

17 November 2015

**THE PROPOSED DISPOSAL OF A GRANITE QUARRY OWNED BY A SUBSIDIARY,
PT MITRA INVESTINDO TBK****A. INTRODUCTION**

1. The board of directors (the “**Board**”) of Interra Resources Limited (the “**Company**”) wishes to announce that PT Mitra Investindo Tbk (“**MITI**”), the Company’s subsidiary incorporated in the Republic of Indonesia which is listed on the Indonesia Stock Exchange, has entered into a conditional sale and purchase agreement dated 16 November 2015 (the “**CSPA**”) with PT Sanmas Mekar Abadi (“**PT SMA**”), for the proposed disposal by MITI (the “**Proposed Disposal**”) of the assets defined in paragraph A2 below (the “**Granite Quarry**”), for the consideration (the “**Consideration**”) which comprises:
 - (a) IDR39,000,000,000, which is equivalent to US\$3,000,000 when converted at the exchange rate of US\$1:IDR13,000 as set out in the CSPA, for the Granite Quarry; and
 - (b) a sum of US\$530,502 being 70% of the accumulated balance amount paid by MITI into the Environment Restoration Fund (as defined below) as at 30 September 2015, upon completion of the Proposed Disposal and subject to local authority approval, pursuant to the CSPA.


Please see section C below for further details on the Consideration payable.
2. The Granite Quarry comprises the following:-
 - (a) the sale of all the equipment owned by MITI as described in Appendix 2 of the CSPA;
 - (b) the sale of all the land owned by MITI as described in Appendix 4 of the CSPA; and
 - (c) the assignment and transfer of all the employment agreements entered into by MITI as described in Appendix 3 of the CSPA.
3. The Consideration payable by PT SMA for the Granite Quarry is based on, *inter alia*, the results of the valuation report prepared by Nirboyo Adiputro, Dewi Apriyanti & Rekan dated 5 November 2015 (with an effective date of 31 May 2015), which was commissioned by MITI, (the “**Valuation Report**”) and the other factors which are explained in section C below.
4. Upon the completion of the Proposed Disposal in accordance with the CSPA (“**Completion**”), the Company will not own the Granite Quarry. The completion date of the Proposed Disposal (the “**Completion Date**”) shall be within three working days after the last of the conditions precedent set out in the CSPA is

satisfied or waived, provided that Completion shall not take place no later than 29 February 2016, unless otherwise mutually agreed by the parties.

5. As two of the relative figures computed on the bases set out under Rule 1006 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") exceed 5% but do not exceed 20%, the Proposed Disposal is considered a Discloseable Transaction under Chapter 10 of the Listing Manual. Please see paragraph E1 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual. Although none of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceed 20%, the relative figure computed under Listing Rule 1006(b) is a negative figure and pursuant to Listing Rule 1007(1), the Company has consulted the SGX-ST to ascertain whether the Company is required to seek the approval of its shareholders at a general meeting for the Proposed Disposal. As at the time of this announcement, the Company has not received the final ruling from the SGX-ST on this issue.

B. RATIONALE FOR THE PROPOSED DISPOSAL

1. MITI's only business before the injection of the Linda Sele fields into MITI, was its 100% interest in the Mining Business Permit of the Bukit Piatu granite quarry located in Bukit Piatu, Kijang, Bintan, Kepulauan Riau, Indonesia. As the core business of the Company is in the oil and gas industry, it was always envisaged that MITI would dispose of the granite business after it became a subsidiary of the Company. The Company is keen to remove the granite business from its current portfolio through the sale of the granite quarry by MITI to PT SMA, because the granite quarry does not form part of the Company's strategic interest which remains in the oil and gas sector. Since becoming a subsidiary of the Company, MITI has added to its portfolio of oil and gas assets and it has on 26 June 2015, entered into a subscription agreement to subscribe for one third of the total issued share capital in a company called Mentari Garung Energy Ltd, which holds the concession rights to the Garung Production Sharing Contract for the exploration and exploitation of an oil and gas concession in Kalimantan, Indonesia that is currently in the exploratory stage.
2. The Company has, since its incorporation, been in the oil and gas industry. Prior to the injection of the Linda Sele fields into MITI, the Company had never been involved in the granite quarry business. The Company does not have the experience and expertise to expand the granite business beyond its current operations.
3. In addition, the quarry licence granted by the authorities will expire in 20 May 2019 and there is no guarantee that the licence will be extended.
4. The quarry is solely dependent on the domestic Indonesian construction industry and there are no overseas sales from the quarry by MITI as it is unable to export its products due to high export taxes which are designed to deter the export of granite from Indonesia. Given the slowdown in the Indonesian economy, a slowdown in the demand for the quarry's products is also anticipated.

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5. Furthermore, with the current low oil prices, the Company needs to dedicate all its financial, managerial and operational resources to its core business in the oil and gas sector. The Company also considers it is critical that cash be raised by selling the quarry in order to have sufficient financial resources at hand for its current operations in its core business in the oil and gas industry.

C. CONSIDERATION

1. The Consideration was arrived at after arm's length negotiations and on a willing-buyer willing-seller basis and after taking into account, *inter alia*:
 - (a) the results of the Valuation Report; and
 - (b) the significant reimbursements that MITI will be able to receive from payments paid towards a rehabilitation fund. MITI is required to make periodic payments into a fund that is opened in the joint name of MITI and the local government for the restoration and rehabilitation of the land used by the quarry (the "**Environment Restoration Fund**") and MITI's contribution to the Environment Restoration Fund is calculated based on the sale of granite from its quarry. MITI has calculated that they will be reimbursed the sum of US\$530,502 being 70% of the accumulated balance amount paid by MITI into the Environment Restoration Fund as at 30 September 2015, upon completion of the Proposed Disposal and subject to local authority approval, pursuant to the CSPA.
2. Pursuant to the terms of the CSPA, the Consideration, shall be satisfied by:
 - (a) the payment in cash of IDR39,000,000,000, which is equivalent to US\$3,000,000, converted at the exchange rate of US\$1:IDR13,000 as set out in the CSPA; and
 - (b) the payment in cash of a sum corresponding to 70% of the accumulated balance amount paid by MITI into the Environment Restoration Fund as at 30 September 2015. The Company understands that as at 30 September 2015, the balance of the Environment Restoration Fund was IDR11,079,838,593 which is equivalent to US\$757,860 when converted at the exchange rate of US\$1:IDR14,620 as at 30 September 2015. By MITI's calculations, the sum payable by PT SMA to MITI in relation to the Environment Restoration Fund is US\$530,502, being 70% of the Environment Restoration Fund as at 30 September 2015, upon completion of the Proposed Disposal and subject to local authority approval.
3. The profit after tax attributable to the Granite Quarry is US\$442,254 for the nine-month period ended 30 September 2015 ("**9M2015**") and the Company expects that the amount of the loss on the disposal of the Granite Quarry will be US\$2,433,509.
4. The deficit of the proceeds over the book value will be US\$2,433,509 and the proceeds from the Proposed Disposal will be used for general working capital purposes and for the possible expansion of MITI's oil and gas operations.

D. OTHER SALIENT TERMS OF THE CSPA

1. Conditions precedent

Pursuant to the terms of the CSPA, Completion is conditional upon, *inter alia*:

- (a) Obtaining the approvals from the Board of Directors and the Board of Commissioners of MITI to effect all the transactions contemplated under the CSPA;
- (b) Changing the status of MITI to a domestic investment company in accordance with all applicable laws and regulations;
- (c) Obtaining the approval of the shareholders of MITI at an extraordinary general meeting of shareholders of MITI for compliance with BAPEPAM-LK Regulation No. IX.E.2; and
- (d) Obtaining the approvals from the Board of Directors and the shareholders of the Company, which is a majority shareholder of MITI, at a Board of Directors' meeting and at an extraordinary general meeting of the shareholders of the Company respectively.

2. Representations and warranties

Both MITI and PT SMA have provided to each other various customary representations, warranties and undertakings.

E. PROPOSED DISPOSAL AS A DISCLOSEABLE TRANSACTION

1. The computation of the relative figures under Rule 1006 of the Listing Manual are based on the unaudited consolidated financial information of the Company and its subsidiaries (the “Group”) for 9M2015 and are as follows:

Rule 1006	Basis	Relative Figure
(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.	8.56%
(b)	The net profit/losses attributable to the assets disposed of, compared with the Group's net profit/losses. ⁽¹⁾	(3.84%)
(c)	The aggregate value of the consideration ⁽²⁾ received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares. ⁽³⁾	9.88%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue. ⁽⁴⁾	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of	Not applicable




Rule 1006	Basis	Relative Figure
	mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	

Notes:

- (1) Based on Rule 1002(3)(b) of the Listing Manual, "net profits" is defined as profit or loss before income tax, minority interests and extraordinary items. Based on the unaudited financial statements of MITI and the Group for 9M2015, the net profit/(losses) attributable to the Granite Quarry and the Group were US\$618,851 and US\$(16,095,998) respectively.
 - (2) The "aggregate value of the consideration" is based on the Consideration which comprises: (i) IDR39,000,000,000, which is equivalent to US\$3,000,000 when converted at an exchange rate of US\$1:IDR13,000 as set out in the CSPA; and (ii) a sum corresponding to 70% of the accumulated balance amount paid by MITI into the Environment Restoration Fund as at 30 September 2015 pursuant to the CSPA, assuming that the said sum is paid upon completion of the Proposed Disposal and local authority approval is obtained. The Company understands that as at 30 September 2015, the balance of the Environment Restoration Fund was IDR11,079,838,593 which is equivalent to US\$757,860 when converted at the exchange rate of US\$1:IDR14,620 as at 30 September 2015. The Company understands that the sum payable by PT SMA to MITI is in relation to the Environment Restoration Fund is US\$530,502, being 70% of the Environment Restoration Fund as at 30 September 2015.
 - (3) The "market capitalisation" of the Company is based on 506,436,469 shares in issue and the weighted average price of such share transacted on the SGX-ST on 13 November 2015 of S\$0.1003 and converted at the exchange rate of US\$1:S\$1.4214 as at 13 November 2015.
 - (4) Not applicable as there is no acquisition by the Company and no equity securities being issued by the Company as consideration.
2. As two of the relative figures computed on the bases set out under Rule 1006 of the Listing Manual exceed 5% but do not exceed 20%, the Proposed Disposal is considered a Discloseable Transaction, as defined under Chapter 10 of the Listing Manual. However, as discussed in paragraph A5 above, whilst none of the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual exceed 20%, the relative figure computed under Listing Rule 1006(b) is a negative figure and pursuant to Listing Rule 1007(1), the Company has consulted the SGX-ST to ascertain whether the Company is required to seek the approval of its shareholders at a general meeting for the Proposed Disposal. As at the time of this announcement, the Company has not received the final ruling from the SGX-ST on this issue.

F. VALUE OF THE GRANITE QUARRY

1. The net book value, the net tangible asset (the "NTA") value and the latest available open market value of the Granite Quarry as at 30 September 2015 are US\$5,964,011, US\$5,536,293 and US\$4,209,362 respectively.

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2. The latest available open market value of the Granite Quarry comprises the following: (i) US\$2,163,725 being the value of the fixed assets to be disposed of, as set out in the latest available Valuation Report, converted at an exchange rate of US\$1:IDR14,620; (ii) US\$1,163,977 being the value attributable to the mining licence in the books of MITI; (iii) US\$427,719 attributable to non-contractual customer relationships in the books of MITI; and (iv) approximately US\$546,351 attributable to spare parts for the machinery and equipment less retirement benefit obligations of US\$92,410 in the books of MITI. A copy of the Valuation Report and extracts of the ledgers which show the figures set out in this paragraph F2 will be made available for inspection, the details of which are set out in Section I below.
 3. The basis of the valuation was based on market comparison technique and cost technique. The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

G. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal on the Company's NTA per share, earnings per share ("**EPS**") and gearing of the Group in respect of the financial year ended 2014 ("**FY2014**") have been prepared based on the following assumptions:-

- (a) The financial effects of the Proposed Disposal are based on the audited financial statements of the Group for FY2014;
- (b) No adjustments have been made to align any differences that may result from the adoption of different accounting standards and policies by the Group;
- (c) For the purpose of computing the NTA per share and gearing of the Group after Completion, it is assumed that the Proposed Disposal was completed on 31 December 2014; and
- (d) For the purpose of computing the earnings attributable to shareholders and basic EPS after Completion, it is assumed that the Proposed Disposal was completed on 6 August 2014 (i.e. one day after the acquisition of MITI on 5 August 2014).

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Proposed Disposal nor a projection of the future financial performance or position of the Group after Completion.

(1) Effect on NTA per share

FY2014	Before the Proposed Disposal	After the Proposed Disposal
NTA (US\$'000)	64,472	62,726
Total number of issued shares	449,350,357	449,350,357
NTA per share (US cents)	14.348	13.959

(2) Effect on EPS

FY2014	Before the Proposed Disposal	After the Proposed Disposal
Losses attributable to shareholders (US\$'000)	10,535	13,378
Weighted average number of issued shares	446,187,782	446,187,782
EPS (US cents)	(2.361)	(2.998)

(3) Effect on gearing of the Group

As at 31 December 2014	Before the Proposed Disposal	After the Proposed Disposal
Total borrowings (US\$'000)	1,189	1,189
Shareholders' fund (US\$'000)	71,638	69,376
Gearing ratio (times)	0.017	0.017

H. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS


None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Company.

I. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the CSPA dated 16 November 2015, the Valuation Report prepared by Nirboyo Adiputro, Dewi Apriyanti & Rekan dated 5 November 2015 and extracts of the ledgers which show the figures set out in paragraph F2 above will be made available for inspection during normal business hours at the Company's registered office at 1 Grange Road, #05-04 Orchard Building, Singapore 239693 for a period of three (3) months commencing from the date of this announcement.

J. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when trading in the Company's shares. The Proposed Disposal is subject to the fulfilment of, *inter alia*, the conditions precedent set out above. There is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further



developments on the Proposed Disposal. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board of Directors of
INTERRA RESOURCES LIMITED

Marcel Tjia
Chief Executive Officer

About Interra

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