**(790,291)**	**(417,588)**	**410,162**	**(7,426)**

The amounts of defined benefit plan recognised in profit or loss and included in employee compensation amounting to US$179,233 (2012: US$29,789) (Note 24).

The significant actuarial assumptions used are as follows:

	Group	
	2013 %	2012 %
Discount rate	7.80 - 7.90	4.60 - 4.65
Salary growth rate	10.00	10.00

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Indonesia. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 56:

	Group	
	2013	**2012**
Retiring at the end of the reporting period:		
- Male	-	5
- Female	-	-
Retiring 20 years after the end of the reporting period:		
- Male	54	45
- Female	8	9

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by 3.30% and 2.67%	Increase by 3.50% and 2.77%
Salary growth rate	1%	Increase by 3.38% and 2.69%	Decrease by 3.27% and 2.64%
		Increase by 1 year in assumption	**Decrease by 1 year in assumption**
Life expectancy		Increase by 0.09% and 0.01%	Decrease by 0.09% and 0.01%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis are consistent with previous period.

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. SHARE CAPITAL

Company and Group	2013 Number of ordinary shares	2012	2013 US$	2012 US$
Opening balance	**443,130,357**	295,420,238	**61,567,224**	43,868,660
Shares issued	**3,040,000**	147,710,119	**573,564**	18,022,807
Share issue expenses	**-**	-	**(2,781)**	(324,243)
Closing balance	**446,170,357**	443,130,357	**62,138,007**	61,567,224

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

During the financial year, 2,790,000 ordinary shares were issued at the exercise price of S$0.148 per share and 250,000 ordinary shares were issued at the exercise price of S$0.45 per share pursuant to the exercise of options granted under the Plan.

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

19. SHARE OPTIONS

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

19. SHARE OPTIONS (CONT'D)

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

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

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

	Number of ordinary shares under option					
	At beginning of the financial year	(Forfeited)/ Granted during financial year	Exercised during financial year	At end of the financial year	Exercise price	Exercise period
Company and Group						
2013						
2008 Options	250,000	-	(250,000)	-	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	(250,000)	-	-	S$0.550	4 March 2010 to 2 March 2013
2012 Options	10,050,000	-	(2,790,000)	7,260,000	S$0.148	21 January 2013 to 19 January 2017
	10,550,000	(250,000)	(3,040,000)	7,260,000		
2012						
2008 Options	250,000	-	-	250,000	S$0.450	4 March 2010 to 2 March 2013
2008 Options	250,000	-	-	250,000	S$0.550	4 March 2010 to 2 March 2013
2012 Options	-	10,050,000	-	10,050,000	S$0.148	21 January 2013 to 19 January 2017
	500,000	10,050,000	-	10,550,000		

Out of the outstanding options for 7,260,000 (2012: 10,550,000) shares, options for 7,260,000 (2012: 500,000) shares are exercisable at the balance sheet date. Options exercised in 2013 resulted in issuance of 250,000 ordinary shares at exercise price of S$0.450 each and 2,790,000 ordinary shares at exercise price of S$0.148 each (2012: Nil). The related transaction costs amounting to US$2,781 (2012: Nil) were deducted against the proceeds received.

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

Notes to the Financial Statements

For the financial year ended 31 December 2013

20. OTHER RESERVES

(a) Composition:

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$
Special reserve	**-**	-	**(16,544,140)**	(16,544,140)
Share option reserve	**364,494**	462,520	**364,494**	462,520
Currency translation reserve	**-**	-	**(1,224,438)**	(1,692,407)
	364,494	462,520	**(17,404,084)**	(17,774,027)

Other reserves are not distributable.

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting set out in Note 2(b)(v), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, Goldwater. As such, the cost of investment to acquire Goldwater and the reserves of the Company immediately prior to the reverse acquisition were transferred to special reserves during the consolidation of the financial statements. These reserves include share premium immediately before the debt restructuring on 10 July 2003 and accumulated losses immediately before the reverse acquisition on 10 July 2003.

	Group	
	2013 US$	2012 US$
Cost of investment	**(18,319,492)**	(18,319,492)
Share capital of Goldwater	**200,000**	200,000
Goodwill on reverse acquisition	**1,575,352**	1,575,352
	(16,544,140)	(16,544,140)

(ii) Share Option Reserve

	Company and Group	
	2013 US$	2012 US$
Opening balance	**462,520**	14,775
Employee share option plan		
- value of employee services (Note 24)	**56,823**	447,745
- share options lapsed	**(6,683)**	-
- share options exercised	**(148,166)**	-
Closing balance	**364,494**	462,520

Notes to the Financial Statements

For the financial year ended 31 December 2013

20. OTHER RESERVES (CONT'D)

(iii) Currency Translation Reserve

	Group	
	2013	**2012**
	US$	**US$**
Opening balance	**(1,692,407)**	(1,698,646)
Net currency translation differences of foreign subsidiaries	**(9,073)**	6,239
Reclassification on liquidation of subsidiary	**477,042**	-
Closing balance	**(1,224,438)**	(1,692,407)

21. REVENUE

	Group	
	2013	**2012**
	US$	**US$**
Sale of oil and petroleum products	**50,162,649**	30,406,956

22. OTHER INCOME, NET

	Group	
	2013	**2012**
	US$	**US$**
		Restated
Bank interest income	**98,128**	84,030
Petroleum services fees	**43,200**	34,406
Other income	**338,930**	680,313
Management fee	**464,744**	453,973
Currency translation (losses)/gains, net	**(559,827)**	122,508
	385,175	1,375,230

Included in other income is the reimbursement of unrecovered costs incurred in Myanmar prior to farm-in from a joint venture partner of US$332,842 (2012: US$670,579).

Notes to the Financial Statements

For the financial year ended 31 December 2013

23. EXPENSES BY NATURE

	Group	
	2013 US$	2012 US$ Restated
Royalties	**3,050,018**	2,446,227
Repair and maintenance expenses	**4,224,150**	4,631,806
Well servicing and workover expenses	**2,404,672**	1,767,257
Direct labour costs and related expenses	**1,177,359**	1,107,403
Geology and geophysical study	**130,259**	93,375
Other production expenses	**2,035,509**	1,371,152
Amortisation of producing oil and gas properties (Note 5)	**9,489,455**	4,623,853
Depreciation of property, plant and equipment (Note 4)	**26,114**	39,830
Amortisation of intangible assets (Note 7)	**2,734**	6,563
Impairment/(reversal) of exploration and evaluation assets (Note 6)	**6,242,912**	(42,068)
Total amortisation, depreciation and impairment	**15,761,215**	4,628,178
Employee compensation (Note 24)	**4,573,262**	4,273,498
Directors' fees	**335,986**	271,639
Rental expenses on operating leases	**3,619,982**	3,361,400
Producing oil and gas properties written off	**30,013**	28,469
Professional, legal and compliance expenses	**1,271,052**	879,616
Provision for environmental and restoration costs (Note 16)	**305,670**	166,502
Other expenses	**907,484**	1,289,577
Auditor's fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	**124,483**	110,786
- Other auditors	**28,168**	29,979
Total cost of production and administrative expenses	**39,979,282**	26,456,864

24. EMPLOYEE COMPENSATION

	Group	
	2013 US$	2012 US$ Restated
Wages and salaries	**3,865,081**	3,433,629
Employer's contribution to defined contribution plan	**124,513**	114,933
Defined benefit plan (Note 17)	**179,233**	29,789
Other short-term benefits	**347,612**	247,402
Share option expenses (Note 20(b)(ii))	**56,823**	447,745
Total employee compensation (Note 23)	**4,573,262**	4,273,498

Notes to the Financial Statements

For the financial year ended 31 December 2013

25. EARNINGS PER SHARE

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

For the purpose of calculating diluted earnings per share, weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

	Group	
	2013 **US$**	**2012** **US$** **Restated**
Net profit attributable to equity holders of the Company (US$)	**7,001,468**	3,029,438
Weighted average number of ordinary shares outstanding for basic earnings per share	**445,752,398**	399,060,132
Adjustments for share options	**4,925,286**	6,038,757
Weighted average number of ordinary shares outstanding for diluted earnings per share	**450,677,684**	405,098,889
Basic earnings per share (US cents)	**1.571**	0.759
Diluted earnings per share (US cents)	**1.554**	0.748

Notes to the Financial Statements
For the financial year ended 31 December 2013

26. COMMITMENTS

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

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

The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet but not recognised as liabilities, are as follows:

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$
Not later than 1 year	**184,468**	94,375	**4,279,187**	5,112,493
Between 1 and 5 years	**241,913**	4,279	**604,758**	769,996
	426,381	98,654	**4,883,945**	5,882,489

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar, TAC TMT and TAC LS in Indonesia. The capital expenditure for 2014 is based on the work program and budgets approved by the respective local authority. These include the development and deep well drilling in Myanmar and Indonesia.

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

	Group	
	2013 US$	2012 US$
Not later than 1 year	**15,842,869**	5,253,824

27. CONTINGENT LIABILITIES

Contingent liabilities of which the probability of settlement is not remote at the balance sheet date are as follows:

Company

The Company has provided letters of financial support to some of its subsidiaries to enable these subsidiaries to operate as going concern and to meet their liabilities as and when they fall due.

Notes to the Financial Statements

For the financial year ended 31 December 2013

27. CONTINGENT LIABILITIES (CONT'D)

Group

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

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

28. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (including currency risk, country risk, interest rate risk and crude oil price risk), credit risk and liquidity risk arising in the normal course of business. The Group recognises the existence of the various risks and management of the Group constantly assesses the potential impacts to the Group. The Group also implements measures and strategies to minimise risk exposures. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in oil prices, interest and foreign exchange rates.

(a) Market Risk

(i) Price Risk

The Group is exposed to crude oil price risk arising from crude petroleum production. The price of crude oil, which is a global commodity is not set by the Group and is subject to fluctuations. The Group does not hedge against fluctuation in crude oil price. The Group monitors the situation and manage the risk accordingly.

If crude oil price strengthen/weaken by 5% (2012: 5%) with all other variables including tax rate being held constant, the impact to the revenue and net profit of the Group would have been higher/lower by US$2,508,000 and US$2,329,000 (2012: US$1,520,000 and US$1,404,000) respectively.

Notes to the Financial Statements
For the financial year ended 31 December 2013

28. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Cash Flow and Fair Value Interest Rate Risks

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

The Group's interest rate risk mainly arises from short-term bank deposits. As short-term bank deposits are placed in short-term money market with tenures mostly within the range of 7 days to 1 month, the Group's interest income is subject to fluctuation in interest rates. These fixed deposits are placed on a short-term basis according to the Group's cash flow requirements, and hence the Group does not hedge against short-term interest rate fluctuations.

The effective interest rates for short-term bank deposits ranged from 0.085% to 0.25% per annum in 2013 (2012: 0.14% to 0.26% per annum). These deposits are staggered in varying periods and amounts in accordance with the cash requirements of the Group. Any significant movement in the interest rates is not likely to be material to the Group.

(iii) Country Risk

The Group constantly assesses the prevailing circumstances of the countries in which it operates and manages its investments in view of the political, economic and social backdrop of these countries. The Group will also assess the relevant country risk of its future investments as part of the Group's internal assessment and evaluation process.

(iv) Currency Risk

The Group operates mainly in Myanmar, Indonesia and Singapore. Entities of the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as Singapore Dollar ("SGD") and Indonesian Rupiah ("IDR").

Currency risk arises when transactions are denominated in foreign currencies. The Group currently does not seek to hedge against these exposures as such transactions constitute a small portion of the Group's operations.

In addition, the Group is exposed to currency translation risk on the net assets of its foreign operations. The Group's currency risks are predominantly in SGD and IDR. The Group currently does not seek to hedge against these exposures. As at the balance sheet date, the Group does not have any forward foreign currency contracts.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. FINANCIAL RISK MANAGEMENT (CONT'D)

The Group's currency exposure is as follows:

2013	USD US$	SGD US$	IDR US$	Other US$	Total US$
Financial assets					
Cash and cash equivalents	**12,284,226**	**2,193,564**	**126,362**	**71,428**	**14,675,580**
Trade and other receivables	**12,350,005**	**3,708**	**560,991**	**27,085**	**12,941,789**
Other financial assets	**120,815**	**47,933**	**46,637**	**163**	**215,548**
	24,755,046	**2,245,205**	**733,990**	**98,676**	**27,832,917**
Financial liabilities					
Other financial liabilities	**(6,808,990)**	**(789,402)**	**(986,813)**	**(10,854)**	**(8,596,059)**
Net financial assets/ (liabilities)	**17,946,056**	**1,455,803**	**(252,823)**	**87,822**	**19,236,858**
Add: Net non-financial assets	**59,168,760**	**34,415**	**177,158**	**7,540**	**59,387,873**
Currency profile including non-financial assets	**77,114,816**	**1,490,218**	**(75,665)**	**95,362**	**78,624,731**
Currency exposure of financial assets/(liabilities), net of those denominated in the respective entities' functional currencies	**-**	**1,455,803**	**(252,823)**	**87,822**	**1,290,802**

2012	USD US$	SGD US$	IDR US$	Other US$	Total US$
Financial assets					
Cash and cash equivalents	13,331,395	5,289,736	325,087	42,283	18,988,501
Trade and other receivables	5,823,848	(966)	989,126	26,239	6,838,247
Other financial assets	529,729	46,811	10,734	77,610	664,884
	19,684,972	5,335,581	1,324,947	146,132	26,491,632
Financial liabilities					
Other financial liabilities	(5,739,839)	(746,967)	(1,235,153)	(12,845)	(7,734,804)
Net financial assets	13,945,133	4,588,614	89,794	133,287	18,756,828
Add: Net non-financial assets	51,632,562	51,916	7,426	64,423	51,756,327
Currency profile including non-financial assets	65,577,695	4,640,530	97,220	197,710	70,513,155
Currency exposure of financial assets, net of those denominated in the respective entities' functional currencies	-	4,588,614	89,794	133,287	4,811,695

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. FINANCIAL RISK MANAGEMENT (CONT'D)

The Company's currency exposure is as follows:

2013	USD US$	SGD US$	Other US$	Total US$
Financial assets				
Cash and cash equivalents	**1,526,985**	**2,177,892**	**11,599**	**3,716,476**
Trade and other receivables	**135,703**	**3,708**	**-**	**139,411**
Other financial assets	**-**	**47,933**	**-**	**47,933**
	1,662,688	**2,229,533**	**11,599**	**3,903,820**
Financial liabilities				
Other financial liabilities	**(18,750)**	**(742,404)**	**-**	**(761,154)**
Net financial assets	**1,643,938**	**1,487,129**	**11,599**	**3,142,666**
Add: Net non-financial assets	**44,794,206**	**32,357**		**44,826,563**
Currency profile including non-financial assets	**46,438,144**	**1,519,486**	**11,599**	**47,969,229**
Currency exposure of financial assets, net of those denominated in the Company's functional currency	**-**	**1,487,129**	**11,599**	**1,498,728**

2012	USD US$	SGD US$	Other US$	Total US$
Financial assets				
Cash and cash equivalents	6,275,359	5,273,443	17,254	11,566,056
Trade and other receivables	197,467	(966)	-	196,501
Other financial assets	-	46,811	-	46,811
	6,472,826	5,319,288	17,254	11,809,368
Financial liabilities				
Other financial liabilities	(46,466)	(701,854)	-	(748,320)
Net financial assets	6,426,360	4,617,434	17,254	11,061,048
Add: Net non-financial assets	42,398,021	49,202	-	42,447,223
Currency profile including non-financial assets	48,824,381	4,666,636	17,254	53,508,271
Currency exposure of financial assets, net of those denominated in the Company's functional currency	-	4,617,434	17,254	4,634,688

As at 31 December 2013, if SGD has strengthened/weakened by 5% (2012: 5%) against USD with other variables including tax rate being held constant, the Group's and Company's profit after tax would have been US$71,000 and US$72,000 higher/lower (2012: US$221,000 and US$222,000 higher/lower) respectively, as a result of currency translation gains/(losses) on SGD denominated financial instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Group. The Group's main credit risk comes from its trade receivables and the financial institutions where the Group invests its surplus funds.

Surplus funds are placed with reputable financial institutions and interest income earned is subject to the fluctuation in interest rates. These surplus funds are placed on short-term deposits (usually within the range of 7 days to 1 month), according to the Group's cash flow requirement. The Group does not hedge against short-term fluctuations in interest rates.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

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

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

	Group	
	2013	**2012**
	US$	**US$**
By geographical areas		
Indonesia	**4,738,005**	1,631,325
Myanmar	**4,078,117**	2,384,457
	8,816,122	4,015,782
By types of customers		
Non-related parties – Government related entities	**8,816,122**	4,015,782

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. The Group has no financial assets past due and/or impaired.

Notes to the Financial Statements

For the financial year ended 31 December 2013

28. FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Capital Risk

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

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

(d) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and obtaining credit facilities when the needs arise. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group's surplus funds are also managed centrally by placing them on short-term deposits with reputable financial institutions. The financial liabilities of the Company and the Group of US$761,154 and US$8,596,059 (2012: US$748,320 and US$7,734,804) respectively mature within one year.

(e) Fair Value Measurements

The Company and the Group do not have any assets and liabilities measured at fair value. The fair values of current financial assets and liabilities carried at amortised costs are assumed to be approximate their carrying amounts.

(f) Financial Instruments by Category

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

	Company		Group	
	2013 US$	2012 US$	2013 US$	2012 US$
Loan and receivables	**3,903,820**	11,809,368	**25,558,969**	24,238,485
Financial liabilities at amortised cost	**761,154**	748,320	**8,596,059**	7,734,805

Notes to the Financial Statements

For the financial year ended 31 December 2013

29. INVESTMENTS IN JOINT VENTURE

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

	2013 US$	2012 US$
Balance sheet		
Non-current assets	**6,798,879**	6,220,555
Current assets	**10,261,379**	5,881,354
Current liabilities	**(5,144,280)**	(5,308,485)
Net assets	**11,915,978**	6,793,424
Profit or loss		
Revenue	**21,941,070**	17,597,547
Expenses	**(8,952,940)**	(7,190,315)
Profit before income tax	**12,988,130**	10,407,232
Income tax expense	**(2,007,293)**	(1,609,923)
Profit after income tax	**10,980,837**	8,797,309
Group's share of operating lease commitments of joint venture	**380,382**	336,061
Group's share of capital commitments of joint venture	**9,079,160**	2,796,728

The details of the joint venture as at 31 December 2013 are as follows:

Name of Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2013 %	Group's Effective Interest 2012 %
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

[a] Audited by Nexia TS Public Accounting Corporation, for consolidation purposes

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("BOD") for the purpose of making strategic decisions.

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

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

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2013 and 2012 are as follows:

Group	Indonesia 2013 US$	Myanmar 2013 US$	All Other Segments 2013 US$	Total Reporting Segments 2013 US$
Revenue				
Sales to external customers	**28,221,579**	**21,941,070**	**-**	**50,162,649**
Adjusted EBITDA	**16,289,077**	**13,528,902**	**(3,586,350)**	**26,231,629**
Depreciation and amortisation	**4,970,469**	**4,521,942**	**25,892**	**9,518,303**
Impairment of exploration and evaluation assets	**-**	**6,242,912**	**-**	**6,242,912**
Total assets	**63,815,823**	**26,580,640**	**4,256,071**	**94,652,534**
Total assets includes:				
Capital expenditures (tangible and intangible assets)	**16,653,901**	**7,051,938**	**2,469**	**23,708,308**
Total liabilities	**(7,376,367)**	**(3,180,886)**	**(754,085)**	**(11,311,338)**

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION (CONT'D)

	Indonesia 2012 US$	Myanmar 2012 US$	All Other Segments 2012 US$	Total Reporting Segments 2012 US$
Revenue				
Sales to external customers	12,809,409	17,597,547	-	30,406,956
Adjusted EBITDA	1,628,504	10,727,966	(2,487,000)	9,869,470
Depreciation and amortisation	2,063,130	2,567,875	39,241	4,670,246
Reversal of impairment of exploration and evaluation assets	-	-	(42,068)	(42,068)
Total assets	47,586,555	26,644,048	3,199,152	77,429,755
Total assets includes:				
Capital expenditures (tangible and intangible assets)	9,070,053	9,272,969	(20,454)	18,322,568
Total liabilities	(8,068,855)	(1,330,105)	(745,453)	(10,144,413)

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

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

	2013 US$	2012 US$
Adjusted EBITDA for reportable segments	**29,817,979**	12,356,470
Adjusted EBITDA for other segments	**(3,586,350)**	(2,487,000)
Depreciation and amortisation	**(9,518,303)**	(4,670,246)
(Impairment)/reversal of impairment of exploration and evaluation assets	**(6,242,912)**	42,068
Interest income	**98,128**	84,030
Profit before income tax	**10,568,542**	5,325,322

The amounts provided to the BOD with respect to the total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All assets are allocated to the reportable segments other than short-term bank deposits.

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. SEGMENT INFORMATION (CONT'D)

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

	2013 US$	2012 US$
Segment assets for reportable segments	**90,396,463**	74,230,603
Other segment assets	**4,256,071**	3,199,152
Unallocated:		
Short-term bank deposits	**2,852,439**	11,316,671
	97,504,973	88,746,426

The amounts provided to the BOD with respect to the total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities.

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

	2013 US$	2012 US$
Segment liabilities for reportable segments	**10,557,253**	9,398,960
Other segment liabilities	**754,085**	745,453
Unallocated:		
Current income tax liabilities	**7,568,904**	8,088,858
	18,880,242	18,233,271

The Group derives all revenues from sale of crude petroleum two external customers for the financial years ended 31 December 2013 and 2012.

Non-current assets of the Group by geographical areas are located at Indonesia and Myanmar amounting to US$46,991,070 and US$14,355,404 (2012: US$35,404,703 and US$18,068,098) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2013

31. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

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

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties as terms agreed between the parties.

(a) Services Received from a Related Party

	2013 US$	2012 US$
Professional fees paid to Ng Chong & Hue LLC	**191,201**	188,070

One of the directors of the Company is associated with Ng Chong & Hue LLC. The professional fee paid to the firm is according to the prevailing market rates as compared to other firms providing similar services. There are no outstanding balances due from/to related parties at the balance sheet date.

(b) Key Management's Remuneration

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

	2013 US$	2012 US$
Directors' fees	**335,986**	271,639
Wages and salaries	**1,192,016**	1,181,382
Other short-term benefits	**56,226**	46,498
Employer's contribution to defined contribution plan	**20,370**	19,901
Share option expenses	**50,038**	394,283
Total costs incurred by the Group	**1,654,636**	1,913,703
Costs are incurred for the following categories of key management :		
- Directors of the Company	**933,788**	1,194,857
- Other key management personnel	**720,848**	718,846
Total costs incurred by the Group	**1,654,636**	1,913,703

Notes to the Financial Statements

For the financial year ended 31 December 2013

32. SUBSEQUENT EVENTS

On 14 March 2014, the Company entered into a conditional sale and purchase agreement with its wholly-owned subsidiary Goldwater LS Pte. Ltd. ("GLS") and PT Mitra Investindo TBK ("MITI") for the proposed disposal of 90% of the issued share capital of GLS to MITI for the consideration of US$13.50 million. As at 31 December 2013, the net asset value and net profit after tax of GLS are US$17,127,270 and US$921,228 respectively. The results of operations of GLS was included in the Group's exploration and operation of oil fields for crude oil petroleum production business segment in Indonesia The transaction is expected to be completed in 2014.

33. PRIOR YEAR ADJUSTMENTS/RECLASSIFICATIONS

(a) Adoption of FRS 19 (Revised) - Employee Benefits

On 1 January 2013, the Group adopted FRS 19 (revised) and changed its accounting policy with respect to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the financial year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The standard requires past service cost to be recognised immediately in profit or loss which amounted to US$29,789 for the financial year ended 31 December 2012 (1 January 2012: credit of US$7,198) being expensed. The expense recognised in profit or loss for the financial year ended 31 December 2012 has increased by US$28,726 as the result of the recognition of past service cost.

The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate, this continues to reflect the yield on high-quality corporate bonds. This has increased the amounts recognised in profit or loss as the discount rate applied to assets is lower than the expected return on assets. The effect has been that the interest expense for the current period has increased by US$5,151 (31 December 2012: decreased by US$21,285) as the discount rate applied to assets is lower than the expected return on assets.

There is a new term "re-measurements". This is made up of actuarial gains or losses, the difference between actual investment returns and the return implied by the net interest cost.

"Post employment benefit obligations" as previously reported has been restated as the reporting dates to reflect the effect of the above. Amounts have been restated as at 1 January 2012 as liabilities of US$18,321 (an impact of US$132,969 credited to retained profits as compared to previously reported amount of US$151,290) and 31 December 2012 as assets of US$7,426 (an impact of US$39,696 debited to retained profits as compared to previously reported amount of US$32,270).

Notes to the Financial Statements

For the financial year ended 31 December 2013

33. PRIOR YEAR ADJUSTMENTS/RECLASSIFICATIONS (CONT'D)

(b) Reclassification of Non-Current Assets

The Group changed the classification of certain non-current assets to better reflect the specific nature of the balances. As a result of the reclassifications, the amounts of certain nature of expenses were also affected.

The effects on equity are reflected in the consolidated statement of changes in equity. Effects on the Group's other primary financial statements for the financial year ended 31 December 2012 and consolidation balance sheet as at 1 January 2012 are as follows:

	Balance as previously reported US$	Prior year adjustments/ reclassifications US$	Balance as restated US$
<u>As at 31 December 2012</u>			
Consolidated balance sheet			
Non-current assets			
Producing oil and gas properties	-	47,241,151	47,241,151
Exploration and evaluation assets	-	6,306,380	6,306,380
Property, plant and equipment	2,378,960	(2,338,809)	40,151
Exploration, evaluation and development costs	47,641,403	(47,641,403)	-
Intangible assets	5,058,955	(3,567,319)	1,491,636
Retirement benefit obligations	-	7,426	7,426
Restricted cash	-	2,253,147	2,253,147
Current assets			
Cash and cash equivalents	18,988,501	(2,253,147)	16,735,354
Equity			
Retained profits	26,680,262	39,696	26,719,958

	Balance as previously reported US$	Prior year adjustments/ reclassifications US$	Balance as restated US$
<u>Financial year ended 31 December 2012</u>			
Consolidated statement of comprehensive income			
Cost of production	(19,932,572)	(39,681)	(19,972,253)
Other income, net	1,359,317	15,913	1,375,230
Administrative expenses	(6,495,566)	10,955	(6,484,611)
Other comprehensive income, net of tax			
Defined benefit plan re-measurements	-	(80,460)	(80,460)

Notes to the Financial Statements

For the financial year ended 31 December 2013

33. PRIOR YEAR ADJUSTMENTS/RECLASSIFICATIONS (CONT'D)

	Balance as previously reported US$	Prior year adjustments/ reclassifications US$	Balance as restated US$
Financial year ended 31 December 2012			
Consolidated statement of cash flows			
Profit before income tax	5,338,135	(12,813)	5,325,322
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	704,690	(664,860)	39,830
Amortisation of exploration, evaluation and development cost	3,171,074	(3,171,074)	-
Amortisation of producing oil and gas properties	-	4,623,853	4,623,853
Amortisation of intangible assets	794,482	(787,919)	6,563
Unrealised currency translation gains	(106,595)	64,458	(42,047)
Gain on curtailment	-	(80,460)	(80,460)
Changes in working capital			
Trade and other receivables and other current assets	672,563	4,296	676,859
Trade and other payables	1,815,383	24,430	1,839,813
Cash flows from investing activities			
Additions to property, plant and equipment	(1,913,906)	1,891,626	(22,280)
Additions to geological and geophysical studies	(4,368,856)	4,368,856	-
Additions to well drillings and improvement	(12,039,806)	12,039,806	-
Additions to producing oil and gas properties	-	(12,115,894)	(12,115,894)
Additions to exploration and evaluation assets	-	(6,184,394)	(6,184,394)
As at 1 January 2012			
Consolidated balance sheet			
Non-current assets			
Producing oil and gas properties	-	39,777,579	39,777,579
Exploration and evaluation assets	-	76,693	76,693
Property, plant and equipment	1,198,213	(1,140,512)	57,701
Exploration, evaluation and development costs	34,358,522	(34,358,522)	-
Intangible assets	5,853,437	(4,355,238)	1,498,199
Restricted cash	-	2,139,630	2,139,630
Current assets			
Cash and cash equivalents	13,672,782	(2,139,630)	11,536,152
Non-current liabilities			
Retirement benefit obligations	-	18,321	18,321
Equity			
Retained profits	23,638,011	132,969	23,770,980

Notes to the Financial Statements

For the financial year ended 31 December 2013

34. NEW OR REVISED FRS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

- FRS 27 (revised 2011) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (revised 2011) – Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36 - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 39 - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 111 – Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011) - Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112 - Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27 - Investment Entities (effective for annual periods beginning on or after 1 January 2014)

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

35. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the board of directors of the Company on 24 March 2014.

This page is intentionally left blank.

Corporate Information

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Subianto Arpan Sumodikoro
Non-Executive Director

Ng Soon Kai
Non-Executive Director

Marcel Han Liong Tjia
Executive Director & Chief Executive Officer

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

Allan Charles Buckler
Independent Director (Non-Executive)

Lim Hock San
Independent Director (Non-Executive)

Pepen Handianto Danuatmadja
Alternate Director to Subianto Arpan Sumodikoro

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

Adrian Chan Pengee
Kwa Xian-Zhen, Christie

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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

STOCK EXCHANGE LISTING

Singapore Exchange – SGX Mainboard
SGX Code: Interra Res (5GI)

SHARE REGISTRAR

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

interra resources

INTERRA RESOURCES LIMITED
Company Registration No. 197300166Z

1 Grange Road #05-04 Orchard Building
Singapore 239693

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