

CIRCULAR DATED 6 APRIL 2005

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

You should read this Circular carefully. If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your ordinary shares in the capital of Interra Resources Limited (the "Company"), please forward this Circular and the attached Proxy Form immediately to the purchaser or to the agent through whom the sale was effected for onward transmission to the purchaser.

Singapore Exchange Securities Trading Limited takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Circular.

The transactions described in this Circular involve risks and some of these risks are described in the section entitled "Risk Factors" in this Circular.



INTERRA RESOURCES LIMITED

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) PROPOSED ACQUISITION OF MC OIL & GAS JAVA B.V. AND MC OIL & GAS SUMATRA B.V. (THE "PROPOSED ACQUISITION");**
- (2) PROPOSED ISSUE OF US\$11,000,000 IN PRINCIPAL VALUE OF 7.0% SECURED BONDS DUE 2010 WITH DETACHABLE WARRANTS CARRYING THE RIGHT TO SUBSCRIBE FOR NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "PROPOSED ISSUE");**
- (3) PROPOSED UTILISATION OF BALANCE OF PROCEEDS FROM THE PLACEMENT OF 80,000,000 NEW ORDINARY SHARES OF S\$0.05 EACH IN THE SHARE CAPITAL OF THE COMPANY ON 13 MAY 2004 FOR THE PURPOSES OF THE PROPOSED ACQUISITION; AND**
- (4) PROPOSED SHARE CONSOLIDATION TO CONSOLIDATE EVERY FIVE (5) ORDINARY SHARES OF PAR VALUE S\$0.05 EACH IN THE SHARE CAPITAL OF THE COMPANY INTO ONE (1) ORDINARY SHARE OF PAR VALUE S\$0.25 EACH IN THE SHARE CAPITAL OF THE COMPANY**

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	19 April 2005 at 10:00 a.m.
Date and time of Extraordinary General Meeting	:	21 April 2005 at 10:00 a.m.
Place of Extraordinary General Meeting	:	7 Shenton Way #02-01 Singapore Conference Hall Singapore 068810

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DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or it is otherwise stated:

<i>“Balance of May 2004 Placement Proceeds”</i>	:	The balance of proceeds from the May 2004 Placement
<i>“bbl”</i>	:	Barrels
<i>“btu”</i>	:	British thermal unit
<i>“Bondholders”</i>	:	Registered holders of the Bonds
<i>“Bonds/Warrants Investor”</i>	:	Amaranth LLC, a brief description of which is set out in section 3.2 of this Circular
<i>“Bonds”</i>	:	The US\$11,000,000 in principal value of 7.0% secured bonds due 2010 to be issued by the Company, details of which are set out in section 3.3 of this Circular
<i>“Books Closure Date”</i>	:	A date and time to be determined by the Directors on which the Transfer Books and the Register of Members of the Company will be closed in order to determine the holdings of Shareholders of the S\$0.25 Shares pursuant to the Proposed Share Consolidation
<i>“CDP”</i>	:	The Central Depository (Pte) Limited
<i>“Citigroup”</i>	:	Citigroup Financial Products Inc.
<i>“Companies Act”</i>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<i>“Company’s Share of Purchase Consideration”</i>	:	Has the meaning ascribed to it in section 2.7 of this Circular
<i>“Completion”</i>	:	Completion of the Proposed Acquisition on the terms and subject to the conditions of the Sale and Purchase Agreement and the SPV Assignment Agreement
<i>“Consortium”</i>	:	The Company and Citigroup collectively
<i>“Controlling Shareholder”</i>	:	With respect to a company means a person who (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company, or (b) in fact exercises control over the company. In this respect, “control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the company
<i>“Directors”</i>	:	The directors of the Company as at the date of this Circular
<i>“Effective Date”</i>	:	00:01 Jakarta time on 1 July 2004
<i>“EGM”</i>	:	Extraordinary general meeting of the Company to be held on 21 April 2005

“EPS”	:	Earnings per share
“Facilities Agreement”	:	Has the meaning ascribed to it in section 2.10 of this Circular
“FY”	:	Financial year ended or ending 31 December, as the case may be
“Group”	:	The Company and its subsidiaries
“Internal Loans”	:	Has the meaning ascribed to it in section 2.9(c) of this Circular
“Issue Date”	:	The date of issue of the Bonds and the Warrants
“KPMG Corporate Finance”	:	KPMG Corporate Finance Pte Ltd
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 21 March 2005
“LIBOR”	:	Means, in relation to the term loan facility granted by Citigroup to SPV under the Facilities Agreement: (a) the Screen Rate; or (b) (if no Screen Rate is available for the currency or interest period) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to Citicorp International Limited at its request quoted by the Reference Banks to the leading banks in the London interbank market
“Listing Manual”	:	The listing manual of the SGX-ST as amended from time to time
“Longstop Date”	:	30 April 2005
“Market Day” or “Trading Day”	:	A day other than a Saturday or Sunday on which the SGX-ST is open for trading in securities
“May 2004 Placement”	:	The placement of 80,000,000 new Shares at the issue price of S\$0.19332 per Share announced by the Company on 4 May 2004 and completed on 13 May 2004
“Mitsubishi”	:	Mitsubishi Corporation
“MMcf”	:	Million cubic feet
“MOGH”	:	MC Oil & Gas Holding B.V., a corporation registered in The Netherlands
“MOGJ”	:	MC Oil & Gas Java B.V., a corporation registered in The Netherlands
“MOGS”	:	MC Oil & Gas Sumatra B.V., a corporation registered in The Netherlands
“New Shares”	:	The new Shares to be issued by the Company upon the exercise of the Warrants subject to and in accordance with the terms and conditions of the Warrants to be set out in the Warrants Instrument
“NTA”	:	Net tangible assets

- “ONWJ”** : The PSC dated 23 April 1990, as amended, the current parties to which are Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi and BP West Java Ltd., CNOOC ONWJ Ltd., INPEX Java Ltd., MOGJ, Itochu Oil Exploration Co. Ltd. and Paladin Resources (North West Java) Limited as contractor
- “Proposed Acquisition”** : The proposed acquisition of MOGJ and MOGS on the terms and subject to the conditions of the Sale and Purchase Agreement, details of which are set out in section 2 of this Circular
- “Proposed Issue”** : The proposed issue by the Company of the Bonds and the Warrants, details of which are set out in section 3 of this Circular
- “Proposed Share Consolidation”** : The proposed share consolidation to consolidate every five (5) S\$0.05 Shares into one (1) S\$0.25 Share, details of which are set out in section 5 of this Circular
- “Proposed Utilisation of Balance of May 2004 Placement Proceeds”** : The proposed utilisation of the Balance of May 2004 Placement Proceeds for the purposes of the Proposed Acquisition, details of which are set out in section 4 of this Circular
- “PSC”** : Production sharing contract
- “Purchase Consideration”** : The aggregate purchase consideration payable to MOGH under the Sale and Purchase Agreement in respect of the Proposed Acquisition
- “Record Date”** : In relation to any dividends, rights, allotments or other distributions, means the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such dividends, rights, allotments or other distributions
- “Reference Banks”** : The principal London offices of Citibank, N.A., Standard Chartered Bank, Deutsche Bank AG and The Hongkong and Shanghai Banking Corporation Limited or such other banks as may be appointed by Citicorp International Limited in consultation with SPV
- “Related Party Loans”** : Loans amounting to US\$1,401,842.78 from a Director, Mr Edwin Soeryadjaya, US\$1,489,457.96 from a substantial Shareholder of the Company, Canyon Gate Investments Limited and US\$1,489,457.96 from a connected person of the Company, Prairie Heritage Limited, in each case, to Goldwater Company Limited, a subsidiary of the Company
- “Reserves”** : Reserves of oil and gas, which are divided into three categories, namely P1 (Proven) reserves, P2 (Probable) reserves and P3 (Possible) reserves
- “Sale and Purchase Agreement”** : The conditional, as amended, sale and purchase agreement dated 22 December 2004 entered into by and between the Company, Citigroup, MOGH and Mitsubishi

“Screen Rate”	:	The British Bankers’ Association Interest Settlement Rate for US\$ for the relevant period displayed on the appropriate page of the Telerate screen (currently page 3750). If the agreed page is replaced or service ceases to be available, Citicorp International Limited may specify another page or service displaying the appropriate rate after consultation with SPV, Citigroup and any bank, financial institution, trust, fund or other entity which has become a party to the Facilities Agreement
“Secured Debt Service Reserve Account”	:	An account into which US\$2,310,000 of the proceeds from the Proposed Issue is to be set aside by the Company for the sole purpose of paying to the Bondholders the aggregate coupons required to be paid until the third anniversary of the Issue Date and the accrued interest on the redemption of any of the Bonds
“SES”	:	The PSC dated 26 December 1991, as amended, the current parties to which are Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi and CNOOC SES Ltd., INPEX Sumatra Ltd., KNOC Sumatra Ltd., MOGS, Paladin Resources (Sunda) Limited, Paladin Resources (South East Sumatra) Limited, and Paladin Resources (Bahamas) Limited as contractor
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Price”	:	In relation to a Share on any Trading Day, the average volume weighted price of the Shares as obtained or derived from the SGX-ST on that Trading Day or if no transaction in respect of the Shares takes place on that Trading Day, the average of the closing bid and offer prices on that day in respect of the Shares as derived from the SGX-ST
“Shareholders”	:	Persons who are for the time being registered as holders of Shares except where the registered holder is CDP, in which case the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose securities accounts with CDP are credited with the Shares
“Shares”	:	S\$0.05 Shares or S\$0.25 Shares, as the case may be
“SPV”	:	Orchard Energy Holding Java & Sumatra B.V., a special purpose vehicle incorporated by the Company and Citigroup in The Netherlands
“SPV Assignment”	:	The proposed assignment of certain rights of the Consortium under the Sale and Purchase Agreement to SPV on the terms and subject to the conditions of the SPV Assignment Agreement, details of which are set out in section 2.4 of this Circular
“SPV Assignment Agreement”	:	An agreement to be entered into by and among the Company, Citigroup and SPV pursuant to which the Company and Citigroup will assign certain rights under the Sale and Purchase Agreement to SPV and SPV on Completion will undertake to pay the Purchase Consideration to MOGH

“Subscription Agreement”	:	The conditional subscription agreement dated 22 December 2004, as amended, entered into between the Company and the Bonds/Warrants Investor pursuant to which the Bonds/Warrants Investor will subscribe for, and the Company will issue to the Bonds/Warrants Investor, the Bonds and the Warrants
“Subscription Period”	:	The period during which Warrantholders may exercise their subscription rights under the Warrants to subscribe for New Shares, details of which are set out in section 3.4 of this Circular
“Subscription Price”	:	The price at which Warrantholders may exercise their subscription rights under the Warrants to subscribe for New Shares, details of which are set out in section 3.4 of this Circular
“Warrantholders”	:	Registered holders of the Warrants
“Warrants”	:	The US\$11,000,000 in nominal value of detachable warrants in registered form to be issued by the Company together with the Bonds, carrying the right to subscribe for New Shares at the Subscription Price, details of which are set out in section 3.4 of this Circular
“Warrants Instrument”	:	The instrument to be executed by the Company constituting the Warrants and containing, <i>inter alia</i> , provisions for the protection of the rights and interests of the Warrantholders, the form of which is set out in Appendix II on pages B-1 to B-36 of this Circular
“S\$0.05 Shares”	:	Ordinary shares of par value S\$0.05 each in the share capital of the Company
“S\$0.25 Shares”	:	Ordinary shares of par value S\$0.25 each in the share capital of the Company
“S\$” and “cents”	:	Singapore dollars and cents, respectively
“US\$”	:	United States dollars
“%”	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them, respectively, in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act, Chapter 289 of Singapore (**“SFA”**) or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA or the Listing Manual or any modification thereof, as the case may be.

LETTER TO SHAREHOLDERS

Directors:

Purnardi Djojosedirdjo
Sugiharto Soeleman
Edwin Soeryadjaya
Sandiaga Salahuddin Uno
Subianto Arpan Sumodikoro
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6 April 2005

To: The Shareholders of Interra Resources Limited

Dear Sir/Madam

1. INTRODUCTION

The Directors are convening an EGM to be held on 21 April 2005 to seek the approval of Shareholders in relation to the following matters:

- (a) the Proposed Acquisition;
- (b) the Proposed Issue;
- (c) the Proposed Utilisation of Balance of May 2004 Placement Proceeds; and
- (d) the Proposed Share Consolidation.

The purpose of this Circular is to explain the reasons for, and provide Shareholders with information relating to, these proposals.

2. PROPOSED ACQUISITION

2.1 Introduction

On 22 December 2004, the Directors announced that, following a competitive bid process, the Company and Citigroup Financial Products Inc. ("**Citigroup**") have entered into a conditional sale and purchase agreement ("**Sale and Purchase Agreement**") with Mitsubishi Corporation ("**Mitsubishi**") and its wholly-owned subsidiary MC Oil & Gas Holding B.V. ("**MOGH**") in relation to the proposed acquisition of MOGH's 5% non-operated interests in two production sharing contracts ("**PSC**") for oil and gas interests in Indonesia, namely ONWJ and SES.

The Proposed Acquisition will take the form of a sale by MOGH to the Company and Citigroup (together, the "**Consortium**") of the entire issued share capital of two wholly-owned subsidiaries of MOGH incorporated in The Netherlands, namely MC Oil & Gas Java B.V. ("**MOGJ**") and MC Oil & Gas Sumatra B.V. ("**MOGS**"), which currently hold the 5% non-operated interests in ONWJ and SES respectively.

Citigroup is acting as a financial investor in the Proposed Acquisition. Citigroup has confirmed to the Company that it does not hold its equity interests in SPV on behalf of another person and it is not acting in concert with, or a nominee of, another person.

2.2 Information on ONWJ and SES

(a) *Background on ONWJ*

ONWJ is located along the coastline of northwest Java, northeast of Jakarta, and extends offshore a maximum of approximately 75 kilometres, covering a total area of approximately 11,052 square kilometres. It is operated by BP West Java Ltd and contains some 52 oil and gas fields. MOGJ's net share of production is approximately 1,600 bbl/day of oil and 13 MMcf/day of gas. The largest development initiative underway is the further commercialisation of ONWJ's vast gas reserves. ONWJ has two gas sales agreements in place to supply up to 260MMcf/day of gas to PT Perusahaan Umum Listrik Negara ("**PLN**") and Perusahaan Gas Negara ("**PGN**").

MOGJ has a 5% non-operated interest in ONWJ. The operator of ONWJ is BP West Java Ltd, and MOGJ does not actively take part in the day-to-day operation of the PSC. Under the terms of the PSC, each of the participants in ONWJ, including MOGJ, has rights to the oil and gas produced by the PSC, as well as obligations to provide the necessary funding for the oil and gas operations, in proportion to its *pro rata* interest in the PSC. MOGJ receives its 5% interest in the PSC in the form of 5% of the oil produced by ONWJ and 5% of the net proceeds received by ONWJ from the gas sales agreements with PLN and PGN. For FY2001, FY2002 and FY2003, all the oil received by MOGJ from ONWJ was sold to MOGH.

The current owners of the interests in ONWJ are outlined in the table below:

Company	Working Interest (%)
BP West Java Ltd	46.0000
CNOOC ONWJ Ltd	36.7205
INPEX Java Ltd.	7.2500
MOGJ	5.0000
Itochu Oil Exploration Co. Ltd.	2.5795
Paladin Resources (North West Java) Limited	2.4500
Total	100.0000

Based on confirmation provided by BP West Java Ltd, the tsunami disaster which was caused by an earthquake in the Indian Ocean on 26 December 2004 has had no impact on the operations of ONWJ.

(b) *Background on SES*

SES is located off the southeast coast of Sumatra in the Java Sea, approximately 80 kilometres northwest of Jakarta, and covers an area of approximately 8,098 square kilometres in waters ranging from 20 to 60 metres in depth. CNOOC SES Ltd ("**CNOOC SES**") is the operator of the PSC. SES contains over 280 exploration wells that have been drilled, resulting in the discovery of 47 fields, of which 33 fields have been developed. MOGS's net share of oil production is approximately 4,000 bbl/day. SES has considerable volumes of undeveloped gas, and a gas sales agreement which was signed on 12 December 2004 with PLN is expected to lead to the eventual export of 80 billion btu/day of gas beginning in 2006.

MOGS has a 5% non-operated interest in SES. The operator of SES is CNOOC SES, and MOGS does not actively take part in the day-to-day operation of the PSC. Under the terms of the PSC, each of the participants in SES, including MOGS, has rights to the oil and gas produced by the PSC, as well as obligations to provide the necessary funding for the oil and gas operations, in proportion to its *pro rata* interest in the PSC. MOGS receives its 5% interest in the PSC in the form of 5% of the oil produced by SES, and will receive 5% of the net proceeds received by SES from the gas sales agreements with PLN. For FY2001, FY2002 and FY2003, all the oil received by MOGS from SES was sold to MOGH.

The current owners of the interests in SES are outlined in the table below:

Company	Working Interest (%)
CNOOC SES Ltd.	65.54090
INPEX Sumatra Ltd.	13.06744
KNOC Sumatra Ltd.	8.90859
MOGS	5.00000
Paladin Indonesia (Sunda) Limited	3.76570
Paladin Resources (South East Sumatra) Limited	2.08173
Paladin Resources (Bahamas) Limited	1.63564
Total	100.00000

Based on confirmation provided by CNOOC SES, the tsunami disaster which was caused by an earthquake in the Indian Ocean on 26 December 2004 has had no impact on the operations of SES.

(c) *Map*

The locations of ONWJ and SES are indicated on the following map:



(d) *Financial Information*

A summary of selected financial information of MOGJ and MOGS for FY2001, FY2002 and FY2003, based on a US\$:S\$ exchange rate of 1:1.6391, is set out below:

A. MOGJ

Profit and Loss	FY2003 (S\$'000)	FY2002 (S\$'000)	FY2001 (S\$'000)
Turnover	29,883	32,288	32,035
Gross profit	15,265	13,035	12,471
Gross profit margin	51%	40%	39%
Profit before tax	14,781	12,141	10,657
Profit after tax before amortisation of investment costs	8,545	6,850	5,465
Profit after tax before amortisation of investment costs margin	29%	21%	17%
Profit after tax attributable to shareholders	(362)	(2,057)	(3,442)

Balance Sheet	Notes	As at 31 December 2003 (S\$'000)
Non-current assets	1	8,907
Current assets	2	27,136
Current liabilities	3	(10,736)
Net current assets		16,400
Non-current liabilities	4	(27,045)
Net Assets		(1,738)
Share capital		15,099
Share premium		1,183
Translation reserves		(4,153)
Revenue reserves		(13,867)
Total Equity		(1,738)

Notes:

- (1) Non-current assets: Investment costs of approximately US\$27,200,000 arose from the purchase by MOGJ of its 5% non-operated interest in ONWJ in 2000. This was amortised equally over five years commencing from 2000. Annual amortisation of approximately US\$5,434,000 (approximately S\$8,907,000) was recorded in the books of MOGJ.

- (2) Current assets:

Current assets	As at 31 December 2003 (S\$'000)
Prepaid exploitation and exploration costs	3,963
Receivables trade	2,587
Affiliated companies	2,524
Current account with ONWJ	289
Other receivables	22
Cash and bank balances	17,751
	27,136

- (3) Current liabilities:

Current liabilities	As at 31 December 2003 (S\$'000)
Provision for Indonesian tax	(1,103)
Short-term part of the long-term borrowing	(8,196)
Other payables	(1,437)
	(10,736)

- (4) Non-current liabilities: Non-current liabilities comprise long-term borrowings bearing interest. The repayments due within one year have been classified under current liabilities. Under the terms of the Sale and Purchase Agreement, MOGJ is to be acquired by the Consortium on a cash- and debt-free basis effective from 1 July 2004. Prior to Completion, these loans will be repaid by MOGH and replaced by the Internal Loans. Please see section 2.9(c) below for further details on the Internal Loans.

Cash Flow Statements for FY2003	(S\$'000)	(S\$'000)
Cashflow from operational activities		
Profit before taxation, interest and depreciation of intangible assets:		15,045
Adjustments for:		
Decrease in receivables	359	
Increase in current liabilities (excluding bank loans)	785	1,144
		16,189
Interest	(264)	
Taxation	(6,235)	(6,499)
Net cashflow from operational activities		9,690
Cashflow from financing activities		
Decrease in long-term loans		(4,098)
Increase in cash		5,592

Review of Past Performance of MOGJ

As MOGJ holds a 5% non-operated interest in ONWJ, the main factors that generally influence the turnover, gross profit margin and profit after tax margin of MOGJ are the following:

- production levels
- price of crude oil
- production expenses
- tax expenses
- interest expense
- amortisation of investment costs

MOGJ's revenue was derived from the sale of its crude oil and gas entitlement from ONWJ. MOGJ's crude oil was sold to its holding company, MOGH, whereas the gas entitlement was sold to PGN and PLN. The sales of crude oil to MOGH were made at the prevailing Indonesia Crude Oil Price.

Turnover for MOGJ for the three financial years ended 31 December 2003, 2002 and 2001 comprised sales of crude oil and gas, and was consistently in the region of S\$30,000,000. MOGJ has registered gross profit margins of between 39% to 51% for these three financial years. MOGJ derived its profit mostly from gas sales, which have a greater profit margin than sales of crude oil as the production sharing terms for gas are more favourable than for crude oil. Under the fiscal terms of the PSC, owners of interests in ONWJ are entitled to 28.8% of crude oil profit (i.e. after deducting expenditure), whereas for gas production, the owners are entitled to 57.7% of gas profit (after deducting expenditure).

Profit after tax and before amortisation of investment costs increased over the three financial years ended 31 December 2003, 2002 and 2001 due primarily to (i) rising crude oil prices, (ii) an increase in gas sales, which have a greater profit margin than sales of crude oil, and (iii) lower interest expense.

However, due principally to an amortisation of the investment costs of MOGJ's 5% non-operated interest in ONWJ, MOGJ registered losses for the three financial years ended 31 December 2003, 2002 and 2001. The investment costs were being amortised in equal amounts over a period of five years from 2000. Amortisation per year was approximately S\$8,907,000. These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

FY2003 vs FY2002

Turnover decreased by 1% due to a decrease of MOGJ's crude oil entitlement of about 29% from 383,000 barrels to 271,000 barrels. This decrease was partially offset by an increase in crude oil price of about 21% from an average of US\$24 per barrel to US\$29 per barrel. There was also an increase in sales of gas entitlement of 12% from approximately US\$8,900,000 to approximately US\$10,000,000. The increase in gas sales, which have a higher profit sharing under the fiscal terms of the PSC, contributed to the increase in gross profit margin from 40% to 51%. Accordingly, the net profit after tax before amortisation of investment costs margin increased from 21% to 29%.

FY2002 vs FY2001

Between 2002 and 2001, there was no significant change in MOGJ's oil and gas entitlements. Crude oil price remained fairly constant at an average of US\$24 per barrel. Gross profit margin also remained constant in the region of 40%. However, net profit after tax before amortisation of investment costs margin increased from 17% to 21% due mainly to lower interest expense.

Overview of Financial Position of MOGJ

The audited accounts of MOGJ showed a negative net asset position as at 31 December 2003 due mainly to the amortisation of investment costs and a bank loan of approximately S\$35,241,000. The investment costs of ONWJ were being amortised over five years commencing from 2000 even though the interest in ONWJ was about 17 years away from expiry when it was purchased in 2000 by MOGH. The investment costs have been fully written off in FY2004 and hence will not have any impact on the future earnings of MOGJ.

Under the terms of the Sale and Purchase Agreement, MOGJ is to be acquired by the Consortium on a cash- and debt-free basis effective from 1 July 2004. Upon Completion, all monetary assets and liabilities as at the close of 30 June 2004 would effectively be transferred to MOGH through adjustments to the Purchase Consideration.

B. MOGS

Profit and Loss	FY2003 (S\$'000)	FY2002 (S\$'000)	FY2001 (S\$'000)
Turnover	40,564	41,134	39,497
Gross profit	9,481	10,118	11,456
Gross profit margin	23%	25%	29%
Profit before tax	9,013	9,433	9,738
Profit after tax before amortisation of investment costs	5,142	5,299	5,162
Profit after tax before amortisation of investment costs margin	13%	13%	13%
Profit after tax attributable to shareholders	(1,046)	(889)	(1,026)

Balance Sheet	Notes	As at 31 December 2003 (S\$'000)
Non-current assets	1	6,188
Current assets	2	16,341
Current liabilities	3	(8,219)
Net current assets		8,122
Non-current liabilities	4	(15,571)
Net Assets		(1,261)
Share capital		8,978
Share premium		703
Translation reserves		(2,469)
Revenue reserves		(8,473)
Total Equity		(1,261)

Notes:

- (1) Non-current assets: Investment costs of approximately US\$18,900,000 arose from the purchase by MOGS of its 5% non-operated interest in SES in 2000. This was amortised equally over five years commencing from 2000. Annual amortisation of approximately US\$3,775,000 (approximately S\$6,188,000) was recorded in the books of MOGS.

- (2) Current assets:

	As at 31 December 2003 (S\$'000)
Current assets	
Prepaid exploitation and exploration costs	8,243
Receivables trade	1
Affiliated companies	1,492
Current account with SES	620
Provision for Indonesian tax	1,693
Cash and bank balances	4,292
	16,341

- (3) Current liabilities:

	As at 31 December 2003 (S\$'000)
Current liabilities	
Short-term part of the long-term borrowing	(6,146)
Other payables	(2,073)
	(8,219)

- (4) Non-current liabilities: Non-current liabilities comprise long-term borrowings bearing interest. The repayments due within one year have been classified under current liabilities. Under the terms of the Sale and Purchase Agreement, MOGS is to be acquired by the Consortium on a cash- and debt-free basis effective from 1 July 2004. Prior to Completion, these loans will be repaid by MOGH and replaced by the Internal Loans. Please see section 2.9(c) below for further details on the Internal Loans.

Cash Flow Statements for FY2003	(S\$'000)	(S\$'000)
Cashflow from operational activities		
Profit before taxation, interest and depreciation of intangible assets		9,364
Adjustments for:		
Decrease in receivables	1,739	
Decrease in current liabilities (excluding bank loans)	(1,233)	506
		9,870
Interest	(351)	
Taxation	(3,872)	(4,223)
Net cashflow from operational activities		5,647
Cashflow from financing activities		
Decrease in long-term loans		(6,147)
Decrease in cash		(500)

Review of Past Performance of MOGS

As MOGS holds a 5% non-operated interest in SES, the main factors that generally influence the turnover, gross profit margin and profit after tax margin of SES are the following:

- production levels
- price of crude oil
- production expenses
- tax expenses
- interest expense
- amortisation of investment costs

MOGS' revenue was derived solely from the sale of its crude oil entitlement from SES to its holding company, MOGH. The sales were made at the prevailing Indonesia Crude Oil Price.

Turnover for MOGS for the three financial years ended 31 December 2003, 2002 and 2001 comprised sales of crude oil, and was consistently in the region of S\$40,000,000. MOGS has registered gross profit margins of between 23.0% and 29.0% for these three financial years. As compared with MOGS, MOGJ had a higher gross profit margin because the production sharing terms for gas are more favourable than for crude oil, and MOGJ derives its revenue mostly from gas sales whereas MOGS derived its revenue solely from crude oil sales.

Profit after tax and before amortisation of investment costs increased over the three financial years ended 31 December 2003, 2002 and 2001 due primarily to (i) rising crude oil prices, and (ii) lower interest expense.

However, due principally to an amortisation of the investment costs of MOGS's 5% non-operated interest in SES, MOGS registered losses for the three financial years ended 31 December 2003, 2002 and 2001. The investment costs were being amortised in equal amounts over a period of five years from 2000. Amortisation per year was approximately S\$6,188,000. These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

FY2003 vs FY2002

Turnover decreased by 1.4% due to a decrease of MOGS' crude oil entitlement of about 17% from 1.04 million barrels to 0.86 million barrels. This decrease was partially offset by an increase in crude oil price of about 21% from an average of US\$24 per barrel to US\$29 per barrel. Gross profit and net profit after tax before amortisation of investment cost margins remained almost unchanged at about 23% and 13% respectively.

FY2002 vs FY2001

Turnover increased by 4% due mainly to the increase in crude oil entitlement of about 3% from 1.01 million barrels to 1.04 million barrels. Crude oil price remained fairly constant at an average of US\$24 per barrel. However, due to higher production expenses, gross profit margin decreased from 29% to 25%. However, due to lower interest expense, net profit after tax before amortisation of investment costs margin remained unchanged at 13%.

Overview of Financial Position of MOGS

The audited accounts of MOGS showed a negative net asset position as at 31 December 2003 due mainly to the amortisation of investment costs and a bank loan of S\$21,717,000. The investment costs of SES were being amortised over five years commencing from 2000 even though the interest in SES was about 18 years away from expiry when it was purchased in 2000 by MOGH. The investment costs have fully written off in FY2004 and hence will not have any impact on the future earnings of MOGS.

Under the terms of the Sale and Purchase Agreement, MOGS is to be acquired by the Consortium on a cash- and debt-free basis effective from 1 July 2004. Upon Completion, all monetary assets and liabilities as at close of 30 June 2004 would effectively be transferred to MOGH through adjustments to the Purchase Consideration.

Audited Accounts of MOGJ and MOGS

The financial information above is based on the accounts of MOGJ and MOGS for FY2001, FY2002 and FY2003 which were audited by one of the four largest international auditing and accounting firms. The auditors' reports for MOGS and MOGJ for FY2001, FY2002 and FY2003 state that these financial statements give a true and fair view of the financial position and results of MOGJ and MOGS for the relevant financial years in accordance with accounting principles generally accepted in The Netherlands.

Based on the audited accounts of MOGJ and MOGS, the following accounting principles have been used to prepare their financial statements.

- The financial statements have been prepared under the historical cost convention.
- All assets are stated at face value if not mentioned otherwise.
- The results of oil and gas trading are recognised as income at the moment of transfer of title of the merchandise.
- The operating results for the year are determined as the difference between the proceeds from sales transactions and the related costs and other expenses for the year based on historical cost.
- Profits are accounted for in the year in which they are realised; losses are accounted in the year when they become foreseeable.

For the purpose of this Circular, the financial information extracted from these audited accounts has been translated into S\$ based on a US\$:S\$ exchange rate of 1:1.6391.

Since 2000, MOGJ and MOGS have been operating with financial support from their holding company, MOGH, and its ultimate holding company, Mitsubishi. Under the terms of the Sale and Purchase Agreement, MOGJ and MOGS are to be purchased on a cash- and debt-free basis effective from 1 July 2004. On Completion, all monetary assets and liabilities as at the close of 30 June 2004 would effectively be transferred to MOGH through adjustments to the Purchase Consideration. Following Completion, MOGJ and MOGS will be operating with the benefit of the Internal Loans, the outstanding amounts of which are to be assigned to SPV as part of the Purchase Consideration. Further details of the Internal Loans are set out in section 2.9(c) below.

The Company has performed due diligence investigations on MOGJ and MOGS, with the assistance of its financial, tax, accounting, legal and environmental advisers.

2.3 Rationale for the Proposed Acquisition

In the opinion of the Directors, the Proposed Acquisition will be beneficial for the Company for the following reasons:

- (a) The Proposed Acquisition will provide the Company with access to additional oil and gas reserves through two long-established and ongoing offshore oil and gas fields which commenced production in 1971. According to Pertamina's publication on Indonesia Upstream and Downstream Retreat Meeting held in Bali on 29 August 2004 to 1 September 2004, SES is the third largest producer of crude oil and ONWJ is the sixth largest gas producer in Indonesia relative to other PSCs.
- (b) The Proposed Acquisition will provide an expansion opportunity in the Company's principal assets in Indonesia through the potential for further discoveries in both oil and gas fields.
- (c) The Proposed Acquisition will allow the Company to diversify its business from the production and sale of only crude oil into natural gas production and sale.
- (d) The Company is a junior oil company with no prominent petroleum assets. The total oil production of the Company for FY2004 was 221,625 barrels of oil equivalent or 606 barrels of oil equivalent per day. In comparison, the combined total of the net shares of MOGJ and MOGS of the oil production of ONWJ and SES respectively for FY2004 was approximately 2,800,000 barrels of oil equivalent or 7,671 barrels of oil equivalent per day. The Proposed Acquisition will increase the Company's aggregate oil and gas reserves and production, and will improve the Company's position as a petroleum exploration and production company.
- (e) The Company believes that carrying out the proposed acquisition of prominent petroleum assets like ONWJ and SES will improve the quality and scale of the Company's operations, thereby providing the Company with improved ongoing access to the capital markets.
- (f) The Proposed Acquisition will provide the Company with the opportunity to work closely with two major international operators, BP and China National Offshore Oil Corporation ("**CNOOC**"), giving the Company valuable exposure to world-class expertise in petroleum operations and improved connections to key industry players.

2.4 SPV

The Company and Citigroup have incorporated SPV for the purposes of holding the entire share capital of MOGJ and MOGS, as announced by the Company on 11 March 2005. The Company and Citigroup each hold 50% of the share capital of SPV. The Company and Citigroup will also assign certain rights under the Sale and Purchase Agreement to SPV ("**SPV Assignment**") prior to completion of the Sale and Purchase Agreement ("**Completion**"), such that SPV will on Completion acquire from MOGH the entire issued share capital of MOGJ and MOGS.

Following Completion, the Company will hold its interests in MOGJ and MOGS through SPV, which will be an associated company of the Company. Following Completion, SPV's accounts will be consolidated into the Company's financial statements on an equity accounting basis.

The respective rights of the Company and Citigroup over, and their respective responsibilities towards, the management, operation and affairs of each of SPV, MOGJ and MOGS will be set out in a shareholders' agreement to be entered into between the Company and Citigroup ("**Shareholders' Agreement**"), details of which are set out in section 2.5 below.

No service contracts are proposed to be entered into by any of the Directors in connection with the Proposed Acquisition.

2.5 Shareholders' Agreement

A summary of the material terms and conditions of the Shareholders' Agreement is set out below:

- (a) (i) The board of directors of SPV shall initially consist of four members, two of whom are nominated by the Company and two of whom are nominated by Citigroup. Certain actions, including any change to the nature of the business of SPV and any declaration of dividends, can only be taken by SPV with the unanimous vote of all directors present at a meeting of the board of directors of SPV at which at least one nominee of the Company and one nominee of Citigroup are present. In all other matters, all resolutions of the board of directors of SPV shall be passed by the affirmative vote of a simple majority of the directors present at a meeting at which a quorum is present. The chairman of the board of directors of SPV shall not have a second or casting vote.
- (ii) Certain actions, including any appointment or removal of an SPV director, any reduction of SPV's share capital and any voluntary prepayment of Citigroup's senior debt financing to SPV (details of which are set out in section 2.10 of this Circular) can only be taken by SPV with the approval of shareholders of SPV ("**SPV Shareholders**") holding more than 66.7% of all the issued SPV shares. In all other matters, shareholders' resolutions shall be passed by the affirmative vote of SPV Shareholders holding a majority of all the issued SPV shares represented at any meeting of SPV Shareholders at which a quorum is present.
- (b) The Shareholders' Agreement sets out the obligations of the SPV Shareholders to provide additional funding to SPV. In particular, the SPV Shareholders are obliged to propose and approve, and procure that the directors nominated by them to the board of SPV propose and approve, any additional funding that is required to meet the funding obligations of MOGJ and MOGS under the ONWJ and SES PSCs respectively ("**PSC Funding**"). Failure by an SPV Shareholder to provide its *pro rata* share of the PSC Funding by specific deadlines can result in:
 - (i) the SPV Shareholder being in default of the Shareholders' Agreement (please refer to 2.5(d) below);
 - (ii) the SPV Shareholder being liable for any penalty or interest incurred by MOGJ or MOGS as a result of such failure to provide funding; and/or
 - (iii) in the event that such failure results in MOGJ or MOGS losing the whole or any substantial portion of their respective interests in the ONWJ and SES PSCs, the shareholding of the defaulting SPV Shareholder may be transferred to the other SPV Shareholders at par value.

The Shareholders' Agreement also sets out the conditions upon which an SPV Shareholder can provide the shortfall resulting from the failure of another SPV Shareholder to provide its share of required additional funding.

- (c) In the case of a deadlock (as manifested by a failure of the directors of SPV or the SPV Shareholders to pass any resolution at two meetings, or any two consecutive meetings of the directors of SPV or the SPV Shareholders not being held for lack of quorum) in respect of which notice is given by an SPV Shareholder, and which cannot be resolved by the senior management of the Company and Citigroup within a stipulated timeframe, any SPV Shareholder ("**Initiating SPV Shareholder**") may serve a notice ("**Transfer Notice**") on the other SPV Shareholders offering to:
 - (i) purchase all the SPV shares, notes issued by SPV ("**SPV Notes**") and shareholders' loans of the other SPV Shareholders at a specified price ("**Price**"); or

- (ii) sell all its SPV shares, SPV Notes and shareholders' loans to the other SPV Shareholders at the Price.

Each other SPV Shareholder ("**Non-initiating SPV Shareholder**") is entitled within a certain period to give a counter-notice ("**Counter Notice**") to the Initiating SPV Shareholder requiring the Initiating SPV Shareholder to (in the case of (i) above) sell all its SPV shares, SPV Notes and shareholders' loans to the Non-initiating SPV Shareholder at the Price, or (in the case of (ii) above) purchase all the SPV shares, SPV Notes and shareholders' loans of the Non-initiating SPV Shareholder at the Price.

The SPV Shareholders shall carry out transfers of SPV shares, SPV Notes and shareholders' loans in accordance with the Counter Notice or, if there is no Counter Notice, the Transfer Notice. If no Transfer Notice is given by any SPV Shareholder, the deadlock shall be deemed to have lapsed and the SPV shall continue its operations to the fullest extent possible.

- (d) If an SPV Shareholder fails to perform its obligations under the terms of the Shareholders' Agreement in any material respect (including a failure to propose, approve or provide additional funding in respect of a PSC Funding request), or is otherwise considered to be in default under the terms of the Shareholders' Agreement, any of the other SPV Shareholders which are not affiliates of the defaulting SPV Shareholder shall have the right to:
 - (i) require the defaulting SPV Shareholder to purchase all the SPV shares held by the non-defaulting SPV Shareholders at a purchase price representing a stipulated premium over the fair market value of such SPV shares, together with all the SPV Notes and shareholders' loans of the non-defaulting SPV Shareholders;
 - (ii) require the defaulting SPV Shareholder and all its affiliates to sell to the non-defaulting SPV Shareholders all their SPV shares at the fair market value, together with all their SPV Notes and shareholders' loans; or
 - (iii) require the defaulting SPV Shareholder to put the SPV into voluntary liquidation with surplus assets to be distributed to the SPV Shareholders.

For this purpose, the fair market value of the SPV shares will be determined by an independent accounting firm of international repute ("**valuer**") at the cost of the defaulting SPV Shareholder.

If the default arises from the failure of an SPV Shareholder to comply with its obligations to provide funding pursuant to a PSC Funding request (please refer to 2.5(b) above), the fair market value of the SPV shares will be determined on the basis that the PSC Funding request has not and will not be met, provided that the valuer will only take into consideration the effect of such failure to meet the relevant PSC Funding request on the value of the shares of the SPV within a period of three (3) months from the date of the notice of default.

- (e) Each SPV Shareholder has the right to transfer to a third party its shareholding in SPV provided that they must first be offered to the other SPV Shareholders. If no agreement is reached with the other SPV Shareholders, or none of the other SPV Shareholders are interested in taking up the offer, the SPV Shareholder may transfer its SPV shares to any third party, at a price and on terms and conditions that are no more favourable to such third party than those offered to the other SPV Shareholders.

In the case of a transfer of SPV shares, each of the other SPV Shareholders also has a tag-along right (i.e. the right to sell its own SPV shares to the third party purchaser at the same price and on the same terms and conditions alongside the selling SPV Shareholder).

SPV Shareholders may transfer their SPV Notes and shareholders' loans without the foregoing restrictions, provided that certain conditions are met.

2.6 Purchase Consideration

The Consortium has agreed with MOGH on a “willing buyer, willing seller” basis on an aggregate purchase consideration of US\$48,000,000 (“**Purchase Consideration**”) for the assets of MOGJ and MOGS as at 30 June 2004 on the basis that MOGJ and MOGS were free of cash and debts as at 30 June 2004.

The Purchase Consideration is subject to adjustments at Completion depending on the amount of the outstanding Internal Loans (as defined below) as at Completion. Please refer to section 2.9(c) below.

The Purchase Consideration will also increase to reflect accrued interest on US\$48,000,000 for the period from 1 January 2005 up to the date of Completion.

In determining the Purchase Consideration, the Company has taken into account the valuation analysis of Macquarie Securities Asia (Pte) Ltd (as discussed in section 6.2 of this Circular) and the net present value of MOGJ and MOGS agreed between the parties, which is calculated based on certain assumptions as to, *inter alia*, the following key parameters:

- oil production and prices;
- gas production and prices;
- the capital and operating expenditure profiles of ONWJ and SES, following a review of the assumptions of their respective operators;
- the potential for further exploration and development;
- the economic terms of the ONWJ and SES PSCs; and
- general macroeconomic indicators such as tax and interest rates.

The Purchase Consideration will be settled by SPV in cash upon Completion.

2.7 Funding of the Purchase Consideration

The Purchase Consideration payable by SPV to MOGH pursuant to the SPV Assignment (assuming no adjustments are made) will be funded as follows:

- (a) US\$8,000,000 will be funded by the Company, comprising approximately US\$4,000,000 of equity and US\$4,000,000 of shareholders’ loans (“**Company’s Share of the Purchase Consideration**”);
- (b) US\$8,000,000 will be funded by Citigroup, comprising approximately US\$4,000,000 of equity and US\$4,000,000 of shareholders’ loans; and
- (c) US\$32,000,000 will be funded by way of senior debt financing to be extended by Citigroup to SPV, details of which are set out in section 2.10 below.

The Company proposes to fund the Company’s Share of the Purchase Consideration, any additional working capital requirements of MOGJ and MOGS and its expenses for the Proposed Acquisition out of the following:

- (i) existing internal cash resources of the Group, including the Balance of May 2004 Placement Proceeds (please see section 4 below);
- (ii) the net proceeds of the Proposed Issue (please see section 3 below).

2.8 Conditions Precedent for the Proposed Acquisition

Completion of the Proposed Acquisition is subject to the following conditions:

- (a) there not being any injunction, judgment, order, decree or ruling of any governmental authority in effect preventing consummation by MOGH, Mitsubishi, Citigroup or the Company of the transactions to be performed by it in connection with Completion;

- (b) the Company having received the following third party authorisations, consents and approvals:
- (i) approval by the Shareholders in general meeting of:
 - (1) the Proposed Acquisition on the terms and subject to the conditions of the Sale and Purchase Agreement; and
 - (2) the Proposed Issue;
 - (ii) approval in-principle of SGX-ST for the listing and quotation for the New Shares to be issued upon exercise of the Warrants; and
 - (iii) all other consents, approvals or waivers required by SGX-ST in connection with the issuance of the Bonds and Warrants and the approval of the Proposed Acquisition.

If the condition in (a) above is not fulfilled by the Longstop Date, the Sale and Purchase Agreement will automatically terminate unless the parties thereto agree otherwise in writing.

If the condition in (b) above is not fulfilled by the Longstop Date, either MOGH or the Company and Citigroup (acting collectively) may terminate the Sale and Purchase Agreement by written notice to the other, failing which the condition shall be deemed to have been waived. In the case of such deemed waiver, Citigroup will proceed to Completion as the sole purchasing entity and the Sale and Purchase Agreement will terminate as regards the Company.

2.9 Other Material Terms

(a) *Guarantee by Mitsubishi*

Under the Sale and Purchase Agreement, Mitsubishi has unconditionally and irrevocably guaranteed to the Company and Citigroup the due and punctual performance and observance by MOGH of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Sale and Purchase Agreement.

Mitsubishi has further undertaken to indemnify the Company and Citigroup against all losses, damages, costs and expenses which the Company or Citigroup may suffer as a direct result of any breach by MOGH of such obligations, commitments, warranties, undertakings, indemnities or covenants, excluding special loss as defined in the Sale and Purchase Agreement.

(b) *Effective Date of Proposed Acquisition*

Under the terms of the Sale and Purchase Agreement, the effective date of the Proposed Acquisition will be 00:01 Jakarta time on 1 July 2004 ("Effective Date") such that all income and receipts and all expenses arising thereafter shall be for the account of MOGJ and MOGS as if they had, with effect from that time, been owned by the Company and Citigroup. As indicated above, the Purchase Consideration was agreed on the basis that MOGJ and MOGS were cash- and debt-free as at 30 June 2004.

(c) *Internal Loans*

Certain loans which were owing by MOGJ and MOGS to external lenders as at the Effective Date will be repaid by MOGH prior to Completion to be replaced by internal loans from MOGH to MOGJ and MOGS ("**Internal Loans**"). MOGH will consider with the Consortium how best to minimise the outstanding amount of such Internal Loans prior to Completion without prejudicing the working capital requirements of MOGJ and MOGS. Both MOGJ and MOGS have ongoing capital requirements in line with major upstream assets in the region. Given the current oil price environment, both companies are operating with monthly cash surpluses, after allowing for capital expenditure.

On Completion, the outstanding amount of the Internal Loans will be assigned by MOGH to SPV in consideration for the payment by SPV to MOGH of an amount equivalent to the outstanding amount of the Internal Loans, as part of the Purchase Consideration. The Purchase Consideration may therefore be adjusted at Completion depending on the outstanding amount of the Internal Loans as at Completion, which is not subject to a cap.

In the event that MOGJ or MOGS is required to provide funds to the relevant operator of ONWJ or SES respectively prior to Completion pursuant to a cash call outside the ordinary course of business (e.g. in an emergency) by the relevant operator of the PSC, Mitsubishi may be required to significantly increase the amount of the Internal Loans in order for MOGJ or MOGS, as the case may be, to meet such cash call. This would in turn increase the Purchase Consideration payable at Completion. As at the Latest Practicable Date, however, the Directors are not aware that any such unexpected cash call is impending or likely to occur. Based on information which MOGH has provided, the Directors do not expect the aggregate amount of Internal Loans to be significant.

(d) *Crude Oil Sale Agreement*

The Consortium has agreed with Mitsubishi and MOGH that MOGJ and MOGS will enter into a crude oil sale agreement with Mitsubishi Corporation in respect of MOGJ's and MOGS's 5% share of the crude oil produced by ONWJ and SES respectively. This agreement will be signed at Completion and will be for a term of five years from Completion.

2.10 Citigroup Senior Debt Financing to SPV

The senior debt financing to be extended by Citigroup to SPV will be in the form of a term loan in an aggregate amount of US\$37,125,000 which will be provided for the primary purpose of making payment to MOGH for the Proposed Acquisition and documented in a facilities agreement ("**Facilities Agreement**"). The balance of the term loan will be utilised for the working capital of SPV, MOGJ and MOGS.

A summary of the material terms and conditions of the Facilities Agreement is set out below.

Facility	:	US\$37,125,000.
Availability Period	:	Period from the date of the Facilities Agreement to and including the earlier of (i) the date of completion of the Proposed Acquisition and (ii) the date which is 10 business days after the Longstop Date or such later date as may be agreed between SPV and Citigroup.
Repayment	:	The term loan is to be repaid in quarterly instalments from 31 March 2006 up to 31 December 2013.
Prepayment	:	Prepayment of the term loan is permitted in cases of illegality, market disruption or where SPV gives 10 business days' prior notice that SPV intends to prepay the whole or part of the term loan.

In the case of prepayment of part of the term loan in circumstances other than pursuant to an illegality or a market disruption event, the amounts prepaid in a particular year must not exceed the prepayment limit which has been imposed in relation to that year. Voluntary prepayment of the whole term loan on the other hand can only be made on the last repayment date in any calendar year commencing from 2007.

Interest Periods	:	Each interest period will be for a tenor of 3 months.
Interest	:	Ranges from 7.0% to 11.0% per annum plus LIBOR.
Upfront Fee	:	US\$1,125,000.
Prepayment Fee	:	Ranges from zero to 6.15% of the amount being prepaid on the particular date and is only payable when prepayment is made by SPV which is not as a result of illegality or market disruption.

- Undertakings in relation to dividends and shareholders' loans : Under the terms of the term loan, SPV shall not pay, make or declare any dividend or other distribution or make payment to the Company or Citigroup in respect of any shareholders' loans extended to SPV unless the aggregate amount standing to the credit of SPV's accounts immediately after such payment is not less than:
- (a) the aggregate amount payable under the senior debt financing and security documents at the end of an interest period and the immediately following interest period; and
 - (b) the aggregate amount of all projected cashflow requirements of SPV for the next 3 months as at the date of such payment.
- Security : The security documents to secure SPV's obligations under the term loan comprise of the following:
- (i) disclosed pledge of accounts to be granted by SPV;
 - (ii) undisclosed pledge of receivables to be granted by SPV;
 - (iii) deed of assignment in respect of the Sale and Purchase Agreement to be granted by SPV;
 - (iv) share pledge between Citigroup and the security agent in respect of Citigroup's shares in SPV;
 - (v) share pledge between the Company and the security agent in respect of the Company's shares in SPV;
 - (vi) subordination deed between Citigroup, SPV and the security agent; and
 - (vii) subordination deed between the Company, SPV and the security agent.
- Change of Control : If:
- (i) the Company and Citigroup collectively cease to own, in the aggregate, legally and beneficially, at least 75%; or
 - (ii) Citigroup ceases to own, legally and beneficially, at least 25%
- of the entire registered capital of, and equity interest in, SPV, free from any security interests (other than those created by the security documents referred to above, third party claims and interests, and/or options to purchase or similar rights), the loan may be cancelled by Citigroup on 60 days' notice, whereupon the outstanding loan, together with accrued interest and all other amounts accrued under the financing documents, will become immediately due and payable.

2.11 Relationships between the Company and Citigroup and Mitsubishi

None of the Company, its Directors nor any of their associates are connected to, directly or indirectly interested in, or has any business dealings with, Citigroup or Mitsubishi or their respective directors or Controlling Shareholders. Each Controlling Shareholder of the Company has confirmed in writing to the Company that neither it nor any of its associates is connected to, directly or indirectly interested in, or has any business dealings with Citigroup or Mitsubishi or their respective directors or Controlling Shareholders.

2.12 Shareholders' Approval

Chapter 10 of the Listing Manual sets out the continuing obligations of a listed company in respect of acquisitions and disposals. Rule 1006 sets out the bases for the computation of certain relative figures.

The bases for the calculation of the relative figures are as follows:

- (a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.
- (b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.
- (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation.
- (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.

A transaction is considered a "major transaction" if any of these relative figures exceeds twenty per cent (20%). Rule 1014 further provides that a major transaction must be made conditional upon Shareholders' approval in general meeting, save where the only relative figure to exceed 20% is the relative figure computed on basis (b) above in respect of an acquisition of profitable assets.

The relative figures for the Proposed Acquisition computed on the above bases are as follows:

Basis		Relative Figure
(a)	net asset value of the assets to be disposed of, compared with the Group's net asset value	NA
(b)	net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not meaningful ¹
(c)	aggregate value of the consideration given or received, compared with the Company's market capitalisation	36% ²
(d)	number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	NA

Notes:

- (1) This comparison is not meaningful as the Group reported a year-to-date loss as at 30 Sep 2004 whereas MOGJ and MOGS made a net gain for the half-year ending 30 June 2004.
- (2) Based on an aggregate consideration of US\$24,000,000 (being the Company's 50% share of the Purchase Consideration) and the Company's market capitalisation based on the closing price of the Shares of S\$0.115 per Share on 21 December 2004. This computation is based on a US\$:S\$ exchange rate of 1:1.6391.

Based on the relative figure set out in (c) above, the Proposed Acquisition is considered a "major transaction" under Rule 1013. The Sale and Purchase Agreement provides accordingly that Completion is conditional upon, *inter alia*, the approval of the Shareholders in general meeting (including approval for the Proposed Issue).

3. PROPOSED ISSUE

3.1 Details of the Proposed Issue

In order to finance the Proposed Acquisition, the Company has entered into the conditional Subscription Agreement with the Bonds/Warrants Investor pursuant to which the Bonds/Warrants Investor will subscribe for, and the Company will issue to the Bonds/Warrants Investor, US\$11,000,000 in principal value of secured 7.0% bonds due 2010 ("**Bonds**") together with detachable warrants with a nominal value of US\$11,000,000 carrying the right to subscribe for New Shares ("**Warrants**") by way of a private placement.

The principal terms of the Bonds and the Warrants are summarised below in sections 3.3 and 3.4 respectively. Neither the Bonds nor the Warrants will be listed on any securities exchange. There are no restrictions on the Bonds/Warrants Investor's ability to deal with the Bonds, the Warrants and the New Shares to be issued upon the exercise of the Warrants, and the Bonds/Warrants Investor will be free to sell or dispose of these instruments to any persons, including the Directors, the Controlling Shareholders of the Company and their respective associates.

The Directors have considered alternative forms of financing (such as convertible bonds and additional equity from Shareholders) and given the Company's current situation, the Directors believe that the Proposed Issue is the best financing option available to the Company at this point in time.

On 16 March 2005, the Directors announced that the Company had received approval in-principle from SGX-ST for the listing of and quotation for up to 306,634,354 New Shares (or up to 61,326,870 New Shares if the Proposed Share Consolidation is implemented) which will be issued upon exercise of the Warrants, subject to the following conditions:

- (a) compliance with all applicable laws and the SGX-ST listing requirements;
- (b) Shareholders' approval being obtained for the following:
 - (i) the Proposed Acquisition and the Proposed Issue; and
 - (ii) the Proposed Share Consolidation;
- (c) the submission of an undertaking from the Company that:
 - (i) it will make periodic announcements on the utilisation of the proceeds as and when funds from the Proposed Issue are materially disbursed and to provide a status report on the use of the proceeds from the Proposed Issue in the annual report;
 - (ii) it will announce any adjustment made in accordance with the terms of the Warrants as required under Rule 830 of the SGX-ST Listing Manual; and
 - (iii) except where the alterations are made pursuant to the terms of the Warrants, the Company will not:
 - (aa) extend the exercise period of the Warrants;
 - (bb) issue a new company warrant to replace a Warrant;
 - (cc) change the exercise period of an existing Warrant; or
 - (dd) change the exercise ratio of an existing company warrant,

as set out in Rule 831 of the Listing Manual.

SGX-ST assumes no responsibility for the correctness of any statements made or reports contained or opinions expressed in this Circular. Shareholders should note that such approval is not an indication of the merits of the New Shares, the Warrants, the Proposed Acquisition, the Proposed Issue, the Proposed Utilisation of Balance of May 2004 Placement Proceeds, the Proposed Share Consolidation, the Company, its subsidiaries or its securities.

3.2 Information on the Bonds/Warrants Investor

The Bonds/Warrants Investor, a Cayman Islands company, is a private investment fund with its principal offices in Greenwich, Connecticut. It also has offices in Houston, Texas, and in London, England and Toronto, Canada. The Bonds/Warrants Investor is affiliated with Amaranth Securities L.L.C. and Amaranth Global Securities Inc., each an SEC-registered broker-dealer and a member of the National Association of Securities Dealers of the United States. The Bonds/Warrants Investor is currently exempt from registration with the US Securities and Exchange Commission ("SEC") as a registered investment advisor; however, among the laws to which the firm is subject in its business dealings are the rules and regulations of the SEC, including those relating to trading of securities.

The Bonds/Warrants Investor has confirmed that, as at the date hereof, it does not hold any securities of the Company and is not an associate or connected person of any Director or Controlling Shareholder of the Company.

Save for the securities lending arrangement described in section 3.6(a), none of the Company, its Directors or any of their associates are connected to, directly or indirectly interested in, or have any business dealings with, the Bonds/Warrants Investor, its directors or its Controlling Shareholders. Save for the securities lending arrangement described in section 3.6(a), each Controlling Shareholder of the Company has confirmed in writing to the Company that neither it nor any of its associates is connected to, directly or indirectly interested in, or has any business dealings with the Bonds/Warrants Investor, its directors or its Controlling Shareholders. There are also no arrangements between the Bonds/Warrants Investor and the Company pursuant to which the Bonds/Warrants Investor will receive any material and price-sensitive information that has not been disclosed to the public.

3.3 Principal Terms of the Bonds

Principal Amount	:	US\$11,000,000.
Form	:	The Bonds will be issued in registered form in authorised denominations of US\$10,000 each or integral multiples thereof.
Coupon	:	7.0% per annum, payable semi-annually in arrears.
Issue Date	:	If the Proposed Issue is approved by the Shareholders, the date of issue of the Bonds (" Issue Date ") is expected to be 2 market days after the EGM, subject to fulfillment of the conditions precedent for the Proposed Acquisition.
Maturity Date	:	Five (5) years from the Issue Date.
Maturity Amount	:	118.10% of the principal amount of the Bonds. The yield to maturity is 10.13% per annum.
Redemption Amount by the Company	:	The Bonds may be redeemed at any time at the Company's option at a Redemption Amount calculated as set out below, together with any accrued but unpaid interest and an Early Redemption Amount (defined below).

Date of Redemption	Redemption Amount (as a % of the principal amount of the Bonds)
From Issue Date but prior to first anniversary thereof	103.07%
From first anniversary of Issue Date but prior to second anniversary	106.39%
From second anniversary of Issue Date but prior to third anniversary	110.00%
From third anniversary of Issue Date but prior to fourth anniversary	113.18%
From fourth anniversary of Issue Date to maturity date	118.10%

The Early Redemption Amount is an amount equal to the difference between (i) the interest that would have been received by holders of the Bonds (“**Bondholders**”) from the date of early redemption until maturity assuming an interest rate of 3.74% per annum is charged on the outstanding principal amount during that period, and (ii) the interest amount that Bondholders would have received for that period by investing the outstanding principal amount in the London interbank market at the interpolated US\$ fixed deposit rate (determined by market quotation or trade) as determined by an international investment bank of international standing.

Early Redemption by Bondholders : The Bonds may be redeemed on the date falling 36 months after the Issue Date at the Bondholders’ option at a redemption amount in US\$ equal to 110.0% of the principal amount of such Bonds together with any accrued and unpaid interest accrued up to that date.

A Bondholder who is also a Warrantholder and who at any time during the Subscription Period exercises some or all of its Warrants may, at its option, redeem a matching nominal value of its Bonds at the principal amount of such Bonds together with any accrued and unpaid interest accrued to the date of exercise of the related Warrants, provided that the principal amount of the Bonds to be redeemed shall equal the aggregate Subscription Price payable on the exercise of the relevant Warrants.

If the Proposed Share Consolidation (please see section [5] below) has not been completed by 30 June 2005, holders of the Bonds may at their option redeem their Bonds on 1 July 2005 at the amount which would be payable if the Company were to exercise its optional redemption right as at 1 July 2005.

Status : The Bonds constitute direct, senior, unconditional and secured obligations of the Company.

Security and other obligations : The obligations of the Company under the Bonds will be secured by:

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

Secured Debt Service Reserve Account : The Company will set aside US\$2,310,000 of the proceeds from the Proposed Issue in an interest-bearing account. The only permitted use of this account by the Company shall be for the purpose of paying to the Bondholders the aggregate coupons required to be paid until the third anniversary of the Issue Date and the accrued interest on the redemption of any of the Bonds.

The provision of the Secured Debt Service Reserve Account as security to Bondholders for coupon payments over the initial three years of the Bonds has allowed the Company to reduce its costs of funding through lower coupon and cash yield on the Bonds.

Transferability : The Bonds will be in registered form and will be transferable.

3.4 Principal Terms of the Warrants

Nominal Face Value : US\$11,000,000.

Form : The Warrants will be issued in registered form, each with a right to subscribe up to US\$10,000 for fully-paid New Shares.

Detachability : The Warrants will be detachable from the Bonds on issue.

Subscription Period : The Warrants may be exercised at any time during the period from the date 40 Trading Days after the Issue Date to 4:00 pm on the fifth anniversary of the Issue Date (“**Subscription Period**”).

Subscription Price : The subscription price applicable upon exercise of the Warrants (“**Subscription Price**”) will be the amount in S\$ that is 105% of the Initial Reference Price (being the average of the daily volume weighted price of Shares traded on the SGX-ST over the 40 Trading Days from and including the day immediately following the Issue Date subject to a minimum of S\$0.08). The US\$:S\$ exchange rate for the purposes of the Warrants will be 1:1.6391.

No fraction of a Share will be issued by the Company, and the number of New Shares to be issued upon any exercise of the Warrants will be rounded down to nearest whole Share.

The Subscription Price shall be reset downwards on each 31 March, 30 June, 30 September and 31 December during the Subscription Period save for 31 March 2005 and the fifth anniversary of the Issue Date, (each a “Reset Date”) to 105% of the Share Price of the Shares over the 20 consecutive Trading Days ending on the relevant Reset Date, subject to a minimum Subscription Price of 70% of the Initial Reference Price.

Shareholders should note that based on publicly available information and documents, this type of price reset mechanism does not appear to be common in the Singapore market for warrants.

The Subscription Price will also be adjusted in the event of, *inter alia*, consolidation, subdivision or reclassification of the Shares, capitalisation of the Company’s profits or reserves, capital distribution, rights issues of Shares, options over Shares or other securities, issues of Shares or other securities at less than market price, modification of the rights of conversion of any such securities or upon the occurrence of other events where an approved investment bank determines that the Subscription Price should be adjusted.

Please see section 3.5 below for illustrations of the determination and reset of the Subscription Price.

- Ranking of New Shares : The New Shares to be issued by the Company pursuant to any exercise of the Warrants will rank *pari passu* with the fully-paid Shares in issue on the date of such exercise of the Warrants (“**Exercise Date**”) and accordingly shall entitle the holder of such New Shares to participate in all dividends or other distributions paid or made on or after the relevant Exercise Date (unless adjustment therefor has been made in accordance with the terms and conditions of the Warrants), other than any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor shall be before the relevant Exercise Date and notice of the amount and the record date for which shall have been given to the SGX-ST prior to the relevant Exercise Date.
- Call Option : The Company may, on giving not less than 30 business days’ notice, require Warranholders to exercise all or part of their Warrants failing which the Warrants shall lapse if any of the following circumstances should have occurred at the time such notice is given:
- (a) if, during the period between six and 18 months after the Issue Date, the Share Price is at least 150% of the prevailing Subscription Price for 20 consecutive Trading Days;
 - (b) if, during the period between 18 months (inclusive) and 30 months after the Issue Date, the Share Price is at least 140% of the prevailing Subscription Price for 20 consecutive Trading Days; or
 - (c) if, during the period between 30 months (inclusive) and the fifth anniversary of the Issue Date, the Share Price is at least 130% of the prevailing Subscription Price for 20 consecutive Trading Days.
- On expiry of such notice, all unexercised Warrants which were the subject of such notice will be automatically cancelled without compensation to Warranholders.
- Transfer and Transmission : The Warrants are transferable by instrument of transfer in any usual or common form or in any other form which may be approved by the directors of the Company. The Company shall maintain a register of Warranholders. The provisions of the articles of association relating to the registration, transmission and transfer of Shares and the Company’s register of members shall apply, *mutatis mutandis*, to the registration, transmission and transfer of the Warrants and the register of Warrants. The Warrants may not be transferred in part.
- Modification of Rights of Warranholders : All or any of the rights attached to the Warrants may from time to time be altered or abrogated by an extraordinary resolution passed at a meeting of Warranholders or by a resolution in writing signed by or on behalf of holders of not less than 75% of the outstanding Warrants, provided that any material alteration to such rights after the issue of the Warrants to the advantage of the Warranholders must be approved by the Shareholders in general meeting, except where alterations are made pursuant to the terms and conditions of the Warrants.

- Rights of Warranholders on Winding Up of the Company : If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then:
- (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some person designated by them for such purpose by an extraordinary resolution of the Warranholders, shall be a party or in conjunction with which a proposal is made to the Warranholders and is approved by an extraordinary resolution of the Warranholders, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all of the Warranholders;
 - (ii) in any other case, every Warranholder shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the subscription rights represented by his Warrants and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise, and the Company and the liquidator of the Company shall give effect to such election accordingly.

For further details, please refer to the form of the Warrants Instrument set out in Appendix II on pages B-1 to B-36 of this Circular.

3.5 The following illustrations provide examples of how the Subscription Price reset mechanism works. They do not represent projected or forecast actual Subscription Price(s). The following illustrations also assume that the Proposed Share Consolidation has not taken place.

(a) Exercise of Warrants

The number of New Shares that would be issued upon an exercise of the Warrants would be calculated as follows:

$$\text{Number of New Shares issued upon exercise of Warrants} = \frac{\text{Nominal face value of Warrants exercised (in S\$)}}{\text{Subscription Price}}$$

rounded down to the nearest whole Share.

For illustration purposes, if a Warranholder exercises Warrants with a nominal face value of US\$50,000 at a Subscription Price of S\$0.1365 per New Share, the number of New Shares that would be issued to the Warranholder would be:

$$\begin{aligned} \text{Number of New Shares issued to Warranholder} &= \frac{50,000 \times 1.6391}{0.1365} \\ &= 600,402 \end{aligned}$$

(b) Initial Subscription Price

For illustration purposes, assuming an Initial Reference Price of S\$0.1107, the Subscription Price after the Issue Date and upon commencement of the Subscription Period would be 105% of the Initial Reference Price, which would be S\$0.1162 per New Share.

Based on this Subscription Price, the number of New Shares that would be issued by the Company upon exercise of all the Warrants would be 155,164,372, representing approximately 13.88% of the enlarged issued share capital of the Company.

The lowest possible Initial Reference Price is S\$0.08, and accordingly the lowest possible Subscription Price following downwards reset (as described above) would be S\$0.0588. This means that a maximum of 306,634,354 New Shares would be issued by the Company upon exercise of all of the Warrants, representing approximately 24.16% of the enlarged issued share capital of the Company.

(c) Price Reset Mechanism

For illustration purposes, assuming that the Issue Date is 25 April 2005, and that the Initial Reference Price is S\$0.1107, the Subscription Price immediately following the Issue Date and prior to any downwards reset would be 105% of the Initial Reference Price, which would be S\$0.1162 per New Share.

This Subscription Price would be applicable until the next Reset Date, which in this illustration would be 30 June 2005. Assuming that the average daily volume weighted price of Shares traded on the SGX over the 20 consecutive Trading Days prior to and including 30 June 2005 is S\$0.1105 ("**June 2005 Reference Price**"), which is less than the prevailing Subscription Price, the Subscription Price will be reset downwards to 105% of the June 2005 Reference Price, which is S\$0.1160 per New Share.

This Subscription Price will then apply until the next Reset Date, which would be 30 September 2005. Assuming that the average daily volume weighted price of Shares traded on the SGX over the 20 consecutive Trading Days prior to and including 30 September 2005 is S\$0.1300 ("**September 2005 Reference Price**"), which is higher than the prevailing Subscription Price of S\$0.1160 per New Share, the Subscription Price will not be adjusted and will remain as S\$0.1160 per New Share until the next Reset Date, which would be 31 December 2005.

3.6 Other Material Terms

(a) Securities Lending Arrangements

In connection with the Proposed Issue, a substantial shareholder of the Company, Fleur Enterprises Limited ("**Fleur Enterprises**") will enter into securities lending arrangements on the Issue Date with a broker, who will then on-lend the borrowed securities to another broker for the Bonds/Warrants Investor. These arrangements will allow the Bonds/Warrants Investor to borrow up to 180,000,000 Shares of Fleur Enterprises.

In return for the five-year commitment, Fleur Enterprises will receive a scrip lending fee of 1.0% of the market value of Shares lent. The market value of each Share lent is such price as is equal to the mid market quotation of such Share as derived from a reputable pricing information service (such as the services provided by Reuters or Bloomberg) reasonably chosen in good faith by Fleur Enterprises or if unavailable the market value thereof as derived from the prices or rates bid by a reputable dealer for the relevant instrument reasonably chosen in good faith by Fleur Enterprises, in each case at close of business on the previous business day.

In respect of each loan of Shares, the payments of the scrip lending fee shall accrue daily in respect of the period commencing on and inclusive of the settlement day and terminating on and exclusive of the business day upon which the equivalent Shares are redelivered and the sums so accruing in respect of each calendar month shall be paid in Singapore dollars in arrears to Fleur Enterprises.

Mr Edwin Soeryadjaya, a director of the Company, is a director and the sole shareholder of Fleur Enterprises. Mr Sandiaga Salahuddin Uno, another director of the Company, is also a director of Fleur Enterprises.

(b) *Deeds of Commitment*

Pursuant to a request made by the Bonds/Warrants Investor, a director of the Company, Mr Edwin Soeryadjaya, a substantial shareholder of the Company, Canyon Gate Investments Limited and a connected person of the Company, Prairie Heritage Ltd. have on 4 April 2005 executed separate deeds of commitment pursuant to which they have each agreed that no repayments of interest or principal shall be made prior to 30 April 2008 on the Related Party Loans which were extended to the Company's subsidiary, Goldwater Company Limited. The principal aggregate outstanding amount of the Related Party Loans as at the Latest Practicable Date was US\$4,380,758.70.

A director of the Company, Mr Subianto Arpan Sumodikoro, is the sole shareholder of Canyon Gate Investments Ltd. Mr Purnardi Djojodirdjo, Mr Sugiharto Soeleman and Mr Yos Teo Sidy, who are directors of the Company, are directors and shareholders of Prairie Heritage Ltd. and have shareholding interests of 40%, 30% and 30% respectively in Prairie Heritage Ltd.

3.7 Use of Proceeds

The proceeds from the Proposed Issue, estimated to be approximately US\$11,000,000 will be utilised as follows:

- (a) US\$8,690,000 (less any amounts deducted in accordance with the Subscription Agreement) will be used for funding the Company's Share of the Purchase Consideration and for working capital purposes of SPV; and
- (b) US\$2,310,000 will be set aside as the Secured Debt Service Reserve Account by the Company for the Bondholders (please see section 3.3 above for more information).

Pending deployment for the uses identified above, the net proceeds may be deposited with banks and/or financial institutions or invested in money market instruments as the Directors may deem fit.

As and when the Warrants are exercised, the proceeds of up to a maximum of US\$11,000,000 (if the Warrants are exercised in full) may be used for the redemption of the Bonds, working capital and business expansion, or such other purposes as the Directors shall, in their absolute discretion, deem fit.

3.8 Conditions Precedent for the Proposed Issue

The Proposed Issue will be conditional upon Shareholders' approval (including approval for the Proposed Acquisition and the Proposed Utilisation of Balance of May 2004 Placement Proceeds).

4. PROPOSED UTILISATION OF BALANCE OF MAY 2004 PLACEMENT PROCEEDS

4.1 Details of the Proposed Utilisation of Balance of May 2004 Placement Proceeds

A placement of 80,000,000 new Shares was announced by the Company on 4 May 2004 ("**May 2004 Placement**"). The May 2004 Placement was completed on 13 May 2004 and raised net proceeds of approximately S\$14,978,434 for the Company. Part of these net proceeds have since been utilised for the purposes which were announced on 7 May 2004.

As the Latest Practicable Date, approximately S\$4,153,434 of the proceeds from the May 2004 Placement ("**Balance of May 2004 Placement Proceeds**") has not been utilised. The Company intends to utilise part or all of the Balance of May 2004 Placement Proceeds for the purposes of the Proposed Acquisition ("**Proposed Utilisation of Balance of May 2004 Placement Proceeds**").

4.2 Past Utilisation of Placement Proceeds

On 7 May 2004 the Company announced that the estimated net proceeds of S\$13,100,000 from the May 2004 Placement would be utilised in the following manner:

Estimated net proceeds from the May 2004 Placement (assuming that 70 million new Shares are issued at S\$0.19332 per new Share and the commission payable is 3% of the issue price for each new Share)	S\$13,100,000
To be applied towards:	
(i) Payment for the purchase of 70% of the shares in PT Retco Prima Energi	S\$7,200,000
(ii) Cost of five infill drillings in the Tanjung Miring Timur Oil Field after completion of the purchase of 70% of the shares in PT Retco Prima Energi	S\$3,800,000
(iii) Cost of drilling new wells following the discovery of wells #3230 and #3231 in the Yenangyaung Oil Field	S\$2,100,000

The May 2004 Placement was completed on 13 May 2004, and the Company received net proceeds of S\$14,978,434 from the May 2004 Placement as announced by the Company on 27 September 2004.

As at the Latest Practicable Date, the Company has utilised the net proceeds in the following manner:

Actual net proceeds from the May 2004 Placement	S\$14,978,434
Applied towards:	
(i) Payment for the purchase of 70% of the shares in PT Retco Prima Energi	S\$7,110,000
(ii) Cost of three infill drillings in the Tanjung Miring Timur Oil Field after completion of the purchase of 70% of the shares in PT Retco Prima Energi	S\$1,490,000
(iii) Cost of drilling new wells following the discovery of wells #3230 and #3231 in the Yenangyaung Oil Field	NIL
(iv) Operational and capital expenditure for the Group's operations in Myanmar	S\$2,225,000
Balance of proceeds from the May 2004 Placement	S\$4,153,434

4.3 Conditions Precedent for the Proposed Utilisation of Balance of May 2004 Placement Proceeds

The Proposed Utilisation of Balance of May 2004 Placement Proceeds will be conditional upon Shareholders' approval (including approval for the Proposed Acquisition and the Proposed Issue).

5. **PROPOSED SHARE CONSOLIDATION**

5.1 Details of the Proposed Share Consolidation

The Company proposes to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every five (5) ordinary shares of par value S\$0.05 each ("**S\$0.05 Shares**") (both issued and unissued) into one (1) ordinary share of par value S\$0.25 each ("**S\$0.25 Share**") (such S\$0.05 Shares or S\$0.25 Shares, as the case may be, referred to as "**Shares**" in this Circular).

On the Books Closure Date, every five (5) issued S\$0.05 Shares registered in the name of each Shareholder will be consolidated to constitute one (1) S\$0.25 Share.

Shareholders should note that the number of S\$0.25 Shares which Shareholders will be entitled to, based on their holdings of S\$0.05 Shares as at the Books Closure Date, will be rounded down to the nearest whole S\$0.25 Share and any fractions of S\$0.25 Shares arising from the Proposed Share Consolidation will be disregarded in this connection. As the proceeds of the sale of fractions of S\$0.25 Shares arising from the Share Consolidation are likely to be less than the administrative costs and expenses involved in despatching such proceeds to the Shareholders, fractions of S\$0.25 Shares arising from the Proposed Share Consolidation will be aggregated and sold and the proceeds retained for the benefit of the Company. Each S\$0.25 Share will rank *pari passu* in all respects with five (5) existing S\$0.05 Shares and with each other, and will be traded in board lots of 1,000 Shares.

As at the Latest Practicable Date, the Company has an authorised share capital of S\$100,000,000 divided into 2,000,000,000 S\$0.05 Shares and an issued and paid-up share capital of S\$48,131,756 divided into 962,635,120 S\$0.05 Shares. Following implementation of the Proposed Share Consolidation, the Company will have an authorised share capital of S\$100,000,000 divided into 400,000,000 S\$0.25 Shares and issued and paid-up share capital of S\$48,131,756 divided into 192,527,024 S\$0.25 Shares.

The Proposed Share Consolidation will not involve any diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the shareholders' funds of the Group. Shareholders will not be required to make any payment to the Company in respect of the Proposed Share Consolidation.

5.2 Rationale for the Proposed Share Consolidation

Under the terms of the Warrant Instrument to be executed by the Company to constitute the Warrants, the Company must use its best endeavours to effect the Proposed Share Consolidation by 30 April 2005 and in any event, subject to Shareholders' approval being obtained, by 30 June 2005. If the Proposed Share Consolidation is not completed by 30 June 2005, Bondholders may at their option redeem their Bonds on 1 July 2005 at the amount which would be payable if the Company were to exercise its optional redemption right as at 1 July 2005.

Shareholders should note that if the Proposed Share Consolidation is not completed by 30 June 2005, the Bondholders may elect to redeem their Bonds on 1 July 2005, in which event the Company would need to find alternative sources of financing to redeem the Bonds. There is no guarantee that such funds will be available at that time. Under this circumstance, the Company would be in breach of its obligations to the Bondholders who would be entitled to bring actions for default against the Company.

The Directors also believe that the Proposed Share Consolidation will generally be beneficial to the Company and the Shareholders as it may serve to reduce the fluctuation in magnitude of the Company's market capitalisation and reduce the percentage transaction cost for trading in each board lot of Shares. This may, in turn, increase market interest in the Shares and generally make the Shares more attractive to investors.

The Directors are also of the view that the Proposed Share Consolidation may increase the profile of the Company among institutional investors and the coverage of the Company among research houses and fund managers. This may increase interest in the Shares and make the Shares more attractive to investors, and encourage Shareholders to hold the Shares on a longer term basis.

Shareholders should note, however, that there can be no assurance that these results can be achieved by virtue of the Proposed Share Consolidation, nor is there any assurance that such a result can be sustained in the longer term.

5.3 Conditions Precedent for the Proposed Share Consolidation

The implementation of the Proposed Share Consolidation is subject to Shareholders' approval by way of an ordinary resolution at the EGM.

On 16 March 2005, the Company announced that approval in-principle has been obtained from the SGX-ST for the listing of and quotation for the S\$0.25 Shares. Shareholders should note that such approval is not an indication of the merits of the New Shares, the Warrants, the Proposed Acquisition, the Proposed Issue, the Proposed Utilisation of Balance of May 2004 Proceeds, the Proposed Share Consolidation, the Company, its subsidiaries or its securities.

Assuming that approval of the Shareholders is obtained for the Proposed Share Consolidation, it is expected that the Books Closure Date, on which the Proposed Share Consolidation will become effective, will be on or about 26 April 2005 and the date on which the Shares will trade on the SGX-ST in board lots of 1,000 S\$0.25 Shares ("**Effective Trading Date**") will be on or about 22 April 2005. An announcement will be issued by the Company to notify Shareholders and Depositors of the Effective Trading Date and the Books Closure Date in due course.

5.4 Updating of Register of Members and Depository Register for the S\$0.25 Shares

If the ordinary resolution in the Notice of EGM which relates to the Proposed Share Consolidation is passed at the EGM, the Shares will begin trading in board lots of 1,000 S\$0.25 Shares on the Effective Trading Date and the Share Consolidation will be made effective on the Books Closure Date, whereupon the Register of Members and the Depository Register will be updated to reflect the number of S\$0.25 Shares held by Shareholders and Depositors.

(a) *Deposit of Share Certificates with CDP*

Shareholders who hold physical share certificates for the S\$0.05 Shares in their own names ("**Old Share Certificates**") and who wish to deposit the same with CDP and have their S\$0.25 Shares credited to their securities accounts maintained with CDP, (but not including their securities account maintained with a Depository Agent) must deposit their Old Share Certificates, together with duly executed instruments of transfer in favour of CDP, no later than 12 Market Days prior to the Books Closure Date.

After the Books Closure Date, CDP will only accept for deposit share certificates for Shares which reflect a par value of S\$0.25 each ("**New Share Certificate**"). Shareholders who wish to deposit their share certificates with CDP after the Books Closure Date must first deliver their Old Share Certificates to the share registrar of the Company for cancellation and issue of New Share Certificates in replacement thereof as described below.

(b) *Issue of New Share Certificates*

Depositors and Shareholders who have deposited their Old Share Certificates with CDP at least 12 Market Days prior to the Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the share registrar of the Company, M & C Services Private Limited at 138 Robinson Road #17-00, The Corporate Office, Singapore 068906 as soon as possible after they have been notified of the Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the share registrar for the receipt of the physical Old Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within 10 Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the share registrar of the Company for cancellation.

Shareholders should notify the share registrar of the Company if they have lost any of their existing Old Share Certificates or if there is any change in their address from that reflected in the Register of Members of the Company.

Shareholders are to deliver their respective Old Share Certificates to the share registrar of the Company or CDP in accordance with the provisions set out above only after the announcement of the Books Closure Date by the Company.

(c) *Share Certificates Not Valid for Settlement of Trades on SGX-ST*

Shareholders who hold physical share certificates are reminded that their Old Share Certificates are no longer good for settlement of trading in the Shares on the SGX-ST (as the Company is under a book-entry (scripless) settlement system) but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the share registrar of the Company. The New Share Certificates will not be valid for delivery for trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

5.5 Trading Arrangements for the Shares and Odd Lots

(a) *Trading Arrangements for the Shares*

Subject to the approval for the Proposed Share Consolidation by the Shareholders at the EGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Shares will be in board lots of 1,000 S\$0.25 Shares. Accordingly, five S\$0.05 Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent one S\$0.25 Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the S\$0.05 Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

(b) *Trading Arrangements for Odd Lots*

All fractional entitlements arising upon the implementation of the Proposed Share Consolidation will be aggregated and sold for the Company's benefit.

The Shares are currently traded in board lots of 1,000 Shares in the Ready Market. Following the Proposed Share Consolidation, the securities accounts maintained with CDP of Shareholders (being Depositors) may be credited with odd lots of Shares (that is, lots other than board lots of 1,000 Shares). Shareholders who receive odd lots of Shares pursuant to the Proposed Share Consolidation and who wish to trade in odd lots on the SGX-ST should note that the Unit Share Market has been set up since 14 April 2003 to allow trading in odd lots with a minimum size of 1 Share on the SGX-ST. The Unit Share Market will enable trading in odd lots in any quantity less than one board lot of the underlying Shares in the Ready Market.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION, THE PROPOSED ISSUE AND THE PROPOSED SHARE CONSOLIDATION

6.1 Financial Effects

The financial effects of the Proposed Share Consolidation and the Proposed Issue on the share capital of the Company and the Company's gearing on a consolidated basis and the financial effects of the Proposed Acquisition and the Proposed Issue on the net tangible assets ("NTA") and earnings per Share ("EPS") of the Company are set out below for illustration purposes only and do not reflect the actual future financial position of the Company after Completion.

Financial Effects of Proposed Share Consolidation and Proposed Issue	Before Proposed Share Consolidation and Proposed Issue	After Proposed Share Consolidation and Proposed Issue (without exercise of Warrants)	After Proposed Share Consolidation and Proposed Issue (with full exercise of Warrants) ¹	After Proposed Share Consolidation and Proposed Issue (with full exercise of Warrants) ²
Effects on share capital of the Company assuming that the Proposed Share Consolidation and Proposed Issue were effected on 31 December 2004, based on the Company's share capital as at 31 December 2004				
Authorised Shares ('000)	2,000,000	400,000	400,000	400,000
Issued and Paid-up Shares ('000)	962,635	192,527	223,560	253,854
Share Capital (S\$'000)	48,132	48,132	66,162	66,162
Effects on the Company's gearing on a consolidated basis assuming that the Proposed Issue was effected on 31 December 2004 and based on the Group's last published unaudited balance sheet as at 31 December 2004				
Total Borrowings (S\$'000)	7,174	25,204	7,174	7,174
Shareholders' Funds (S\$'000)	30,387	30,387	48,417	48,417
Gearing (times)	0.24	0.83	0.15	0.15

Financial Effects of Proposed Share Consolidation, Proposed Acquisition and Proposed Issue	Before Proposed Share Consolidation, Proposed Acquisition and Proposed Issue	After Proposed Share Consolidation, Proposed Acquisition and Proposed issue (without exercise of Warrants)	After Proposed Share Consolidation, Proposed Acquisition and Proposed Issue (with full exercise of Warrants) ¹	After Proposed Share Consolidation, Proposed Acquisition and Proposed Issue (with full exercise of Warrants) ²
<u>Effects on the Group's NTA per Share assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2003, and based on the Group's audited financial statements for FY2003</u>				
NTA (S\$'000) ³	14,158	14,158	32,188	32,188
NTA per Share (cents)	1.60	8.02	15.51	13.53
<u>Effects on the Group's NTA per Share assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004</u>				
NTA (S\$'000) ⁴	24,059	24,059	42,089	42,089
NTA per Share (cents)	2.50	12.50	18.83	16.58
<u>Effects on the Group's EPS assuming that the Proposed Acquisition had been effected at the beginning of FY2003, and based on the Group's audited financial statements for FY2003</u>				
Net profit from ordinary activities after tax (S\$'000) ⁵	4,884	2,174	4,180	4,180
Weighted average number of Shares ('000)	735,510	147,102	178,135	208,429
Basic EPS (cents)	0.664	1.478	2.347	2.006
<u>Effects on the Group's EPS assuming that the Proposed Acquisition had been effected at the beginning of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004</u>				
Net profit/(loss) from ordinary activities after tax (S\$'000) ⁵	(773)	(3,483)	(1,477)	(1,477)
Weighted average number of Shares ('000)	933,564	186,713	217,746	248,040
Basic EPS (cents)	(0.083)	(1.865)	(0.678)	(0.595)

For the purpose of the above:

- **“Gearing”** means the ratio of Net Borrowings to Shareholders' Funds and does not include the loans to be obtained by SPV (which will be an associated company of the Company) to fund the purchase of MOGJ and MOGS.
- **“Total Borrowings”** refers to the amount of liabilities arising from borrowings from banks and financial institutions and amounts owing to Shareholders, Directors or any other related parties outstanding as at 31 December 2004.
- **“Shareholders' Funds”** means the amount represented by the aggregate of the issued and paid-up share capital, share premium and the capital and revenue reserves, and does not include minority interest.
- For the purpose of these illustrations, a US\$:S\$ exchange rate of 1:1.6391 is used.

Notes:

- (1) Assuming that the Warrants are exercised at the Subscription Price of S\$0.581 per Share after the Proposed Share Consolidation. The Subscription Price of S\$0.581 is derived from an Initial Reference Price of S\$0.1107 which is assumed for illustration purposes plus a 5% premium (in accordance with the terms and conditions of the Warrants) multiplied by the adjustment factor of 5 for the Proposed Share Consolidation. It is also assumed that net proceeds arising from exercise of the Warrants are used to redeem the Bonds issue.
- (2) Assuming that the Warrants are exercised at the minimum possible Subscription Price of S\$0.294 per Share after the Proposed Share Consolidation. It is also assumed that the net proceeds arising from exercise of the Warrants are used to redeem the Bonds issue.
- (3) Based on the audited accounts of the Company as at 31 December 2003.
- (4) Based on the unaudited financial statements of the Company as at 31 December 2004.
- (5) Net profit from ordinary activities after tax is based on the consolidated audited accounts of the Company and a 50% share of the profits and losses of MOGJ and MOGS for FY2003.

The effects of the Proposed Share Consolidation, the Proposed Acquisition and the Proposed Issue on the Group's earnings which are illustrated in the table above have been computed on the basis that the investment costs of the purchase by MOGJ and MOGS of their 5% non-operated interests in ONWJ and SES respectively in 2000 were amortised over five years commencing from 2000. MOGJ and MOGS have registered losses for FY2003, FY2002 and FY2001 due primarily to such amortisation of investment costs. Please see section 2.2(d) of this Circular for details.

These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

6.2 Value of MOGJ and MOGS

The value of the entire share capital of MOGJ and MOGS to be acquired by the Consortium pursuant to the Proposed Acquisition is set out below for illustration purposes only and does not reflect the actual future financial position or the value of MOGS and MOGJ after Completion.

	Book Value of assets¹	Net Tangible Assets¹	Net Profit attributable to assets² acquired
MOGJ (S\$'000)³	12,129	(1,738)	(181)
MOGS (S\$'000)³	7,212	(1,261)	(523)
Total	19,341	(2,999)	(704)

Notes:

- (1) Net Tangible Assets are based on the audited accounts of MOGH, MOGJ and MOGS for FY2003.
- (2) Net Profit attributable to assets is based on 50% of the audited profit and loss accounts of MOGJ and MOGS for FY2003.
- (3) For the purpose of these illustrations, a US\$:S\$ exchange rate of 1:1.6391 is used.

The Company engaged the services of Macquarie Securities Asia (Pte) Ltd to undertake a valuation analysis of MOGJ and MOGS and the results of such valuation exercise were presented to the Directors. The valuation techniques employed included industry standard valuation methodologies, including the use of a discounted cashflow (DCF) valuation analysis. The DCF comprised a number of assumptions on key variables such as oil and gas prices. Sensitivity analysis was also performed on these key variables, allowing the Directors to gain additional comfort on a range of possible scenarios. Further, comparison was done with a significant number of recent comparable transactions.

The valuation analysis prepared by Macquarie Securities Asia (Pte) Ltd was taken into account by the Directors in determining the Purchase Consideration for the Proposed Acquisition, details of which are set out in section 2.6 above.

Following a detailed discussion on the results of these valuation techniques, the Directors accepted the valuation analysis undertaken, and formed the view that another valuation by an independent party is not necessary. In this regard, no independent valuation of MOGJ and MOGS was carried out.

6.3 Expected Yield of the Proposed Acquisition

The Directors note that based on the DCF valuation analysis of Macquarie Securities Asia (Pte) Ltd mentioned in the section entitled “Value of MOGJ and MOGS” above and taking a conservative approach to the realisation of Reserves for ONWJ and SES based on the P1 (Proven) Reserves and P2 (Possible) Reserves assumption of 90% and 10% respectively, the yield of the Proposed Acquisition will be approximately 11.1%. This estimate is based on the following principal assumptions and information:

- (a) projected production schedules and projected cash costs generated by the operators, BP West Java Ltd and CNOOC SES, and reviewed and adjusted by the Company’s management to the extent deemed reasonable;
- (b) forecast oil prices based on publicly available Brent oil price forward swap curves. A differential was applied to these curves to reflect historical differentials applying to the Indonesian Crude Price, the crude oil index applicable to ONWJ and SES;
- (c) gas prices as per the applicable long term gas supply agreements relating to ONWJ and SES;
- (d) capital expenditure and operating expenditure based on both historical records and estimates by the Company’s management of future requirements;
- (e) Indonesian tax rates as are presently applicable to ONWJ and SES; and
- (f) actual financing costs applicable to the Proposed Acquisition.

7. **RISK FACTORS**

Shareholders should consider carefully the following risk factors related to the Proposed Acquisition and the Proposed Issue and all other information contained in this Circular:

(a) *Volatility of Crude Oil Prices*

The financial condition of MOGJ and MOGS will be dependent on, and sensitive to, the prevailing prices of crude oil. Fluctuations in crude oil prices could have a material adverse effect on their operation and financial condition and the value and amount of their Reserves. Prices for crude oil fluctuate in response to changes in the supply of and demand for crude oil, market uncertainty and a variety of additional factors beyond the control of the Company.

Oil prices are determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organisation of the Petroleum Exporting Countries (“OPEC”), the condition of the major oil consuming economies such as the United States of America, government regulation, political stability in the Middle East and elsewhere, the availability of alternate fuel sources and weather conditions.

Any substantial or extended decline in the prices of crude oil could result in a delay or cancellation of existing or future drilling, development or construction programmes or curtailment in production at some properties, all of which could have a material adverse effect on the revenues, profitability and cash flows of both MOGJ and MOGS.

(b) *Country Risks*

The assets of MOGJ and MOGS are located in Indonesia. They may be affected by changes in government policies, social instability or other political, economic, legal, regulatory or international developments in or affecting Indonesia which are not within the Company’s control.

(c) *Environmental Liability Risks*

Both ONWJ and SES are large, offshore fields where potential exists for the pollution of air and the surrounding water. These fields are subject to compliance with local laws and regulations controlling the protection of the environment.

Although the Company believes that both ONWJ and SES are in material compliance with current applicable environmental regulations, changes to such regulations may have a material adverse effect on the Company. Additional costs may be required to comply with the changes in such regulations.

(d) *Exchange Rate Risks*

Sales revenue flowing to MOGJ and MOGS is denominated in US\$, as are major costs. Financing for the Proposed Acquisition is also denominated in US\$. There is a risk that movements in the US\$:S\$ exchange rate may have a material adverse impact on the ultimate financial returns to the Company.

(e) *Operational Risks*

Oil and gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, oil spills, and gas transmission pipeline faults, any of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. Insurance policies are undertaken on the assets, although in accordance with industry practice, both MOGJ and MOGS are not fully insured against all of these risks, nor are all such risks insurable.

(f) *Reserve Risks*

There are numerous uncertainties inherent in estimating quantities of Reserves and cash flows, including many factors that are beyond the control of the Company. Evaluations of Reserves and cash flows include 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 prices of oil, operating costs and royalties and other 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 control of the Company.

(g) *Interest Rate Risk*

The Proposed Acquisition will be partly funded by the senior debt financing to be extended by Citigroup to SPV under the Facilities Agreement, which is US\$ denominated debt. This debt is tied to changes in the London interbank market rate. This rate may change over time, thus impacting on the returns from both MOGJ and MOGS to the Company.

(h) *Default Risk Under The Bonds*

The obligations of the Company under the Bonds will be secured by, *inter alia*, a charge over the shares held by the Company in the capital of Goldwater Company Limited and an assignment by way of security of all rights in respect of the Secured Debt Service Reserve Account, as well as a charge over the shares held by the Company in the capital of Goldwater TMT Pte. Ltd.

The Secured Debt Service Reserve Account is set up for the purpose of paying the Bondholders the aggregate coupons required to be paid until and including the third anniversary of the Issue Date. The Shareholders should note that in the event the Warrant holders decide not to convert the Warrants prior to the third anniversary of the Issue Date, the Company will need to find alternative sources to pay the coupons that will accrue from that time and, potentially, to ultimately redeem the Bonds. There is no guarantee that

such funds will be available at that time. Under this circumstance, the Company would be in breach of its obligations to the Bondholders who would be entitled to bring actions for default against the Company.

(i) *Default Risk Under The Shareholders' Agreement*

If the Company fails to perform its obligations under the Shareholders' Agreement in any material respect (including the obligation to provide its *pro rata* share of any PSC Funding), or is considered to be in default under the terms of the Shareholders' Agreement, the Company may face material adverse consequences, including the compulsory transfer of its shares in SPV at par value in certain circumstances. Please see section 2.5 above for more information.

(j) *Default Risk Under The Facilities Agreement*

If SPV fails to comply with its obligations under the Facilities Agreement, the loan extended under the Facilities Agreement may be cancelled and may become immediately due and payable. In this event, SPV would require an alternative source of financing, and there is no guarantee that such funds will be available at that time. Under this circumstance, the financial condition and business and operations of SPV, and the Company's investment in SPV, may be materially adversely affected.

(k) *Possible Downward Movements Of Share Price*

As referred to in section 3.4 above, the Subscription Price for the Warrants is 105% of the Initial Reference Price, subject to a possible downwards reset on each Reset Date to 105% of the prevailing market price of the Shares. Under the terms and conditions of the Warrants, the minimum subscription price possible would be S\$0.0588, which is 70% of the minimum Initial Reference Price of S\$0.08 multiplied by 105% (please refer to the illustrations in section 3.5). There are various reasons why the prevailing market price might fall prior to a Reset Date, among others the general market conditions, trading volume of the Shares, including the buying and selling of interests in the Shares, crude oil price, interest rates and the proportion of the Shares which are held in public hands. If, for whatever reasons, the prevailing market price falls prior to a Reset Date during the relevant pricing period, this will result in a lower Subscription Price. A lower Subscription Price would enable the Warrantheolders to exercise their subscription rights and obtain Shares at a lower price per Share. The dilutive effect from the issuance of more Shares by the Company may cause a downward pressure on the Share price.

(l) *Operator Risk*

MOGJ and MOGS own minority, non-operated interests in ONWJ and SES respectively. The operators of these fields are affiliates of BP p.l.c. (**BP**) and CNOOC respectively. The Company will not have a material input in the daily operations of these fields, and hence will rely on the operational expertise of both BP and CNOOC.

8. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Details of the interests of the Directors and the Controlling Shareholders of the Company in the Shares as at the Latest Practicable Date are set out in the Appendix I on pages A-1 to A-6 of this Circular.

Save for the interests of Mr Edwin Soeryadjaya and Mr Sandiaga Salahuddin Uno in the securities lending arrangements which are disclosed in section 3.6(a) of this Circular, none of the Directors or the Controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition or the Proposed Issue.

9. KPMG CORPORATE FINANCE'S ADVICE TO THE DIRECTORS

KPMG Corporate Finance has been appointed as an independent financial adviser to the Directors to advise them on whether the Proposed Acquisition and the Proposed Issue are on normal commercial terms and whether they are prejudicial to the interests of the minority Shareholders. A copy of their letter of advice to the Directors is set out in Appendix III on pages C-1 to C-26 of this Circular. Shareholders are advised to read KPMG Corporate Finance's letter of advice carefully.

Having regard to the principal factors and reasons considered by KPMG Corporate Finance and subject to the qualifications set out in its letter, KPMG Corporate Finance is of the view that the financial terms of the Proposed Acquisition and the Proposed Issue are on normal commercial terms and are not prejudicial to the interest of the Company's shareholders who are entitled to vote at the EGM.

The following is an extract from the letter from KPMG Corporate Finance to the Directors, and is to be read in conjunction with, and in the context of, the full text of the letter from KPMG Corporate Finance to the Directors set out in Appendix III on pages C-1 to C-26 of this Circular. Unless otherwise defined, all capitalised terms in the extract below shall have the same meanings as defined in the letter from KPMG Corporate Finance to the Directors.

"Based on the analysis undertaken and subject to the qualifications and assumptions made herein, we are of the opinion that the financial terms of the Proposed Acquisition and Proposed Issue are on normal commercial terms and are not prejudicial to the interests of the Company's Entitled Shareholders.

The Entitled Shareholders should note that according to section 6.3 of the Circular, the yield of the Proposed Acquisition will be approximately 11.1%, while the cost of funding the acquisition, as reflected by our calculation of the implied total cost of the Proposed Issue is 19.1%.

However, as stated in section 11(h) of the Circular, we note that in the course of the Company's due diligence and review of technical data in connection with the Proposed Acquisition, the Company has evaluated the P2 (Probable) Reserves, P3 (Possible) Reserves and other relevant information on ONWJ and SES which are relevant to the upside potential of the Proposed Acquisition. Based on the results of such due diligence and review, the Directors are of the view that with respect to ONWJ and SES, 40% of the P2 (Probable) Reserves and 25% of the P3 (Possible) Reserves may be realised. On this basis, and based on the assumptions described in section 6.3 of the Circular, the Directors are of the view that the yield of the Proposed Acquisition would be approximately 22.0%, more than the implied total cost of the Proposed Issue of 19.1%.

Entitled Shareholders should also note that it is not within our terms of reference to evaluate or comment on the legal, commercial or financial merits or risks of the Proposed Acquisition or the Proposed Issue; nor are we required to evaluate or comment on the strategic potential or future prospects of the Company after the completion of the Proposed Acquisition or the Proposed Issue. Such evaluations or comments are solely the responsibilities of the Directors and the management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

Our opinion is delivered to the Board of Directors for their deliberation on the Proposed Acquisition and the Proposed Issue, and the recommendations made by the Board of Directors shall remain the responsibility of the Board of Directors. Our opinion should not be relied on as a recommendation to any Entitled Shareholder of the Company as to how such Entitled Shareholders should vote on the Proposed Acquisition and the Proposed Issue or any matter related thereto. Each Entitled Shareholder may have different investment objectives and considerations and should seek professional advice.”

10. AUDIT COMMITTEE’S STATEMENT

Mr Lim Hock San, Mr Purnardi Djojosudirdjo and Mr Allan Charles Buckler, being the Audit Committee of the Company, having reviewed the terms of the Proposed Acquisition and the Proposed Issue and having considered the opinion of KPMG Corporate Finance, are of the view that the Proposed Acquisition and the Proposed Issue are on normal commercial terms and are not prejudicial to the interests of the minority Shareholders.

11. DIRECTORS’ RECOMMENDATION AND RATIONALE FOR RECOMMENDATION

Directors Who Have Abstained From Making Any Recommendation

In view of their interests in the securities lending arrangements which are disclosed in section 3.6(a) of this Circular, Mr Edwin Soeryadjaya and Mr Sandiaga Salahuddin Uno have abstained from making any recommendation to Shareholders regarding the Proposed Acquisition, the Proposed Issue and the Proposed Share Consolidation.

Recommendation Of The Directors With Respect To The Proposed Acquisition, The Proposed Issue And The Proposed Utilisation Of Balance Of May 2004 Placement Proceeds

Having considered the terms of the Proposed Acquisition and the Proposed Issue and the opinion of KPMG Corporate Finance, the Directors, taking into cognizance the considerations below, are of the opinion that the Proposed Acquisition, the Proposed Issue and the Proposed Utilisation of Balance of May 2004 Placement Proceeds are in the interests of the Company, and recommend that Shareholders vote in favour of the second ordinary resolution set out in the Notice of EGM.

In giving their recommendation, the Directors have considered that the post-funding equity return of the Proposed Acquisition to the Company is 11.1% based on the assumptions and bases discussed in section 6.3 above, while the implied total cost of the Proposed Issue is 19.1%, as set out in paragraph 13 of the letter of advice from KPMG Corporate Finance. Notwithstanding this, the Directors are of the opinion that the Proposed Acquisition, the Proposed Issue and the Proposed Utilisation of Balance of May 2004 Placement Proceeds are in the interests of the Company for the following reasons:

- (a) The Proposed Acquisition will provide the Company with access to additional oil and gas reserves through two long-established and ongoing offshore oil and gas fields which commenced production in 1971. According to Pertamina’s publication on Indonesia Upstream and Downstream Retreat Meeting held in Bali on 29 August 2004 to 1 September 2004, SES is the third largest producer of crude oil and ONWJ is the sixth largest gas producer in Indonesia relative to other PSCs.
- (b) The Proposed Acquisition will provide an expansion opportunity in the Company’s principal assets in Indonesia through the potential for further discoveries in both oil and gas fields.
- (c) The Proposed Acquisition will allow the Company to diversify its business from the production and sale of only crude oil into natural gas production and sale.
- (d) The Company is a junior oil company with no prominent petroleum assets. The total oil production of the Company for FY2004 was 221,625 barrels of oil equivalent or 606 barrels of oil equivalent per day. In comparison, the combined total of the net shares of MOGJ and MOGS of the oil production of ONWJ and SES respectively for FY2004 was approximately 2,800,000 barrels of oil equivalent or 7,671 barrels of oil equivalent per day. The Proposed

Acquisition will increase the Company's aggregate oil and gas reserves and production, and will significantly improve the Company's position as a petroleum exploration and production company.

- (e) The Company believes that carrying out the proposed acquisition of prominent petroleum assets like ONWJ and SES will improve the quality and scale of the Company's operations, thereby providing the Company with improved ongoing access to the capital markets.
- (f) The Proposed Acquisition will provide the Company with the opportunity to work closely with two major international operators, BP and CNOOC, giving the Company valuable exposure to world-class expertise in petroleum operations and improved connections to key industry players.
- (g) Based on the P1 (Proven) Reserves of ONWJ and SES, the consideration for the Proposed Acquisition is approximately US\$1.98 per barrel of oil equivalent. The Directors believe that this is a reasonable price as compared with the acquisition consideration for similar transactions in Indonesia since 2003 referred to in the report of KPMG Corporate Finance, which have a mean of approximately US\$3.18 per barrel of oil equivalent, and a median of approximately US\$2.77 per barrel of oil equivalent.
- (h) In the course of the Company's due diligence and review of technical data in connection with the Proposed Acquisition, the Company has evaluated the P2 (Probable) Reserves, P3 (Possible) Reserves and other relevant information on ONWJ and SES which are relevant to the upside potential of the Proposed Acquisition. Based on the results of such due diligence and review, the Directors are of the view that with respect to ONWJ and SES, 40% of the P2 (Probable) Reserves and 25% of the P3 (Possible) Reserves may be realised. On this basis, and based on the assumptions described in section 6.3 of this Circular, the yield of the Proposed Acquisition would be approximately 22.0%, more than the implied total cost of the Proposed Issue of 19.1%.

Shareholders' attention is drawn to the information on ONWJ and SES which is set out in section 2.2 of this Circular and to paragraphs 8 and 14 of the letter from KPMG Corporate Finance to the Directors set out in Appendix III on pages C-1 to C-26 of this Circular. The Directors also caution Shareholders to carefully consider the risks involved in the Proposed Acquisition and the Proposed Issue which are described in section 7 of this Circular, particularly the risk factors entitled "Volatility of Crude Oil Price", "Interest Rate Risks", "Reserve Risks", "Default Risks Under The Bonds", "Default Risks Under The Shareholders' Agreement", "Default Risks Under the Facilities Agreement", and "Possible Downwards Movements Of Share Price". Any individual Shareholder or group of Shareholders who may require specific advice in relation to his or her or their investment portfolio(s) should consult his or her or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

Recommendation Of The Directors With Respect To The Proposed Share Consolidation

The Directors are of the opinion that the Proposed Share Consolidation is in the interests of the Company, and recommend that Shareholders vote in favour of the first ordinary resolution set out in the Notice of EGM.

12. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

In view of the interests of Mr Edwin Soeryadjaya and Mr Sandiaga Salahuddin Uno in the securities lending arrangements which are disclosed in section 3.6(a) of this Circular, they and their associates will abstain from voting on the ordinary resolutions to be proposed at the EGM.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out at the back of this Circular, will be held on 21 April 2005 at 10:00 a.m. at 7 Shenton Way #02-01, Singapore Conference Hall, Singapore 068810 for the purpose of considering and, if thought fit, passing the ordinary resolutions set out in the Notice of EGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM should he or she subsequently decide to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM to speak and vote thereat unless his or her name appears in the Depository Register as at 48 hours before the EGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been reviewed and approved by all the Directors and the Directors (including those who have delegated detailed supervision of this Circular) collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

Where information has been extracted from publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been correctly reproduced in this Circular.

16. ADDITIONAL INFORMATION

The attention of Shareholders is drawn to the additional information set out in the Appendix I on pages A-1 to A-6 of this Circular.

Yours faithfully
For and on behalf of the Board of Directors

Sugiharto Soeleman
Director
Interra Resources Limited

APPENDIX I

1. CHANGES IN SHAREHOLDING ARISING FROM EXERCISE OF WARRANTS

The tables below show the shareholdings of the Directors and substantial Shareholders of the Company as at the Latest Practicable Date and also illustrate the possible changes in such shareholdings arising from the exercise of the Warrants (without taking into consideration the Proposed Share Consolidation).

The interests of the Directors in the Shares as at the Latest Practicable Date are based on information in the Register of Directors' Shareholdings maintained pursuant to Section 164 of the Companies Act, and the interests of substantial Shareholders are based on information in the Register of Substantial Shareholders maintained pursuant to Section 88 of the Companies Act.

As at the Latest Practicable Date

	As at the Latest Practicable Date			
	Direct Interest	%	Deemed Interest	%
<u>Substantial Shareholders</u>				
Edwin Soeryadjaya ¹	—	—	199,800,000	20.76
Fleur Enterprises Limited ¹	—	—	192,000,000	19.95
Subianto Arpan Sumodikoro ²	—	—	124,600,000	12.94
Canyon Gate Investments Ltd ²	—	—	124,600,000	12.94
Purnardi Djojosedirdjo	51,700,000	5.37	—	—
<u>Directors</u>				
Edwin Soeryadjaya ¹	—	—	199,800,000	20.76
Subianto Arpan Sumodikoro ²	—	—	124,600,000	12.94
Purnardi Djojosedirdjo	51,700,000	5.37	—	—
Sugiharto Soeleman	38,960,000	4.05	—	—
Yos Teo Sidy	33,340,000	3.46	—	—
Allan Charles Buckler	—	—	19,728,000	2.05
Sandiaga Salahuddin Uno ³	—	—	7,800,000	0.81

Notes:

- (1) Edwin Soeryadjaya is the sole shareholder of Fleur Enterprises Limited, and is deemed to be interested in the Shares held by nominees for Fleur Enterprises Limited. He also owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.
- (2) Subianto Arpan Sumodikoro is the sole shareholder of Canyon Gate Investments Ltd, and is deemed to be interested in the Shares held by nominees for Canyon Gate Investments Ltd.
- (3) Sandiaga Salahuddin Uno owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.

Upon exercise in full of the Warrants

For illustration purposes, a Subscription Price of S\$0.1162 is assumed. The Subscription Price of S\$0.1162 is derived from an assumed Initial Reference Price of S\$0.1107. Based on this Subscription Price, the number of new Shares that would be issued by the Company upon exercise of all the Warrants would be 155,164,372, representing approximately 13.88% of the enlarged issued share capital of the Company.

Without taking into consideration the effects of the Proposed Share Consolidation, and based on full exercise of the Warrants at the illustrative Subscription Price of S\$0.1162, the shareholdings of the Directors and substantial Shareholders of the Company would be as follows:

	Upon exercise in full of the Warrants at a Subscription Price of S\$0.1162			
	Direct Interest	%	Deemed Interest	%
<u>Substantial Shareholders</u>				
The Bonds/Warrants Investor	155,164,372	13.88	—	—
Edwin Soeryadjaya ¹	—	—	199,800,000	17.87
Fleur Enterprises Limited ¹	—	—	192,000,000	17.18
Subianto Arpan Sumodikoro ²	—	—	124,600,000	11.15
Canyon Gate Investments Ltd	—	—	124,600,000	11.15
Purnardi Djojosedirdjo	51,700,000	4.63	—	—
<u>Directors</u>				
Edwin Soeryadjaya ¹	—	—	199,800,000	17.87
Subianto Arpan Sumodikoro ²	—	—	124,600,000	11.15
Purnardi Djojosedirdjo	51,700,000	4.63	—	—
Sugiharto Soeleman	38,960,000	3.49	—	—
Yos Teo Sidy	33,340,000	2.98	—	—
Allan Charles Buckler	—	—	19,728,000	1.76
Sandiaga Salahuddin Uno ³	—	—	7,800,000	0.70

Notes:

- (1) Edwin Soeryadjaya is the sole shareholder of Fleur Enterprises Limited, and is deemed to be interested in the Shares held by nominees for Fleur Enterprises Limited. He also owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.
- (2) Subianto Arpan Sumodikoro is the sole shareholder of Canyon Gate Investments Ltd, and is deemed to be interested in the Shares held by nominees for Canyon Gate Investments Ltd.
- (3) Sandiaga Salahuddin Uno owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.

The lowest possible Initial Reference Price is S\$0.08, and accordingly the lowest possible Subscription Price following downwards reset (as described in section [3] of this Circular) would be S\$0.0588. This means that a maximum of 306,634,354 new Shares would be issued by the Company upon exercise of all of the Warrants, representing approximately 24.16% of the enlarged issued share capital of the Company.

Without taking into consideration the effects of the Proposed Share Consolidation, and based on full exercise of the Warrants at the lowest possible Subscription Price of S\$0.0588, the shareholdings of the Directors and substantial Shareholders of the Company would be as follows:

	Upon exercise in full of the Warrants at a Subscription Price of S\$0.0588			
	Direct Interest	%	Deemed Interest	%
<u>Substantial Shareholders</u>				
The Bonds/Warrants Investor	306,634,354	24.16	—	—
Edwin Soeryadjaya ¹	—	—	199,800,000	15.74
Fleur Enterprises Limited ¹	—	—	192,000,000	15.13
Subianto Arpan Sumodikoro ²	—	—	124,600,000	9.82
Canyon Gate Investments Ltd	—	—	124,600,000	9.82
Purnardi Djojosudirdjo ⁴	51,700,000	4.07	—	—
<u>Directors</u>				
Edwin Soeryadjaya ¹	—	—	199,800,000	15.74
Subianto Arpan Sumodikoro ²	—	—	124,600,000	9.82
Purnardi Djojosudirdjo ⁴	51,700,000	4.07	—	—
Sugiharto Soeleman	38,960,000	3.07	—	—
Yos Teo Sidy	33,340,000	2.63	—	—
Allan Charles Buckler	—	—	19,728,000	1.55
Sandiaga Salahuddin Uno ³	—	—	7,800,000	0.61

Notes:

- (1) Edwin Soeryadjaya is the sole shareholder of Fleur Enterprises Limited, and is deemed to be interested in the Shares held by nominees for Fleur Enterprises Limited. He also owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.
- (2) Subianto Arpan Sumodikoro is the sole shareholder of Canyon Gate Investments Ltd, and is deemed to be interested in the Shares held by nominees for Canyon Gate Investments Ltd.
- (3) Sandiaga Salahuddin Uno owns 50.0% of the issued share capital of Saratoga Equity Partners I Limited, and is deemed to be interested in the 7,800,000 Shares held by nominees for Saratoga Equity Partners I Limited.
- (4) Purnardi Djojosudirdjo will cease to be a substantial Shareholder of the Company in the event that the Warrants are exercised by the Bonds/Warrants Investor in full based on the lowest possible Subscription Price.

2. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within the two years preceding the Latest Practicable Date and are or may be material (collectively, the “**Material Contracts**”):

1. On 26 May 2003, the Company entered into a Supplemental Agreement with Canyon Gate Investments Ltd, Prairie Heritage Ltd. and Fleur Enterprises (who were then the shareholders of Goldwater Company Limited) to amend the sale and purchase agreement made by and among them on 30 December 2002.

2. On 26 May 2003, the Issuer entered into a subscription agreement with Shantex Holding Pte Ltd ("**Shantex**") pursuant to which Shantex agreed to convert debt of approximately S\$104,300,000 owed by the Company into 120,000,000 new ordinary shares of S\$0.05 each in the capital of the Company ("**Shantex Shares**").
3. On 3 June 2003, in accordance with Rule 229(2) of the Listing Manual to the Company, Fleur Enterprises executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which Fleur Enterprises undertook to maintain its interest in the 192,000,000 new ordinary shares of S\$0.05 each in the capital of the Company to be issued to it by the Company in consideration for the acquisition by the Company of its shareholding in Goldwater Company Limited ("**Fleur Enterprises Consideration Shares**").
4. On 3 June 2003, in accordance with Rule 229(2) of the Listing Manual to the Company, Prairie Heritage Ltd. executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which Prairie Heritage Ltd. undertook to maintain its interest in the 204,000,000 new ordinary shares of S\$0.05 each in the capital of the Company to be issued to it by the Company in consideration for the acquisition by the Company of its shareholding in Goldwater Company Limited ("**Prairie Heritage Consideration Shares**").
5. On 3 June 2003, in accordance with Rule 229(2) of the Listing Manual to the Company, Canyon Gate Investments Ltd executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which Canyon Gate Investments Ltd undertook to maintain its interest in the 204,000,000 new ordinary shares of S\$0.05 each in the capital of the Company to be issued to it by the Company in consideration for the acquisition by the Company of its shareholding in Goldwater Company Limited ("**Canyon Gate Consideration Shares**").
6. On 3 June 2003, in accordance with Rule 229(2) of the Listing Manual, Shantex executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which Shantex undertook to maintain its interest in the Shantex Shares.
7. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Edwin Soeryadjaya executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Fleur Enterprises Consideration Shares.
8. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Purnardi Djojosedirdjo executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Prairie Heritage Consideration Shares.
9. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Sugiharto Soeleman executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Prairie Heritage Consideration Shares.
10. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Yos Teo Sidy executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Prairie Heritage Consideration Shares.
11. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Setia Budhi executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Canyon Gate Consideration Shares.
12. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Subianto Arpan Sumodikoro executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to, among other things, maintain his effective interest in the Canyon Gate Consideration Shares.
13. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Marcel Tjia Han Liong executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Shantex Shares.

14. On 3 June 2003, in accordance with Rule 228 of the Listing Manual, Mr Agus Anwar executed an undertaking to the Company, KPMG Corporate Finance and the SGX-ST pursuant to which he undertook to maintain his effective interest in the Shantex Shares.
15. On 30 June 2003, the Company entered into an amendment agreement with the Canyon Gate Investments Ltd, Prairie Heritage Ltd. and Fleur Enterprises to amend the subscription agreement made by and among them on 30 December 2002.
16. On 28 February 2004, Goldwater Eagle Limited entered into a memorandum of understanding with Mr Ronald Tandjung Sunarto, Mr Sohet Chairil, Mr Hibran Stephen, and Mr Sabardi Somadipoetra to acquire 51% of the shares in PT Retco Prima Energi (“**PT Retco**”) for US\$1,774,000.
17. On 8 March 2004, Prairie Heritage Ltd. entered into a Deed of Undertaking in favour of Goldwater Company Limited whereby it undertook not to require payment on 21 January 2005 of the loan made by it to Goldwater Company Limited on 21 January 1997 but shall require payment of the said loan only after 21 January 2006.
18. On 8 March 2004, Canyon Gate Investments Ltd entered into a Deed of Undertaking in favour of Goldwater Company Limited whereby it undertook not to require payment on 21 January 2005 of the loan made by it to Goldwater Company Limited on 21 January 1997 but shall require payment of the said loan only after 21 January 2006.
19. On 8 March 2004, Mr Edwin Soeryadjaya entered into a Deed of Undertaking in favour of Goldwater Company Limited whereby he undertook not to require payment on 21 January 2005 of the loan made by him to Goldwater Company Limited on 21 January 1997 but shall require payment of the said loan only after 21 January 2006.
20. On 26 April 2004, PT Central Infinity Utama (“**Utama**”) entered into a sale and purchase agreement with the then shareholders of PT Retco pursuant to which Utama would purchase 70% of the shares in PT Retco, and the vendors would assign to Utama shareholders’ loans amounting to US\$1,773,204 for an amount equal to the loans to be assigned.
21. On 4 August 2004, Goldwater Eagle Limited entered into a conditional memorandum of understanding with Sunov Petroleum (BVI) Limited (“**Sunov**”) pursuant to which Sunov would sell or procure the sale of certain assets in Pakistan, and procure the sale of certain assets in the Middle East, to Goldwater Eagle Limited. This memorandum of understanding was terminated by mutual agreement on 9 September 2004.
22. On 22 December 2004, the Company entered into the Sale and Purchase Agreement with Citigroup, MOGH and Mitsubishi Corporation for the Proposed Acquisition, details of which are set out in section 2 of this Circular.
23. On 22 December 2004, the Company entered into the Subscription Agreement with the Bonds/Warrants Investor pursuant to which the Bonds/Warrants Investor will subscribe for, and the Company will issue to the Bonds/Warrants Investor, the Bonds and the Warrants, details of which are set out in section 3 of this Circular.
24. On 22 December 2004, the Company entered into a letter of agreement with Citigroup in relation to the incorporation of SPV, the execution of the Shareholders’ Agreement, the execution of the Facilities Agreement, the subscription of shares in SPV by the Company and Citigroup, and the provision of shareholders’ loans by the Company and Citigroup to SPV.
25. On 29 December 2004, Goldwater TMT Pte Ltd entered into a farm in-farm out agreement with PT Retco pursuant to which PT Retco transferred to Goldwater TMT Pte. Ltd. 70% of its undivided interests in the Technical Assistance Contract of Tanjung Miring Timur dated 25 October 1999.
26. On 29 December 2004, Goldwater TMT Pte. Ltd. entered into a joint operating agreement with PT Retco relating to the joint operation of the Technical Assistance Contract of Tanjung Miring Timur.
27. On 17 February 2005, the Company entered into a Supplemental Subscription Agreement with the Bonds/Warrants Investor pursuant to which certain amendments were made to the terms and conditions of the Subscription Agreement.

28. On 28 February 2005, the Company entered into a deed of amendment in respect of the Sale and Purchase Agreement, pursuant to which the long-stop date for the fulfilment of conditions precedent was extended from the earlier of (i) 28 February 2005 or (ii) four weeks from the date of receipt of the approvals of the SGX-ST, to the earlier of (i) 31 March 2005 or (ii) four weeks from the date of receipt of the approvals of the SGX-ST.
29. On 23 March 2005, the Company entered into a Second Supplemental Subscription Agreement with the Bonds/Warrants Investor pursuant to which certain amendments were made to the terms and conditions of the Subscription Agreement.
30. On 31 March 2005, the Company entered into a deed of amendment in respect of the Sale and Purchase Agreement, pursuant to which the long-stop date for the fulfilment of conditions precedent was extended from the earlier of (i) 31 March 2005 or (ii) four weeks from the date of receipt of the approvals of the SGX-ST to 30 April 2005.
31. On 4 April 2005, Goldwater Company Limited and Mr Edwin Soeryadjaya executed a deed of commitment pursuant to which they have agreed that no repayments of interest or principal shall be made prior to 30 April 2008 on the Related Party Loans which were extended by Mr Edwin Soeryadjaya to Goldwater Company Limited.
32. On 4 April 2005, Goldwater Company Limited and Canyon Gate Investments Limited executed a deed of commitment pursuant to which they have agreed that no repayments of interest or principal shall be made prior to 30 April 2008 on the Related Party Loans which were extended by Canyon Gate Investments Limited to Goldwater Company Limited.
33. On 4 April 2005, Goldwater Company Limited and Prairie Heritage Ltd executed a deed of commitment pursuant to which they have agreed that no repayments of interest or principal shall be made prior to 30 April 2008 on the Related Party Loans which were extended by Prairie Heritage Ltd to Goldwater Company Limited.

3. FEES AND EXPENSES

The commissions, professional fees and other transaction expenses incurred by the Company for the Proposed Acquisition, Proposed Issue, Proposed Utilisation of Balance of May 2004 Placement Proceeds and Proposed Share Consolidation are approximately US\$3.1 million, of which US\$2.1 million is payable only upon successful completion of the Proposed Acquisition.

4. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation as plaintiff or defendant in respect of any claims or amounts which are material in the context of the Proposed Acquisition and the Proposed Issue, and the Directors have no knowledge of any proceedings pending or threatened against the Company or any of its subsidiaries, or of any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Company or any of its subsidiaries.

5. CONSENTS

- (a) KPMG Corporate Finance has given and has not withdrawn its written consent to being named in this Circular as the independent financial adviser to the Directors, and to the incorporation of its letter of advice and all references thereto in this Circular.
- (b) Macquarie Securities Asia (Pte) Ltd has given and has not withdrawn its written consent to the references in this Circular to the valuation analysis of MOGJ and MOGS which was prepared for the Directors, and to being named in this Circular in connection therewith.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Material Contracts and the memorandum and articles of association of the Company are available for inspection at the registered office of the Company at 391A Orchard Road, #13-06 Ngee Ann City Tower A, Singapore 238873 during normal business hours from the date of this Circular up to 6 July 2005.

APPENDIX II

FORM OF WARRANT INSTRUMENT

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THIS INSTRUMENT is executed by way of a deed poll on ● 2005 by **INTERRA RESOURCES LIMITED** (the “**Issuer**”) whose principal office is at 391A Orchard Road #13-06, Ngee Ann City Tower A, Singapore 238873, Singapore.

WHEREAS:

- (A) The Issuer by a resolution of the Board passed on ● 2004 and a resolution of the Shareholders passed on ● resolved, in connection with the issue of U.S.\$11,000,000 7.0 per cent. Bonds due 2010 (the “**Bonds**”), to issue detachable Warrants in registered form conferring the right upon the Warranholders (who may also be the initial subscribers of the Bonds), exercisable in whole or in part at any time during the period from their date of issue to 4:00 pm on the Last Subscription Date (both dates inclusive), to subscribe for Shares.
- (B) The Issuer has determined to execute this Instrument by way of a deed poll in order to more effectively protect the rights and interests of the Warranholders.

THE ISSUER HEREBY DECLARES as follows:

1. DEFINITIONS

1.1 In this Instrument, unless otherwise expressed or required by the context, the following expressions shall have the following meanings set out opposite thereto:

Expression	Meaning
“ Alternative Stock Exchange ”	means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market, which shall be an internationally-recognised stock exchange or securities market, on which the Shares are then listed or quoted or dealt in;
“ Approved Investment Bank ”	shall have the same meaning as defined in the Conditions;
“ Articles ”	shall have the same meaning as defined in the Conditions;
“ Auditors ”	shall have the same meaning as defined in the Conditions;
“ Average Share Price ”	is the arithmetic average of the Share Price per Share for each Trading Day during the relevant period;
“ Board ”	shall have the same meaning as defined in the Conditions;
“ Business Day ”	shall have the same meaning as defined in the Conditions;

Expression	Meaning
“Capital Distribution”	means: (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (ii) any cash dividend or distribution of any kind by the Issuer for any financial period (whenever paid and however described) unless (in the case of each of (i) or (ii)) it comprises a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary) where the weighted average price (before expenses) on any one day in respect of such purchases does not exceed the average Share Price of the Shares as quoted by the Stock Exchange or, as the case may be, the Alternative Stock Exchange, by more than 15 per cent. either (1) for the five Trading Days on which transactions in the Shares were recorded preceding the day of the purchase, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement (excluding, for the avoidance of doubt, general authority for such purchases given by a Shareholders’ meeting of the Issuer, or any notice convening such meeting) and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;
“Companies Act”	shall have the same meaning as defined in the Conditions;
“Conditions”	the terms and conditions endorsed on the Warrant Certificates as the same may be modified from time to time in accordance with the provisions set out therein and “Condition” refers to the relative numbered paragraph of the Conditions;
“Current Market Price”	means, in respect of a Share at a particular time on a particular date, the average of the Share Prices quoted by the Stock Exchange (or the Alternative Stock Exchange, as the case may be) for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 20 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then: <ul style="list-style-type: none"> (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that dividend per Share; or

Expression	Meaning
	<p>(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;</p> <p>and provided further that if the Shares on each of the said 20 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend per Share.</p> <p>and provided further that:</p> <p>(iii) if such Share Prices are not available on each of the 20 Trading Days during the relevant period, then the arithmetic average of such Share Prices which are available in the relevant period shall be used (subject to a minimum of two such Share Prices); and</p> <p>(iv) if only one or no such Share Prices is available in the relevant period, then the Current Market Price shall be determined in good faith by two Approved Investment Banks;</p>
“Dividend”	<p>any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Shares or other securities credited as fully or partly paid up) provided that:</p> <p>(i) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Shares be, satisfied by the issue or delivery of Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of (a) the cash Dividend so announced or (b) the Current Market Price on the date of announcement of such Dividend, of such Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and</p> <p>(ii) any issue of Shares falling within Clause 4.3(b) shall be disregarded;</p>
“Directors”	shall have the same meaning as defined in the Conditions;
“Equity Share Capital”	shall have the same meaning as defined in the Conditions;
“Extraordinary Resolution”	an Extraordinary Resolution mentioned in paragraph 17 of the Second Schedule;

Expression	Meaning
“Fair Market Value”	means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Approved Investment Bank, acting as experts; provided that (i) the fair market value of a cash Dividend paid or to be paid per Share shall be the amount of such cash Dividend per Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Approved Investment Bank) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily Share Prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded;
“Fundamental Transaction”	means that the Issuer, directly or indirectly, in one or more related transactions, (i) shall consolidate or merge with or into (whether or not the Issuer is the surviving corporation) another person, or (ii) shall sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer to another person;
“Group”	the Issuer and the Subsidiaries;
“Initial Reference Price”	shall have the same meaning as defined in the Conditions;
“Instrument”	this Instrument and the Schedules hereto (as may be modified from time to time in accordance with the terms hereof) and includes any instrument which is executed in accordance with the provisions hereof (as may be modified from time to time as aforesaid) and expressed to be supplemental hereto;
“Last Accounting Date”	31 December 2003;
“Last Subscription Date”	shall have the same meaning as defined in the Conditions;
“Maximum Number”	shall have the same meaning as defined in the Conditions;
“Notice”	in the case of notices given to the Warranholders, a notice given or to be given in accordance with Condition 13;
“Record Date”	shall have the same meaning as defined in the Conditions;
“Register”	the register of Warranholders required to be maintained pursuant to Condition 5;
“Shares”	the ordinary shares of par value S\$0.05 each in the authorised capital of the Issuer existing on the date of this Instrument and all other (if any) stock or shares from time to time ranking <i>pari passu</i> therewith and all other (if any) shares or stock in the Equity Share Capital resulting from any sub-division, consolidation or re-classification of Shares;
“Share Option Scheme”	shall have the same meaning as defined in the Conditions;

Expression	Meaning
“Share Price”	shall have the same meaning as defined in the Conditions;
“Singapore dollars”, “S\$” and “cents”	shall have the same meaning as defined in the Conditions;
“Stock Exchange”	shall have the same meaning as defined in the Conditions;
“Subscription Date”	shall have the same meaning as defined in the Conditions;
“Subscription Form”	shall have the same meaning as defined in the Conditions;
“Subscription Period”	shall have the same meaning as defined in the Conditions;
“Subscription Price”	shall have the same meaning as defined in the Conditions;
“Subscription Rights”	the rights of the Warrantheolders represented by the Warrants to subscribe for the Maximum Number of Shares pursuant to the Warrants and, in relation to each Warrant, means the right of the relevant Warrantheolder to subscribe for Shares at the Subscription Price, subject to the Conditions;
“Subsidiary”	shall have the same meaning as defined in the Conditions;
“Successor Entity”	means the person formed by, resulting from or surviving any Fundamental Transaction or the person with which such Fundamental Transaction shall have been entered into;
“Trading Day”	shall have the same meaning as defined in the Conditions;
“Warrant Certificates”	the certificates (in registered form) to be issued in respect of the Warrants substantially in the form shown in the First Schedule hereto, as may be modified from time to time in accordance with the provisions set out therein;
“Warrantheolders”	shall have the same meaning as defined in the Conditions; and
“Warrants”	the rights created by this Instrument entitling the registered holders thereof to exercise Subscription Rights on the terms set out in this Instrument and in the Conditions.

1.3 The Table of Contents and the headings to the Clauses of this Instrument and the Conditions are for ease of reference only and shall be ignored in interpreting this Instrument and the Conditions.

1.4 References to Clauses, sub-clauses, paragraphs and Schedules are references to clauses, sub-clauses, paragraphs and schedules of or to this Instrument.

1.5 Words and expressions in the singular include the plural and *vice versa*.

1.6 Reference to person includes any firm, any public body and any body of persons, corporate or unincorporate.

1.7 Words importing one gender only shall include all other genders.

1.8 Reference to statutes, legislation or enactments shall be construed as a reference to such statutes, legislation or enactments as may be amended or re-enacted from time to time and in force at the relevant time.

- 1.9** In giving any certificate or making any adjustment hereunder, the Auditors or (as the case may be) the relevant Approved Investment Bank shall be deemed to be acting as experts and not as arbitrators and, in the absence of manifest error, their decision shall be conclusive and binding on the Issuer and the Warranholders and all persons claiming through or under them respectively.

2. GRANT OF RIGHTS TO SUBSCRIBE

The Issuer hereby creates and grants to the persons by whom the Warrants are held from time to time and allotted pursuant to a resolution of the Board rights to subscribe, at any time and from time to time during the Subscription Period (subject to Condition 12), for the Maximum Number of Shares at a price per Share equal to the Subscription Price (subject to adjustments in accordance with Clause 4) on the Subscription Date applicable to such Warrant. No fraction of a Share shall be allotted.

3. WARRANT CERTIFICATES

- 3.1** Every Warranholder will be entitled to a Warrant Certificate in the form or substantially in the form of that shown in the First Schedule having endorsed thereon the Conditions in or substantially in the form also set out in that Schedule.
- 3.2** All Warrant Certificates shall be issued under the common seal of the Issuer or under a duplicate, facsimile or securities seal adopted for that purpose, subject to the provisions in the Articles.
- 3.3** The Issuer shall comply with the provisions of the Warrant Certificates and the Conditions in all respects and the Warrants shall be held subject to such provisions and Conditions which shall be binding upon the Issuer and the Warranholders and all persons claiming through or under them respectively.
- 3.4** Without prejudice to the generality of Clause 3.3, the Issuer shall upon exercise of all or any of the Subscription Rights from time to time during the Subscription Period issue and allot the appropriate number of Shares in accordance with the Conditions.

4. ADJUSTMENTS OF SUBSCRIPTION PRICE

- 4.1** The Subscription Price may be adjusted in the manner summarised in the Condition and as set out more fully below.
- 4.2** The Subscription Price shall be reset downwards on each 31 March (excluding 31 March 2005), 30 June, 30 September and 31 December during the Subscription Period, except for the last Subscription Date (each a “**Reset Date**”), to 105 per cent. of the Share Price of the Share over the 20 consecutive Trading Days ending on the relevant Reset Date, subject, unless otherwise agreed by the Directors, to a minimum Subscription Price of 70 per cent. of the Initial Reference Price.

4.3 Subject as hereinafter provided, the Subscription Price shall from time to time be further adjusted in accordance with the following relevant provisions and so that, if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of paragraphs (a) to (j) inclusive of this Clause 4.3, it shall fall within the first of the applicable paragraphs to the exclusion of the remaining paragraphs.

(a) **Consolidation, Subdivision or Reclassification:** If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(b) **Capitalisation of Profits or Reserves:**

(i) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of the Shares (the “**Shareholders**”) by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received (a “**Scrip Dividend**”) and which would not have constituted a Capital Distribution (as defined herein), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

(ii) In the case of an issue of Shares by way of a Scrip Dividend where the Current Market Price of such Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue;

B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the relevant cash Dividend; and

C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

OR by making such other adjustment as an Approved Investment Bank, shall certify is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

- (c) **Capital Distribution:** If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders (except where the Subscription Price falls to be adjusted under Clause 4.3(b) above), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Approved Investment Bank, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is made.

- (d) **Rights Issues of Shares or Options over Shares:** If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

- (e) **Rights Issues of Other Securities:** If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase, any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares), the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue or grant is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Approved Investment Bank, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

- (f) **Issues at less than Current Market Price:** If and whenever the Issuer shall issue (otherwise than as mentioned in Clause 4.3(d) above) wholly for cash any Shares (other than Shares issued on the exercise of Subscription Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise as mentioned in Clause 4.3(d) above) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of such issue, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

- (g) **Other Issues at less than Current Market Price:** Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this Clause 4.3(g), the issue wholly for cash by the Issuer or any Subsidiary (otherwise than as mentioned in Clauses 4.3(d), 4.3(e) or 4.3(f) above) or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities (other than the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities.

In such an event, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

- (h) **Modification of Rights of Conversion etc:** Any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Clause 4.3(g) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification.

In such an event, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer for the Shares to be issued, or otherwise made available, on conversion or exchange or on exercise of the right of subscription attached to the securities, in each case so modified, would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued, or otherwise made available, on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Approved Investment Bank considers appropriate (if at all) for any previous adjustment under this Clause 4.3(h) or Clause 4.3(g) above.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (i) **Other Offers to Shareholders:** The issue, sale or distribution by or on behalf of the Issuer or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 70 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Subscription Price falls to be adjusted under Clauses 4.3(d), 4.3(e), 4.3(f) or 4.3(g) above).

In such an event, the Subscription Price shall be adjusted by multiplying the Subscription Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Approved Investment Bank, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

- (j) **Other Events:** If either the Issuer or the Majority Warranholders determines that an adjustment should be made to the Subscription Price as a result of one or more events or circumstances not referred to in this Clause 4.3, the Issuer shall at its own expense request an Approved Investment Bank, to determine as soon as practicable what adjustment (if any) to the Subscription Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Subscription Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination **PROVIDED THAT** where the circumstances giving rise to any adjustment pursuant to this Clause 4.3 have already resulted or will result in an adjustment to the Subscription Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Subscription Price, such modification (if any) shall be made to the operation of the provisions of this Clause 4.3 as may be advised by an Approved Investment Bank, to be in their opinion appropriate to give the intended result **PROVIDED FURTHER THAT** where the Majority Warranholders have requested any such determination and the Approved Investment Bank determines that no adjustment to the Subscription Price is required then the expenses of the Approved Investment Bank will be for the account of the Majority Warranholders.

4.4 No adjustment shall be made to the Subscription Price in respect of the issue of new Shares pursuant to Clause 4.3(f) unless such issues during any 12 month period amount in aggregate to Shares in excess of 5.00 per cent. of the average number of issued and outstanding Shares during such 12 months, in which event adjustments shall be made for each issue occurring within such 12 months in accordance with Clauses 4.3.

4.5 Any adjustment to the Subscription Price shall be made to the nearest one hundredth of one cent so that any amount under half of one hundredth of one cent shall be rounded down and any amount of half of one hundredth of one cent or more shall be rounded up and in no event shall any adjustment (otherwise than upon the consolidation of Shares into Shares of a larger nominal amount) involve an increase in the Subscription Price. In addition to any determination which may be made by the Directors pursuant to the terms hereof, every adjustment to the Subscription Price shall be certified to be fair and appropriate either (at the option of the Issuer) by the Auditors or by an Approved Investment Bank.

- 4.6 Notwithstanding anything contained in this Instrument or the Warrant Certificates, no adjustment shall be made to the Subscription Price in any case in which the amount (by which the same would be reduced in accordance with the foregoing provisions of this Clause) would be less than one hundredth of one cent and any adjustment that would otherwise be required then to be made shall not be carried forward.
- 4.7 The Subscription Price may not be reduced so that Shares would fall to be issued at a discount to their nominal value or would require Shares to be issued in any other circumstances not permitted by applicable law or the rules of the Stock Exchange or Alternative Stock Exchange, as the case may be.
- 4.8 If the Issuer, any Subsidiary or any other issuer shall in any way modify the rights attached to any share or loan capital or other securities so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, new Shares, the Issuer shall appoint an Approved Investment Bank to consider whether any adjustment to the Subscription Price is appropriate (and if such Approved Investment Bank shall certify that any such adjustment is appropriate, the Subscription Price shall be adjusted accordingly and the provisions of Clauses 4.5, 4.6 and 4.9 shall apply).
- 4.9 Notwithstanding the provisions of Clauses 4.3, in any circumstances where either the Directors or the Majority Warranholders may consider that an adjustment to the Subscription Price:
- (a) provided for under those provisions should not be made or should be calculated on a different basis; or
 - (b) shall take effect on a different date or at a different time from that provided for under those provisions,
- the Issuer shall appoint an Approved Investment Bank to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Investment Bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including without limitation, making an adjustment calculated on a different basis), and/or the adjustment shall take effect from such other date and/or time, as shall be certified by such Approved Investment Bank to be in its opinion appropriate **PROVIDED THAT** where the Majority Warranholders have requested any such determination and the Approved Investment Bank determines that no change is required pursuant to paragraph (a) or (b) above, then the expenses of the Approved Investment Bank will be for the account of the Majority Warranholders.
- 4.10 Whenever the Subscription Price is adjusted as herein provided, the Issuer shall:
- (a) give Notice to the Warranholders that the Subscription Price has been adjusted (setting forth the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof);
 - (b) at all times thereafter, for so long as any of the Subscription Rights remains exercisable, make available for inspection at its registered office a signed copy of the certificate of the Auditors or (as the case may be) of the relevant Approved Investment Bank and a certificate signed by a Director setting forth brief particulars of the event giving rise to the adjustment, the Subscription Price in effect prior to such adjustment, the adjusted Subscription Price and the effective date thereof; and
 - (c) on request, send a copy thereof to any Warranholder.
- 4.11 Where more than one event which gives or may give rise to an adjustment to the Subscription Price occurs within such a short period of time (of not more than four weeks) that, in the opinion of the Directors, the foregoing provisions would need to be operated subject to some modification in order to give the intended results, such modification shall be made to the operation of the foregoing provisions as may be certified by an Approved Investment Bank to be in its opinion appropriate in order to give such intended results.

- 4.12** No adjustment shall be made to the Subscription Price where Shares or other securities (including rights, warrants or options are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of employees or former employees (including directors) of the Issuer or any Subsidiary pursuant to any employees' share scheme or plan (including a dividend reinvestment plan) provided that such issues do not amount to, relate to, or entitle such persons to receive, Shares in excess of 5 per cent. of the issued and paid-up Shares.

5. RESTRICTIONS TO PROTECT SUBSCRIPTION RIGHTS

As from the date hereof and for so long as any of the Subscription Rights remain exercisable:

- (a) the Issuer shall at all times keep available for issue, free from pre-emptive rights, out of its authorised but unissued capital sufficient Shares to satisfy in full the Subscription Rights and all other outstanding rights of subscription for and conversion into Shares;
- (b) the Issuer shall not in any way take any steps to modify the rights attached to the Shares as a class or attach any special restrictions thereto;
- (c) the Issuer shall not issue or pay up any securities by way of capitalisation of profits or reserves other than by the issue of fully-paid Shares to holders of Shares;
- (d) the Issuer shall not create or permit to be in issue any Equity Share Capital other than Shares, provided that nothing in this Clause 5(d) shall prevent: (i) any consolidation or sub-division of the Shares; (ii) the issue of Equity Share Capital which does not participate in dividends before a certain date or in respect of a certain financial period but is *pari passu* in all other respects with the Shares; or (iii) the issue of Equity Share Capital to directors and/or employees of the Issuer and/or any Subsidiary pursuant to a Share Option Scheme;
- (e) the Issuer shall procure that, without the sanction of an Extraordinary Resolution at no time shall there be in issue Shares of differing nominal values;
- (f) the Issuer shall not do any act or engage in any transaction the result of which, having regard to the provisions of Clause 4 (other than Clause 4.2), would be to reduce the Subscription Price to below the par value of a Share; and
- (g) the Issuer shall not enter into or be party to a Fundamental Transaction unless it shall, based on the advice of an Approved Investment Bank or with the prior approval of the Majority Warrantheolders, (x) make such adjustment to the Subscription Price so as to ensure that the Warrantheolders retain the economic value of their holding in the Warrants (to the extent that such adjustment is not already made pursuant to Clause 4.3); or (y) ensure that (i) the Successor Entity assumes in writing all of the obligations of the Issuer under the Warrants and in accordance with the provisions of this Clause 5(g) pursuant to written agreements in form and substance satisfactory to the Majority Warrantheolders and approved by the Majority Warrantheolders prior to such Fundamental Transaction, including agreements to deliver to each holder of Warrants in exchange for such Warrants a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to the Warrants, including, without limitation, an adjusted exercise price equal to the value for the Shares reflected by the terms of such Fundamental Transaction, and exercisable for a corresponding number of shares of capital stock equivalent to the Shares acquirable and receivable upon exercise of the Warrant (without regard to any limitations on the exercise of the Warrant) prior to such Fundamental Transaction, and satisfactory to the Majority Warrantheolders and (ii) the Successor Entity is a publicly traded corporation whose common stock is quoted on or listed for trading on a Stock Exchange or an Alternative Stock Exchange; or (z) offer to acquire all of the outstanding Warrants at a fair market price as determined by the Approved Investment Bank.

The provisions of this Clause shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the exercise of this Warrant.

6. UNDERTAKINGS BY THE ISSUER

The Issuer covenants to and with each Warranholder that, for so long as any of the Subscription Rights remain exercisable:

- (a) upon the exercise of any Subscription Rights pursuant to the Conditions, it will within 7 days after the relevant Subscription Date allot the number of Shares for which subscription is made;
- (b) all Shares so allotted shall rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant Subscription Date (unless adjustment therefor has been made as provided in Clause 4), other than any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor shall be before the relevant Subscription Date and notice of the amount and the record date for which shall have been given to the Stock Exchange or the Alternative Stock Exchange, as the case may be, prior to the relevant Subscription Date;
- (c) (subject to Clause 5(g)) it will use its best endeavours to ensure that all Shares allotted on exercise of Subscription Rights shall, upon allotment or as soon as reasonably practicable thereafter, be admitted to listing on the Stock Exchange or the Alternative Stock Exchange, as the case may be;
- (d) it will send to each Warranholder (or, in the case of joint Warranholders, to the Warranholder whose name stands first in the Register in respect of the Warrant held by such joint Warranholders) at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications sent directly by it to the holders of Shares generally; and
- (e) it will pay all Singapore stamp and capital duties, registration fees or similar charges in respect of the execution of this Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights. All other stamp duties or taxes payable (if any) will be for the account of the relevant Warranholder.
- (f) it will use its best endeavours to effect and complete the consolidation of its ordinary shares, with five ordinary shares being consolidated into one ordinary share, by 30 April 2005 and, in any event, subject to shareholders' approval being obtained for such consolidation, will complete the consolidation by 30 June 2005.

7. WINDING UP OF THE ISSUER

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Issuer, then:

- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some person designated by them for such purpose by Extraordinary Resolution, shall be a party or in conjunction with which a proposal is made to the Warranholders and is approved by Extraordinary Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warranholders; and
- (b) in any other case, every Warranholder shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up of the Issuer by irrevocable surrender of his Warrant Certificate(s) to the Issuer with the Subscription Form(s) duly completed, together with payment of the Subscription Price or the relative portion thereof, to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the Subscription Rights represented by such Warrants to the extent specified in the Subscription Form(s) and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the Issuer and the liquidator of the Issuer shall give effect to such election accordingly. The Issuer shall give Notice to the Warranholders of the passing of any such resolution within seven days after

the passing thereof and such notice shall contain a reminder to Warrantheolders with respect to their rights under this Clause 7(b).

Subject to the foregoing, if the Issuer is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant Certificate will cease to be valid for any purposes.

8. TRANSFER, TRANSMISSION AND REGISTER

The Warrants shall be in registered form and each Warrant shall be transferable by instrument of transfer in any usual or common form or such other form as may be approved by the Directors. Transfers of Warrants must be executed by both the transferor and the transferee. For this purpose, the Issuer shall maintain a register of Warrantheolders in Singapore and the provisions of the Articles in relation to the registration, transmission and transfer of Shares and the Issuer's register of members shall apply, *mutatis mutandis*, to the registration, transmission and transfer of the Warrants and the Register and shall have full effect as if the same had been incorporated herein. Warrants may not be transferred in part.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 Business Days prior to and including the last day for subscription, being the Last Subscription Date.

9. PURCHASE AND CANCELLATION

The Issuer or any Subsidiary may at any time purchase Warrants by tender (available to all Warrantheolders alike) at any price but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

10. FURTHER ISSUES

Subject to the terms of this Instrument, the Issuer shall be at liberty to issue Shares or any options, warrants or other rights to subscribe for or purchase any Shares upon such terms and conditions as the Issuer thinks fit and the Warrantheolders shall not have any participating rights in such issues.

11. MEETINGS OF WARRANTHOLDERS

The provisions of the Second Schedule shall have full effect as if the same had been incorporated herein. To the extent that the provisions of the Second Schedule and any further regulations prescribed by the Issuer under paragraph 19 of the Second Schedule do not specifically regulate any aspect of meetings of Warrantheolders (including, without limitation, any matter in connection with convening, notice, appointment of proxies, attendance, adjournment, conduct, voting and recording proceedings in relation to meeting of Warrantheolders), the equivalent provisions of the Articles relating to meeting of holders of Shares shall apply, *mutatis mutandis*, to meetings of Warrantheolders and shall have full effect as if the same had been incorporated herein.

12. OVERSEAS WARRANTHOLDERS

If a Warrantheolder has a registered address in any territory other than Singapore where, in the opinion of the Directors, the allotment of Shares to such Warrantheolder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory and, in the opinion of the Directors, such compliance would be unduly burdensome, then the Issuer shall as soon as practicable after exercise by such Warrantheolder of any Subscription Rights either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantheolder to one or more third parties selected by the Issuer; or

- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Issuer,

in each case for a consideration which is then reasonably obtainable by the Issuer. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Issuer shall pay to the relevant Warrantholder an amount equal to the consideration received by the Issuer therefor (but having deducted therefrom all brokerages, commissions, stamp duty, withholding tax and all other payments, charges or taxes incurred by the Issuer in respect thereof) by posting the relevant remittance to him at his risk. The Issuer is hereby deemed to be authorised to effect any of the aforesaid transactions pursuant to this Clause 12 and, for this purpose, the Issuer may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantholder as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

13. MODIFICATIONS

- 13.1** Any modification to this Instrument may be effected only by way of deed poll, executed by the Issuer and expressed to be supplemental hereto, and only if it shall first have been sanctioned by an Extraordinary Resolution. Any material alteration to this Instrument or any Conditions after the issue thereof to the advantage of the Warrantholders must be approved by the Shareholders in general meeting, except where alterations were made pursuant to the terms and conditions of this Instrument.
- 13.2** A memorandum of every such supplemental deed poll shall be endorsed on this Instrument.
- 13.3** Notice of every modification to this Instrument shall promptly be given to the Warrantholders.

14. SUIT BY WARRANTHOLDERS

- 14.1** The Issuer hereby acknowledges and covenants that the benefit of the covenants, obligations and conditions on the part of or binding upon it contained in this Instrument shall ensure to each and every Warrantholder.
- 14.2** Each Warrantholder shall be entitled severally to enforce the said covenants, obligations and conditions against the Issuer insofar as each such Warrantholder's Warrants are concerned, without the need to join the allottee of any such Warrant or any intervening or other Warrantholder in the proceedings for such enforcement.

15. GOVERNING LAW

This Instrument is subject to and shall be construed in accordance with English law. The Issuer hereby submits to the non-exclusive jurisdiction of the courts of England for all purposes of or in connection with this Instrument. The Issuer irrevocably appoints ● at its address at ● as its agent in England to receive service of process in any Proceedings in England based on the Instrument and/or any of the Warrants. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Warrantholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

IN WITNESS whereof the Issuer has caused its common seal to be affixed hereto on the day and year first above written.

THE COMMON SEAL of
INTERRA RESOURCES LIMITED
was affixed in the presence of:



Director
Name:

Director
Name:

THE FIRST SCHEDULE
FORM OF WARRANT CERTIFICATE

[Face]

Date	Certificate Number	Run/Tfr No	Register	Number of Warrants
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INTERRA RESOURCES LIMITED

(Incorporated in Singapore with limited liability)

REGISTERED 2010 WARRANT TO SUBSCRIBE FOR SHARES

THIS IS TO CERTIFY that the undermentioned person(s) is/are the registered holder(s) of the number of Warrants set out below each with a right to subscribe U.S.\$10,000 for fully-paid shares in Interra Resources Limited (the “**Issuer**”) and is/are entitled, upon and subject to the conditions set out below and on the reverse hereof (the “**Conditions**”), at any time on or after its date of issue but not later than 4:00 pm on the Last Subscription Date (as defined in the Conditions).

+	+	Code:
+	+	Number of Warrants:

The Warrants evidenced by this Warrant Certificate form part of an authorised issue of 1,100 warrants to subscribe at the Subscription Price (as defined in the Conditions) up to the Maximum Number (as defined in the Conditions) in aggregate for Shares, which warrants have been issued subject to and with the benefit of an Instrument by way of deed poll dated ● 2005 and executed by the Issuer (the “**Instrument**”), which is enforceable severally by each Warranholder (as defined in the Conditions) against the Issuer insofar as each such Warranholder’s Warrants are concerned.

Copies of the Instrument are and will be available for inspection by Warranholders at the principal office of the Issuer in Singapore from time to time throughout the Subscription Period (as defined in the Conditions).

Warranholders will be deemed to have notice of all the provisions contained in the Instrument (and any instruments supplemental thereto) and may obtain copies thereof upon request to the Issuer.

GIVEN by Issuer on the date stated above.

Director

Director

NO TRANSFER OF THE WHOLE OR ANY PORTION OF THE WARRANTS EVIDENCED BY THIS CERTIFICATE WILL BE REGISTERED UNLESS ACCOMPANIED BY THIS CERTIFICATE.

CONDITIONS

1. DEFINITIONS

1.1 In these Conditions, the words and expressions set out below shall bear the following meanings:

“Alternative Stock Exchange”	“Alternative Stock Exchange” means at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market, which shall be an internationally-recognised stock exchange or securities market, on which the Shares are then listed or quoted or dealt in.
“Approved Investment Bank”	an investment bank of international repute in Singapore selected by the Directors and approved in writing by the Majority Warrantholders;
“Articles”	the articles of association of the Issuer (as may be amended and modified from time to time);
“Auditors”	the auditors of the Issuer from time to time;
“Board”	the board of Directors;
“Bond”	each of the U.S.\$11,000,000 7.0 per cent. Bonds due 2010 of the Issuer
“Business Day”	a day other than a Saturday or a Sunday on which banks are open for business in Singapore;
“Companies Act”	the Companies Act (Chapter 50 of the Singapore), as may be amended and modified from time to time;
“Conditions”	the terms and conditions endorsed on this Warrant Certificate as the same may be modified from time to time in accordance with the provisions set out herein and “Condition” refers to the relative numbered paragraph of these Conditions;
“Consolidation”	the consolidation of the Issuer’s ordinary fully-paid shares, with five ordinary shares being consolidated into one ordinary share;
“Directors”	the directors of the Issuer from time to time;
“Equity Share Capital”	the issued share capital of the Issuer (excluding any part thereof which does not, either in respect of dividends or in respect of capital, carry any right to participate beyond a specified amount or beyond an amount calculated by reference to a specified rate in a distribution);
“Extraordinary Resolution”	has the meaning set out in paragraph 17 of the Second Schedule hereto;

“Initial Reference Price”	the value in Singapore dollars that is the average of the daily volume average weighted price of Shares traded on the Stock Exchange over the 40 Trading Days from and including the day immediately following the date of issue of the Warrants subject to a minimum Initial Reference Price of S\$0.08;
“Instrument”	the Instrument mentioned on the face hereof (as may be modified from time to time in accordance with the terms thereof) and includes any instrument supplemental thereto which is executed in accordance with the provisions of the Instrument (as may be modified from time to time as aforesaid);
“Issuer”	Interra Resources Limited;
“Last Subscription Date”	the date which is the fifth anniversary of the date of issue of the Warrants;
“Majority Warrantholders”	the holders from time to time of 75% of the outstanding Warrants;
“Maximum Number”	the aggregate number of new Shares which will be issued upon a full exercise of all the Warrants;
“Notice”	a notice given or to be given in accordance with Condition 13;
“Record Date”	the date fixed by the Articles or otherwise specified by the Issuer for the purpose of determining entitlement to dividends or other distributions to, or rights of, holders of Shares;
“Register”	the register of Warrantholders required to be maintained pursuant to Condition 5;
“Shares”	the shares of S\$0.05 each (and following the Consolidation, S\$0.25 each) in the authorised capital of the Issuer existing on the date of the Instrument and all other (if any) stock or shares from time to time ranking <i>pari passu</i> therewith and all other (if any) shares or stock in the Equity Share Capital resulting from any sub-division, consolidation or re-classification of Shares;
“Share Option Scheme”	any scheme approved in general meeting by the shareholders of the Issuer for the issue or grant to directors and/or employees of the Issuer and/or any Subsidiary of Shares or options to subscribe for Shares;
“Share Price”	in relation to a Share on any Trading Day, the volume weighted average price of the Shares as obtained or derived from the Stock Exchange or the Alternative Stock Exchange, as the case may be on that Trading Day or if no transaction in respect of the Shares takes place on that Trading Day, the average of the closing bid and offer prices on that day in respect of the Shares as derived from the Stock Exchange or the Alternative Stock Exchange, as the case may be;
“Singapore dollars”, “S\$” and “cents”	Singapore dollars and cents respectively;

“Stock Exchange”	The SGX-ST Dealing and Automated Quotation System of the Singapore Exchange Securities Trading Limited;
“Subscription Date”	in relation to any Warrant, any Business Day falling during the Subscription Period on which the Subscription Right represented by such Warrant is duly exercised before the close of business on such day by delivery of the Warrant Certificate in respect thereof to the Issuer with the Subscription Form duly completed, together with a remittance for the aggregate Subscription Price or delivery of Bonds having a nominal value equal to such aggregate Subscription Price and otherwise in accordance with Condition 2, provided that, if such rights are exercised during a period when the register of holders of Shares is closed, the Subscription Date will be the next following Business Day on which such register is open;
“Subscription Form”	in relation to any Warrant, the form endorsed on each Warrant Certificate in respect thereof (or a separate form obtained from the office of the Issuer which the Issuer may in its discretion permit to be used for the purpose of exercise of Subscription Rights) and includes also, where the context admits or requires, a consolidated Subscription Form in relation to <i>inter alia</i> that Warrant which may be obtained from the office of the Issuer;
“Subscription Period”	the period from the date 40 Trading Days after [CLOSING DATE] to 4:00 pm on the Last Subscription Date (both dates inclusive);
“Subscription Price”	the sum payable in respect of each of the Shares to which the registered holder of each Warrant will be entitled upon exercise of the Subscription Right represented thereby, being the amount in Singapore dollars that is 105 per cent. of the Initial Reference Price in cash per Share initially (at the date of the Instrument) or such adjusted price as may from time to time be applicable in accordance with the terms of the Instrument referred to in Condition 3;
“Subscription Rights”	the rights of the Warrantholders represented by the Warrants to subscribe for the Maximum Number of Shares pursuant to the Warrants and, in relation to each Warrant, means the right of the relevant Warrantholder to subscribe for Shares at the Subscription Price, upon and subject to these Conditions;
“Subsidiary”	Goldwater Company Limited, PT Central Interra Utama, Goldwater TMT Pte Ltd, Goldpetrol Joint Operating Company Inc., PT Retco, in each case for so long as such company remains a Subsidiary of the Issuer, and any company or other business entity of which the Issuer owns or controls (either directly or through one or more other subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of the Issuer or which, under Singapore law, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of the Issuer;

“Trading Day”	a day (other than a Saturday or Sunday) on which the Stock Exchange or the Alternative Stock Exchange, as the case may be, is open for business;
“Warrant Certificates”	the certificates (in registered form) issued in respect of the Warrants in accordance with the provisions set out in the Instrument;
“Warrantholders”	in relation to any Warrant, the person or persons who is or are from time to time registered in the Register as the holder or joint holders of the Warrant; and
“Warrants”	the rights created by the Instrument and entitling the registered holders hereof to exercise Subscription Rights on the terms set out in the Instrument and in these Conditions (as modified by any supplemental deed polls).

1.2 Unless the context otherwise requires, terms importing the singular number only shall include the plural and *vice versa* and terms importing persons shall include firms and corporations and terms importing one gender only shall include all other genders.

2. EXERCISE OF SUBSCRIPTION RIGHTS

2.1 Subject to the provisions hereof and to compliance with all fiscal and other laws and regulations applicable thereto, the registered holder of each Warrants will have the right, which may be exercised in whole or in part at any time during the Subscription Period (subject to Condition 12 below), to subscribe in Singapore dollars for fully-paid Shares at the Subscription Price per Share. After 4:00 pm on the Last Subscription Date, any Subscription Rights which have not been exercised will lapse and all Warrants will cease to be valid for any purpose.

2.2 In order to exercise in whole or in part the Subscription Rights represented by this Warrant Certificate, the Warrantholder must complete and sign the Subscription Form (which shall be irrevocable) and deliver this Warrant Certificate (and, if the subscription form used shall not be the form endorsed hereon, that subscription form) to the Issuer, together with a remittance for the aggregate Subscription Price (or, in the case of a partial exercise, the relevant portion of the aggregate Subscription Price). In each case compliance must also be made with any exchange control, fiscal or other laws or regulations applicable at that time. If the Warrantholder is also the holder of a Bond, such Warrantholder may at its option satisfy its obligation to remit the aggregate Subscription Price by surrendering such Bond for redemption in accordance with Condition 6(e) of the Bonds.

2.3 The number of Shares to be allotted on exercise of the Subscription Rights shall be the nominal face amount of Warrants exercised as specified in the relevant Subscription Form and duly remitted as aforesaid divided by the aggregate Subscription Price applicable on the Subscription Date translated into U.S. dollars at the rate of S\$1.6391 = U.S.\$1.00. Each Warrant entitles the holder to subscribe the Singapore dollar equivalent of U.S.\$10,000 at such exchange rate (namely S\$16,391) of Shares. No fraction of a Share shall be issued by the Issuer and any entitlement to a fraction of a Share shall be rounded down to the nearest whole Share.

2.4 The Issuer has undertaken in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights represented by this Warrant Certificate will be issued and allotted not later than 7 days after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date (unless adjustment therefor has been made as provided in Condition 3), other than any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor shall be before the relevant Subscription Date and notice of the amount and the record date for which shall have been given to the Stock Exchange or the Alternative Stock Exchange, as the case may be, prior to the relevant Subscription Date.

2.5 As soon as practicable after the relevant allotment of Shares under this Condition (and not later than 7 days after the relevant Subscription Date), there will be issued free of charge to the Warranholder of the Warrant represented by this Warrant Certificate:

- (a) a certificate for the relevant Shares in the name of such Warranholder; and
- (b) (if applicable) a balancing Warrant Certificate in registered form in the name of such Warranholder in respect of any Subscription Rights represented by this Warrant Certificate which remains unexercised.

The certificate(s) for Shares arising on the exercise of Subscription Right and the balancing Warrant Certificate (if any) will be sent by post at the risk of such Warranholder to the address of such Warranholder or (in the case of a joint holding) to that one of them whose name stands first in the Register.

3. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price in specified circumstances. The following is a summary of, and is subject to, the provisions of Clause 4 of the Instrument:

3.1 The Subscription Price shall be reset downwards on each 31 March (excluding 31 March 2005), 30 June, 30 September and 31 December during the Subscription Period, except for the last Subscription Date (each a “**Reset Date**”), to 105 per cent. of the Share Price of the Share over the 20 consecutive Trading Days ending on the relevant Reset Date, subject, unless otherwise agreed by the Directors, to a minimum Subscription Price of 70 per cent. of the Initial Reference Price.

3.2 The Subscription Price shall (except as provided in Condition 3.3) be further adjusted as provided in and subject to the provisions of the Instrument in each of the following cases:

- (a) an alteration of the nominal amount of the Shares by reason of any consolidation, subdivision or reclassification;
- (b) an issue by the Issuer of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued, save where Shares are issued in lieu of the Relevant Cash Dividend (as defined in the Instrument), being a Scrip Dividend (as defined in the Instrument) and which would not have constituted a Capital Distribution (as defined in the Instrument);
- (c) an issue of Shares by way of a Scrip Dividend where the Current Market Price (as defined in the Instrument) of such Shares exceeds 105 per cent. of the amount of the Relevant Cash Dividend and which would not have constituted a Capital Distribution;
- (d) a Capital Distribution being paid or made by the Issuer to the Shareholders (except where the Subscription Price falls to be adjusted under paragraph (b) or (c) above);
- (e) an issue of Shares by the Issuer to all or substantially all of the Shareholders as a class by way of rights, or issue or grant to all or substantially all the Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95 per cent. of the Current Market Price (as defined in the Instrument) ;
- (f) an issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) by the Issuer to all or substantially all the Shareholders as a class, by way of rights or the grant to all or substantially all the Shareholders as a class by way of rights, of options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

- (g) an issue (otherwise than as described in paragraph (e) above) wholly for cash being made by the Issuer for any Shares (other than Shares issued on the exercise of Subscription Rights or on the exercise on any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as described in paragraph (e) above) options warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 95 per cent. of the Current Market Price of the last Trading Day preceding the date of the announcement of the terms of such issue;
- (h) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves failing within the provisions under this paragraph (h), an issue being made wholly for cash of Shares (otherwise than as described in paragraphs (d), (e), (f) or (g) above)) by the Issuer or any Subsidiary or any other company, person or entity of any securities (other than the Warrants) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the terms of issue of such securities;
- (i) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are described in paragraph (g) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification;
- (j) an issue, sale or distribution by or on behalf of the Issuer or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Issuer or any Subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 70 per cent. of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Subscription Price falls to be adjusted as described under paragraphs (d), (e), (f), (g) or (h) above); and
- (k) if either the Issuer or the Majority Warrantholders determines that an adjustment should be made to the Subscription price as a result of one or more events or circumstances not referred to in paragraphs (a) to (j) above.

3.3 No adjustment shall be made to the Subscription Price in respect of any issue of new Shares pursuant to paragraph (e) above unless such issues during any 12 month period amount in aggregate to Shares in excess of 5.00 per cent. of the average number of issued and outstanding Shares during such 12 months, in which event adjustments shall be made for each issue occurring within such 12 months in accordance with Condition 3.2.

3.4 Notwithstanding the provisions referred to in Condition 3.2, in any circumstances where either the Directors or the Majority Warrantholders may consider that an adjustment to the Subscription Price:

- (a) provided for under those provisions should not be made or should be calculated on a different basis; or
- (b) should take effect on a different date or at a different time from that provided for under those provisions,

the Issuer shall appoint an Approved Investment Bank to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such Approved Investment Bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment, in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time, as shall be certified by such Approved Investment Bank to be in its opinion appropriate **PROVIDED THAT** where the Majority Warranholders have requested any such determination and the Approved Investment Bank determines that no change is required pursuant to paragraph (a) and (b) above, then the expenses of the Approved Investment Bank will be for the account of the Majority Warranholders.

- 3.5** Any adjustment to the Subscription Price shall be made to the nearest one hundredth of one cent so that any amount under half of one hundredth of one cent shall be rounded down and any amount of half of one hundredth of one cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. No adjustment may be made (except on a consolidation of Shares) which would increase the Subscription Price.
- 3.6** The Subscription Price may not be reduced so that Shares would fall to be issued at a discount to their nominal value or would require Shares to be issued in any other circumstances not permitted by applicable law or the rules of the Stock Exchange or Alternative Stock Exchange, as the case may be.
- 3.7** Where more than one event which gives or may give rise to an adjustment to the Subscription Price occurs within such a short period of time (of not more than four weeks) that, in the opinion of the Directors, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be certified by an Approved Investment Bank to be in its opinion appropriate in order to give such intended result.
- 3.8** Every adjustment to the Subscription Price will be certified to be fair and appropriate by the Auditors, an Approved Investment Bank or the Majority Warranholders and Notice of each adjustment (giving the relevant particulars) will be given to the Warranholders. In giving any certificate or making any adjustment hereunder, the Auditors or the Approved Investment Bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest errors, the decision shall be conclusive and binding on the Issuer and the Warranholders and all persons claiming through or under them respectively. Any such certificate of the Auditors and/or Approved Investment Bank will be available for inspection at the principal office of the Issuer from time to time, where copies may be obtained.
- 3.9** Any additional Warrants which may be issued by the Issuer pursuant to this Condition 3 shall be part of the series of Warrants constituted by this Instrument and shall be issued subject to and with the benefit of this Instrument.

4. REGISTERED WARRANTS

The Warrants are issued in registered form. The Issuer shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

5. TRANSFER, TRANSMISSION AND REGISTER

- 5.1** The Warrants represented by this Warrant Certificate are transferable, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Issuer shall maintain a register of Warrantholders accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. The provisions of the Articles relating to the registration, transmission and transfer of Shares and the Issuer's register of members shall apply, *mutatis mutandis*, to the registration, transmission and transfer of the Warrants and the Register and shall have full effect as if the same had been incorporated herein. Warrants may not be transferred in part.
- 5.2** Registration of a transfer of Warrants will be effected by on behalf of the Issuer upon payment (or the giving of such indemnity as the Issuer may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.
- 5.3** Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 Business Days prior to and including the last day for subscription, being the Last Subscription Date.

6. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed for such period as the Directors may from time to time direct, provided that the same shall not be closed for a period of more than 60 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall:

- (a) as between the Issuer and the person claiming under the relevant transfer of Warrants; or
- (b) as between the Issuer and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise),

be considered as made immediately after the reopening of the Register.

7. PURCHASE AND CANCELLATION

The Issuer or any Subsidiary may at any time purchase Warrants by tender (available to all Warrantholders alike) at any price but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be reissued or re-sold.

8. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- 8.1** The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by an Extraordinary Resolution of the provisions of the Instrument and/or these Conditions. An Extraordinary Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not. A resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the outstanding Warrants who for the time being are entitled to receive notice of a meeting in accordance with this Condition shall for all purposes be as valid as an Extraordinary Resolution passed at a meeting of Warrantholders convened and held in accordance with these provisions. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Warrantholders.

- 8.2** All or any of the rights attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Issuer is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of these Conditions and/or the Instrument) and the sanction of an Extraordinary Resolution shall be necessary and sufficient to effect such alteration or abrogation. Any material alteration to this Instrument after the issue thereof to the advantage of the Warrantheolders must be approved by the Shareholders in general meeting, except where alterations were made pursuant to the terms and conditions of this Instrument.

9. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Issuer, be replaced at the principal office of the Issuer (or such other place as may be determined by the Directors) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Issuer may require and on payment of such fee not exceeding S\$100.00 (or such higher fee as may from time to time be permitted by the Stock Exchange or the Alternative Stock Exchange, as the case may be) as the Issuer may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Issuer designed to protect the Subscription Rights.

11. CALL

The Issuer may, on giving not less than 30 Business Days' Notice, require Warrantheolders to exercise all or part of their Subscription Rights failing which such Subscription Rights shall lapse if any the following circumstances should have occurred at the time such Notice is given:

- (a) if, during the period between six months and 18 months after [Issue Date] 2005, the Share Price is at least 150 per cent. of the prevailing Subscription Price for 20 consecutive Trading Days;
- (b) if, during the period between 18 months (inclusive) and 30 months after [Issue Date] 2005, the Share Price is at least 140 per cent. of the prevailing Subscription Price for 20 consecutive Trading Days; or
- (c) if, during the period between 30 months (inclusive) after [Issue Date] 2005 and the Last Subscription Date, the Share Price is at least 130 per cent. of the prevailing Subscription Price for 20 consecutive Trading Days.

On expiry of such Notice, all unexercised Warrants which were the subject of such Notice will be automatically cancelled without compensation to Warrantheolders.

12. UNDERTAKINGS BY THE ISSUER

In addition to the undertakings given by it in relation to the grant and exercise of the Subscription Rights and the protection thereof, the Issuer has undertaken in the Instrument, among others, that:

- (a) it will use its best endeavours to ensure that all Shares allotted on the exercise of Subscription Rights shall, upon allotment or as soon as reasonably practicable thereafter, be admitted to listing on the Stock Exchange, or the Alternative Stock Exchange, as the case may be, (save that this obligation shall lapse in the event that the listing of the Shares on the Stock Exchange, or the Alternative Stock Exchange, as the case may be, is withdrawn following an offer for all or any of the Shares (whether by way of scheme of arrangement or otherwise) where a like offer is extended to holders of the Warrants or to holders of any Shares issued on exercise of the Warrants during the period of the offer (whether by way of proposal to Warrantheolders or otherwise));

- (b) it will send to each Warrantholder (or, in the case of joint Warrantholders, to the Warrantholder whose name stands first in the Register in respect of the Warrant held by such joint Warrantholders), at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of Shares generally;
- (c) it will pay (subject to certain exceptions as provided in the Instrument) all Singapore stamp and capital duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights; and
- (d) it will use its best endeavours to effect and complete the consolidation of its ordinary shares, with five ordinary shares being consolidated into one ordinary share, by 30 April 2005 and, in any event, subject to shareholders' approval being obtained for such consolidation, will complete the consolidation by 30 June 2005.

13. NOTICES

13.1 The Instrument contains provisions relating to Notices to be given to Warrantholders.

13.2 Every Warrantholder shall register with the Issuer an address either in Singapore or elsewhere to which Notices can be sent and if any Warrantholder shall fail so to do, Notice may be given to such Warrantholder by sending the same in any of the manners mentioned below to his last known place of business or residence or, if there be none, by posting the same for three days at the registered office and/or principal office of the Issuer from time to time.

13.3 A Notice may be given by delivery, prepaid letter (airmail in the case of an overseas address), cable, telex message.

13.4 All Notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons is named first in the Register and Notice so given shall be sufficient Notice to all the joint holders of such Warrants.

14. NOTICE OF LAST SUBSCRIPTION DATE

The Issuer shall make an announcement as to the expiry of the Warrants and, not later than one month before the Last Subscription Date, give Notice to the Warrantholders of the Last Subscription Date.

15. OVERSEAS WARRANTHOLDERS

If a Warrantholder has a registered address in any territory other than Singapore where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory and, in the opinion of the Directors, such compliance would be unduly burdensome, then the Issuer shall as soon as practicable after exercise by such Warrantholder of any Subscription Rights either:

- (a) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Issuer; or
- (b) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Issuer,

in each case for a consideration which is then reasonably obtainable by the Issuer. As soon as reasonably practicable following any such allotment or (as the case may be) allotment and sale, the Issuer shall pay to the relevant Warrantholder an amount equal to the consideration received by the Issuer therefor (but having deducted therefrom all brokerages, commissions, stamp duty, withholding tax and all other payments, charges or taxes incurred by the Issuer in respect

thereof) by posting the relevant remittance to them at their risk. The Issuer is hereby deemed to be authorised to effect any of the aforesaid transactions pursuant to this Condition 15 and, for this purpose, the Issuer may appoint one or more persons to execute such transfers, renunciations or other documents on behalf of the relevant Warrantheader as may be required to be executed and generally may make all such arrangements as may appear to the Directors to be necessary or appropriate in connection therewith.

16. WINDING UP OF THE ISSUER

If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Issuer, then:

- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantheaders, or some person designated by them for such purpose by Extraordinary Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantheaders and is approved by Extraordinary Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantheaders; and
- (b) in any other case, every Warrantheader shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up of the Issuer by irrevocable surrender of his Warrant Certificate(s) to the Issuer with the Subscription Form(s) duly completed, together with payment of the Subscription Price or the relative portion thereof, to elect to be treated as if he had immediately prior to the commencement of such winding-up exercised the Subscription Rights represented by such Warrants to the extent specified in the Subscription Form(s) and had on such date been the holder of the Shares to which he would have become entitled pursuant to such exercise and the Issuer and the liquidator of the Issuer shall give effect to such election accordingly. The Issuer shall give Notice to the Warrantheaders of the passing of any such resolution within seven days after the passing thereof and such Notice shall contain a reminder to Warrantheaders with respect to their rights under this Condition 16(b).

Subject to the foregoing, if the Issuer is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant Certificate will cease to be valid for any purposes.

17. GOVERNING LAW

The Instrument and the Warrants are governed by and will be construed in accordance with English law.

THE FIRST SCHEDULE

SUBSCRIPTION FORM

(To be executed and lodged with the Issuer to exercise the Warrants represented by this Warrant Certificate) (see note (1) below).

To: Interra Resources Limited (the “**Issuer**”)

The undersigned, being the duly registered holder(s) of the Warrants represented by this Warrant Certificate:

- (A) hereby irrevocably elect(s) to exercise the Warrants represented by this Warrant Certificate to the extent of _____ Warrant(s), equivalent to an aggregate Subscription Price of U.S.\$ _____/all of the aggregate Subscription Price (see note (2) below) and to subscribe such amount of the aggregate Subscription Price accordingly for the relevant number of Shares in the capital of the Issuer at the Subscription Price, and agree(s) to accept such Shares on the terms of the Memorandum and Articles of Association of the Issuer;
- (B) make(s) payment in full for such Shares by either (i) sending herewith a cheque for the full amount mentioned in paragraph (A) of this Form or (ii) surrendering Bond(s) for redemption pursuant to Condition 6(e) of the Conditions of the Bonds (see note (2) below); and
- (A) request(s) that a certificate for such Shares and a balancing Warrant Certificate (if any) in registered form in respect of any Warrants represented by this Warrant Certificate which remains unexercised be issued in the name(s) of the person(s) whose name(s) stand(s) in the register of Warranholders as the Warranholder(s) of the Warrants represented by this Warrant Certificate and that such certificate(s) be sent by post at the risk of such Warranholder(s) to the address of such Warranholder(s) or (in the case of a joint holding) to that one of them whose name stands first in such register in respect of the Warrants represented by this Warrant Certificate.

Dated: _____ 200 _____

Signature(s): _____

(See note (4) below)

Notes:

- (1) Please complete and delete as appropriate. If only some of and not all of the Warrants represented by this Warrant Certificate is exercised, the number inserted in paragraph (A) of this Form must be a whole number.
- (2) Remittances must be in the form of a cheque, cashier's order or bank draft drawn in U.S. dollars on a bank in New York City or such other place as may be determined by the Directors and be made payable to "Interra Resources Limited". Bonds must be delivered in accordance with the Conditions.
- (3) In the case of a joint holding, all joint holders must sign.
- (4) In exercising the Subscription Rights represented by this Warrant Certificate, compliance must be made with any exchange control, fiscal or other laws or regulations applicable at the relevant time.

THE SECOND SCHEDULE

PROVISIONS FOR MEETINGS OF THE WARRANTHOLDERS

1. The Issuer at any time may, and upon a request in writing of the Warranholders holding not less than 10 per cent. of the Subscription Rights for the time being outstanding shall, convene a meeting of the Warranholders. Every such meeting shall be held at such place as the Directors may approve.
2. At least 21 days' Notice shall be given to the Warranholders. The Notice shall specify the day, time and place of the meeting and the terms of the resolutions to be proposed. The accidental omission to give Notice to or the non-receipt of Notice by any of the Warranholders shall not invalidate the proceedings at any meeting.
3. A person (who may, but need not be, a Warranholder) nominated in writing by the Issuer shall be entitled to take the chair at every such meeting but, if no such nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for the holding of such meeting, the Warranholders present shall choose one of their number to be chairman.
4. At any such meeting two or more persons holding Warrants and/or being proxies and being or representing in aggregate not less than 10 per cent. of the value of the Subscription Rights represented by the Warrants outstanding and exercisable at that time shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and two or more persons holding Warrants and/or being proxies and being or representing in aggregate not less than 25 per cent. of the value of the Subscription Rights represented by the Warrants outstanding and exercisable at that time shall form a quorum for the passing of an Extraordinary Resolution. No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business and throughout the meeting.
5. If within half an hour after the time appointed for any meeting a quorum is not present, the meeting shall, if convened upon the requisition of Warranholders, be dissolved. In any other case, it shall stand adjourned for such period, not being less than 14 days nor more than 28 days, and to such time and place, as may be appointed by the chairman. At such adjourned meeting, two or more persons present in person holding Warrants and or being proxies (whatever the number of the Warrants so held or represented) shall form a quorum and shall have the power to pass any resolution (including an Extraordinary Resolution) and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting.
6. The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time and from place to place, but no business shall be transacted at any adjourned meeting, except business which might lawfully have been transacted at the meeting from which the adjournment took place.
7. At least 10 days' Notice of any meeting adjourned through want of a quorum shall be given in the same manner as of an original meeting, and such Notice shall state the quorum required at such adjourned meeting. Subject as aforesaid, it shall not be necessary to give any Notice of an adjourned meeting.
8. Every question submitted to a meeting shall be decided in the first instance by a show of hands and, in case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which the chairman may be entitled as a Warranholder or as a proxy.

9. At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by one or more persons holding one or more Warrants and/or being proxies and being or representing in aggregate the holders of not less than 10 per cent. of the value of the Subscription Rights then outstanding and exercisable, a declaration by the chairman that a resolution has been carried or carried by a particular majority (or lost or not carried by any particular majority) shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
10. If at any meeting a poll is so demanded, it shall be taken in such manner and, subject as hereinafter provided, either at once or after any adjournment, as the chairman directs, and the result of such poll shall be deemed to be the resolution as at the date of the taking of the poll of the meeting at which the poll was demanded. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.
11. Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.
12. The Issuer (through its representatives) and legal and financial advisers shall be entitled to attend and speak at any meeting of the Warranholders. Save as aforesaid, no person shall be entitled to attend or vote at any meeting of the Warranholders or to join with others in requesting the convening of such a meeting, unless he is a Warranholder or the duly authorised representative of a corporate Warranholder or a duly appointed proxy. Neither the Issuer nor any Subsidiary shall be entitled to vote in respect of Warrants held by it or on its behalf, nor shall the holding of any such Warrants count towards a quorum or be considered to be outstanding and exercisable for the purposes of paragraphs 1, 4 and 9 of this Second Schedule. A Warranholder who has exercised any Subscription Rights represented by Warrants by delivering to the Issuer a Subscription Form together with the applicable Warrant Certificate(s) and remittance moneys on or before the day on which the meeting is held shall not be entitled to vote in respect of such Subscription Rights, nor shall the holding of such Subscription Rights count towards a quorum or be considered to be outstanding and exercisable for the purposes of paragraphs 1, 4 and 9 of this Second Schedule.
13. Subject as provided in paragraph 12 of this Second Schedule, at any meeting:
 - (a) on a show of hands, every Warranholder who is present in person or (in the case of a corporation) by a duly authorised representative and every person who is a proxy shall have one vote; and
 - (b) on a poll, every Warranholder who is present in person or (in the case of a corporation) by a duly authorised representative and any Warranholder who is present by proxy shall have one vote in respect of each Warrant held by him outstanding and exercisable at that time.

Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

14. Any Warranholder entitled to attend and vote at a meeting of the Warranholders shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Warranholder may appoint separate proxies to represent respectively such number of Warrants held by him as may be specified in the instruments appointing them, provided that unless otherwise permitted by the Issuer, no Warranholder may appoint more than two such proxies. Every instrument of proxy shall be in such form as the Issuer may from time to time approve. To be valid, the form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Issuer's registered office in Singapore from time to time at least 48 hours before the time for holding the meeting or adjourned meeting, provided that the Issuer may from time to time prescribe such additional or other regulations concerning the deposit of proxy forms as the Directors may think fit. A proxy need not be a Warranholder.

15. A meeting of the Warranholders shall, in addition to all other powers (but without prejudice to any powers conferred on other persons by this Instrument), have the following powers exercisable by an Extraordinary Resolution, namely:
 - (a) power to sanction any compromise or arrangement proposed to be made between the Issuer and the Warranholders or any of them;
 - (b) power to sanction any proposal by the Issuer for modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Warranholders against the Issuer, whether such rights shall arise under this Instrument or otherwise and whether or not the Issuer is being wound up (including, but without prejudice to the generality thereof, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the Conditions and/or this Instrument), provided that the same shall be effected only by deed poll executed by the Issuer and expressed to be supplemental to this Instrument;
 - (c) power to sanction any proposal by the Issuer for the exchange or substitution for the Warrants of, or the conversion of the Warrants into, shares, stock, bonds, debentures, debenture stock or other obligations or securities of the Issuer, or any other body corporate formed or to be formed;
 - (d) power to assent to any modification of the conditions to which the Warrants are subject and/or the provisions contained in this Instrument which shall be proposed by the Issuer;
 - (e) power to authorise any person to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolutions;
 - (f) power to discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under this Instrument or the Conditions;
 - (g) power to give any authority, direction or sanction which under the provisions of this Instrument or the Conditions is required to be given by an Extraordinary Resolution; and
 - (h) power to appoint any persons (whether Warranholders or not) as a committee or committees to represent the interests of the Warranholders and to confer upon such committee or committees any powers or discretions which the Warranholders could themselves exercise by Extraordinary Resolution.
16. An Extraordinary Resolution shall be binding upon all the Warranholders, whether present or not present at such meeting, and each of the Warranholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justified the passing thereof.
17. The expression "Extraordinary Resolution" when used in this Instrument means a resolution passed at a meeting of the Warranholders duly convened and held and carried by a majority consisting of not less than three-fourths of the votes cast upon a show of hands or if a poll is duly demanded a majority consisting of not less than three-fourths of the votes cast on a poll.
18. A resolution in writing signed by or on behalf of the Warranholders of not less than three-fourths of the number of the Warrants who for the time being are entitled to receive notice of a meeting in accordance with these provisions shall for all purposes be as valid as an Extraordinary Resolution passed at a meeting of Warranholders convened and held in accordance with these provisions. Such resolution in writing may be in one document or several documents in like form each signed by or on behalf of one or more of the Warranholders.
19. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer, and any such minutes, if the same are signed by the chairman of the meeting at which such resolutions were passed or proceedings transacted or by the chairman of the next succeeding meeting of the Warranholders, shall be conclusive evidence of the matters therein contained and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made and signed as aforesaid shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted thereat to have been duly passed and transacted.

20. Subject to all other provisions contained in this Instrument, the Issuer may without the consent of the Warranholders prescribe such further regulations regarding the holding of meetings of Warranholders and attendance and voting thereat as the Issuer may at its sole discretion determine (including particularly, but without prejudice to the generality of the foregoing, such regulations as the Issuer thinks reasonable so as to satisfy itself that persons are in fact Warranholders who purport to requisition a meeting in accordance with paragraph 1 of this Second Schedule).

APPENDIX III

LETTER FROM KPMG CORPORATE FINANCE IN RESPECT OF THE PROPOSED ACQUISITION AND THE PROPOSED ISSUE

Private and confidential

Board of Directors
Interra Resources Limited
391A Orchard Road
#13-06 Ngee Ann City Tower A
Singapore 238873

Our ref VS/STK/HW
Contact Vishal Sharma
Telephone +65 6213 2845

6 April 2005

Dear Sirs

1. INTRODUCTION

This letter has been prepared for inclusion in the circular (the “**Circular**”) to be issued by Interra Resources Limited (the “**Company**” or “**Interra**”) to the Shareholders of the Company dated 6 April 2005 in connection with, *inter alia*, the proposed acquisition of MC Oil & Gas Java B.V. (“**MOGJ**”) & MC Oil and Gas Sumatra B.V. (“**MOGS**”) (the “**Proposed Acquisition**”) and proposed issue of US\$11,000,000 in principal value of 7.0% secured bonds due 2010 with detachable warrants carrying the right to subscribe for new ordinary shares in the capital of the Company (the “**Proposed Issue**”) to Amaranth LLC (“**Amaranth**”).

KPMG Corporate Finance Pte Ltd (“KPMG Corporate Finance”) has been appointed to advise the Board of Directors as to whether the Proposed Acquisition and the Proposed Issue are on normal commercial terms and whether or not they are prejudicial to the interests of the Company’s shareholders who are entitled to vote (“**Entitled Shareholders**”) at the EGM at which the resolutions in the Circular are being tabled.

This letter forms part of the Circular to the Shareholders which provides, *inter alia*, details of the Proposed Acquisition and the Proposed Issue, and the recommendation to the Board of Directors thereon. Unless otherwise defined or the context otherwise requires, the definitions used in the Circular shall apply throughout this letter.

2. TERMS OF REFERENCE

KPMG Corporate Finance was neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition and the Proposed Issue, nor were we involved in the deliberations leading up to the decision of the Directors to enter into the Proposed Acquisition and Proposed Issue and we do not, by this letter, warrant the merits of any part of the Proposed Acquisition and Proposed Issue other than to form an opinion addressed to the Board of Directors stating whether the Proposed Acquisition and Proposed Issue are on normal commercial terms and whether or not they are prejudicial to the interests of the Entitled Shareholders

It is not within our terms of reference to evaluate or comment on the legal, commercial or financial merits or risks of the Proposed Acquisition or the Proposed Issue; nor are we required to evaluate or comment on the strategic potential or future prospects of the Company after the completion of the Proposed Acquisition or the Proposed Issue. Such evaluations or comments are solely the responsibility of the Directors and the management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

We were not requested or authorised to identify, and we have not sought to identify, any investment or financing proposals being offered by or that could be offered by third parties as alternatives to the Proposed Acquisition or the Proposed Issue, whether or not similar to or in lieu of the Proposed Acquisition or the Proposed Issue. We therefore do not express an opinion on the relative merits or risks of the Proposed Acquisition or of the Proposed Issue vis-à-vis any third party indications or alternative acquisition or issue options, including those previously considered by or those that might be considered by the Company in the future.

In arriving at our opinion, we have held discussions with the Directors and management of the Company and have examined publicly available information collated by us as well as information provided to us by the Directors and management of the Company, pertaining to the Proposed Acquisition and Proposed Issue, including information contained in the Circular.

We have relied upon and assumed the accuracy of the relevant information, both written and verbal, provided to us by the aforesaid parties. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. Nevertheless, the Directors have confirmed to us that to the best of their knowledge and belief, the information contained herein constitutes a full and true disclosure, in all material respects, of all material facts of the Proposed Acquisition and the Proposed Issue, and there is no material information the omission of which would make any information contained herein to be inaccurate, incomplete or misleading in any material respect. We have also made reasonable enquiries and used our judgment in assessing such information and found no reason to doubt the reliability of such information. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, future financial position or earnings potential of the Company, MOGJ or MOGS. In performing our evaluation, we have not relied upon any financial projections or forecasts in respect of the Company, MOGJ or MOGS. The opinion set forth herein is based solely on publicly available information as well as information provided by the Directors and management of the Company, and is predicated upon the economic and market conditions prevailing as at the date of this opinion. This letter therefore does not reflect any projections on the future financial performance of either the Company, MOGJ or MOGS after the completion of the Proposed Acquisition or the Proposed Issue.

Our view is based upon market, economic, industry, monetary, and other conditions in effect on, and the information made available to us, as at, the Latest Practicable Date or the date of this letter. Such conditions can change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion in the light of any subsequent development after the date of this letter even if it might affect our opinion contained herein.

In rendering our advice and giving our recommendation, we did not have regard to the specific investment objectives, financial situation or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

This letter is addressed to the Board of Directors for their benefit in connection with and for the purposes of their consideration of the Proposed Acquisition and the Proposed Issue, and the recommendations made by them shall remain the responsibility of the Board of Directors. This letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

No other person may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner except with KPMG Corporate Finance's prior written consent in each specific case.

Our recommendation in relation to the Proposed Acquisition and Proposed Issue, as set out in section 9 of the Circular, should be considered in the context of the entirety of this letter and the Circular.

3. THE PROPOSED ACQUISITION

On 22 December 2004, the Directors announced that, following a competitive bid process, the Company and Citigroup Financial Products Inc. (“**CFP**”) have entered into a conditional sale and purchase agreement (“**Sale and Purchase Agreement**”) with Mitsubishi Corporation (“**Mitsubishi**”) and its wholly-owned subsidiary MC Oil & Gas Holding B.V. (“**MOGH**”) in relation to the proposed acquisition of MOGH’s 5% non-operated interests in two production sharing contracts (“**PSC**”) for oil and gas interests in Indonesia, namely Offshore Northwest Java PSC (“**ONWJ**”) and South East Sumatra PSC (“**SES**”).

The Proposed Acquisition will take the form of a sale by MOGH to the Company and CFP (together referred to as the “**Consortium**”) of the entire issued share capital of two wholly-owned subsidiaries of MOGH incorporated in The Netherlands, namely MOGJ and MOGS, which currently hold the 5% non-operated interests in ONWJ and SES respectively.

CFP is acting as a financial investor in the Proposed Acquisition. CFP has confirmed to the Company that it does not hold its equity interests in SPV on behalf of another person and it is not acting in concert with, or a nominee of, another person.

3.1 SPV

The Company and CFP have incorporated SPV for the purposes of holding the entire share capital of MOGJ and MOGS, as announced by the Company on 11 March 2005. The Company and CFP each hold 50% of the share capital of SPV.

The Company and CFP will also assign certain rights under the Sale and Purchase Agreement to SPV (“**SPV Assignment**”) prior to completion of the Sale and Purchase Agreement (“**Completion**”), such that SPV will on Completion acquire from MOGH the entire issued share capital of MOGJ and MOGS.

Following Completion, the Company will hold its interests in MOGJ and MOGS through SPV, which will be an associated company of the Company. Following Completion, SPV’s accounts will be consolidated into the Company’s financial statements on an equity accounting basis.

The respective rights of the Company and CFP over, and their respective responsibilities towards, the management, operation and affairs of each of SPV, MOGJ and MOGS will be set out in a shareholders’ agreement to be entered into between the Company and CFP (“**Shareholders’ Agreement**”), details of which are set out in section 2.5 of the Circular.

3.2 Purchase Consideration

The Consortium has agreed with MOGH on a “willing buyer, willing seller” basis on an aggregate purchase consideration of US\$48,000,000 (“**Purchase Consideration**”) for the assets of MOGJ and MOGS as at 30 June 2004 on the basis that MOGJ and MOGS were free of cash and debts as at 30 June 2004.

The Purchase Consideration is subject to adjustments at Completion depending on the amount of the outstanding Internal Loans (as defined in the Circular) as at Completion. Please refer to section 2.9(c) of the Circular.

The Purchase Consideration will also increase to reflect accrued interest on US\$48,000,000 for the period from 1 January 2005 up to the date of Completion.

In determining the Purchase Consideration, the Company has taken into account the valuation report of Macquarie Securities Asia (Pte) Ltd (as discussed in section 6.2 of the Circular) and the net present value of MOGJ and MOGS agreed between the parties, which is calculated based on certain assumptions as to, *inter alia*, the following key parameters:

- oil production and prices;
- gas production and prices;
- the capital and operating expenditure profiles of ONWJ and SES, following a review of the assumptions of their respective operators;
- the potential for further exploration and development;
- the economic terms of the ONWJ and SES PSCs; and
- general macroeconomic indicators such as tax and interest rates.

The Purchase Consideration will be settled by SPV in cash upon Completion.

3.3 Funding of the Purchase Consideration

The Purchase Consideration payable by SPV to MOGH pursuant to the SPV Assignment (assuming no adjustments are made) will be funded as follows:

- (a) US\$8,000,000 will be funded by the Company, comprising approximately US\$4,000,000 of equity and US\$4,000,000 of shareholders' loans ("**Company's Share of the Purchase Consideration**");
- (b) US\$8,000,000 will be funded by CFP, comprising approximately US\$4,000,000 of equity and US\$4,000,000 of shareholders' loans; and
- (c) US\$32,000,000 will be funded by way of senior debt financing to be extended by CFP to SPV, details of which are set out in section 2.10 of the Circular.

The Company proposes to fund the Company's Share of the Purchase Consideration, any additional working capital requirements of MOGJ and MOGS and its expenses for the Proposed Acquisition out of the following:

- (i) existing internal cash resources of the Group, including the Balance of May 2004 Placement Proceeds (please see section 4 of the Circular); and
- (ii) the net proceeds of the Proposed Issue (please see section 3 of the Circular).

4. INFORMATION ON THE TARGET

4.1 Business Overview on ONWJ and SES

Information on ONWJ and SES including, *inter alia*, location of the assets, net share of production per day and interest holders' structures is set out in section 2.2 of the Circular. We recommend that the Board of Directors advise the Entitled Shareholders to read this section of the Circular carefully.

4.2 Financial Information on MOGJ and MOGS

We would like to draw your attention to the financial information on MOGJ and MOGS which is reproduced herein for our evaluation.

The financial information set out below is based on the audited accounts of MOGJ and MOGS for FY2001, FY2002 and FY2003. The auditors' reports for MOGJ and MOGS for FY2001, FY2002 and FY2003 state that these financial statements give a true and fair view of the financial position and results of MOGJ and MOGS for the relevant financial years in accordance with accounting principles generally accepted in The Netherlands.

As stated in the Circular, the financial information extracted from these audited accounts have been translated into S\$ based on a US\$:S\$ exchange rate of 1:1.6391.

4.2.1 MOGJ

We reproduce a summary of selected financial information of MOGJ for FY2001, FY2002 and FY2003:

Profit and loss	FY2003 (S\$'000)	FY2002 (S\$'000)	FY2001 (S\$'000)
Turnover	29,883	32,288	32,035
Gross profit	15,265	13,035	12,471
Gross profit margin	51%	40%	39%
Profit before tax	14,781	12,141	10,657
Profit after tax before amortisation of investment costs	8,545	6,850	5,465
Profit after tax before amortisation of investment costs (margin)	29%	21%	17%
Amortisation costs	(8,907)	(8,907)	(8,907)
Profit after tax attributable to shareholders	(362)	(2,057)	(3,442)

Balance sheet	Notes	As at 31 December 2003 (S\$'000)
Non-current assets	1	8,907
Current assets		27,136
Current liabilities		(10,736)
Net current assets		16,400
Non-current liabilities		(27,045)
Net Assets		(1,738)
Share capital		15,099
Share premium		1,183
Translation reserves		(4,153)
Revenue reserves		(13,867)
Total Equity		(1,738)

Notes:

- (1) Non-current assets: Investment costs of approximately US\$27,200,000 arose from the purchase by MOGJ of its 5% non-operated interest in ONWJ in 2000. This was amortised equally over five years commencing from 2000. Annual amortisation of approximately US\$5,434,000 (approximately S\$8,907,000) was recorded in the books of MOGJ.
- (2) MOGJ's revenue was derived from the sale of its crude oil and gas entitlement from ONWJ. MOGJ's crude oil was sold to its holding company, MOGH, whereas the gas entitlement was sold to PGN and PLN. The sales of crude oil to MOGH were made at the prevailing Indonesia Crude Oil Price.

Turnover for MOGJ for the three financial years ended 31 December 2003, 2002 and 2001 comprised sales of crude oil and gas, and was consistently in the region of S\$30,000,000. MOGJ has registered gross profit margins of between 39% to 51% for these three financial years. MOGJ derives its profit mostly from gas sales, which have a greater profit margin than sales of crude oil as the production sharing terms for gas are more favourable than for crude oil. Under the fiscal terms of the PSC, owners of interests in ONWJ are entitled to 28.8% of crude oil profit (i.e. after deducting expenditure), whereas for gas production, the owners are entitled to 57.7% of gas profit (after deducting expenditure).

Profit after tax and before amortisation of investment costs increased over the three financial years ended 31 December 2003, 2002 and 2001 due primarily to (i) rising crude oil prices, (ii) an increase in gas sales, which have a greater profit margin than sales of crude oil, and (iii) lower interest expense.

However, due principally to an amortisation of the investment costs of MOGJ's 5% non-operated interest in ONWJ, MOGJ registered losses for the three financial years ended 31 December 2003, 2002 and 2001. The investment costs were being amortised in equal amounts over a period of five years from 2000. Amortisation per year was approximately S\$8,907,000. These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

(3) FY2003 vs FY2002

Turnover decreased by 1% due to a decrease of MOGJ's crude oil entitlement of about 29% from 383,000 barrels to 271,000 barrels. This decrease was partially offset by an increase in crude oil price of about 21% from an average of US\$24 per barrel to US\$29 per barrel. There was also an increase in sales of gas entitlement of 12% from approximately US\$8,900,000 to approximately US\$10,000,000. The increase in gas sales, which have a higher profit sharing under the fiscal terms of the PSC, contributed to the increase in gross profit margin from 40% to 51%. Accordingly, the net profit after tax before amortisation of investment costs margin increased from 21% to 29%.

FY2002 vs FY2001

Between 2002 and 2001, there was no significant change in MOGJ's oil and gas entitlements. Crude oil price remained fairly constant at an average of US\$24 per barrel. Gross profit margin also remained constant in the region of 40%. However, net profit after tax before amortisation of investment costs margin increased from 17% to 21% due mainly to lower interest expense.

4.2.2 MOGS

Profit and loss	FY2003 (S\$'000)	FY2002 (S\$'000)	FY2001 (S\$'000)
Turnover	40,564	41,134	39,497
Gross profit	9,481	10,118	11,456
Gross profit margin	23%	25%	29%
Profit before tax	9,013	9,433	9,738
Profit after tax before amortisation of investment costs	5,142	5,299	5,162
Profit after tax before amortisation of investment costs (margin)	13%	13%	13%
Amortisation costs	(6,188)	(6,188)	(6,188)
Profit after tax attributable to shareholders	(1,046)	(889)	(1,026)

Balance sheet	Notes	As at 31 December 2003 (S\$'000)
Non-current assets	1	6,188
Current assets		16,341
Current liabilities		(8,219)
Net current assets		8,122
Non-current liabilities		(15,571)
Net Assets		(1,261)
Share capital		8,978
Share premium		703
Translation reserves		(2,469)
Revenue reserves		(8,473)
Total Equity		(1,261)

Notes:

- (1) **Non-current assets:** Investment costs of approximately US\$18,900,000 arose from the purchase by MOGS of its 5% non-operated interest in SES in 2000. This was amortised equally over five years commencing from 2000. Annual amortisation of approximately US\$3,775,000 (approximately S\$6,188,000) was recorded in the books of MOGS.
- (2) MOGS' revenue was derived solely from the sale of its crude oil entitlement from SES to its holding company, MOGH. The sales were made at the prevailing Indonesia Crude Oil Price.

Turnover for MOGS for the three financial years ended 31 December 2003, 2002 and 2001 comprised sales of crude oil, and was consistently in the region of S\$40,000,000. MOGS has registered gross profit margins of between 23.0% and 29.0% for these three financial years. As compared with MOGS, MOGJ had a higher gross profit margin because the production sharing terms for gas are more favourable than for crude oil, and MOGJ derives its revenue mostly from gas sales whereas MOGS derived its revenue solely from crude oil sales.

Profit after tax and before amortisation of investment costs increased over the three financial years ended 31 December 2003, 2002 and 2001 due primarily to (i) rising crude oil prices, and (ii) lower interest expense.

However, due principally to an amortisation of the investment costs of MOGS's 5% non-operated interest in SES, MOGS has registered losses for the three financial years ended 31 December 2003, 2002 and 2001. The investment costs were being amortised in equal amounts over a period of five years from 2000. Amortisation per year was approximately S\$6,188,000. These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

(3) FY2003 vs FY2002

Turnover decreased by 1.4% due to a decrease of MOGS' crude oil entitlement of about 17% from 1.04 million barrels to 0.86 million barrels. This decrease was partially offset by an increase of crude oil price of about 21% from an average of US\$24 per barrel to US\$29 per barrel. Gross profit and net profit after tax before amortisation of investment cost margins remained almost unchanged at about 23% and 13% respectively.

FY2002 vs FY2001

Turnover increased by 4% due mainly to the increase in crude oil entitlement of about 3% from 1.01 million barrels to 1.04 million barrels. Crude oil price remained fairly constant at an average of US\$24 per barrel. However, due to higher production expenses gross profit margin decreased from 29% to 25%. However, due to lower interest expense, net profit after tax before amortisation of investment costs margin remained unchanged at 13%.

Comments on Financial Position of MOGJ and MOGS

The balance sheet of MOGJ and MOGS as at 31 December 2003 show negative net asset positions due mainly to the amortisation of investment cost and a bank loan of S\$35,241,000 and S\$21,717,000, respectively. The investment costs of ONWJ and SES were being amortised over 5 years from 2000 even though the interests in ONWJ and SES were about 17 and 18 years away from expiry when they were purchased in 2000 by MOGH. The investment costs have been fully written off in 2004 and thereafter are not expected to have any impact on the future earnings of MOGJ and MOGS.

We understand that since 2000, MOGJ and MOGS have been operating with financial support from their holding company, MOGH, and its ultimate holding company, Mitsubishi. Under the terms of the Sale and Purchase Agreement, MOGJ and MOGS are to be acquired by the Consortium on a cash- and debt-free basis effective from 1 July 2004. Upon Completion, all monetary assets and liabilities as at close of 30 June 2004 would effectively be transferred to MOGH through adjustments to the Purchase Consideration. Following Completion, MOGJ and MOGS will be operating with the benefit of the Internal Loans, the outstanding amounts of which are to be assigned to SPV as part of the Purchase Consideration. Further details of the Internal Loans are set out in section 2.9(c) of the Circular.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1 Conditions Precedent

Completion of the Proposed Acquisition is subject to the following conditions:

- (a) there not being any injunction, judgment, order, decree or ruling of any governmental authority in effect preventing consummation by MOGH, Mitsubishi, CFP or the Company of the transactions to be performed by it in connection with Completion;
- (b) the Company having received the following third party authorisations, consents and approvals:
 - (i) approval by the Entitled Shareholders in general meeting of:
 - (1) the Proposed Acquisition on the terms and subject to the conditions of the Sale and Purchase Agreement; and
 - (2) the Proposed Issue;
 - (ii) approval in-principle of SGX-ST for the listing and quotation for the New Shares to be issued upon exercise of the Warrants; and
 - (iii) all other consents, approvals or waivers required by SGX-ST in connection with the issuance of the Bonds and Warrants and the approval of the Proposed Acquisition.

If the condition in (a) above is not fulfilled by the Longstop Date, the Sale and Purchase Agreement will automatically terminate unless the parties thereto agree otherwise in writing.

If the condition in (b) above is not fulfilled by the Longstop Date, either MOGH or the Company and CFP (acting collectively), may terminate the Sale and Purchase Agreement by written notice to the other, failing which the condition shall be deemed to have been waived. In the case of such deemed waiver, CFP will proceed to Completion as the sole purchasing entity and the Sale and Purchase Agreement will terminate as regards the Company.

5.2 Other Material Terms

(a) *Guarantee by Mitsubishi*

Under the Sale and Purchase Agreement, Mitsubishi has unconditionally and irrevocably guaranteed to the Company and CFP the due and punctual performance and observance by MOGH of all its obligations, commitments, undertakings, warranties, indemnities and covenants under or pursuant to the Sale and Purchase Agreement.

Mitsubishi has further undertaken to indemnify the Company and CFP against all losses, damages, costs and expenses which the Company or CFP may suffer as a direct result of any breach by MOGH of such obligations, commitments, warranties, undertakings, indemnities or covenants, excluding special loss as defined in the Sale and Purchase Agreement.

(b) *Effective Date of Proposed Acquisition*

Under the terms of the Sale and Purchase Agreement, the effective date of the Proposed Acquisition will be 00:01 Jakarta time on 1 July 2004 ("**Effective Date**") such that all income and receipts and all expenses arising thereafter shall be for the account of MOGJ and MOGS as if they had, with effect from that time, been owned by the Company and CFP. As indicated above, the Purchase Consideration was agreed on the basis that MOGJ and MOGS were cash- and debt-free as at 30 June 2004.

(c) *Internal Loans*

Certain loans which were owing by MOGJ and MOGS to external lenders as at the Effective Date will be repaid by MOGH prior to Completion to be replaced by internal loans from MOGH to MOGJ and MOGS ("**Internal Loans**"). MOGH will consider with the Consortium how best to minimise the outstanding amount of such Internal Loans prior to Completion without prejudicing the working capital requirements of MOGJ and MOGS. Both MOGJ and MOGS have ongoing capital requirements in line with major upstream assets in the region. Given the current oil price environment, both companies are operating with monthly cash surpluses, after allowing for capital expenditure.

On Completion, the outstanding amount of the Internal Loans will be assigned by MOGH to SPV in consideration for the payment by SPV to MOGH of an amount equivalent to the outstanding amount of the Internal Loans, as part of the Purchase Consideration. The Purchase Consideration may therefore be adjusted at Completion depending on the outstanding amount of the Internal Loans as at Completion, which is not subject to a cap.

In the event that MOGJ or MOGS is required to provide funds to the relevant operator of ONWJ or SES respectively prior to Completion pursuant to a cash call outside the ordinary course of business (e.g. in an emergency) by the relevant operator of the PSC, Mitsubishi may be required to significantly increase the amount of the Internal Loans in order for MOGJ or MOGS, as the case may be, to meet such cash call. This would in turn increase the Purchase Consideration payable at Completion. As at the Latest Practicable Date, however, the Directors are not aware that any such unexpected cash call is impending or likely to occur. Based on information which MOGH has provided, the Directors do not expect the aggregate amount of Internal Loans to be significant.

(d) *Crude Oil Sale Agreement*

The Consortium has agreed with Mitsubishi and MOGH that MOGJ and MOGS will enter into a crude oil sale agreement with Mitsubishi Corporation in respect of MOGJ's and MOGS's 5% share of the crude oil produced by ONWJ and SES respectively. This agreement will be signed at Completion and will be for a term of five years from Completion.

6. EVALUATION OF THE PROPOSED ACQUISITION

We have considered, inter alia, the following relevant pertinent factors which we considered to have a significant bearing on our assessment of the Proposed Acquisition:

- the rationale of the Proposed Acquisition;
- the reasonableness of the Purchase Consideration; and
- other relevant factors.

7. RATIONALE FOR THE PROPOSED ACQUISITION

We have considered and discussed with the management of the Company the rationale for the Proposed Acquisition as set out in section 2.3 of the Circular and noted the following points:

In the opinion of the Directors, the Proposed Acquisition will be beneficial for the Company for the following reasons:

- (a) The Proposed Acquisition will provide the Company with access to additional oil and gas reserves through two long-established and ongoing offshore oil and gas fields which commenced production in 1971. According to Pertamina's publication on Indonesia Upstream and Downstream Retreat Meeting held in Bali on 29 August 2004 to 1 September 2004, SES is the third largest producer of crude oil and ONWJ is the sixth largest gas producer in Indonesia relative to other PSCs.
- (b) The Proposed Acquisition will provide an expansion opportunity in the Company's principal assets in Indonesia through the potential for further discoveries in both oil and gas field.
- (c) The Proposed Acquisition will allow the Company to diversify its business from the production and sale of only crude oil into natural gas production and sale.
- (d) The Company is a junior oil company with no prominent petroleum assets. The total oil production of the Company for FY2004 was 221,625 barrels of oil equivalent or 606 barrels of oil equivalent per day. In comparison, the combined total of net shares of MOGJ and MOGS of the oil production of ONWJ and SES respectively for FY2004 was approximately 2,800,000 barrels of oil equivalent or 7,671 barrels of oil equivalent per day. The Proposed Acquisition will increase the Company's aggregate oil and gas reserves and production, and will improve the Company's position as a petroleum exploration and production company.
- (e) The Company believes that carrying out the proposed acquisition of prominent petroleum assets like ONWJ and SES will improve the quality and scale of the Company's operations, thereby providing the Company with improved ongoing access to the capital markets.
- (f) The Proposed Acquisition will provide the Company with the opportunity to work closely with two major international operators, BP and China National Offshore Oil Corporation ("CNOOC"), giving the Company valuable exposure to world-class expertise in petroleum operations and improved connections to key industry players.

8. REASONABLENESS OF THE PURCHASE CONSIDERATION

The evaluation of the Proposed Acquisition has been done on the assumption that the Purchase Consideration is US\$48 million as stated in section 2.6 of the Circular. Readers should note section 2.9(c) of the Circular which states that the Purchase Consideration is subject to adjustments at the Completion.

In evaluating the reasonableness of the Purchase Consideration, we have taken in account the following pertinent factors which we consider to have a significant bearing on our assessment:

8.1 Valuation undertaken by Macquarie Securities Asia (Pte) Ltd

As stated in section 6.2 of the Circular, the Company engaged the services of Macquarie Securities Asia (Pte) Ltd to undertake valuation analyses of MOGJ and MOGS and the results of such valuation exercise were presented to the Directors. The valuation techniques employed included industry standard valuation methodologies, including the use of a discounted cashflow (DCF) valuation analysis. The DCF analysis comprised a number of assumptions on key variables such as oil and gas prices. Sensitivity analysis was also performed on these key variables, allowing the Directors to gain additional comfort on a range of possible scenarios. Further, comparison was done with a significant number of recent comparable transactions.

The valuation analysis prepared by Macquarie Securities Asia (Pte) Ltd was taken into account by the Directors in determining the Purchase Consideration for the Proposed Acquisition, details of which are set out in section 2.6 of the Circular.

Following a detailed discussion on the results of these valuation techniques, the Directors accepted the valuation analysis undertaken, and formed the view that another valuation by an independent party is not necessary. In this regard, no independent valuation of MOGJ and MOGS was carried out.

8.2 Comparable Companies Analysis

MOGJ and MOGS's existing businesses are to hold their respective 5% interests in ONWJ and SES. In assessing the reasonableness of the Purchase Consideration, we have considered the valuation statistics implied by the market values of comparable public listed companies in Indonesia ("**Comparable Companies**") which are involved in the oil and gas industry. These valuation statistics include price-earnings ("**P/E**") ratios, enterprise value-to-earnings before interest, taxation, depreciation and amortisation ("**EV/EBITDA**") ratios and price-to-book ("**P/B**") ratios.

We noted that these Comparable Companies are diversified oil and gas companies as they also undertake downstream activities. Further, we noted that MOGJ and MOGS have incurred net losses of S\$0.4 million and \$1.1 million in FY2003 respectively and have NTL of S\$1.7 million and S\$1.3 million as at 31 December 2003 respectively. We also noted that the size of the target companies were insignificant as compared to those listed oil and gas companies. It is therefore not meaningful to use the historical P/E, EV/EBITDA and P/B ratios as bases in assessing the reasonableness of the Purchase Consideration, and we have not done so.

8.3 Comparable Transactions Analysis

We have considered whether the Purchase Consideration is comparable to the valuation of similar transactions in the oil and gas industry in Indonesia (the "**Comparable Transactions**") by comparing P1 (proven) reserves multiples implied by the transaction values of the Comparable Transactions.

We have selected those Comparable Transactions which have been completed since 2003 until the Latest Practicable Date and identified three Comparable Transactions.

We would like to stress that these Comparable Transactions may not be truly comparable to the Proposed Acquisition in terms of the size of the transactions and terms agreed between sellers and buyers.

We set out below the Comparable Transactions together with their implied reserve multiple:

No.	Announced Date	Target Name	Acquirer Name	Transaction Value (US\$ million)	%	P1 ¹ Reserves (mmboe)	P1 ² Reserves Multiple
1.	23/07/03	Equatorial Energy Indonesia	Unnamed Buyer	18.0	100.0	3.8	4.74
2.	13/06/03	Jabung PSC	Pertamina, PT	20.0	5.0	9.9	2.03
3.	24/04/03	Jabung PSC	Petronas/ Petrochina	164.0	30.0	59.2	2.77
	Mean						3.18
	Median						2.77
	Max						4.74
	Min						2.03
	Proposed Acquisition						1.98

Sources: Bloomberg (for the details of the transaction) and other publicly available information for P1 reserves.

Notes:

1. P1 reserves represents proportionate proven reserves;
2. P1 reserves multiple represents reserves multiple implied by the transaction values of the Comparable Transactions. It implies dollar value for every one barrel of oil equivalent of P1 reserves paid by the buyers to acquire oil and gas reserves. It is calculated by dividing the transaction values by the P1 reserves of the target assets;
3. Due to limited publicly available data on the P1 reserves, we excluded some Comparable Transactions that have taken place during the observation period; and
4. The descriptions of the Comparable Transactions are detailed in the Appendix attached to this letter.

Based on the above observation, we note that the Purchase Consideration of the Proposed Acquisition implies a P1 reserves multiple of 1.98 (based on the Purchase Consideration of US\$48,000,000 and net P1 reserves of 24.3 mmboe) that is below the range of the P1 reserves multiple of the Comparable Transactions of between 2.03 and 4.74 and is below the mean of 3.18 and median of 2.77 of the P1 reserves multiples of the Comparable Transactions. Accordingly, the Purchase Consideration for the Proposed Acquisitions appears reasonable by comparison with the price paid by the buyers in the Comparable Transactions.

9 PROPOSED ISSUE

9.1 Details of the Proposed Issue

In order to finance the Proposed Acquisition, the Company has entered into the conditional Subscription Agreement with the Bonds/Warrants Investor pursuant to which Bonds/Warrants Investor will subscribe for, and the Company will issue to the Bonds/Warrants Investor, US\$11,000,000 in principal value of secured 7.0% bonds due 2010 (“**Bonds**”) together with detachable warrants with a nominal value of US\$11,000,000 carrying the right to subscribe for New Shares (“**Warrants**”) by way of a private placement. Detailed information on the Bonds/Warrants Investor is set out in section 3.2 of the Circular.

Neither the Bonds nor the Warrants will be listed on any securities exchange. There are no restrictions on the Bonds/Warrants Investor’s ability to deal with the Bonds, the Warrants and the New Shares to be issued upon the exercise of the Warrants and the Bonds/Warrants Investor will be free to sell or dispose of these instruments to any persons, including the Directors, the Controlling Shareholders of the Company and their respective associates.

9.2 Principal Terms of the Bonds

The principal terms of the Bonds are summarised in section 3.3 of the Circular. We note that the obligations of the Company under the Bonds will be secured by:

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

We also note from section 3.1 of the Circular that the Directors have considered alternative forms of financing (such as convertible bonds and additional equity from Shareholders) and given the Company's current situation, the Directors believe that the Proposed Issue is the best financing option available to the Company at this point in time.

We reproduce below some of the principal terms of the Bonds:

Principal amount	:	US\$11,000,000.
Coupon	:	7.0% per annum, payable semi-annually in arrears.
Maturity Date	:	Five (5) years from the Issue Date.
Maturity Amount	:	118.10% of the principal amount of the Bonds. The yield to maturity is 10.13% per annum.

Redemption Amount by the Company:

Date of Redemption	Redemption Amount (as a % of the principal amount of the Bonds)
From Issue Date but prior to first anniversary thereof	103.07%
From first anniversary of Issue Date but prior to second anniversary	106.39%
From second anniversary of Issue Date but prior to third anniversary	110.00%
From third anniversary of Issue Date but prior to fourth anniversary	113.18%
From fourth anniversary of Issue Date to maturity date	118.10%

9.3 Principal Terms of the Warrants

The principal terms of the Warrants are set out in section 3.4 of the Circular. We reproduce below some of the principal terms of the Warrants:

Nominal Face Value	:	US\$11,000,000
Forms	:	The Warrants will be issued in registered form, each with a right to subscribe up to US\$10,000 for fully paid New Shares.
Detachability	:	The Warrants will be detachable from the Bonds on issue.
Subscription Period	:	The Warrants may be exercised at any time during the period from the date 40 Trading Days after the Issue Date to 4:00 pm on the fifth anniversary of the Issue Date (" Subscription Period ").

The subscription price applicable upon exercise of the Warrants (“**Subscription Price**”) will be the amount in S\$ that is 105% of the Initial Reference Price (being the average daily volume weighted price of Shares traded on the SGX over the 40 Trading Days from and including the day immediately following the Issue Date subject to a minimum of S\$0.08). The US\$:S\$ exchange rate for the purposes of the exercise of Warrants will be 1:1.6391.

No fraction of a Share will be issued by the Company and the number of new Shares to be issued upon any exercise of the Warrants will be rounded down to the nearest whole Share.

The Subscription Price shall be reset downwards on each 31 March, 30 June, 30 September and 31 December during Subscription Period, save for 31 March 2005 and the fifth anniversary of the Issue Date, (each a “Reset Date”) to 105% of the Share Price of the Shares over the 20 consecutive Trading Days ending on the relevant Reset Date, subject to a minimum Subscription Price of 70% of the Initial Reference Price.

The Subscription Price will also be adjusted in the event of, *inter alia*, consolidation, subdivision or reclassification of the Shares, capitalisation of the Company’s profits or reserves, capital distribution, rights issues of Shares, options over Shares or other securities, issues of Shares or other securities at less than market price, modification of the rights of conversion of any such securities or upon the occurrence of other events where an approved investment bank determines that the Subscription Price should be adjusted.

The illustration of how the Subscription Price reset mechanism works is set out in section of 3.5 of the Circular.

9.4 Use of Proceeds

The proceeds from the Proposed Issue, estimated to be approximately US\$11,000,000, will be utilised as follows:

- (a) US\$8,690,000 (less any amounts deducted in accordance with the Subscription Agreement) will be used for funding the Company’s Share of the Purchase Consideration and for working capital purposes of SPV; and
- (b) US\$2,310,000 will be set aside as the Secured Debt Service Reserve Account by the Company for the Bondholders (please see section 3.3 of the Circular for more information).

Pending deployment for the uses identified above, the net proceeds may be deposited with banks and/or financial institutions or invested in money market instruments as the Directors may deem fit.

As and when the Warrants are exercised, the proceeds of up to a maximum of US\$11,000,000 (if the Warrants are exercised in full) may be used for the redemption of the Bonds, working capital and business expansion, or such other purposes as the Directors shall, in their absolute discretion, deem fit.

9.5 Conditions Precedent for the Proposed Issue

The Proposed Issue will be conditional upon Entitled Shareholders’ approval (including approval for the Proposed Acquisition and the Proposed Utilisation of Balance of May 2004 Placement Proceeds).

9.6 Proposed Share Consolidation

As stated in section 5.1 of the Circular, the Company proposes to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every five (5) ordinary shares of par value of S\$0.05 each (both issued and unissued) into one (1) ordinary share of par value of S\$0.25 each.

10. EVALUATION OF THE PROPOSED ISSUE

We have considered, inter alia, the following relevant pertinent factors which we consider to have a significant bearing on our assessment of the Proposed Issue:

- (a) the cost of the Bonds;
- (b) the effects of the Warrants issue;
- (c) the implied total cost to the Company of the Proposed Issue;
- (d) the reasonableness of the cost of the Proposed Issue; and
- (e) the use of proceeds from the Proposed Issue.

We have restricted our analysis to the principal terms of the Bonds and the Warrants and not considered other terms such as the securities lending arrangement and the deeds of commitment.

11. THE COST OF THE BONDS

Given that the Bonds are issued to finance Indonesian assets and the fact that substantial part of the security provided for the Bonds is also in the form of Indonesian assets, we are of the view that the cost of the Bonds is largely related to Indonesian risk. Accordingly, to evaluate the cost of the Bonds, we have identified “plain vanilla” comparable bonds issued by Indonesian companies (“**Comparable Bonds**”) which have remaining terms to maturity of four to six years and are denominated in US\$ issued between 2003-2005.

We would like to stress that these Comparable Bonds may not be truly comparable to the Bonds in terms of the size of the issuance and the principal terms underlying the bonds issue.

We set out below the Comparable Bonds:

No.	Bond Issuer	Maturity	Remaining Maturity (yrs)	Coupon Rate (%)	YTM (%)	Bond Rating
1	Aneka Tambang '10	2010	5.98	7.38	7.69	B3
2	Bank Dagang Negara '14	2009	4.47	7.65	7.52	B3
3	Exelcomindo '09	2009	4.30	8.00	8.42	B2
4	Indosat '10 (Call)	2008	4.08	7.75	7.99	B2
5	Medco '10	2010	5.62	8.75	9.09	B3
6	Perusahaan Gas Negara '10 (Put)	2010	5.92	7.50	8.37	B2
	Mean			7.84	8.18	
	Median			7.70	8.18	
	Max			8.75	9.09	
	Min			7.38	7.52	
	The Bonds			7.0	10.13	

Source: ABN AMRO Bank Bond Sheet dated 05 October 2004

Notes:

Bonds ratings are based on Moody's ratings.

Moody's rating definition:

B:

Obligations rated 'B' are considered speculative and are subject to high credit risk. Moody's appends numerical modifiers 1,2 and 3 to each generic rating classification. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

We note that the yield of the Bonds is slightly above the highest yield of the Comparable Bonds of 9.09%. Given that the pro-forma interest coverage ratio of the Company based on announced unaudited results for the 12-month period ended 31 December 2004 is negative¹, the slightly higher yield of the Bonds does not appear to be unreasonable as compared to the yields of the Comparable Bonds.

12. EFFECTS OF THE WARRANTS

We understand that the Warrants can be exercised at a premium of 105% of the Initial Reference Price and subsequently at 105% of the Share Price of the Shares over the 20 consecutive Trading Days ending on the relevant Reset Date subject to a minimum Subscription Price of 70% of the Initial Reference Price.

Assuming that S\$0.08 is the lowest possible Initial Reference Price, if all warrants are converted into equity, an additional 31.9% will be added to the existing equity base, thereby diluting the existing Shareholders by 24.2%.

Although the exercise of the Warrants by the Warrant holders will result in the dilution of the shareholding of the existing Shareholders, since the exercise is at a premium of the then prevailing market price, the value of existing shareholdings will, ceteris paribus, be enhanced since there is an additional injection of capital at a price that is higher than the weighted average share price preceding the exercise date. However, the value of the stake of the existing controlling Shareholders may be negatively impacted if the conversion of Warrants into equity results in a loss of control.

The Entitled Shareholders should note that there may also be an impact on the performance of the share price due to the large number of outstanding Warrants issued which may be converted into equity shares at the option of the Warranholders. The risk factor relating to conversion of Warrants on the performance of the share price is set out in section 7(k) of the Circular. We advise that the Directors advise the Entitled Shareholders to read this section of the Circular carefully.

13. IMPLIED TOTAL COST OF THE PROPOSED ISSUE

To derive the implied total cost of the Proposed Issue, we have added the implied cost of Warrants to the cost of the Bonds. The implied cost of Warrants is calculated as follows:

1. The present value of the Warrants is derived using the Black-Scholes model for valuing call options. Given that the Warrants has price reset mechanisms and has not yet been issued, we have made certain assumptions to enable us to estimate the value of the Warrants as follows:
 - Warrants are assumed to be exercised in five batches with 20% of total Warrants exercised in each of the years following the Issue Date;
 - The share price is assumed as the average volume weighted share price of the Company for forty days preceding the announcement date of the Proposed Acquisition and Proposed Issue (22 December 2004) (“**Announcement Date**”);
 - The same share price is assumed at each exercise date;
 - Dividend yield is assumed to be zero based on the fact that the Company has not declared any dividends since its relisting in 2003;

¹ The interest coverage ratio is calculated as follows:

Loss before interest after tax (in S\$'000, based on unaudited results to 31 December 2004)	(773)
Interest on Bonds (in S\$'000 based on 7% coupon on US\$11 million)	1,262
Interest cover ratio	(0.61)

- The interest rate assumptions are based on Indonesian government paper yields for maturities matching the exercise period for the warrants; and
- The volatility of Interra's share price is based on the 180 days volume weighted average closing share prices preceding the Announcement Date;

Based on the above, the present value of the Warrants works out to US\$4.3 million.

2. The value of US\$4.3 million is then spread equally over the 5-year period and added to the interest service cost to arrive at a revised yield-to-maturity.
3. The implied total effective cost associated with the Proposed Issue, after adding the implied cost of the Warrants is 19.1%.

14. REASONABLENESS OF THE COST OF THE PROPOSED ISSUE

To assess the reasonableness of the implied total cost to the Company of the Proposed Issue, we have considered the following pertinent factors:

14.1 Citibank Senior Debt Financing

As stated in section 2.7 of the Circular, of the total Purchase Consideration, US\$32,000,000 will be funded by way of senior debt financing to be extended by CFP to SPV ("**Facilities Agreement**"), details of which are set out in section 2.10 of the Circular. The senior debt financing to be extended by CFP to SPV will be in the form of a term loan in an aggregate amount of US\$37,125,000 which will be provided for the primary purpose of making payment to MOGH for the Proposed Acquisition and documented in the Facilities Agreement. The balance of the term loan will be utilised for the working capital of SPV, MOGJ and MOGS. We reproduce below some of the principal terms of the Facilities Agreement:

Facility	:	US\$37,125,000.
Availability Period	:	Period from the date of the Facilities Agreement to and including the earlier of (i) the date of completion of the Proposed Acquisition and (ii) the date which is 10 business days after the Longstop Date or such later date as may be agreed between SPV and CFP.
Repayment	:	The term loan is to be repaid in quarterly instalments from 31 March 2006 up to 31 December 2013.
Prepayment	:	Prepayment of the term loan is permitted in cases of illegality, market disruption or where SPV gives 10 business days prior notice that SPV intends to prepay the whole or part of the term loan. In the case of prepayment of part of the term loan in circumstances other than pursuant to an illegality or a market disruption event, the amounts prepaid in a particular year must not exceed the prepayment limit which has been imposed in relation to that year. Voluntary prepayment of the whole term loan on the other hand can only be made on the last repayment date in any calendar year commencing from 2007.
Interest Periods	:	Each interest period will be for a tenor of 3 months.
Interest	:	Ranges from 7.0% to 11.0% per annum plus LIBOR.
Upfront Fee	:	US\$1,125,000.

Prepayment Fee	:	Ranges from zero to 6.15% of the amount being prepaid on the particular date and is only payable when prepayment is made by SPV which is not as a result of illegality or market disruption.
Undertakings in relation to dividends and shareholders loans	:	<p>Under the terms of the term loan, SPV shall not pay, make or declare any dividend or other distribution or make payment to the Company or CFP in respect of any shareholders' loans extended to SPV unless the aggregate amount standing to the credit of SPV's accounts immediately after such payment is not less than:</p> <p>(a) the aggregate amount payable under the senior debt financing and security documents at the end of an interest period and the immediately following interest period; and</p> <p>(b) the aggregate amount of all projected cashflow requirements of SPV for the next 3 months as at the date of such payment.</p>
Security	:	<p>The security documents to secure SPV's obligations under the term loan comprise of the following:</p> <p>(i) disclosed pledge of accounts to be granted by SPV;</p> <p>(ii) undisclosed pledge of receivables to be granted by SPV;</p> <p>(iii) deed of assignment in respect of the Sale and Purchase Agreement to be granted by SPV;</p> <p>(iv) share pledge between CFP and the security agent in respect of CFP's shares in SPV;</p> <p>(v) share pledge between the Company and the security agent in respect of the Company's shares in SPV;</p> <p>(vi) subordination deed between CFP, SPV and the security agent; and</p> <p>(vii) subordination deed between the Company, SPV and the security agent.</p>

Based on the terms above, the Directors have informed us that based on the LIBOR of 3%, the effective cost for the Facilities Agreement is 14.4%. We note that the effective cost of the facilities agreement is agreed upon the SPV providing the list of security documents, listed above, to secure SPV's obligations under the term loan.

14.2 Implied Cost of Equity

The Proposed issue is being undertaken in order to enable the Company to finance its share of the purchase of equity under the Proposed Acquisition. In order to assess the total cost of the Proposed Issue, it is important to understand what potentially would have been the Company's cost of equity in relation to the Proposed Acquisition.

To derive this implied cost of equity (K_e), we have used the Capital Asset Pricing Model (CAPM) formula below:

$$K_e = R_f + \beta^* (R_m - R_f)$$

Where

- R_f = the current return on risk-free assets. The risk-free rate generally used is that rate available on instruments considered to have little possibility of default;
- $R_m - R_f$ = the market risk premium, i.e. the average risk premium above the risk-free rate that a “market” portfolio of assets is earning. It represents additional rate of return to compensate an investor for the additional risk incurred on investing in equities; and
- β = the beta factor, being a function of the relationship between the return on an individual security and the return on the market as measured by a broad market index.

Risk-free rate (R_f)

We have used the average yield of the 10-year Indonesian government US-dollar denominated bonds issued in 2004 as a basis for estimating R_f . Based on information extracted from Bloomberg, the average yield-to-maturity of the bonds is 6.31%.

Market risk premium ($R_m - R_f$)

Based on information extracted from Bloomberg, the Indonesian market risk premium is 7.76% as of March 2005.

Beta (β)

Given that there are only two listed oil and gas companies in Indonesia, we have also looked at Canadian and American companies in the upstream sector with market capitalisation of between US\$40 million and US\$65 million, in order to arrive at the beta. Canada and the US were chosen due to the relatively larger number of listed oil and gas companies in these countries.

We would like to stress that these companies that are listed in Canada and US may not be truly comparable to the Company in terms of market capitalisation, volatility, assets size, turnover and future prospects.

For these listed companies, the observed levered betas have been unlevered to remove the effects of gearing and then weighted by their respective R^2 values. R^2 is a statistical quantity that describes the statistical significance of a certain set of data. The higher the R^2 , the more robust is the Beta. Our computed R^2 -weighted average unlevered beta is 1.26.

The unlevered beta has been relevered using the expected gearing level of the Company immediately after the issue of the Bonds. This yields a beta of 1.93 which in our view appropriately reflects the inherent risk of equity in this instance.

We set out below the computed implied cost of equity:

$$\begin{aligned} K_e &= R_f + \beta^* (R_m - R_f) \\ &= 6.31\% + (1.93)*(7.76\%) \\ &= 21.29\% \end{aligned}$$

14.3 Reasonableness of the Cost of the Proposed Issue

In our view, the reasonableness of the cost of the Proposed Issue has to be assessed in relation to the cost of secured funding made available for the project by CFP as well as the implied cost of equity that is needed to fund the Company’s share of equity for the Proposed Acquisition. The implied total cost of the Proposed Issue should be expected to lie within the range between the cost of the secured lending and the cost of equity because the proposed instrument (Bonds and detachable Warrants) is neither as secured as the lending by CFP for the project, nor is it as unsecured as pure equity. In this instance, the implied total cost of the Proposed Issue lies between the secured cost of lending by CFP of 14.4% and the implied cost of equity of 21.3%. Accordingly, in our view, the implied total cost of the Proposed Issue is reasonable in the specific context of the Company.

However, the Entitled Shareholders should note that according to section 6.3 of the Circular, the yield of the Proposed Acquisition will be approximately 11.1%, while the cost of funding the acquisition, as reflected by our calculation of the implied total cost of the Proposed Issue is 19.1%.

Entitled Shareholders should also note that it is not within our terms of reference to evaluate or comment on the legal, commercial or financial merits or risks of the Proposed Acquisition or the Proposed Issue; nor are we required to evaluate or comment on the strategic potential or future prospects of the Company after the completion of the Proposed Acquisition or the Proposed Issue. Such evaluations or comments are solely the responsibility of the Directors and the management of the Company.

15. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION, THE PROPOSED ISSUE AND THE PROPOSED SHARE CONSOLIDATION

The financial effects of the Proposed Share Consolidation and the Proposed Issue on the share capital of the Company and the Company's gearing on a consolidated basis and the financial effects of the Proposed Acquisition and the Proposed Issue on the net tangible assets ("NTA") and earnings per Share ("EPS") of the Company are set out in the section 6 of the Circular for illustration purposes only and do not reflect the actual future financial position of the Company after Completion. We reproduce the financial effects below.

Financial Effects of Proposed Share Consolidation and Proposed Issue	Before Proposed Share Consolidation and Proposed Issue	After Proposed Share Consolidation and Proposed Issue (without exercise of Warrants)	After Proposed Share Consolidation and Proposed Issue (with full exercise of Warrants) ¹	After Proposed Share Consolidation and Proposed Issue (with full exercise of Warrants) ²
<u>Effects on share capital of the Company assuming that the Proposed Share Consolidation and Proposed Issue were effected on 31 December 2004, based on the Company's share capital as at 31 December 2004</u>				
Authorised Shares ('000)	2,000,000	400,000	400,000	400,000
Issued and Paid-up Shares ('000)	962,635	192,527	223,560	253,854
Share Capital (S\$'000)	48,132	48,132	66,162	66,162
<u>Effects on the Company's gearing on a consolidated basis assuming that the Proposed Issue was effected on 31 December 2004 and based on the Group's last published unaudited balance sheet as at 31 December 2004</u>				
Total Borrowings (S\$'000)	7,174	25,204	7,174	7,174
Shareholders' Funds (S\$'000)	30,387	30,387	48,417	48,417
Gearing (times)	0.24	0.83	0.15	0.15

Financial Effects of Proposed Share Consolidation, Proposed Acquisition and Proposed Issue	Before Proposed Share Consolidation, Proposed Acquisition and Proposed Issue	After Proposed Share Consolidation, Proposed Acquisition and Proposed Issue (without exercise of Warrants)	After Proposed Share Consolidation, Proposed Acquisition and Proposed Issue (with full exercise of Warrants) ¹	After Proposed Share Consolidation, Proposed Acquisition and Proposed Issue (with full exercise of Warrants) ²
Effects on the Group's NTA per Share assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2003, and based on the Group's audited financial statements for FY2003				
NTA (S\$'000) ³	14,158	14,158	32,188	32,188
NTA per Share (cents)	1.60	8.02	15.51	13.53
Effects on the Group's NTA per Share assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004				
NTA (S\$'000) ⁴	24,059	24,059	42,089	42,089
NTA per Share (cents)	2.50	12.50	18.83	16.58
Effects on the Group's EPS assuming that the Proposed Acquisition had been effected at the beginning of FY2003, and based on the Group's audited financial statements for FY2003				
Net profit from ordinary activities after tax (S\$'000) ⁵	4,884	2,174	4,180	4,180
Weighted average number of Shares ('000)	735,510	147,102	178,135	208,429
Basic EPS (cents)	0.664	1.478	2.347	2.006
Effects on the Group's EPS assuming that the Proposed Acquisition had been effected at the beginning of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004				
Net profit/(loss) from ordinary activities after tax (S\$'000) ⁵	(773)	(3,483)	(1,477)	(1,477)
Weighted average number of Shares ('000)	933,564	186,713	217,746	248,040
Basic EPS (cents)	(0.083)	(1.865)	(0.678)	(0.595)

For the purpose of the above:

- **"Gearing"** means the ratio of Net Borrowings to Shareholders' Funds and does not include the loans to be obtained by SPV (which will be an associated company of the Company) to fund the purchase of MOGJ and MOGS.
- **"Total Borrowings"** refers to the amount of liabilities arising from borrowings from banks and financial institutions and amounts owing to Shareholders, Directors or any other related parties outstanding as at 31 December 2004.
- **"Shareholders' Funds"** means the amount represented by the aggregate of the issued and paid-up share capital, share premium and the capital and revenue reserves, and does not include minority interest.
- For the purpose of these illustrations, a US\$:S\$ exchange rate of 1:1.6391 is used.

Notes:

- (1) Assuming that the Warrants are exercised at the Subscription Price of S\$0.581 per Share after the Proposed Share Consolidation. The Subscription Price of S\$0.581 is derived from an assumed Initial Reference Price of S\$0.1107 for illustration purposes, plus a 5% premium (in accordance with the terms and conditions of the Warrants)

multiplied by the adjustment factor of 5 for the Proposed Share Consolidation. It is also assumed that net proceeds arising from exercise of the Warrants are used to redeem the Bonds issue.

- (2) Assuming that the Warrants are exercised at the minimum possible Subscription Price of S\$0.294 per Share after the Proposed Share Consolidation. It is also assumed that net proceeds arising from exercise of the Warrants are used to redeem the Bonds issue.
- (3) Based on the audited accounts of the Company as at 31 December 2003.
- (4) Based on the unaudited financial statements of the Company as at 31 December 2004.
- (5) Net profit from ordinary activities after tax is based on the consolidated audited accounts of the Company and a 50% share of the profits and losses of MOGJ and MOGS for FY2003.

The effects of the Proposed Share Consolidation, the Proposed Acquisition and the Proposed Issue on the Group's earnings which are illustrated in the table above have been computed on the basis that the investment costs of the purchase by MOGJ and MOGS of their 5% non-operated interests in ONWJ and SES respectively in 2000 were amortised over five years commencing from 2000. MOGJ and MOGS have registered losses for the three financial years ended 31 December 2003, 2002 and 2001 due primarily to such amortisation of investment costs. Please see section 2.2(d) of the Circular for details.

These investment costs have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

Financial effects before the exercise of the Warrants, assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004

We note from the table above, that without exercise of the Warrants and after the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation, assuming these had been effected at FY2004, the Company's NTA per share will increase from 2.50 cents to 12.50 cents. The increase in NTA per share is due to the Proposed Share Consolidation that reduces the number of issued ordinary shares by 80%. Assuming these had been effected at the beginning of the FY2004, EPS will decrease from negative 0.083 cents to negative 1.865 cents. The decrease in EPS is due to inclusion of the assumed Bond interest of S\$2,006,000 and the 50% Share of Net Loss of MOGJ and MOGS for FY2003 and the effect of the Proposed Share Consolidation.

Financial effects after the exercise of the Warrants assuming that the Proposed Acquisition, Proposed Issue and Proposed Share Consolidation had been effected at the end of FY2004, and based on the Group's latest announced unaudited financial statements for FY2004

Scenario A

Assuming that the Warrants are exercised at the Subscription Price of 58.1 cents after the Proposed Share Consolidation and net proceeds arising from exercise of the Warrants are used to redeem the Bonds issue².

Under this scenario, the Company's NTA per share will increase from 2.50 cents to 18.83 cents. The increase in NTA per share is due to the effects of the Proposed Share Consolidation that reduces the number of issued ordinary shares by 80% as well as the proceeds and the increase in the number of issued ordinary shares by 31,032,874 from the exercise of the warrants. The Company's EPS will decrease from negative 0.083 cents to negative 0.678 cents. The decrease in EPS is due to inclusion of the 50% Share of Net Loss of MOGJ and MOGS for FY2003 and the effect of the Proposed Share Consolidation and the increase in the number of issued ordinary shares from the exercise of the Warrants.

² The Subscription Price has been derived from an assumed Initial Reference Price of 11.07 cents for illustration purposes, plus a 5% premium (in accordance with the terms and conditions of the Warrants) multiplied by the adjustment factor of 5 for the Proposed Share Consolidation.

Please refer to section 2.2(d) of the Circular which states that the investments costs which led to the losses of MOGJ and MOGS have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

Scenario B

Assuming that the Warrants are exercised at the minimum Subscription Price of 29.4 cents after the Proposed Share Consolidation and net proceed arising from exercise of the Warrants are used to redeem the Bonds issue³.

Under this scenario, NTA per share will increase from 2.50 cents to 16.58 cents. The increase in NTA per share is due to the effects of the Proposed Share Consolidation that reduces the number of issued ordinary shares by 80% as well as the proceeds and the increase in the number of issued ordinary shares by 61,326,871 from the exercise of the Warrants. The Company's EPS will decrease from negative 0.083 cents to negative 0.595 cents. The decrease in EPS is due to inclusion of the 50% Share of Net Loss of MOGJ and MOGS for FY2003 and the effect of the Proposed Share Consolidation and the increase in the number of issued ordinary shares from the exercise of the Warrants.

Please refer to section 2.2(d) of the Circular which states that the investments costs which led to the losses of MOGJ and MOGS have been completely written off as of 31 December 2004, and are irrelevant from 1 January 2005 onwards.

16. OTHER RELEVANT CONSIDERATIONS

16.1 The Proposed Acquisition was conducted through a competitive bidding process

The Directors have informed us that the Proposed Acquisition was conducted through a competitive tender process and a number of bidders had participated in it. The Company was not the highest bidder in the tender process and the Directors are of the view that they have obtained favorable terms from the seller in relation to the Proposed Acquisition.

16.2 Risk factors relating to the Proposed Acquisition and the Proposed Issue

We would like to draw your attention to the risk factors relating to the Proposed Acquisition. We recommend that the Board of Directors advise the Entitled Shareholders to read this section carefully.

(a) Volatility of Crude Oil Prices

The financial condition of MOGJ and MOGS will be dependent on, and sensitive to, the prevailing prices of crude oil. Fluctuations in crude oil prices could have a material adverse effect on their operation and financial condition and the value and amount of their Reserves. Prices for crude oil fluctuate in response to changes in the supply of and demand for crude oil, market uncertainty and a variety of additional factors beyond the control of the Company.

Oil prices are determined by international supply and demand. Factors which affect crude oil prices include the actions of the Organisation of the Petroleum Exporting Countries ("**OPEC**"), the condition of the major oil consuming economies such as the United States of America, government regulation, political stability in the Middle East and elsewhere, the availability of alternate fuel sources and weather conditions.

Any substantial or extended decline in the prices of crude oil could result in a delay or cancellation of existing or future drilling, development or construction programmes or curtailment in production at some properties, all of which could have a material adverse effect on the revenues, profitability and cash flows of both MOGJ and MOGS.

³ The Subscription Price has been derived from the lowest possible Initial Reference Price of 8.00 cents, and according to the lowest Subscription price following downward reset (as described in Section 3.4 of the Circular) would be subject to a minimum Subscription Price of 70% of the Initial Reference Price multiplied by the adjustment factor of 5 for the Proposed Share Consolidation.

(b) *Country Risks*

The assets of MOGJ and MOGJ are located in offshore Indonesia. They may be affected by changes in government policies, social instability or other political, economic, legal, regulatory or international developments in or affecting Indonesia which are not within the Company's control.

(c) *Environmental Liability Risks*

Both ONWJ and SES are large, offshore fields where potential exists for the pollution of air and the surrounding water. These fields are subject to compliance with local laws and regulations controlling the protection of the environment.

Although the Company believes that both ONWJ and SES are in material compliance with current applicable environmental regulations, changes to such regulations may have a material adverse effect on the Company. Additional costs may be required to comply with the changes in such regulations.

(d) *Exchange Rate Risks*

Sales revenue flowing to MOGJ and MOGS is denominated in US\$, as are major costs. Financing for the Proposed Acquisition is also denominated in US\$. There is a risk that movements in the US\$:S\$ exchange rate may have a material adverse impact on the ultimate financial returns to Interra.

(e) *Operational Risks*

Oil and gas exploration operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, oil spills, and gas transmission pipeline faults, any of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. Insurance policies are undertaken on the assets, although in accordance with industry practice, both MOGJ and MOGS are not fully insured against all of these risks, nor are all such risks insurable.

(f) *Reserve Risks*

There are numerous uncertainties inherent in estimating quantities of Reserves and cash flows, including many factors that are beyond the control of the Company. Evaluations of Reserves and cash flows include 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 prices of oil, operating costs and royalties and other 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 control of the Company.

(g) *Interest Rate Risk*

The Proposed Acquisition will be partly funded by the senior debt financing to be extended by CFP to SPV under the Facilities Agreement, which is US\$ denominated debt. This debt is tied to changes in LIBOR (the London interbank market rate). This rate may change over time, thus impacting on the returns from both MOGJ and MOGS to the Company.

(h) *Default Risk Under The Bonds*

The obligations of the Company under the Bonds will be secured by, *inter alia*, a charge over the shares held by the Company in the capital of Goldwater Company Limited and an assignment by way of security of all rights in respect of the Secured Debt Service Reserve Account, as well as a charge over the shares held by the Company in the capital of Goldwater TMT, Pte. Ltd.

The Secured Debt Service Reserve Account is set up for the purpose of paying the Bondholders the aggregate coupons required to be paid until the third anniversary of the Issue date. The Shareholders should note that in the event that Warrantholders decide not to convert the Warrants prior to the third anniversary of the Issue Date, the Company will need to find alternative sources to pay the coupons that will accrue from that time and, potentially, to ultimately redeem the Bonds. There is no guarantee that such funds will be available at that time. Under this circumstance, the Company would be in breach of its obligations to the Bondholders who would be entitled to bring actions for default against the Company.

(i) *Default Risk Under The Shareholders' Agreement*

If the Company fails to perform its obligations under the Shareholders' Agreement in any material respect (including the obligation to provide its *pro rata* share of any PSC Funding), or is considered to be in default under the terms of the Shareholders' Agreement, the Company may face material adverse consequences, including the compulsory transfer of its shares in SPV at par value in certain circumstances. Please see section 2.5 of the Circular for more information.

(j) *Default Risk Under The Facilities Agreement*

If SPV fails to comply with its obligations under the Facilities Agreement, the loan extended under the Facilities Agreement may be cancelled and may become immediately due and payable. In this event, SPV would require an alternative source of financing, and there is no guarantee that such funds will be available at that time. Under this circumstance, the financial condition and business and operations of SPV, and the Company's investment in SPV, may be materially adversely affected.

(k) *Possible Downward Movement of Share Price*

As referred to in section 3.4 of the Circular, the Subscription Price for the Warrants is 105% of the Initial Reference Price, subject to a possible downwards reset on a Reset Date to 105% of the prevailing market price of the Shares. Under the terms and conditions of the warrants, the minimum subscription price possible would be S\$0.0588, which is 70% of the minimum initial reference price of S\$0.08 multiplied by 105% (please refer to the illustrations in section 3.5 of the Circular). There are various reasons why the prevailing market price might fall prior to a Reset Date, amongst others the general market conditions and interest in trading volume of the Company's shares, including the buying and selling interests of the Share, crude oil price, interest rates and the Company's free Float Shares in the market. If, for whatever reason, the prevailing market price falls prior to a Reset Date during the pricing period, this will result in a lower Subscription Price. A lower Subscription Price would enable Warrantholder to convert and obtain Shares at a lower price per Share. The dilutive effect from the issuance of more Shares by the Company may cause further pressure on the Share price.

(l) *Operator Risk*

MOGJ and MOGS own minority, non-operated interests in ONWJ and SES respectively. The operators of these fields are affiliates of BP p.l.c. (BP) and CNOOC respectively. The Company will not have a material input in the daily operations of these fields, and hence will rely on the operational expertise of both BP and CNOOC.

17. CONCLUSION

In arriving at our opinion in respect of the Proposed Acquisition and Proposed Issue, we have taken into account, reviewed and examined the factors that we consider to be pertinent and to have a bearing on our evaluation of the Proposed Acquisition and Proposed Issue as set out in the previous sections of this letter, including:

- (a) the rationale for the Proposed Acquisition as set out in section 7 of this letter. The Proposed Acquisition will provide the Company with access to additional oil and gas reserves and provide an expansion opportunity in the Company's principal assets in Indonesia through the potential for further discoveries in both oil and gas fields;
- (b) comparison with similar acquisitions made in Indonesia;
- (c) the cost of the Bonds as compared to Comparable Bonds issues;
- (d) the effects of the Warrants issue;
- (e) the implied total cost of the Proposed Issue;
- (f) the reasonableness of the implied total costs of the Proposed Issue;
- (g) the financial impact of the Proposed Share Consolidation, Proposed Acquisition and Proposed Issue;
- (h) the risk factors described in Section 16.2 of this letter; and
- (i) the fact that the Directors believe that the Proposed Issue is the best financing option available to the Company at this point in time.

Based on the analysis undertaken and subject to the qualifications and assumptions made herein, we are of the opinion that the financial terms of the Proposed Acquisition and Proposed Issue are on normal commercial terms and are not prejudicial to the interests of the Company's Entitled Shareholders.

The Entitled Shareholders should note that according to section 6.3 of the Circular, the yield of the Proposed Acquisition will be approximately 11.1%, while the cost of funding the acquisition, as reflected by our calculation of the implied total cost of the Proposed Issue is 19.1%.

However, as stated in section 11(h) of the Circular, we note that in the course of the Company's due diligence and review of technical data in connection with the Proposed Acquisition, the Company has evaluated the P2 (Probable) Reserves, P3 (Possible) Reserves and other relevant information on ONWJ and SES which are relevant to the upside potential of the Proposed Acquisition. Based on the results of such due diligence and review, the Directors are of the view that with respect to ONWJ and SES, 40% of the P2 (Probable) Reserves and 25% of the P3 (Possible) Reserves may be realised. On this basis, and based on the assumptions described in section 6.3 of the Circular, the Directors are of the view that the yield of the Proposed Acquisition would be approximately 22.0%, more than the implied total cost of the Proposed Issue of 19.1%.

Entitled Shareholders should also note that it is not within our terms of reference to evaluate or comment on the legal, commercial or financial merits or risks of the Proposed Acquisition or the Proposed Issue; nor are we required to evaluate or comment on the strategic potential or future prospects of the Company after the completion of the Proposed Acquisition or the Proposed Issue. Such evaluations or comments are solely the responsibility of the Directors and the management of the Company although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion.

Our opinion is delivered to the Board of Directors for their deliberation on the Proposed Acquisition and the Proposed Issue, and the recommendations made by the Board of Directors shall remain the responsibility of the Board of Directors. Our opinion should not be relied on as a recommendation to any Entitled Shareholder of the Company as to how such Entitled Shareholders should vote on the Proposed Acquisition and the Proposed Issue or any matter related thereto. Each Entitled Shareholder may have different investment objectives and considerations and should seek professional advice.

The Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in the Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading.

Our opinion in relation to the Proposed Acquisition and the Proposed Issue should be considered in the context of the entirety of this letter and the Circular.

Yours faithfully
for and on behalf of
KPMG Corporate Finance Pte Ltd

Vishal Sharma
Director

Steve Kek
Manager

APPENDIX

Announced Date	Target Name	Acquirer Name	Transaction Value (US\$ million)	Deal Description
23 Jul 2003	Equatorial Energy Indonesia	Unnamed Buyer	18	Resolute Energy Inc sold off 100% of its Indonesian subsidiary, Equatorial Energy (Indonesia) Inc. for cash proceeds of US\$18.0 million. The subsidiary comprises all of the Company's interests in the Sembakung and Tanjung Lontar Technical Assistance Contracts.
13 Jun 2003	Jabung PSC Property	Pertamina PT	20	Pertamina acquired 5% stake in Jabung PSC located at Jambi, Sumatra for the total consideration of US\$20 million from the Amerada Hess Consortium which is owned by PetroChina, Petronas and Amerada Hess. Following the acquisition, Pertamina holds a 15% stake in the PSC while the remaining 85% is owned by Petronas and PetroChina.
24 Apr 2003	Jabung PSC Property	Petronas/ Petrochina	164	Malaysia's Petronas Carigali Jabung Ltd. and PetroChina Co. (PTR) jointly acquired a 30% stake in Indonesia's Jabung Block PSC for US\$164 million. The 30% stake in the PSC operations in Sumatra was held by Amerada Hess Indonesia Holdings Limited. Previously, Petronas and PTR each already hold a 30% stake in the PSC, while Pertamina holds the remaining 10% stake.

Sources: Bloomberg (for announcement date, target name, acquirer a name and transaction value) and Factiva (for deal description)

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTERRA RESOURCES LIMITED

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Interra Resources Limited (the "**Company**") will be held at 7 Shenton Way #02-01, Singapore Conference Hall, Singapore 068810 on 21 April 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without any modification the following ordinary resolutions:

1. ORDINARY RESOLUTION

Proposed Share Consolidation

THAT with effect from a date to be determined by the Directors of the Company and pursuant to the Articles of Association of the Company:

- (a) the 2,000,000,000 ordinary shares of par value S\$0.05 each ("**S\$0.05 Shares**") in the authorised capital of the Company (of which 962,635,120 S\$0.05 Shares have been issued and are fully paid up or credited as fully paid up) be consolidated into 400,000,000 ordinary shares of par value S\$0.25 each ("**S\$0.25 Shares**") by consolidating every five (5) S\$0.05 Shares (both issued and unissued) into one (1) S\$0.25 Share;
- (b) any fraction of a S\$0.25 Share which may arise from the share consolidation pursuant to paragraph (a) above shall be disregarded, and all fractions of S\$0.25 Shares to which holders of the issued S\$0.05 Shares would otherwise be entitled to shall be aggregated and sold and the proceeds arising therefrom shall be retained for the benefit of the Company; and
- (c) the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they may consider necessary, desirable or expedient to effect and implement any of the foregoing, including without limitation, to determine the effective date of the share consolidation contemplated under this Resolution.

2. ORDINARY RESOLUTION

Proposed Acquisition

- (a) THAT approval be and is hereby given for the proposed acquisition by the Company and Citigroup Financial Products Inc. ("**Citigroup**") of the entire issued share capital of MC Oil & Gas Java B.V. and MC Oil & Gas Sumatra B.V. on the terms and conditions of the conditional sale and purchase agreement dated 22 December 2004 ("**Sale and Purchase Agreement**") entered into by and among the Company, Citigroup, MC Oil & Gas Holding B.V. and Mitsubishi Corporation, as amended, and the agreement ("**SPV Assignment Agreement**") to be entered into by and among the Company, Citigroup and Orchard Energy Holding Java & Sumatra B.V. ("**Proposed Acquisition**"); and
- (b) THAT the Directors of the Company and each of them be and are hereby authorised and empowered to do all such acts and things as they may consider necessary, desirable or expedient to effect and implement the Proposed Acquisition and the transactions contemplated under the Sale and Purchase Agreement, the SPV Assignment Agreement and this Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alteration or modification to any document and to affix the company seal of the Company to any such documents, if required, in accordance with the Articles of Association of the Company;

Proposed Issue

- (c) THAT approval be and is hereby given to the Directors of the Company:
- (i) to create and issue to Amaranth LLC US\$11,000,000 in principal amount of secured 7.0% bonds due 2010 with US\$11,000,000 in nominal value of detachable warrants (“**Warrants**”) on the terms and conditions set out in the conditional subscription agreement dated 22 December 2004, as amended, entered into between the Company and Amaranth LLC (“**Subscription Agreement**”), such Warrants carrying the right to subscribe for new ordinary shares in the capital of the Company (“**Shares**”) at a subscription price determined in accordance with the terms and conditions of the Warrants set out in the Subscription Agreement and subject to such adjustments as the terms and conditions of the Warrants may provide and on such other terms and conditions as the Directors of the Company may decide; and
 - (ii) to allot and issue (notwithstanding that the issue thereof may take place after the next or any ensuing annual general meeting of the Company) new Shares arising from the exercise of the Warrants subject to and in accordance with the terms and conditions of the Warrants, such new Shares to be credited as fully paid when issued and to rank *pari passu* in all respects with the Shares then in issue save that they shall not rank for any dividend or other distribution previously declared, recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the Warrants (“**Exercise Date**”) and notice of the amount and the record date for which has been given to Singapore Exchange Securities Trading Limited (“**SGX-ST**”) prior to the relevant Exercise Date; and
- (d) THAT the Directors of the Company and each of them be authorised and empowered to do all such acts and things as they may consider necessary, desirable or expedient to effect and implement this Resolution, including without limitation to the foregoing, to negotiate, sign, execute and deliver all documents, approve any amendments, alteration or modification to any document and to affix the company seal of the Company to any such documents, if required, in accordance with the Articles of Association of the Company; and

Proposed Utilisation of Balance of May 2004 Placement Proceeds

- (e) THAT approval be and is hereby given to the Directors of the Company to utilise the balance of proceeds from the placement of 80,000,000 new Shares at the issue price of S\$0.19332 per Share announced by the Company on 4 May 2004 and completed on 13 May 2004 for the purposes of the Proposed Acquisition.

BY ORDER OF THE BOARD

Sugiharto Soeleman
Director
Interra Resources Limited

6 April 2005

PROXY FORM
Extraordinary General Meeting

IMPORTANT

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Interra Resources Limited, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

INTERRA RESOURCES LIMITED

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

I/We, _____ (Name) _____ (NRIC/Passport No.)
 of _____ (Address)
 being a member/members of Interra Resources Limited (“**Company**”), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			(No. of Shares)	(%)
and/or (delete as appropriate)				
Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			(No. of Shares)	(%)

or failing him/them, the Chairman of the Meeting as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held on 21 April 2005 at 10:00 a.m. at 7 Shenton Way #02-01, Singapore Conference Hall, Singapore 068810 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolution	For	Against
1	Proposed Share Consolidation		
2	<ul style="list-style-type: none"> • Proposed Acquisition • Proposed Issue • Proposed Utilisation of Balance of May 2004 Placement Proceeds 		

(Please indicate your vote “For” or “Against” with [X] within the box provided.)

Dated this _____ day of _____ 2005

Total Number of Shares Held

 Signature(s) of Member(s) or duly authorised officer
 or attorney or Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by the member.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his stead.
3. A proxy need not be a member of the Company.
4. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 391A Orchard Road, #13-06 Ngee Ann City Tower A, Singapore 238873 not less than 48 hours before the time appointed for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

GENERAL

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