

31 May 2016

**PROPOSED ACQUISITION OF 23.4401761% OF THE
ISSUED AND PAID-UP SHARE CAPITAL OF PT BENAKAT OIL**

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 20 May 2016 (the “**CSPA**”) with PT Pratama Media Abadi (“**PMA**”) and PT Benakat Oil (“**BO**”) for the proposed acquisition by MITI (the “**Proposed Acquisition**”) of:

- (i) 77,401,993 ordinary and fully paid-up shares in BO (the “**Sale Shares**”), which represents 23.4401761% of the issued and paid-up share capital of BO and translates into an indirect holding of 21.79% of PT Benakat Barat Petroleum (“**BBP**”); and
- (ii) PMA’s receivables from BO amounting to IDR31,272,091,168 (the “**Receivables**”).

PMA shall hereinafter be referred to as the “**Seller**”. BO, PT Indelberg Indonesia (“**I**”) and BBP shall hereinafter be referred to collectively as the “**Benakat Group**”.

- 2. The purchase price payable by MITI for the Sale Shares and Receivables is IDR71,374,187,514 (the “**Purchase Price**”). The Purchase Price is based on, *inter alia*, the results of the independent valuation report prepared by Jennywati, Kusnanto & rekan dated 19 May 2016 (the “**Valuation Report**”), and the consolidated net tangible assets (the “**NTA**”) of the Benakat Group as on 31 December 2015. Please see paragraph C for further details on the Purchase Price.
- 3. Upon the completion of the Proposed Acquisition in accordance with the CSPA (“**Completion**”), the Company and its subsidiaries (the “**Group**”) will control 34.11% of BO. The completion date of the Proposed Acquisition (the “**Completion Date**”) shall be subject to the satisfaction of, or waiver of, all the conditions precedent set out in Schedule III of the CSPA and shall not be later than 30 September 2016 unless otherwise mutually agreed to by the parties.
- 4. Currently, the Company holds 21.51% of the issued and paid-up share capital of BO through its wholly-owned subsidiary, Goldwater Indonesia Inc. (“**GII**”), which translates into an indirect holding of 20.00% of BBP. Upon Completion, the Group will control a total of 34.11% of the issued and paid-up share

capital of BO through GII and MITI, which translates to a total indirect holding of BBP of 31.72%.

5. As one 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**") exceeds 5% but does not exceed 20%, the Proposed Acquisition is considered a discloseable transaction under Chapter 10 of the Listing Manual. Please see paragraph E below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual. Accordingly, the Proposed Acquisition is not subject to the approval of shareholders of the Company ("**Shareholders**") in general meeting.

B. RATIONALE FOR THE PROPOSED ACQUISITION

1. Background of BBP

BBP is a limited liability company incorporated under the laws of Indonesia. Pursuant to an operations cooperation agreement (the "**Benakat Barat KSO**") entered into between BBP and PT Pertamina EP on 16 March 2009, BBP holds an undivided 100% interest in the Benakat Barat KSO and has the rights and obligations to exploit, develop and explore for hydrocarbons in the Benakat Barat field in South Sumatra, Indonesia.

2. Shareholding structure of the Benakat Group

Currently, BO's registered shareholders are PT Benakat Integra Tbk (78.49%), GII (21.51%) and PT Bangkudulis Patina Petroleum (1 share). BO owns 97.87% of the issued share capital of II, which in turn directly owns 94% of the issued share capital of BBP. The registration of PMA as a shareholder (23.44%) of BO is still under processing. Upon Completion, the shareholders of BO will be PT Benakat Integra Tbk (55.05%), MITI (23.44%), GII (21.51%) and PT Bangkudulis Patina Petroleum (1 share).

3. Rationale for the Proposed Acquisition

Since becoming a subsidiary of the Company, MITI has added to its portfolio of oil and gas assets. In June 2015, MITI 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.

With the Proposed Acquisition, MITI continues with its strategy to acquire interests in oil and gas with a view of developing its portfolio of energy assets.

C. CONSIDERATION

1. The Purchase Price was arrived at after negotiations on a willing-buyer willing-seller basis and after taking into account, *inter alia*, (i) the Valuation Report; (ii) the NTA of the Benakat Group; (iii) the business potential of the Benakat Group.
2. Pursuant to the terms of the CSPA, the Purchase Price shall be satisfied in the following manner:
 - (a) the first payment of the Purchase Price amounting to a sum of IDR39,321,125,000 shall be made by way of transferring to a bank account designated by the Seller within three (3) business days upon signing of the CSPA;
 - (b) the second part payment of the Purchase Price amounting to a sum of IDR14,601,161,714 shall be made by way of transferring to a bank account designated by the Seller within fourteen (14) business days upon signing of the CSPA; and
 - (c) the final payment of the balance of the Purchase Price amounting to a sum of IDR17,451,900,800, shall be made by way of transferring to a bank account designated by the Seller after all the conditions precedent as set out in Schedule III of the CSPA have been satisfied or otherwise waived by the parties.
3. The net profits/(losses) attributable to the Sale Shares being acquired pursuant to the Proposed Acquisition based on BO's audited financial statement for the financial year ended 31 December 2015 ("FY2015") is IDR(24,142,200,936) (equivalent to US\$(1,757,586) based on an exchange rate of US\$1:IDR13,736 as at 31 December 2015.

D. OTHER SALIENT TERMS OF THE CSPA**1. Sale Shares and Receivables**

The Proposed Acquisition involves the acquisition of the Sale Shares and Receivables, with full title guaranteed, and free from any encumbrance together with all rights now or attaching or accruing to them.

2. Conditions precedent

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

- (a) MITI, as the buyer, having obtained and/or complied the following:
 - (i) If required by any legal or regulatory provisions, the approval of the shareholders of MITI, having been obtained at an general



meeting of MITI shareholders for the sale and purchase of the Sale Shares and Receivables, the issue shares of MITI by way of non-right issue which proceeds shall be used for payment of Sale Shares and other acts as may be relevant to give effect to the transactions contemplated in the CSPA, under Otoritas Jasa Keuangan (“**OJK**”) Regulation number 38/POJK.04/2014 on increase capital of public company without granting pre-emptive rights; the passing of resolutions from the board of directors and the board of commissioners of MITI approving to carry out and satisfy and complete transactions contemplated in the CSPA;

- (ii) If required by the listing rules of the Indonesia Stock Exchange, approval from the OJK subject to non-right issue, listing and quotation of the Indonesia Stock Exchange having been obtained;
 - (iii) All relevant licenses, permits, consents and/or approvals (if any) as may be required by MITI from any governmental or regulatory bodies including the OJK for the transactions described in or contemplated by the CSPA, having been obtained at an general meeting of MITI for the compliance of BAPEPAM LK Regulation No. IX.E.2 and, disclosures under OJK Regulation number 31/POJK.04/2015 on Disclosure of Information or Material Facts of Issuers or Public Companies;
 - (iv) All proceeds of MITI’s non-right issue have been effective in MITI’s account as scheduled in MITI’s disclosure; and
 - (v) Execution of the Sale Share transfer documents by MITI before an Indonesian notary agreed between the parties.
- (b) PMA, as the Seller, having obtained and/or complied with the following:
- (i) Badan Koordinasi Penanaman Modal (“**BKPM**”) having granted in-principal approval to BO for change of shareholders in BO of the Seller, and the Ministry of Law and Human Rights has received notification on the amendment of shareholders in BO of the Seller, and shareholder register has recorded the Seller as shareholder in BO;
 - (ii) The passing of valid resolution of (i) the board of directors of the Seller, (ii) the board of directors of BO; and (iii) the shareholders of the BO passed at a shareholder’s meeting, including the passing of these resolution in notarial form or such other form prescribed under the laws of the Republic Indonesia (if required) to approve the terms and conditions and the transactions contemplated in the CSPA and to authorise the execution, delivery and performance of the CSPA, and in particular to approve and to record the transfer of the Sale Shares from the Seller to MITI;



- (iii) The board of commissioners of the Seller and the board of commissioners of BO shall each provide an acknowledgement of receipt of their respective board of director's recommendations for the transaction contemplated under the CSPA, to MITI;
- (iv) Pertamina granting an extension until 15 December 2016 for BBP to complete the Work Program as defined in the Benakat Barat KSO;
- (v) Execution of the Sale Share transfer documents by the Seller before an Indonesian notary agreed between the parties;
- (vi) The Seller shall have delivered to MITI the original shareholders register representing the latest shareholders composition in:
 - (aa) BO, showing that the Seller, GII, PT Benakat Integra Tbk, PT Bangkudulis Patina Petroleum, and MITI are the current holder of the BO's shares;
 - (bb) II, showing that the PT Benakat Integra Tbk and BO are the current holder of II's shares;
 - (cc) BBP, showing that II, PT Bintang Sukses Nasional, and Mr. Harry Sohar are the current holder of BBP's shares;
- (vii) BKPM having granted in-principal approval to BO for change of shareholders in BO in respect of the sale to and purchase of the Sale Shares by MITI and such approval continuing to be in force and effect as at the Completion Date. Provided always that MITI shall provide any assistance as may be reasonably required in order to obtain such approvals;
- (viii) No receiver and/or manager or administrator or administrative receiver having been appointed of the whole or any part of the assets and undertaking of the Group;
- (ix) No order having been made and no resolution having been passed for the winding-up of any company in the Benakat Group;
- (x) No application having been made for an administration order in respect of any company in the Benakat Group and no petition having been presented and no notice having been given (whether or not by the Benakat Group and whether or not by any members) relating to the winding-up of any company in the Benakat Group;
- (xi) Save for oil and gas assets, all other businesses of the companies in the Benakat Group (including all liabilities present, future or



contingent) are sold and divested from the Benakat Group prior to Completion;

- (xii) Each of the Seller's warranties remaining true and accurate in all respects and not misleading as at Completion and at all times between the date of the CSPA and Completion; and
 - (xiii) All necessary approvals and consents from all relevant governmental, statutory, regulatory and other authorities in Indonesia for the sale and purchase of the Sale Shares having been obtained and continuing to be in force and effect as at the Completion Date.
- (c) MITI and PMA, having obtained and/or complied with the following:
- (i) No Indonesian authority taking, instituting, implementing or threatening to take, institute or implement any action, proceeding, suit, investigation, inquiry or reference, or having made, proposed or enacted any statute, regulation, decision, ruling, statement or order or taken any steps, and there not continuing to be in effect or outstanding any statute, regulation, decision, ruling, statement or order which would or might:
 - (aa) make the transactions contemplated in the CSPA and all other transactions in connection therewith and incidental thereto, void, illegal and/or unenforceable or otherwise restrict, restrain, prohibit or otherwise frustrate or be adverse to the same;
 - (bb) render the Buyer unable to purchase all or any of the Sale Shares in the manner set out in the CSPA; and/or
 - (cc) render the Seller unable to dispose all or any of its percentage of Sale Shares in the manner set out in the CSPA.
3. The conditions specified in paragraphs 2(a)(i) to (v) above can only be waived by the Seller. The conditions specified in paragraphs 2(b)(i) to (xiii) above can only be waived by MITI. The conditions specified in paragraph 2(c) above can only be waived by both MITI and the Seller.
4. In the event that any of or some of the conditions in Article 1, Article 2 and Schedule III of the CSPA have not been fulfilled within a period of twenty-eight (28) days, then (without prejudice to any and all rights of action it may have pursuant to the terms of the CSPA or otherwise), the party not in default may:



- (a) defer Completion to a date not more than thirty (30) days after the Completion Date, (without prejudice to any and all rights of action it may have pursuant to the terms of the CSPA or otherwise);
- (b) proceed to Completion so far as practicable (without prejudice to its rights hereunder or otherwise); or
- (c) terminate the CSPA by notice in writing to the other party that is in default.

5. Representations and warranties

Both MITI and the Seller have provided to each other various customary representations, warranties and undertakings.

E. PROPOSED ACQUISITION AS A DISCLOSEABLE TRANSACTION

1. The calculation of the relative figures under Rule 1006 of the Listing Manual are based on the Group's audited consolidated financial statements for FY2015 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 ⁽¹⁾	Not applicable
(b)	The net profits/(losses) attributable to the assets acquired, compared with the Group's net profits/(losses) ⁽²⁾	3.30
(c)	The aggregate value of the consideration ⁽³⁾ given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽⁴⁾	18.95
(d)	The number of equity securities issued by the Company as consideration ⁽⁵⁾ , compared with the number of equity securities previously in issue	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 ⁽¹⁾	Not applicable

Notes:

- (1) This basis is not applicable to an acquisition of assets.
- (2) 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 audited financial statements of the Benakat Group and the Group for FY2015, the net profits/(losses) attributable to 23.4401761% of the Benakat Group and the Group were US\$(1,757,586) and US\$(53,337,536) respectively. The net loss of the Benakat Group was converted from IDR to US\$ at an exchange rate of US\$1:IDR13,736 as at 31 December 2015.
- (3) The "aggregate value of the consideration" is based on the assumption that there

is no adjustment to the Purchase Price of IDR71,374,187,514 equivalent to US\$5,253,123 converted from IDR to US\$ at an exchange rate of US\$1:IDR13,587 as at 20 May 2016.

(4) The “market capitalisation” of the Company is based on 506,446,757 ordinary shares of the Company (“Shares”) in issue and the weighted average price of the Share transacted on the SGX-ST on 20 May 2016 of S\$0.0756 and converted at the exchange rate of US\$1:S\$1.3809 as at 20 May 2016.

(5) Not applicable as there is no issue of shares as consideration.

2. As one of the relative figures computed on the bases set out under Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisition is considered a discloseable transaction, as defined under Chapter 10 of the Listing Manual, which is not subject to the approval of Shareholders in general meeting.

F. VALUE OF THE SALE SHARES

1. The book value and net tangible asset value of the Sale Shares as at 31 December 2015 are deficit of IDR26,025,915,831 and IDR60,053,013,179 respectively (equivalent to US\$1,894,723 and US\$4,371,943 respectively based on the exchange rate of US\$1:IDR13,736 as at 31 December 2015).
2. Jennywati, Kusnanto & rekan has been appointed by MITI as the independent qualified valuer (the “Valuer”) to prepare a Valuation Report regarding BO. BO has achieved a valuation of approximately IDR73,538 million as at 31 December 2015, based on the Valuation Report. The valuation methods applied in the valuation of BO were (i) discounted future cash flows method, where future cash flows generated by financial statements projections were converted into the present value using an appropriate discount rate to the level of risks; (ii) assets accumulation method, where the value of all components of assets and liabilities were adjusted to its market value or its fair market value, except for component that has indicated its market value; and (iii) comparable publicly traded company transactions method, where available comparative data of similar companies with similar business scale and assets in public listed companies were compared against the value of shares owned by BO. The values obtained from each of these methods were reconciled by assigning appropriate weighting to derive at the valuation.

G. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition on the Company’s share capital, NTA per Share, earnings per Share (“EPS”) and gearing of the Group in respect of FY2015 have been prepared based on the following assumptions:-

- (a) The financial effects of the Proposed Acquisition are based on the Group’s audited financial statements for FY2015 and on the audited financial statements of the Benakat Group for FY2015;



- (b) For the purpose of computing the NTA and gearing of the Group after Completion, it is assumed that the Proposed Acquisition was completed on 31 December 2015; and
- (c) For the purpose of computing the earnings attributable to the Shareholders and basic EPS of the Group after Completion, it is assumed that the Proposed Acquisition was completed on 1 January 2015.

The financial effects of the Proposed Acquisition 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 Acquisition nor a projection of the future financial performance or position of the Group after Completion.

(1) Effect on share capital of the Company

Share Capital	No. of Shares	US\$'000
Total number of issued Shares as at the date of this announcement	506,446,757	69,258
Enlarged total number of issued Shares after the Proposed Acquisition	506,446,757	69,258

(2) Effect on the Company's NTA per Share

FY2015	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (US\$'000)	18,902	18,902
Total number of issued Shares	506,446,757	506,446,757
NTA per Share (US cents)	3.732	3.732

(3) Effect on the Company's EPS

FY2015	Before the Proposed Acquisition	After the Proposed Acquisition
Losses attributable to Shareholders (US\$'000)	(47,719)	(48,493)
Weighted average number of issued Shares	481,100,269	481,100,269
EPS (US cents)	(9.919)	(10.080)



(4) Effect on gearing of the Group

As at 31 December 2015	Before the Proposed Acquisition	After the Proposed Acquisition
Total borrowings (US\$'000)	3,728	3,728
Shareholders' fund (US\$'000)	29,390	29,390
Gearing ratio (times)	0.1268	0.1268

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 Acquisition, 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 and the Valuation Report 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. SERVICE CONTRACTS

Currently, the Group has no plans to propose any Directors to be appointed to the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

K. CAUTION IN TRADING

Shareholders and potential investors are advised to exercise caution when trading in the Shares. The Proposed Acquisition 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 Acquisition 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 Acquisition. 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.