

# CHALLENGE FOR EVOLUTION

ANNUAL REPORT 2020

**INTERRA  
RESOURCES  
LIMITED**



## DISCLAIMER

This Annual Report may contain forward-looking statements that are not statements of historical facts, and are subject to risk factors associated with the upstream petroleum businesses. Actual future results, performance and outcomes may differ materially from those anticipated, expressed or implied in such forward-looking statements as a result of a number of risks, uncertainties and/or assumptions including but not limited to petroleum price fluctuations, actual petroleum demand, currency fluctuations, drilling and production results, reserve estimates, loss of contracts, industry competition, credit risks, environmental risks, geological risks, political risks, legislative, fiscal and regulatory developments, general industry conditions, economic and financial market conditions in various countries and regions, project delay or advancement, cost estimates, changes in operating expenses, cost of capital and capital availability, interest rate trends and the continued availability of financing in the amounts and the terms necessary to support future business. Undue reliance must not be placed on these forward-looking statements, which are based on current developments, events or circumstances, and may not be updated or revised to reflect new information or events.

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**PREPARING**  
***FOR THE FUTURE***

# CORPORATE PROFILE



**EXPLORING,  
*DISCOVERING VALUE***

## ABOUT INTERRA

Interra Resources Limited, a Singapore-incorporated company listed on the 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.

Since our inception, we have grown organically by developing our existing assets as well as through disciplined acquisitions by seeking attractive resource opportunities across Southeast Asia. Our portfolio of production, development and exploration assets comprises three petroleum contract areas in Indonesia and Myanmar.

### MYANMAR: CHAUK AND YENANGYAUNG FIELDS

In central Myanmar, we hold 60% participating interests in two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts (IPRCs) with the Myanmar Oil and Gas Enterprise (MOGE). The IPRCs, which commenced on 4 October 1996 for a term of 20 years and 6 months, were subsequently extended for another term of 11 years. We manage the operatorship of the two fields jointly with a joint venture partner through Goldpetrol Joint Operating Company Inc. The adjacent Myanmar concessions, which extend over a total area of approximately 1,800 square kilometres along the Ayeyarwaddy River, are located approximately 580 kilometres north of Yangon. During 2020, the combined gross production for both fields was 970,513 barrels of oil.

### INDONESIA: KUALA PAMBUANG BLOCK

Onshore Central Kalimantan, we have a 67.5% participating interest in an exploration block, namely the Kuala Pambuang (KP) Production Sharing Contract (PSC). The PSC with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (SKKMIGAS) was granted on 19 December 2011 with an initial exploration term of 6 years. It was subsequently extended for a further period of 4 years over an area of approximately 1,631 square kilometres. The KP block is located on the southern coast of Kalimantan, in the region of 180 kilometres southwest of Palangkaraya.



# FINANCIAL HIGHLIGHTS

Group	2020	2019	2018	2017	2016
<b>Financial Performance (US\$'000)</b>					
Revenue	<b>10,796</b>	15,675	14,885	11,245	15,173
Cost of production	<b>9,307</b>	9,967	7,988	5,042	9,610
Gross profit/(loss)	<b>1,489</b>	5,708	6,897	6,203	5,563
Net profit/(loss)	<b>(1,249)</b>	(577)	779	399	(8,818)
Net profit/(loss) attributable to equity holders <sup>a</sup>	<b>(1,165)</b>	(478)	874	1,320	(8,041)
<b>Financial Position (US\$'000)</b>					
Cash and bank balances	<b>4,218</b>	2,777	6,638	11,192	11,865
Debt and borrowings	<b>1,000</b>	1,000	1,000	3,736	3,739
Net current assets	<b>1,185</b>	278	2,611	1,972 <sup>b</sup>	8,964 <sup>b</sup>
Shareholders' equity	<b>27,788</b>	26,730	27,095	22,376	21,492
<b>Cash Flows (US\$'000)</b>					
Operating cash flows	<b>1,875</b>	3,112	4,268	2,636	(1,297)
Investing cash flows	<b>(2,347)</b>	(6,670)	(10,093)	(5,230)	(193)
Financing cash flows	<b>1,913</b>	(303)	3,271	1,923	(6,556)
<b>Financial Ratio (US cents)</b>					
Basic earnings/(losses) per share <sup>c</sup>	<b>(0.186)</b>	(0.082)	0.151	0.261	(1.588)
Net asset value per share	<b>4.239</b>	4.543	4.624	4.418	4.244

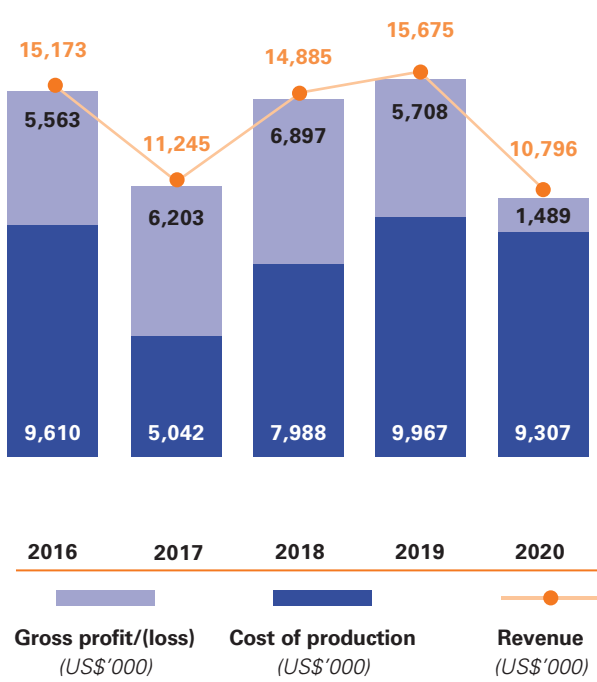
a. Represents figure from continuing operations

b. Includes assets and liabilities of disposal group classified as held-for-sale

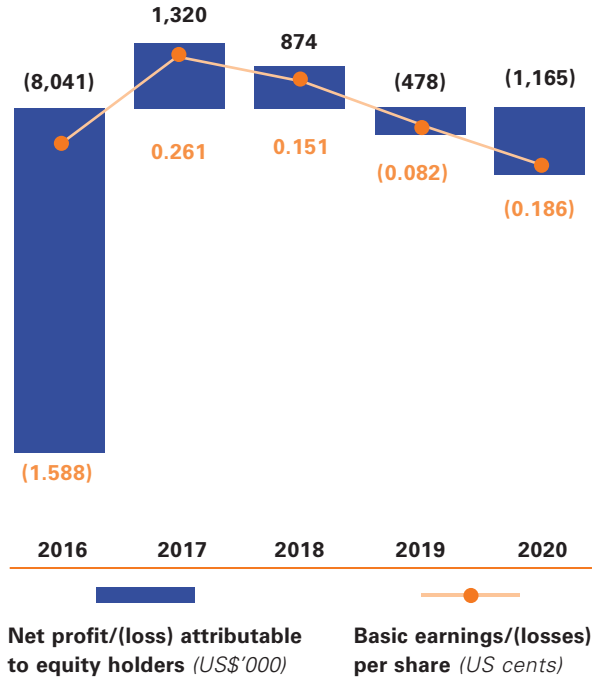
c. See Note 28 of the Notes to the Financial Statements for more information on earnings/(losses) per share

Company	2020	2019	2018	2017	2016
<b>SGX Share Price Information (S\$)</b>					
Year-end closing price	<b>0.043</b>	0.085	0.031	0.062	0.084
Average closing price	<b>0.052</b>	0.036	0.051	0.071	0.127
Highest traded price	<b>0.108</b>	0.095	0.075	0.095	0.205
Lowest traded price	<b>0.032</b>	0.024	0.030	0.045	0.070
Year-end market capitalisation	<b>28,186,440</b>	49,807,756	18,165,182	31,399,699	42,541,528
Average market capitalisation	<b>32,489,572</b>	20,940,353	29,329,703	35,866,193	64,092,062

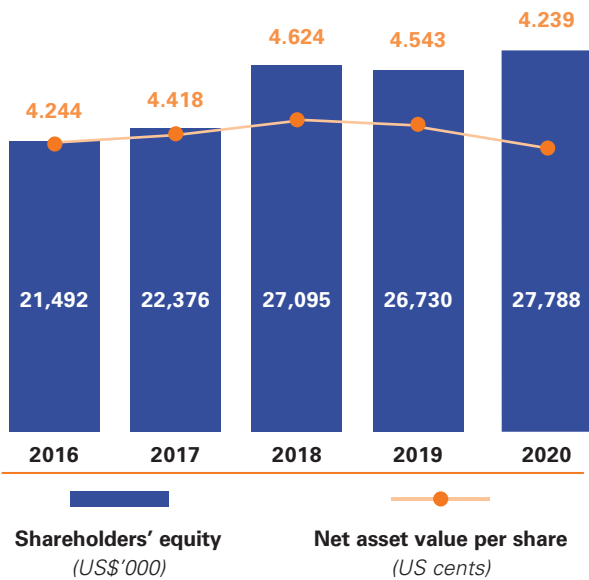
**Revenue, Cost of production & Gross profit/(loss)**



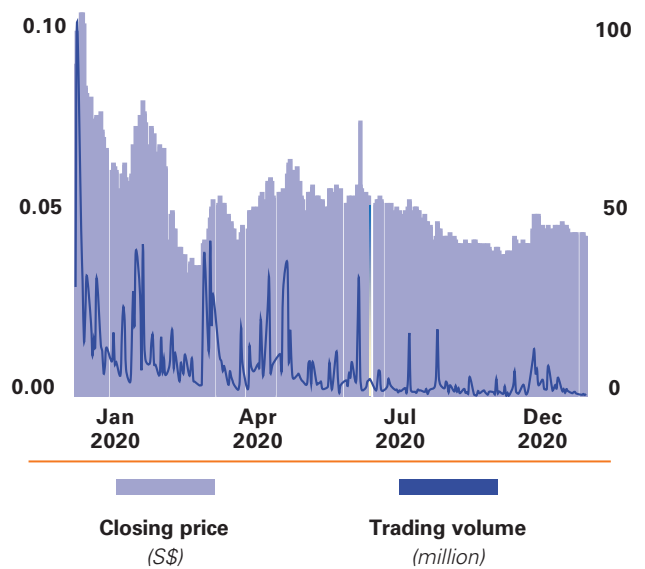
**Net profit/(loss) attributable to equity holders & Basic earnings/(losses) per share**



**Shareholders' equity & Net asset value per share**



**SGX Closing price & Trading volume**



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

The coronavirus disease ("COVID-19") global pandemic presented various unprecedented challenges to our operations. We have adapted well to those restrictions of safe distancing and working from home, with relatively little disruptions to our operations in 2020. Nonetheless, the COVID-19 outbreak has given rise to high levels of volatility in the global financial markets as well as crude oil prices. Interra Resources Limited (the "Company") and its subsidiaries (the "Group") posted lower revenue of US\$10.80 million compared to the previous year. This was mainly attributable to the 33.9% decline in the weighted average transacted oil prices of US\$41.73 per barrel. As a result, the Group incurred a net loss attributable to equity holders of US\$1.17 million for the financial year ended 31 December 2020 ("FY2020").

## UNPRECEDENTED TIMES

In Myanmar, we kicked off the 2020 drilling programme on 31 December 2019 and completed all three development wells in the work plan as oil producers in the first quarter of 2020. In April 2020, crude oil prices declined rapidly from above US\$65 level at the beginning of the year to below US\$25 level. In view of the plunging crude oil prices and uncertain economic conditions, drilling operations were suspended immediately. No new wells were drilled until December 2020 when crude oil prices rebounded. Although only three wells were completed as oil producers, these early drilling successes, together with gains from the water-flood projects and aggressive production optimisation efforts, managed to arrest production decline and yield modest production gains. The combined gross and shareable production in Myanmar for FY2020 respectively increased 0.3% and 4.2% to 970,513 barrel and 327,708 barrels as compared to the financial year ended 31 December 2019 ("FY2019").

The Myanmar military removed the elected government on 1 February 2021, resulting in mass protests across the country. As announced on 9 February 2021, we suspended our field operations at the Chauk and Yenangyaung oil fields due to disruptions brought about by the civil disobedience movement. In view of the temporary suspension, the independent auditor of the Group has included an emphasis of matter on our financial statements for FY2020. The opinion of the independent auditor remains unqualified. At this point, we are unable to ascertain the longer term impact of this interruption on our business. The Company will closely monitor the evolving situation in Myanmar and provide updates as and when there are material developments.

In Central Kalimantan, production testing for the exploratory well drilled in December 2019 at the Kuala Pambuang exploration block was postponed to

2021 due to the COVID-19 pandemic. Nevertheless, a programme for the completion work was formulated during 2020. Planning and sourcing of manpower and equipment for the testing and completion programme is ongoing. We will keep you updated with any noteworthy developments or relevant activities through our announcements.

## CHALLENGES AHEAD

In these uncertain times, we are facing headwinds in 2021. The potential for new lockdowns and ongoing uncertainty surrounding the return of global economic activity continue to be challenges in the coming year. The political turmoil in Myanmar may lead to greater political instability and the potential for renewed international sanctions. As the situation in Myanmar unfolds over the next few months, we will put on hold capital expenditure and prioritise the safety of our employees. We will continue to maintain regular communication with the relevant stakeholders in Myanmar so as to stay on top of the situation. In the meantime, the Board will assess the operational disruptions and evaluate the financial impact on the Company. It will also review the earnings prospects and business strategy of the Company, seeking to mitigate the financial and operational exposure.

Going forward, we will continue to exercise strict financial discipline through meticulous monitoring and review of the overall operating cost and budget. Our focus will be on curtailing all non-essential expenses and conserving cash. As at 31 December 2020, the Group had cash and cash equivalents of US\$4.22 million (FY2019: US\$2.78 million). The Company will be looking at various financing sources and funding options to raise capital. No dividends will be declared for FY2020.

## CORPORATE UPDATES

On 20 April 2020, the Company entered into a conditional subscription agreement with Poly Legend International Limited ("PLI") for the subscription of 62,500,000 new ordinary shares in the capital of the Company by way of a private placement at an issue price of S\$0.045 per share. The placement was completed on 9 June 2020 under the general mandate approved by shareholders at the 2019 annual general meeting of the Company. PLI is now a substantial shareholder of the Company, holding approximately 9.53% of the enlarged issued share capital of 655,498,604 shares. The Hong Kong incorporated company is a strategic investor who subscribed for the shares as part of its business strategy to gain exposure and experience with the upstream business of the oil industry. The net proceeds of S\$2.81 million (US\$2.02 million) has been fully utilised for the general working capital purposes as announced periodically upon material disbursement.



With regards to meeting the exit criteria of the watch-list of the Singapore Exchange, the Company required more time to meet the deadline of 4 December 2020 and had applied for an extension of time of twelve months. The Exchange had on 28 October 2020 confirmed that it has no objection to the Company’s application for an extension of time to 4 December 2021 to satisfy the requirements for its removal from the watch-list. In the year ahead, the Company will consider various options to meet the requirement by the impending extended deadline and update shareholders on any material developments as and when appropriate.

**HEARTFELT GRATITUDE**

2020 has been a tumultuous year in which the COVID-19 outbreak completely upended our lives. We were forced to quickly adapt to telecommuting and alter the way we operate our business. On behalf of the Board, I would like to commend our key management team and employees for their ability to respond rapidly to evolving circumstances and roll out effective business continuity plans so as to ensure that our operations go on undisturbed.

The Board would also like take this opportunity to express its sincere appreciation to Mr Yin Lifeng, who resigned from his position as Non-Executive Director on 25 February 2021, for his service and contributions. Over the past three years, Mr Yin has provided much invaluable support and introduced various business opportunities to the Company.

Last but not least, I am grateful to our valued shareholders for the unwavering support. Together, with the commitment of our partners and various stakeholders, I believe we will be able to forge a new way forward and evolve ourselves for the new normal.

Yours sincerely,

**EDWIN SOERYADJAYA**  
Chairman

26 March 2021



**REVENUE**  
**US\$10.80**  
million

**COST OF PRODUCTION**  
**US\$9.31**  
million

**NET LOSS**  
**US\$1.17**  
million

# BOARD OF DIRECTORS



## EDWIN SOERYADJAYA

*Chairman (Non-Executive)*

Mr Edwin Soeryadjaya is the Chairman of the Company. He was first appointed as a Director on 14 December 2004 and later on took on the role of Chairman on 1 July 2005. Mr Soeryadjaya was last re-elected as a Director on 29 June 2020.

Mr Soeryadjaya is the President Commissioner of PT Saratoga Investama Sedaya Tbk, an active investment firm in Indonesia and has deep insight into the Indonesian economy. He started his career in 1978 at PT Astra International Tbk and spearheaded its financial restructuring and public listing. He left his position as Vice President Director in 1993 to set up his own investment business. In 1995, under a Kerja Sama Operasi (KSO) scheme designed by the government of Indonesia in cooperation with the World Bank, Mr Soeryadjaya successfully led PT Ariawest International to win a 15-year KSO funding of about US\$900 million. His current chairmanships include being President Commissioner of PT Adaro Energy Tbk (coal mining), PT Merdeka Copper Gold Tbk (gold and copper mining), PT Mitra Pinasthika Mustika Tbk (consumer automotive) and PT Tower Bersama Infrastructure Tbk (telecommunication towers); and Chairman of Seroja Investments Limited (maritime transportation).

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



## MARCEL HAN LIONG TJIA

*Executive Director & Chief Executive Officer*

Mr Marcel Han Liong Tjia is the Executive Director and Chief Executive Officer of the Company. He was first appointed to the position on 20 June 2009 and was elected on 28 April 2010. Mr Tjia also sits on various boards and management committees of the Company's subsidiaries, associated companies and joint venture entities.

Prior to joining the Company, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. Over the past 30 years, Mr Tjia has gained extensive experience in mergers and acquisitions as well as corporate finance in Hong Kong, Indonesia, Singapore and Canada. He is currently a partner in an investment company with holdings in real estate and the automotive industry.

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



## NG SOON KAI

*Non-Executive Director*

Mr Ng Soon Kai is a Non-Executive Director of the Company. He was first appointed to the board on 1 November 2005 and last re-elected on 29 April 2019. Mr Ng also serves as a member of the Nominating Committee and the Remuneration Committee.

Mr Ng is a partner at Lee & Lee and has extensive legal experience in mergers and acquisitions, corporate restructuring, reverse takeovers and schemes of arrangement. He also sits on the board on Seroja Investments Limited.

Mr Ng obtained a Bachelor of Laws (Second Class Upper) from the National University of Singapore in 1989.



## YIN LIFENG

*Non-Executive Director*

Mr Yin Lifeng is a Non-Executive Director of the Company. He was first appointed to the board on 13 March 2018 and was elected on 27 April 2018. Mr Yin resigned from his position on 25 February 2021.

Mr Yin is the Vice President of China ZhenHua Oil Co., Ltd since 2015, and is in charge of its business strategy, planning, investment and finance. He joined the company in 2012 as Chief Financial Officer and over the years, he accumulated extensive practical experience in enterprise financial management, crude oil trade finance and international oilfield project management. Before joining ZhenHua Oil, Mr Yin worked with the financial department of China Northern Industrial Corporation as Deputy Director from 2005 to 2012. Mr Yin is currently a member of the owners' committee of Goldpetrol Joint Operating Company Inc. (Myanmar) and the Managing Director of North Petroleum International Company Limited (Hong Kong).

Mr Yin obtained a Bachelor's Degree from Renmin University of China in 1998, Master's degree from Capital University of Economics and Business in 2002, and PhD in management from Tsinghua University in 2010. His main research areas were corporate financial management and corporate governance structure. Mr Yin is an adjunct professor at Central University of Finance and Economics and an external tutor at China University of Petroleum – Academy of Chinese Energy Strategy.



### LOW SIEW SIE BOB

*Lead Independent Director (Non-Executive)*

Mr Low Siew Sie Bob is the Lead Independent Director of the Company. He was first appointed as a Director on 18 February 2011 and last re-elected on 29 April 2019. Mr Low also serves as chairman of the Audit Committee, and a member of the Nominating Committee and the Remuneration Committee.

Mr Low is the Principal Consultant of Bob Low & Co. and his area of expertise includes corporate assurance, corporate recovery and restructuring, judicial management, acting as receiver and manager, acting as scheme manager, due diligence and project evaluation.

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



### ALLAN CHARLES BUCKLER

*Independent Director (Non-Executive)*

Mr Allan Charles Buckler is an Independent Director of the Company. He was first appointed to the board on 14 December 2004 and last re-elected on 29 June 2020. Mr Buckler also serves as chairman of the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee.

Mr Buckler has taken lead roles in the establishment of several leading mining and port operations in both Australia and Indonesia. Significant operations such as PT Adaro Indonesia, PT Indonesia Bulk Terminal and New Hope Coal Australia have been developed under his leadership. Currently, he sits on the board of directors of Altura Mining Limited and Sayona Mining Limited, both mining companies listed on the Australian Securities Exchange, and also on the boards and management committees of a number of private companies and their subsidiaries.

Mr Buckler holds Certificates in Mine Surveying and Mining from the Queensland Education Department, and a First Class Mine Manager Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.



### LIM HOCK SAN

*Independent Director (Non-Executive)*

Mr Lim Hock San is an Independent Director of the Company. He was re-appointed to the board on 8 September 2012 and was last re-elected on 27 April 2018. Mr Lim also serves as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee.

Mr Lim holds directorships in Gallant Venture Ltd. and Indofood Agri Resources Ltd.

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



### LANY DJUWITA WONG

*Alternate Director to Edwin Soeryadjaya*

Ms Lany Djuwita Wong is the Alternate Director to Mr Edwin Soeryadjaya, the Chairman of the Company. She was appointed to the board on 17 May 2019.

Ms Wong is the Finance Director and an Independent Director of PT Saratoga Investama Sedaya Tbk since June 2018. She had previously served as Director and Chief Financial Officer of PT Dharma Satya Nusantara Tbk from 2016 to 2018 and PT Medco Energi Internasional Tbk from 2013 to 2015, during which she held several positions as Director to subsidiaries, Head of Corporate Finance, and Head of Corporate Planning and Performance. Prior to that, she was a Manager of Financial Advisory Services at PricewaterhouseCoopers, and had also worked at Arthur Andersen and Astra International.

Ms Wong graduated with a Bachelor of Economics (Accounting) from the University of Indonesia in 1993, and subsequently earned a Master of Finance from Texas A & M University in 1996. She is also a Chartered Financial Analyst since 2005.

## KEY MANAGEMENT PERSONNEL



**FOO SAY TAIN**  
*Chief Financial Officer*

Mr Foo Say Tain joined the Company as Chief Financial Officer in November 2007. He has the overall responsibility for the Group's financial reporting and management accounting, treasury, taxation, audit and compliance matters. He has more than 25 years of experience in accounting, finance and administration in listed companies and foreign multinational corporations.

Mr Foo is a Fellow Chartered Accountant of Singapore and holds a degree in Bachelor of Business Administration from the National University of Singapore.



**FRANK OVERALL HOLLINGER**  
*Chief Technical Officer*

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

Before joining the Company, Mr Hollinger spent 8 years in Myanmar as a geophysical consultant for Premier Petroleum Myanmar Ltd., Myanmar Petroleum Resources Ltd. and Goldpetrol JOC Inc. He commenced his career in 1971 while in graduate school as a NASA research assistant at The University of New Mexico. Subsequently, he worked on numerous exploration and development projects in different capacities with oil and gas corporations such as Texaco Inc., Petroleum Exploration Consultants Worldwide Inc., Mapco Production Co., Ladd Petroleum Corp., Enron Oil & Gas, Columbia Gas Development Corporation, and Petronas Carigali Sdn Bhd. He has more than 40 years experience in the petroleum industry.

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



**SUGI HANDOKO**  
*Vice President, Operations*

Mr Sugi Handoko assumed the position of Vice President of Operations of the Company in January 2012. He has the overall responsibility of managing the exploration and production operations of the Group.

Prior to the current appointment, Mr Handoko was the Country Manager of Goldpetrol JOC Inc. He has more than 30 years of experience in petroleum exploration and production operations and management, which includes engineering, production, finance, procurement, logistic, human resources and government liaison.

Mr Handoko graduated from the Bandung Institute of Technology in 1988 with a Bachelor's Degree in Petroleum Engineering. He is a member of the Society of Petroleum Engineers, the Indonesian Petroleum Association, the Indonesian Association of Petroleum Engineering (IATMI) and the Institution of Engineers Indonesia.



**HAN LIQIANG**  
*Regional Operations Manager*

Mr Han Liqiang joined the Company as Regional Operations Manager in April 2014. His main role is to manage the regional exploration and production operations of the Group. Currently, he is seconded to the Myanmar operations as Country Manager.

Mr Han commenced his career with BGP Inc. in 1992 as a geophysicist for various petroleum projects in China. He was later on stationed at its overseas branch offices to manage a variety of seismic projects in the Middle East and Asia Pacific regions. He has more than 25 years of industry experience in project management, HSE management and marketing, and has worked with numerous oil and gas companies such as Total, Saudi Aramco and Salamander Energy.

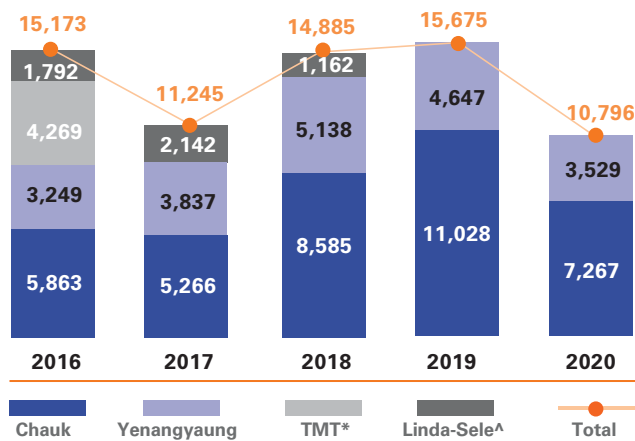
Mr Han studied at the Northwest University in Xi'an and obtained a Bachelor's Degree in Petroleum Geology in 1992.

# OPERATING AND FINANCIAL REVIEW

## FINANCIAL PERFORMANCE

The Group registered total revenue of US\$10.80 million for FY2020, a 31.1% decrease from US\$15.68 million for FY2019. This was due mainly to the COVID-19 pandemic induced oil price shock which resulted in a 33.9% drop in the Group’s weighted average transacted oil price of US\$41.73 per barrel (FY2019: US\$63.13 per barrel). The Group’s revenue breakdown by fields for the past five years is charted below.

**Revenue breakdown**  
(US\$'000)



\* Contract for TMT expired on 16 Dec 2016.

^ Contributions from Linda-Sele were 58% from Aug 2014 to Jan 2017 and 54% from Feb 2017 to Jun 2018. Contract for Linda-Sele expired on 15 Nov 2018.

The drastic fall in crude oil prices triggered a suspension of the drilling programme in Myanmar from April 2020. Total cost of production for FY2020 was US\$9.31 million, 6.6% lower than FY2019. Gross profit margin was adversely affected by the weak crude oil prices. As a result, the net loss after tax increased to US\$1.25 million from US\$0.58 million a year ago.

Continued focus on cost-cutting brought administrative expenses down by 11.8% to US\$2.85 million (FY2019: US\$3.23 million). Income tax expense for the year was US\$0.43 million, a decrease of 28.4% due to lower taxes. No loss allowances and share of losses of associated companies were posted in FY2020 compared to an aggregate of US\$3.04 million recognised in FY2019.

The surprise military coup in Myanmar on 1 February 2021 sparked nationwide protests in the country. Due to the civil disobedience movement and labour strikes, the Group was forced to halt its production activities in

Myanmar. As the situation is still evolving, the Group is unable to ascertain the impact on its operating and financial performance. It will continue to closely monitor the situation in Myanmar and, at the same time, conduct a thorough review of the 2021 work programme and budget together with an analysis of the revenue and expenditure. The Company will provide updates as and when there is material development or sufficient information to quantify the impact with certainty.

## FINANCIAL STRENGTH

Because of the temporary suspension of the Myanmar drilling programme and postponement of Kuala Pambuang’s production testing during the year, capital expenditures with respect to producing oil and gas properties and exploration and evaluation costs remained generally unchanged. Right-of-use assets, intangible assets and inventories decreased respectively from US\$0.41 million, US\$2.79 million and US\$4.07 for FY2019 to US\$0.26 million, US\$2.45 million and US\$3.41 million for FY2020 due mainly to depreciation/amortisation charges and usage of consumables. Higher lease repayments compared to new lease commitments for the year was the reason for lower current and non-current lease liabilities of US\$0.31 million (FY2019: US\$0.42 million).

Current trade and other receivables were almost the same as the previous year. Non-current trade and other receivables of US\$4.51 million were attributable to loan to non-related parties for exploration activities of the Kuala Pambuang block (FY2019: US\$4.06 million). The decrease of US\$0.26 million in current trade payables from related and non-related parties was partially offset by an increase of US\$0.15 million in current other payables from non-related parties. Additional accruals of US\$0.17 million contributed to a slight increase of US\$0.06 million in the overall current trade and other payables. Non-current trade and other payables remained fairly constant at US\$1.29 million for FY2020.

Net cash generated from operating activities of the Group of US\$1.88 million (FY2019: US\$3.11 million) was mostly from the Myanmar operations. Net cash used by the Group for investing activities of US\$2.35 million (FY2019: US\$6.67 million) was mainly for Myanmar drilling expenditures which amounted to US\$2.12 million. Net cash provided by financing activities of the Group of US\$1.91 million (FY2019: US\$0.30 million used) was primarily due to the net proceeds of US\$2.02 million raised from the private placement completed by the Company during the year.

# OPERATING AND FINANCIAL REVIEW

As at 31 December 2020, cash and cash equivalents of the Group amounted to US\$4.22 million, an increase of US\$1.44 million from the previous year end. In view of the temporary suspension of the Myanmar field operations effective from February 2021, the Company will focus on cash conservation and exploring fund raising options in the current year.

## SHARE CAPITAL

On 10 January 2020, the Company allotted and issued an aggregate of 4,630,000 new ordinary shares in the capital of the Company at S\$0.060 per share pursuant to exercise of options granted under the Interra Share Option Plan 2017. These shares were ranked *pari passu* in all respects with the existing issued shares of the Company. Accordingly, the number of ordinary shares comprised in the options granted and outstanding as at 31 December 2020 decreased to 16,975,000 (FY2019: 21,605,000).

Following a conditional subscription agreement signed with PLI in April 2020, 62,500,000 new ordinary shares in the capital of the Company were issued at S\$0.045 per share by way of a private placement completed on 9 June 2020. These shares, which ranked *pari passu* in all respects with the existing issued shares of the Company, were issued under the general share issue mandate approved by shareholders at the general meeting held in 2019.

As at 31 December 2020, the total issued share capital of the Company was 655,498,604 shares (FY2019: 588,368,604 shares). The Company does not have a share purchase mandate and has no treasury shares or subsidiary holdings.

## COVID-19

COVID-19 has brought about various disruptions on an unprecedented level worldwide and dominated the year 2020. During the first phase, various measures implemented by governments around the world to stem the spread of the pandemic included lockdowns, workplace closures, movement restrictions and border closures. In response to the restrictions imposed by the relevant authorities, the Group took urgent actions to deal with the requirements which were rapidly evolving

so as to protect the health and safety of its employees. These measures included activating business continuity plans, implementing workplace protocols to comply with personal protection and safe distancing measures, expanding digital workplace and telecommuting resources, educating employees on precautionary measures and sanitation practices, and introducing new health and travel policies. In the next phase of gradual reopening and resumption of more economic activities, regular adjustments were made to protocols and policies in accordance with government advisory updates and regulatory directive changes in order to keep the work environment safe while in operation.

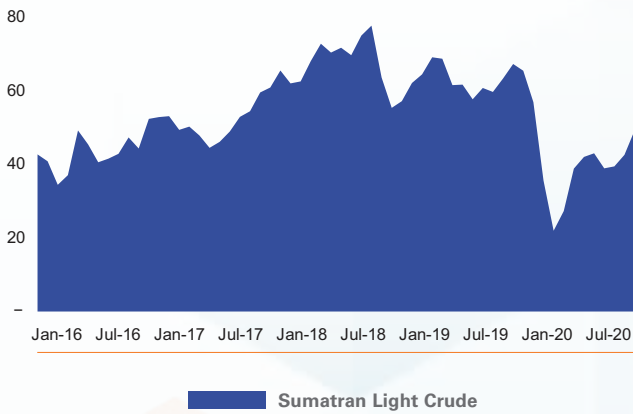
During 2020, the Group's oil fields experienced minor disruptions because of COVID-19. Work schedules were adjusted with alternative team arrangements to meet safe management requirements. Although it faced slight delays in material procurements, the situation was well managed and had minimal negative impact on the operations. At the corporate office in Yangon, there were three positive cases of infections during the year under review. Nonetheless, office operations were not affected owing to strict safe distancing and quarantine protocols adhered by the Group. In Singapore, work from home remains the default mode of working and split team arrangements are still being adopted at the workplace.

## CRUDE OIL PRICES

The outbreak of COVID-19 was a major setback for the historically volatile industry. Demand for oil tumbled across the globe as governments shuttered businesses, issued lockdown orders and restricted travel. The sweeping reduction in economic activity created a significant oversupply of crude oil and prices plunged dramatically. Crude oil prices collapsed from a relatively stable level of around US\$65 per barrel to less than US\$25 in April 2020. As the year progressed, prices recovered to an average of US\$40 per barrel for the second half of the year. Consequently, the crude oil produced by the Group was transacted at a lower weighted average price of US\$41.73 per barrel compared to US\$63.13 in FY2019. Although crude oil prices are expected to be supported by the projected recovery of global economy in 2021, these forecasts are subject to significant uncertainty with the pandemic yet to be contained.

The Group's transacted crude oil prices for the past five years are charted below.

**Crude oil prices**  
(US\$ per barrel)



**PRODUCTION**

Despite the nine-month suspension of drilling programme, the Group's shareable oil production from the two oil fields in Myanmar increased by 4.2% to 327,708 barrels for FY2020 (FY2019: 314,467 barrels). These encouraging results were a testament to the operator's capability and its field development strategy in place. The Myanmar field operations are currently suspended due to disruptions brought about by the civil disobedience movement, the circumstances of which are beyond the control of the Group. The Company will continue to closely monitor the situation in Myanmar and provide further updates as and when there are material developments.

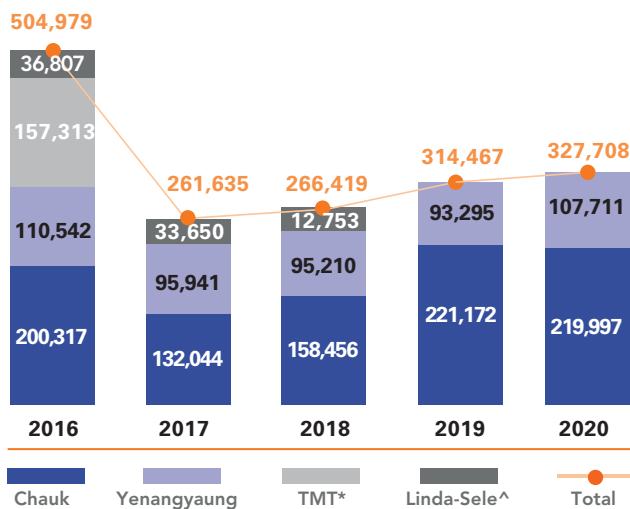


# OPERATING AND FINANCIAL REVIEW

The Group's shareable oil production by fields before application of contractual terms with the respective host governments for the past five years is charted below.

## Shareable oil production

(barrels of oil)



\* Contract for TMT expired on 16 Dec 2016.

^ Contributions from Linda-Sele were 58% from Aug 2014 to Jan 2017 and 54% from Feb 2017 to Jun 2018. Contract for Linda-Sele expired on 15 Nov 2018.

## OPERATING ACTIVITIES

### Myanmar – Chauk and Yenangyaung Fields

The 2020 drilling programme commenced on 31 December 2019 and three development wells were completed as oil producers before drilling was suspended in April 2020 due to negative economic conditions and uncertainties affecting the petroleum industry. It was not until December 2020 that drilling resumed with a Chauk development well under the 2021 work plans, which commenced early given the favourable weather conditions and rig availability. All three wells, two of which were directionally drilled, were located in the Chauk field. These drilling successes, together with contributions from nine water-flood projects and production optimisation schemes, had a positive impact on the incremental production gains. As a result, the two fields managed to sustain production levels with a total gross oil output of 970,513 barrels for FY2020 (FY2019: 967,683 barrels).

During the year, the operator continued its relatively low cost technical programmes which included, *inter alia*, re-activation of shut-in wells and new perforations of prospective reservoirs in existing producers. Implementation of additional water-flood projects was also being studied.

As announced on 9 February 2021, field operations including production activities at both Chauk and Yenangyaung fields were temporarily suspended due to disruptions brought about by the civil disobedience movement in Myanmar.

### Indonesia – Kuala Pambuang Block

As announced in December 2019, the exploratory well was drilled as planned with borehole casing successfully cemented after several oil shows were recorded and oil samples were collected through open-hole testing. The temporarily shut-in well is currently awaiting completion by production testing through casing perforation into the prospective reservoirs. The completion work plan has been formulated based on extensive formation sample analysis by a specialised laboratory group and detailed well log analysis by both the in-house geosciences team and highly qualified external experts. Coordination of the testing and completion plans with the respective government and regulatory agencies is ongoing.

The primary completion operation to test the petroleum producibility will be the stimulation of the selected reservoirs. This is to be accomplished via casing perforation through which hydraulic fracturing will be performed, together with further stimulation enhancement via acid injection if deemed necessary. This will be followed by production testing designed to determine reservoir deliverability and well productivity. Details of critical reservoir properties such as pressure, permeability and heterogeneity will also be investigated through the testing.

As part of the ongoing sub-surface evaluation of the remaining project area of the Kuala Pambuang exploration block, an advanced reservoir characterisation and imaging company which specialises in the advanced seismic data processing, was commissioned to estimate rock formation properties. This has been performed on the 2D seismic data acquired over the entire project area and the results will be incorporated into the revised sub-surface interpretation.



Currently, discussions with completion contractors to determine the parameters of optimum stimulation are in the final stages. Sourcing for potential consumables and equipment as well as operational support necessary to accomplish the completion are also underway.

## RISK FACTORS AND UNCERTAINTIES

The upstream petroleum business is capital intensive and long term in nature and involves complex multiplicity of risks and uncertainties. The Group's operating and financial results depend on its ability to identify and mitigate these risks, which are inherent in its operations, in a timely and sustainable manner. An outline of the key factors affecting the Group's business is provided below.

- **Sales of Crude Oil**

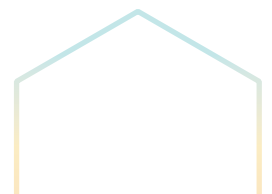
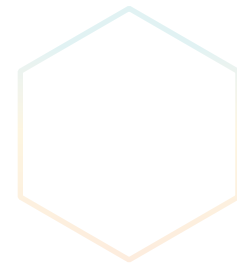
The marketability of crude oil produced by the Group depends on the proximity of its reserves to pipelines, oil tankers and processing facilities and is subject to operational problems associated with such infrastructures and facilities which could cause delays in its delivery of crude oil, thus affecting its billings. The Group currently sells the crude oil that it produces to the respective host governments and the quantum of which is subject to wide-ranging government regulations and policies relating to benchmark price, cost recovery, taxes, royalties, domestic market obligation and fiscal system. Therefore, the final shareable production to be translated into revenue is not directly proportional to gross production, and to a certain extent, is beyond the Group's control.

- **Crude Oil Prices**

Petroleum exploration and production is fundamentally a commodity business and hence, revenue is exposed to fluctuations in the prevailing crude oil and natural gas prices, which are dependent on a combination of various factors such as international demand and supply, geopolitical developments, and global economic conditions. The single largest variable that affects the Group's operating and financial results is crude oil prices. The Group does not have any hedging or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the crude oil produced. Depressed crude oil prices over prolonged periods will have an adverse impact on its profitability and cash flows, or may even render extraction commercially unviable, thus leading to recognition of significant impairment charges on the carrying amounts of producing oil and gas properties.

- **Operating Costs**

The Group's operating and financial results depend on its ability to execute and operate development projects as planned. Due to constantly changing market conditions and difficult environmental challenges, cost and schedule projections can be uncertain. Factors that may affect the economics of these projects include delays in issuance of permits and licence by government agencies, shortages or delays in the availability or delivery of critical equipment, escalating procurement and leasing costs, unforeseen technical difficulties, adverse weather conditions, and changes in operating conditions, which could cause cost overruns and prolonged delays in development thereby impeding production growth. The Group's operating costs in the foreseeable future depend largely on its ability to implement effective cost controls.



# OPERATING AND FINANCIAL REVIEW

- **Credit Risk**

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

- **Capital Funding and Interest Rate Risk**

Petroleum exploration and production is a long-term and capital intensive business. Substantial capital investment is required to exploit and develop reserves for petroleum production. Cash flows from operations may not be sufficient to fund drilling activities and business operations from time to time. Failure to obtain additional funding on a timely basis may cause the Group to discontinue some of its exploration, development and production activities or to forfeit its interests in certain petroleum contracts, resulting in material adverse impact on the Group's financial condition, results of operations or prospects. The Group has confirmed lines of bank credit facilities to manage short-term liquidity needs and these are exposed to fluctuations in floating interest rates and are subject to banks' periodic credit review. On the other hand, raising capital through certain debt or equity financing may have dilutive effect on the Group's earnings.

- **Reserve Replacement**

Future petroleum production is dependent on the Group's ability to replace produced reserves and access new reserves through successful exploration and development activities, new discoveries, new extraction techniques, negotiation with governments and other owners of reserves, and acquisition of petroleum acreages. Unsuccessful exploratory or developmental drillings as well as failure in identifying or finalising transactions to access potential reserves could cause its reserves to decline and affect future production levels. Given the present volatile crude oil price environment, the Group's focus on capital expenditure and cost control management may have a negative impact on its progress in respect of reserve replacement.

- **Petroleum Agreements**

A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection. The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms,



revenue is not proportionally dependent on gross production and crude oil prices. In addition, there is no guarantee that contract extension or renewal will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value.

- **Taxes**

In addition to the payment of royalties and signature or production bonuses, petroleum and income taxes of the upstream petroleum sector tend to be higher than those payable in many other commercial activities. Adverse changes in fiscal or tax regimes applicable to petroleum industry in the countries where the Group conducts its upstream operations could have a negative impact on the Group's profitability.

- **Political and Regulatory Risks**

The Group operates in countries where political, economic and social transitions are taking place or may occur from time to time. Developments in politics, laws and regulations can affect its operational performance and financial position. Potential developments include forced divestment of assets, limits on production or cost recovery, international sanctions, import and export restrictions, price controls, tax increases and other retroactive tax claims, expropriation of property, cancellation of contract rights, changes to environmental regulations, international conflicts such as war, civil unrest, acts of sabotage or terrorism, and local security concerns that threaten the safe operation of facilities. In countries which lack well-developed legal systems or have yet adopted clear regulatory frameworks for petroleum industry, the Group's operations are exposed to increased risk of adverse or unpredictable actions by government officials and may face difficulty in enforcing contracts or delays in issuance of licences and permits.

- **Exploration Risk**

Exploration activities involve significant inherent risks including failure to discover any accumulation of hydrocarbons, or that the discovery of hydrocarbons is not commercially recoverable or viable. Development of hydrocarbon reserves is a complex and lengthy process which includes appraising a discovery, sanctioning a development project, and building and

commissioning related facilities. Thus, the rates of return for such long-lead-time projects are exposed to the volatility of oil and gas prices and costs, which may be substantially different from the prices and costs assumed when the investment decision was actually made. In the event that an exploration programme proves to be unsuccessful or unprofitable, it may lead to substantial losses, considerable reduction in cash reserves, significant diminution in asset values and possible relinquishment of contractual rights. The Group currently has one ongoing exploration project in southern Central Kalimantan and it is highly uncertain whether the capital invested could ultimately yield commercially recoverable hydrocarbons or profitable production.

- **Drilling Risk**

The Group endeavours to maintain and grow its petroleum production through drilling programmes, which may be developmental or exploratory in nature, based upon geological and geophysical studies of available information or new data. However, underground drilling activities are subject to numerous unexpected drilling conditions including pressure or irregularities in geological formations and invasion of water into producing formations. Therefore, it is not certain that such drillings will ultimately yield commercially recoverable hydrocarbons or profitable production. Unsuccessful drillings may have material negative impact on the operating results and financial position of the Group.

- **Production Risk**

There are inherent risks involved in the production of hydrocarbons that, in addition to impacting the actual volumes produced, may ultimately affect the reserves (recovered). The performance of the reservoirs may be affected by the use of new technologies and the failure to develop and employ advanced technologies to achieve maximum recovery rates of hydrocarbons or to gain access to previously inaccessible reservoirs. In addition, continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. In the event that incremental production growth is not sufficient to keep pace with natural field decline, the Group's operating and financial performance will be adversely affected.

# OPERATING AND FINANCIAL REVIEW

- **Reserve Estimation Risk**

There are indefinite inherent uncertainties in respect of the estimation and valuation of petroleum reserves. The estimation of petroleum reserves is not an exact science and depends on numerous factors such as quantity and quality of the geological, engineering and economic data, assumptions adopted when making the estimate, projections regarding future production volumes, development expenditures, operating costs, cash flows, timing of work plans, availability of equipment and technology, and experience and knowledge of evaluators in their interpretation and judgment. Many of these factors, assumptions and variables involved in estimating reserves are subject to fluctuations and changes. Final results of drilling and testing, the actual development execution and production performance, and changes in crude oil and natural gas prices after the date of estimation could significantly affect the reserve estimates. Therefore, the quantities of petroleum ultimately recovered by the Group and the timing and cost of those volumes as well as the net cash flow that it receives from the production may differ materially from the numbers reflected in the reserve estimates. Moreover, reserves certification conducted by different estimators may vary considerably depending on the methodology and approaches employed in the assessment. Any such instance may adversely affect the future net cash flow and fair asset value of the Group.

- **Environmental and Operational Hazards**

Given the nature of petroleum exploration and extraction, the Group is exposed to a wide spectrum of risks related to health, safety, environment and security. Environmental and operational hazards including blowout, leak, spill, property damage and personal injury or loss of life could result in operational disruption, regulatory action, legal liability, loss of revenue and damages that could adversely affect

the Group's operational performance and financial conditions. The Group's insurance may limit or may not cover all risks of liabilities which the Group is exposed to, or the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. Moreover, the Group's operations may be affected by fire, typhoons, floods and other natural calamities, which are generally excluded from insurance policies.

Information on the factors impacting the financial and operating performance of the Group is set out in the following sections of the Notes to the Financial Statements of this Annual Report:

- Note 3, Critical Accounting Estimates, Assumptions and Judgements;
- Note 30, Contingent Liabilities; and
- Note 31, Financial Risk Management.

Information on the factors impacting the environmental and social performance of the Group is set out in the Summary Sustainability Report section of this Annual Report and the full Sustainability Report on the Company's website.

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

## SUMMARY OF RESERVES AND RESOURCES AS OF 31 DECEMBER 2020

The following information is extracted from the qualified person's reports ("QPRs") dated 26 March 2021 prepared by a reputable reservoir evaluation firm, ERC Equipoise Pte Ltd ("ERCE"), with respect to the hydrocarbon reserves and resources of the various petroleum contracts of the Group. Please also refer to the Appendix of this Annual Report for ERCE's summary QPR.

Category	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)	Gross (mmstb)	Net (mmstb)	Change (%)	RF (%)
<b>Oil Reserves</b>	<b>1P</b>				<b>2P</b>				<b>3P</b>			
Myanmar	1.33	0.34	(60.9)	NA	5.36	1.12	(27.3)	NA	6.31	1.47	(26.9)	NA
<b>Contingent Resources</b>	<b>1C</b>				<b>2C</b>				<b>3C</b>			
Myanmar (Development on hold)	0	0	(100.0)	80	3.74	2.25	(18.5)	80	5.83	3.50	(8.4)	80
Myanmar (Development unclarified)	0.13	0.08	100.0	50	0.25	0.15	66.7	50	0.44	0.27	58.8	50
<b>Prospective Resources (Unrisked)</b>	<b>1U</b>				<b>2U</b>				<b>3U</b>			
Indonesia	67	46	-	15	305	206	-	15	1,288	870	-	15

### Definitions:

"1P"	:	Proved
"2P"	:	Proved plus probable
"3P"	:	Proved plus probable plus possible
"Change"	:	Change from the previous update dated 23 March 2020, which also takes into account actual production, expiration, termination or renewal of contracts, and changes in effective interest of the Group
"Gross"	:	Gross reserves, contingent resources or prospective resources attributable to the contract before the application of contractual terms with the host government
"mmstb"	:	Million stock tank barrels
"NA"	:	Not applicable
"Net"	:	Net reserves is the net entitlement attributable to the Group after the application of contractual terms with the host government; Net contingent and prospective resources are the net volumes attributable to the Group's effective interest in the contract before the application of contractual terms with the host government
"RF"	:	Risk factor

### Notes:

- Gross reserves attributable to the contract represent 100% of the estimated commercially recoverable hydrocarbons before taking into account the contractual terms with the host government.
- Net reserves attributable to the Group represent the actual net entitlement attributable to the Group's effective interest in the contract after taking into account the contractual terms with the host government.
- Gross contingent resources attributable to the contract represent 100% of the estimated hydrocarbons economically recoverable on an unrisks basis (i.e. before the application of chance of development factor). Contingent resources are reported under two sub-classifications. "Development on hold" represents a project where activities are on hold and/or where justification as a commercial development may be subject to delay. "Development unclarified" represents a project where activities are under evaluation and where justification as a commercial development is unknown based on available information.
- Net contingent resources attributable to the Group represent the proportion of gross contingent resources attributable to the Group's effective interest in the contract. Net contingent resources are unrisks, and do not take into account the contractual terms with the host government and do not represent the Group's actual net entitlement under the contract. Contingent resources are reported under two sub-classifications. "Development on hold" represents a project where activities are on hold and/or where justification as a commercial development may be subject to delay. "Development unclarified" represents a project where activities are under evaluation and where justification as a commercial development is unknown based on available information.
- Gross prospective resources attributable to the contract represent 100% of the estimated hydrocarbons potentially recoverable from undiscovered accumulations.

# OPERATING AND FINANCIAL REVIEW

- (6) Net prospective resources attributable to the Group represent the proportion of gross prospective resources attributable to the Group's effective interest in the contract. Net prospective resources do not take into account the contractual terms with the host government and do not represent the Group's actual net entitlement under the contract.
- (7) Unrisked prospective resources are derived from the arithmetic sum of individual prospects before the application of chance of geological success factor.
- (8) Risk factor for contingent resources represents the estimated chance of development or probability that the volumes will be commercially extracted. Risk factor for prospective resources represents the chance of geological success or probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface (i.e. the chance or probability of the prospective resources maturing into contingent resources). Risk factor for unrisked prospective resources is calculated based on the summed mean unrisked and risked prospective resources.
- (9) The above gross reserves, contingent resources and prospective resources data are extracted from the respective QPRs with an effective date of 31 December 2020 prepared in accordance with the requirements set out in paragraph 5 of Practice Note 6.3 to the Listing Manual of the Singapore Exchange Securities Trading Limited and the standards promulgated by the Petroleum Resources Management System (SPE-PRMS) by:

Name of Qualified Person : Stewart Easton of ERCE  
 Professional Society Affiliation/Membership : Society of Petroleum Engineers/4548670  
 Date : 26 March 2021

- (10) The Group's petroleum assets are tabulated as follows:

Country/ Asset Name	Effective Interest (%)	Development Status	Type of Contract	Contract Expiry Date	Contract Area (km <sup>2</sup> )	Type of Deposit
<u>Myanmar</u>						
Chauk Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2028	955	Hydrocarbon
Yenangyaung Field	60.00	Producing	Improved Petroleum Recovery Contract (IPRC)	3 April 2028	845	Hydrocarbon
<u>Indonesia</u>						
Kuala Pambuang Block	67.50	Exploration	Production Sharing Contract (PSC)	18 December 2021	1,631	Hydrocarbon

# CORPORATE GOVERNANCE REPORT

The Company is required under the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual (the “**SGX-ST Listing Manual**”) to describe its corporate governance practices in its annual report with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (the “**Code**”).

This report discloses the Company’s corporate governance policies and practices which has been adopted in line with the spirit of the Code. The Company complies with the principles, and adheres largely to the provisions set out in the Code. Where its practices vary from any provisions of the Code, the Company specifies and explains the reason for the variation and how the practices adopted are consistent with the intent of the relevant principle.

## BOARD MATTERS

### Principle 1 – The Board’s Conduct of Affairs

***The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

The duties of the Board include:

- (a) providing entrepreneurial leadership and setting corporate strategy and direction, and ensuring that the necessary financial resources and human resources are in place for the Company to meet its objectives;
- (b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (c) reviewing Management’s performance;
- (d) identifying the key stakeholder groups and recognising that their perceptions affect the Company’s reputation;
- (e) setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- (f) considering sustainability issues, such as environmental and social factors, as part of its strategic formulation.

### Provision 1.1

The Directors understand that they are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The heavily regulated regime in Singapore, where the Company is incorporated and listed, principally sets appropriate tone-from-the-top and desired organisational culture of the Company. Since the listing of the Company on SGX-ST in 2003, the Board has adopted the practice of basing its governance and decision making on the orderly legal system and sound regulatory framework of Singapore under close guidance of the Company Secretary who is a lawyer from a reputable law firm. Its tradition of being committed to upholding high standards of corporate governance defines Management’s fundamental priority of abiding by statutory obligations and adhering to regulatory compliance, thereby ensuring proper accountability within the Company. As an investment holding entity, the Company operates with a small group of professionals, managers and executives, and does not have its code of ethics and conduct formally written at the company level. At the group level, its individual subsidiaries and joint ventures incorporate their code of ethics and conduct in the rules and regulations of their respective employment policies. The Board intends to formalise the code of ethics and conduct as the Company grows in size.

The Directors regard disclosure of interests in transactions as a statutory duty of utmost importance and adopt the customary practice of tabling at Board meetings general notices of individual directorships and material interests annually and as and when circumstances require. Directors facing conflicts of interest recuse themselves from decisions involving the issues of conflict.

# CORPORATE GOVERNANCE REPORT

## Provision 1.2

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). New directors will be given a formal letter setting out their duties and obligations as a director. They will also receive customised induction and orientation which serves to familiarise them with the Company's business and governance practices, including their role as a Director. For Directors with no prior experience as a director of a Singapore-listed company, the Company will make arrangements for them to undergo training conducted by the Singapore Institute of Directors ("**SID**"), namely, The Listed Company Director Essentials Programme. The training undertaken will be funded by the Company.

The Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. To encourage Directors to keep up with regulatory and industry changes, the Company furnishes them with SID's annual calendar of professional development curriculum at the beginning of the year and keeps them informed of suitable training courses and professional development programmes available from time to time, in particular, industry related and updates on relevant regulations and standards. As the Directors receive training and development in their own professional fields or through companies in which they hold directorships, they usually do not attend any similar programmes offered by the Company.

## Provision 1.3

The roles and responsibilities of the Board and Management are clearly defined in order to facilitate better understanding of their respective accountabilities and contributions. Management has been charged to run the ordinary business of the Company and its group operations, while major matters and material transactions are brought to the Board's attention for its deliberation and decision. The Company has adopted internal guidelines which specifically reserve the following key matters for the Board's approval: significant acquisitions and disposals or undertakings, funding proposals, and announcements of financial results, exploratory drilling updates and material information.

## Provision 1.4

To assist in the efficient discharge of its fiduciary duties and responsibilities, the Board has, without abdicating its responsibility, established three (3) Board Committees namely, the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). Each Board Committee has its own terms of reference setting out their compositions, authorities and duties, written in line with the Code, to address their respective areas of focus. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board. The names of the members of each Board Committee as at the date of this Annual Report are set out in the Corporate Information section of this Annual Report. The terms of reference and key activities of each Board Committee are disclosed under the relevant provisions of the Code below.

## Provision 1.5

During the year, the Board and Board Committees had a total of six (6) formal meetings to review and approve various matters relating to business strategies, material transactions, governance matters, operating affairs and financial performance of the Company. Board meetings were scheduled to coincide with half-yearly reporting in order to facilitate the review of financial results announcements. Directors with multiple board representations would make efforts to accommodate the meeting schedules of the Company, or take steps to have their thoughts represented at the meetings in their absence. Where the attendance of certain Directors was not physically possible, meetings were conducted with these Directors communicating through teleconferencing. The Constitution of the Company provides that the Directors may meet by audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants. In order to gather views and address major concerns without delay, ad hoc Board discussions via electronic means were organised to deliberate material matters and transactions as appropriate, and resolutions of the Board were passed by way of circulating minutes pursuant to the Constitution of the Company.



# CORPORATE GOVERNANCE REPORT

The attendance of each member at Board and Board Committee meetings, expressed as a ratio of the total number of meetings held during the member's period of appointment in the financial year ended 31 December 2020 ("FY2020"), is set out as follows:

<b>Name of Director</b>	<b>Board Meeting Attendance</b>	<b>AC Meeting Attendance</b>	<b>NC Meeting Attendance</b>	<b>RC Meeting Attendance</b>
Edwin Soeryadjaya <sup>(1)</sup>	0/2	–	–	–
Lany Djuwita Wong <sup>(1)</sup>	2/2	–	–	–
Ng Soon Kai	2/2	–	1/1	1/1
Yin Lifeng	1/2	–	–	–
Low Siew Sie Bob	2/2	2/2	1/1	1/1
Allan Charles Buckler	2/2	2/2	1/1	1/1
Lim Hock San	2/2	2/2	1/1	1/1
Marcel Han Liong Tjia	2/2	–	–	–

<sup>1</sup> Lany Djuwita Wong is the alternate Director to Edwin Soeryadjaya.

## Provision 1.6

Management routinely keeps the Board updated on the Company's operational activities, project progress and development, and business prospects through the provision of timely monthly management accounts, half-yearly papers and ad hoc email correspondences. Half-yearly financial and activity reports and material announcements are submitted to the Board for review and approval before releasing to the public. These reports and updates are supported with comprehensive background or explanatory information such as relevant disclosure documents, work plans, expenditure proposals, budgets and forecasts. In respect of budgets and cash flows, any material variances between the projections and actual results are highlighted and explained. The foregoing information enables the Board to make informed decisions and discharge their duties and responsibilities.

## Provision 1.7

The Directors have separate and independent access to Management as and when they need to make further enquiries or require additional information. Management endeavours to meet their requirements in a timely manner so as to enable them to make informed decisions.

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

- (a) attending all Board and Board Committee meetings and preparing minutes of these meetings;
- (b) ensuring compliance with applicable laws and regulations;
- (c) ensuring compliance with internal procedures and guidelines of the Company;
- (d) maintaining and updating all statutory books and records;
- (e) ensuring that good information flows within the Board and its Board Committees and between Management and non-executive Directors;
- (f) advising the Board on all other corporate, administrative and governance matters; and
- (g) facilitating orientation and assisting with professional development as required.

In the furtherance of their duties and responsibilities, the Directors may, individually or as a group, seek independent professional advice, if necessary, at the Company's expense. Such requirements are to be put forth for general consensus before the Board approves the motion.

# CORPORATE GOVERNANCE REPORT

## Principle 2 – Board Composition and Guidance

***The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.***

### Provision 2.1

The Company adopts the definition that an “independent” director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement in the best interests of the Company. It acknowledges that Rule 210(5)(d)(i) and (ii) of the SGX-ST Listing Manual provides circumstances for which a Director will not be independent, including if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years, or if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the same period and whose remuneration is determined by the RC. It further acknowledges that with effect from 1 January 2022, Rule 210(5)(d)(iii) of the SGX-ST Listing Manual requires the continued appointment of an independent Director who has been a Director for an aggregate period of more than nine (9) years to be sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders excluding Directors and the chief executive officer of the Company (“**CEO**”) and their respective associates (“**Two-Tiered Vote**”).

The name of each independent Director as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report. Collectively, the independent Directors have strong accounting and industry background, and the independence of each is reviewed annually by the NC based on, *inter alia*, the criteria set forth in the SGX-ST Listing Manual, the Code, individual Directors’ declarations and peer performance evaluations. The Board concurs with the NC’s recommendation that each of the three (3) independent Directors has no relationship which could interfere, or could be reasonably perceived to interfere, with the exercise of his independent business judgement with a view to the best interests of the Company.

Currently, all three (3) independent Directors, namely Mr Low Siew Sie Bob, (“**Mr Low**”) Mr Allan Charles Buckler (“**Mr Buckler**”) and Mr Lim Hock San (“**Mr Lim**”), have served on the Board beyond an aggregate period of nine (9) years. (Mr Lim was a Director from 3 July 2004 to 31 December 2009 before he was re-appointed on 8 September 2012.) Their independence is subject to rigorous annual review by the NC. Having considered various factors including integrity, competence, experience and circumstances set out in the Code and the accompanying practice guidance, the Board has determined that all three independent Directors be considered independent as they have individually continued to demonstrate strong independence in conduct, character and judgement in the discharge of their duties and responsibilities as independent Directors.

As mentioned above, the Board notes that pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, with effect from 1 January 2022, the eligibility of Mr Low, Mr Buckler and Mr Lim to continue to be designated as independent Directors will have to be subject to shareholders’ approval under a Two-Tiered Vote for each respective independent Director. Mr Lim has indicated his intention to retire from the Board and will not be seeking re-election. Accordingly, the Board has proposed to retain Mr Low and Mr Buckler as independent Directors, subject to shareholders’ approval pursuant to a Two-Tiered Vote in respect of each of Mr Low and Mr Buckler at the forthcoming Annual General Meeting (“**AGM**”).

### Provision 2.2

As at the date of this Annual Report, the Board comprises six (6) Directors. Mr Yin Lifeng, a non-executive Director, resigned from the Board on 25 February 2021. With the retirement of Mr Lim at this AGM, there will be two (2) independent Directors on the Board, subject to shareholders’ approval under the Two-Tiered Vote. Should approvals be obtained for their continued appointment as independent Directors, the proportion of independent Directors would still form more than one-third (1/3) of the Board of five (5) Directors as stipulated under the revised Rule 210(5)(c) of the SGX-ST Listing Manual, which will come into effect on 1 January 2022.

# CORPORATE GOVERNANCE REPORT

The Board is headed by non-independent Chairman, Mr Edwin Soeryadjaya, who is also a substantial shareholder of the Company. Although independent Directors do not make up a majority of the Board during the year under review, a Lead Independent Director, Mr Low, has been appointed to provide leadership in situations where the Chairman is conflicted. The NC is of the view that there is a sufficiently strong independent element and diversity of thought and background in the composition of the Board and the present composition of the Board allows it to exercise objective judgement on corporate affairs independently in the best interests of the Company and that no individual or small group of individuals dominates the decisions of the Board.

## Provision 2.3

The Board has only one (1) executive Director, Mr Marcel Han Liong Tjia (“**Mr Tjia**”), who is also the CEO. Therefore, non-executive Directors make up a majority of the Board.

## Provision 2.4

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board and its Board Committees comprise Directors who possess the requisite skills, knowledge and experience across various fields. As a group, the Board, which comprises both local and foreign Directors, provides an appropriate balance and mix of skills, knowledge and experience that encompass core competencies such as business management, strategic planning, risk management, mergers and acquisitions, capital markets, accounting, finance, taxation, law and related industry. The composition and diversity of the Board is reviewed annually by the NC through skills matrix checklists. The Board is aware of the need to broaden the view of diversity when establishing and reviewing board composition, beyond skills, experience, competencies, and knowledge of the Company to include other aspects such as age and gender, so as to avoid groupthink and foster constructive debate. In consideration of the Company’s market capitalisation, revenue and industry, the Board places primary emphasis on its core competencies without increasing its size. It will endeavour to include further additional attributes when there is a need to bring in fresh perspectives and enhancements.

## Provision 2.5

In addition to formal Board and Board Committee meetings, the Board and Management maintain active and effective communication through emails whereby Management provides the Board with regular corporate, financial and operational updates and the Board members engage in deliberation of important issues. This manner of electronic communication facilitates swift gathering of views or inputs and prompt address of major concerns given that some Directors are based overseas. Through this means, the non-executive Directors and/or independent Directors communicate regularly without the presence of Management so as to facilitate a more effective check on Management. The matters discussed include developing proposals on strategy, reviewing the performance of Management in meeting agreed goals and objectives, and monitoring the reporting of performance. Feedback from such discussions are provided to Management.

### **Principle 3 – Chairman and Chief Executive Officer**

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

## Provision 3.1

The roles of the Chairman and the CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO are not immediate family members.

# CORPORATE GOVERNANCE REPORT

## Provision 3.2

The CEO, who is responsible for the day-to-day operations, has his role and responsibilities clearly established by the Board and set out in writing under his employment agreement. The Chairman, who is a non-executive Director, is responsible for the leadership and objective functioning of the Board, including its effectiveness on all aspects of its role and its progress towards promoting high standards of corporate governance. Their complementary roles provide a pillar of balance for the Board while promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and Management. They are supported by the Company Secretary and Management who assist them in the organisation of essential meeting agenda, timely dissemination of inclusive meeting materials and administration of meeting by allowing adequate time for discussion of all agenda items especially strategic issues.

## Provision 3.3

The Board has appointed a Lead Independent Director since 2012 to support the Chairman in his role of facilitating effective contributions of non-executive Directors and effective communication with shareholders. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. In addition, he takes the lead to conduct discussions (usually held during half-yearly meetings) among independent Directors, formally or informally, without the presence of the other executive and non-independent Directors, and any matters of significance arising from such discussions are conveyed to the Chairman.

## **Principle 4 – Board Membership**

***The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

## Provision 4.1

The Board has established and delegated Board membership matters to the NC. Each meeting of the NC is properly minuted and upon confirmation of such minutes by the NC Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

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

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

# CORPORATE GOVERNANCE REPORT

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

## Provision 4.2

The NC comprises four (4) non-executive Directors, the majority of whom, including the NC Chairman, are independent Directors. The Lead Independent Director is also a member of the NC. The name of each NC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report. With the retirement of Mr Lim, who is a NC member, at this AGM, the NC will have two (2) independent Directors whose continued appointment as independent Directors will be subject to shareholders' approval under the Two-Tiered Vote as mentioned under Provision 2.1. Should the said approvals be obtained, the composition of the NC will still satisfy the requirements pursuant to Provision 4.2.

## Provision 4.3

During the year review, the NC assessed the performance of each Director, each Board Committee and the Board as a whole and made the requisite recommendations to the Board on the re-nomination and re-election of Directors in accordance with the Constitution of the Company, the SGX-ST Listing Manual and as contemplated by the Code. When considering the nomination of Directors for re-election or re-appointment, the NC took into account their competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) as well as their overall contributions to the effectiveness of the Board. The NC is satisfied with the overall results of the performance evaluation and the composition of the Board, and will not be proposing new members to be appointed to the Board at the forthcoming AGM. The Board has considered and endorsed the recommendations of the NC.

If there is a need for a new Director to be appointed, the NC has in place an internal process to facilitate the search, selection and nomination of a suitable Director. The NC members would first evaluate the range of skills, experience and expertise of the Board and identify the necessary competencies required from the incoming Director that would best increase Board effectiveness, and then search externally through the usual channels of professional contacts and personal networks for suitable candidates who are highly regarded in the relevant industry. When considering the new Board member, the NC would review the curriculum vitae of each potential candidate and consider his/her experience and expertise and likely contribution to the Board. Subsequently, interviews would be conducted before the NC makes its recommendation to the Board. The Board shall make the final determination for the appointment.

# CORPORATE GOVERNANCE REPORT

The Constitution of the Company calls for one-third (1/3) of the Directors other than the CEO (or if their number is not a multiple of three (3), then the number nearest to one-third (1/3) are to retire from office by rotation at annual general meetings. Based on the last election of the Directors in office, the NC has recommended that Mr Lim and Mr Low, who being eligible, be nominated for re-election at the AGM and the Board has accepted its recommendations. As mentioned above, Mr Lim will not be seeking re-election. Mr Low will, upon re-election as a Director and subject to shareholders' approval under the Two-Tiered Vote, remain as a Lead Independent Director of the Company, the Chairman of the AC, and a member of the NC and RC. He has consented to continue in office and will be submitting himself for re-election at the AGM.

With effect from 1 January 2019, Rule 720(5) of the SGX-ST Listing Manual requires all Directors, including executive Directors, to submit themselves for re-nomination and re-appointment at least once every three (3) years. Notwithstanding Regulation 95 of the Company's Constitution that excludes the CEO, Managing Director, and or any person holding an equivalent position from retirement by rotation, the NC has nominated Mr Tjia for re-appointment at the forthcoming AGM in line with Rule 720(5) of the SGX-ST Listing Manual and Transitional Practice Note 3 issued by the SGX-ST, and the Board has accepted its recommendations.

The key information pursuant to Appendix 7.4.1 of the SGX-ST Listing Manual relating to the three (3) Directors proposed to be re-elected at the forthcoming AGM is set out as follows:

Name of Director	Marcel Han Liong Tjia
Date of appointment	20 June 2009
Date of last re-appointment	Not applicable
Age	61
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC, of which its review includes, <i>inter alia</i> , his expertise and experience in business management, corporate finance, and mergers and acquisitions
Whether appointment is executive, and if so, the area of responsibility	Executive, responsibility of a CEO
Job title	Executive Director & CEO
Professional qualifications	Bachelor of Commerce (Honours) and a Master of Business Administration from The University of British Columbia, Vancouver
Working experience and occupation(s) during the past 10 years	2009 to Present: Executive Director & CEO of the Company
Shareholding interest in the Company and its subsidiaries	None
Any relationship (including immediate family relationships) with any existing Director, executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Cousin of Edwin Soeryadjaya, Non-Executive Chairman and substantial shareholder of the Company
Conflict of interest (including any competing business)	None

# CORPORATE GOVERNANCE REPORT

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments	None
Present directorships	Goldwater Company Limited Goldwater TMT Pte. Ltd. Goldwater Eagle Limited Goldwater Indonesia Inc. Goldpetrol Joint Operating Company Inc. Interra Resources (Australia) Limited Goldwater KP Pte. Ltd. PT Sumber Sari Rejeki PT Mitra Investindo Tbk Super Splash Investments Limited OpenRoad Auto Group Ltd Astral Development Corporation Nobel Point Holdings Ltd Orangetree Investments Pte Ltd Cordial Investments Pte Ltd Leading Venture Limited Emas Fortune Limited
Past directorships (for the last 5 years)	Shantex Singapore Pte Ltd Goldwater Energy Limited
General statutory disclosures (items (a) to (k) of Appendix 7.4.1)	No information to be disclosed
Any prior experience as a director of a company listed on the SGX-ST (applicable to appointment of Director only)  If yes, please provide details of prior experience.  If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.  Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable

# CORPORATE GOVERNANCE REPORT

Name of Director	Low Siew Sie Bob
Date of appointment	18 February 2011
Date of last re-appointment	29 April 2019
Age	71
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC, of which its review includes, <i>inter alia</i> , his expertise and experience in accountancy, arbitration, insolvency and tax
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title	Lead Independent Director, AC Chairman, NC member and RC member
Professional qualifications	Fellow of Institute of Singapore Chartered Accountants Bachelor of Laws (Second Class Lower) Member of Chartered Institute of Arbitrators, UK & HK Member of Singapore Institute of Arbitrators Fellow of Insolvency Practitioners Association of Singapore Fellow of Certified Public Accountants Australia Member of Singapore Academy of Law Accredited Tax Advisor/Practitioner (Income Tax or GST)
Working experience and occupation(s) during the past 10 years	1984 to Present: Principal Consultant, Bob Low & Co
Shareholding interest in the Company and its subsidiaries	Direct interest of 120,000 ordinary shares in the Company
Any relationship (including immediate family relationships) with any existing Director, executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments	Principal Consultant, Bob Low & Co
Present directorships	BL Corporate Advisory Pte Ltd Firststate Private Limited
Past directorships (for the last 5 years)	China Hongcheng Holdings Limited Pacific Star Development Limited Autotrax International Pte Ltd Autovox Korea Co., Ltd



# CORPORATE GOVERNANCE REPORT

General statutory disclosures (items (a) to (k) of Appendix 7.4.1)	No information to be disclosed
<p>Any prior experience as a director of a company listed on the SGX-ST (applicable to appointment of Director only)</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not applicable

Name of Director	Allan Charles Buckler
Date of appointment	14 December 2004
Date of last re-appointment	29 June 2020
Age	74
Country of principal residence	Australia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board approved the re-appointment after having considered the recommendation of the NC, of which its review includes, <i>inter alia</i> , his expertise and experience in the mining industry
Whether appointment is executive, and if so, the area of responsibility	Non-executive
Job title	Independent Director, NC Chairman, RC Chairman and AC member
Professional qualifications	Certificate in Mine Surveying and Mining, First Class Mine Manager Certificate, Mine Surveyor Certificate
Working experience and occupation(s) during the past 10 years	2008 to Present: Non-Executive Director, Altura Mining Limited 2013 to Present: Non-Executive Director, Sayona Mining Limited
Shareholding interest in the Company and its subsidiaries	Direct interest of 6,458,400 ordinary shares in the Company
Any relationship (including immediate family relationships) with any existing Director, executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None

# CORPORATE GOVERNANCE REPORT

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes
Other principal commitments	Non-Executive Director, Altura Mining Limited Non-Executive Director, Sayona Mining Limited
Present directorships	Sayona Mining Limited A.C.N. 647 358 987 Pty Ltd Air Gold Coast Pty Ltd Air Gold Coast Holdings Pty Ltd Air Gold Coast Aircraft Pty Ltd Air Gold Coast Properties Pty Ltd Altura Mining Limited Calida Holdings Pty Ltd Professional Jet Aviation Pty Ltd Shazo Holdings Pty Ltd P. Point Pty Ltd Sentica Investments Asia Pty Ltd Worldwide Aviation Investments Pte. Ltd.
Past directorships (for the last 5 years)	Merida Corporation Pte. Ltd.
General statutory disclosures (items (a) to (k) of Appendix 7.4.1)	No information to be disclosed
Any prior experience as a director of a company listed on the SGX-ST (applicable to appointment of Director only)  If yes, please provide details of prior experience.  If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.  Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable

## Provision 4.4

During the year, the NC also reviewed and determined, based on the circumstances set forth in the SGX-ST Listing Manual, the Code and the accompanying practice guidance and individual Directors' declarations, that there was no change in the independent status of all three (3) independent Directors (as disclosed under Provision 2.1).

# CORPORATE GOVERNANCE REPORT

## Provision 4.5

The NC has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. In the formal letter of appointment, the complex duties and commitment requirements of being director of a listed company are conveyed to new Directors. To ensure that each Director is assessed accurately in relation to his ability to give sufficient time and attention to the affairs of the Company, including through the appointment of a deputy or alternate Director, the NC has recommended and the Board has approved that each individual Director be evaluated on an individual basis instead of identifying a maximum number of listed company board representations that a Director may hold which may not necessarily be representative of whether a Director is able to and has adequately carried out his duties on the Board. Pursuant to the most recent review, the NC is of the view that each Director is able to adequately carry out their duties besides their principal commitments and other board representations. The Board will nevertheless keep in mind the need to review from time to time the number of listed company representations of each Director to ensure that the Directors continue to meet the demands of the responsibilities and are able to discharge their duties adequately.

The profiles and key information of each Director as at the date of this Annual Report are set out in the Board of Directors section of this Annual Report.

## **Principle 5 – Board Performance**

***The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

## Provision 5.1

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

The assessment parameters for the effectiveness of the Board as a whole include its size and composition, practices and conduct, processes and accountability, communication and rapport with Management, and risk management and internal controls. The assessment parameters for the performance of individual Directors, which aim to assess whether each Director is willing and able to contribute effectively to the Board and demonstrate commitment to the role(s) on the Board and/or Board Committee(s), include attendance at meetings, participation in discussions, contributions to the Board and/or Board Committees, interactive and interpersonal skills, core competency knowledge and foresight, and preparedness for meetings.

## Provision 5.2

After the end of the financial year, all Directors are requested to complete a Board performance evaluation questionnaire to seek their view on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board, and an appraisal form to evaluate each individual Director's contributions to the Board and the Board Committees. Directors who are members of the respective Board Committees are also requested to complete appraisal forms for the respective Board Committees to assess the overall effectiveness of each Board Committee. The responses are collated and compiled by the Company Secretary who then presents the results to the NC on a non-attribution basis so as to encourage open and frank discussions and feedback. Following the review by NC, the results are submitted to the Board together with the NC's recommendations for deliberation and decision. In view of the current size and scope of the Board, the NC does not propose the use of external facilitators in the performance assessment.

# CORPORATE GOVERNANCE REPORT

For the financial year under review, the Chairman, together with the Board, having reviewed the feedback from the NC, is of the view that the Board as a whole is of an appropriate constitution with the competency of meeting its performance objectives effectively and the individual Directors are of professional integrity with the ability to fulfil their obligations satisfactorily.

## REMUNERATION MATTERS

### Principle 6 – Procedures for Developing Remuneration Policies

***The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

#### Provision 6.1

The RC has been delegated by the Board to be in charge of remuneration matters of both the Board and key management personnel (“KMP”). Each meeting of the RC is properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

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

- (a) To develop, implement and maintain a formal and transparent policy for the determination of each Director’s and KMP’s specific remuneration package, including but not limited to Directors’ fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.
- (b) To review and recommend to the Board a general framework of remuneration for the Board and Management, and the specific remuneration packages for each Director and KMP.
- (c) To structure and propose appropriate performance conditions aimed at rewarding achievements but not poor performance, to be linked to the remuneration of executive Directors and KMP for the Board’s approval.
- (d) To review the Company’s obligations arising in the event of termination of contracts of services of executive Directors and KMP, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- (e) To assess and report to the Board annually the performance of executive Directors and KMP and whether their performance conditions are met.
- (f) To ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities undertaken, but not excessive to the extent that their independence may be compromised.
- (g) To administer the share-based incentive scheme(s) of the Company as amended or modified from time to time and to report to the Board annually the important terms of the scheme(s).
- (h) To make remuneration recommendations in consultation with the CEO and submit its recommendations for endorsement by the entire Board.
- (i) To review the various disclosure requirements on the remuneration of Directors and KMP, particularly those required by regulatory bodies such as the SGX-ST, and to ensure that there is adequate disclosure in the financial statements.
- (j) To retain such professional consultancy firm as the RC may deem necessary to enable it to discharge its duties hereunder satisfactorily.
- (k) To undertake such other duties as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the RC.
- (l) To conduct periodic review of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at optimal effectiveness and recommend any changes it considers necessary to the Board.

# CORPORATE GOVERNANCE REPORT

## Provision 6.2

The RC comprises four (4) non-executive Directors, the majority of whom, including the RC Chairman, are independent Directors. The name of each RC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report. With the retirement of Mr Lim, who is a RC member, at this AGM, the RC will have two (2) independent Directors whose continued appointment as independent Directors will be subject to shareholders' approval under the Two-Tiered Vote as mentioned under Provision 2.1. Should the said approvals be obtained, the composition of the RC will still satisfy the requirements pursuant to Provision 6.2.

## Provision 6.3

During the year, the RC reviewed and made the requisite recommendations regarding the general remuneration framework for the Board and the specific remuneration packages of KMP before submitting them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind, to ensure they are fair. No Director was involved in deciding his own remuneration other than the framework of remuneration for the Board as a whole. Taking into consideration the performance of the Directors and the present business conditions, the RC is not proposing any changes to the existing framework. The Board has accepted the recommendation of the RC and the non-executive Directors' remuneration will be put to shareholders for approval at the forthcoming AGM.

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

## Provision 6.4

As no changes are proposed to be made to the existing framework of remuneration for the Board and KMP, the RC deems seeking expert advice from remuneration consultants was unnecessary. The Board has considered and endorsed the recommendation of the RC.

### **Principle 7 – Level and Mix of Remuneration**

***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

## Provision 7.1

In setting the remuneration packages of the executive Director and KMP, the RC takes into consideration the remuneration and employment conditions within the same industry and of comparable companies, and the size and scope of operations of the Company. Each package is tailored to the specific role and comprises an appropriate combination of base salary, allowance, benefits and performance bonus. A significant and appropriate portion of the executive Director's and KMP's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration takes into account the financial and operational performance, management execution and expansion growth of the Company, and is aligned with the interests of shareholders and other stakeholders so as to promote the long-term success of the Company.

# CORPORATE GOVERNANCE REPORT

The Company has in place a share option plan which serves to align the remuneration of, *inter alia*, the executive Directors and KMP with the interests of shareholders and to promote long-term success of the Company. The 10-year plan, known as the Interra Share Option Plan 2017 (“**ISOP 2017**”), was approved by shareholders at the extraordinary general meeting held on 28 April 2017. The long-term incentive scheme, which is designed to primarily reward contributions and retain of talents, takes into consideration the costs and benefits of the incentives to be granted. Options granted from time to time under the scheme are to meet the vesting period requirements under the SGX-ST Listing Manual before they can be exercised. The executive Directors and KMP are encouraged to hold their shares for the longer term that is beyond the vesting period where possible, subject to the need to finance any cost of acquiring the shares and associated tax liability.

## Provision 7.2

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

## Provision 7.3

The remuneration packages of the executive Director and KMP are reviewed annually by the RC to ensure that the level of compensation remains optimal for attracting, retaining and motivating capable and talented people to successfully manage the company for the long term. While the use of contractual provisions to reclaim incentive components of remuneration from executive directors and KMP in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company is not a common industry practice for small companies, the RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and KMP.

## **Principle 8 – Disclosure on Remuneration**

***The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

## Provision 8.1

The Company endeavours to provide adequate disclosure of its Directors’, including the CEO’s, and KMP’s remuneration for the purpose of enhancing transparency between the Company and shareholders. However, being faced with stiff competition and escalating costs in attracting and retaining talents in similar specialised industry, the Company does not wish to divulge too much sensitive information with regard to remuneration packages of its Directors and KMP for its competitors to take advantage of.

# CORPORATE GOVERNANCE REPORT

The total remuneration of Directors including the CEO for FY2020, which amounted to S\$615,981 (FY2019: S\$737,620), is summarised as follows:

<u>Name of Director</u>	<u>Directors' Fees</u>	<u>Base/Fixed Salary</u>	<u>Variable or Performance-related Bonuses</u>	<u>Share-based Incentives and Awards</u>	<u>Benefits-in-kind, Allowances and Other Incentives</u>
<b>Below S\$250,000</b>					
<u>Non-Executive Directors</u>					
Edwin Soeryadjaya	100%	–	–	–	–
Ng Soon Kai	100%	–	–	–	–
Yin Lifeng	100%	–	–	–	–
Low Siew Sie Bob	100%	–	–	–	–
Allan Charles Buckler	100%	–	–	–	–
Lim Hock San	100%	–	–	–	–
<b>S\$250,000 – S\$500,000</b>					
<u>Executive Director &amp; CEO</u>					
Marcel Han Liong Tjia	–	96%	–	–	4%

The Company has four (4) KMP and their total remuneration for FY2020, which amounted to S\$743,305 (FY2019: S\$877,461), is summarised as follows:

<u>Name of KMP</u>	<u>Base/Fixed Salary</u>	<u>Variable or Performance-related Bonuses</u>	<u>Share-based Incentives and Awards</u>	<u>Benefits-in-kind, Allowances and Other Incentives</u>
<b>Below S\$250,000</b>				
Foo Say Tain	100%	–	–	–
Frank Overall Hollinger	80%	–	–	20%
Sugi Handoko	94%	–	–	6%
Han Liqiang	82%	18%	–	–

The remuneration of KMP generally comprises base salary and a variable component which encompasses cash bonuses, long-term incentives and share-based awards. The variable portion is mainly performance-related and depends largely on corporate and individual performance indicators determined and reviewed annually by the RC. When assessing the performance of KMP, the RC considers various long-term and shorter-term metrics relevant to the specific functions and objectives of individual KMP.

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

## Provision 8.2

There were no employees who are substantial shareholders of the Company, or immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

## Provision 8.3

No options were granted under the ISOP 2017 during the year. All information on the remuneration, payment and benefits in respect of Directors and KMP, and the ISOP 2017 are reported under the Directors' Statement and Note 33(c) of the Notes to the Financial Statements of this Annual Report.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Principle 9 – Risk Management and Internal Controls

***The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

#### Provision 9.1

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

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

During FY2020, Crowe reviewed the potential key risks and related controls identified by the Company and assessed the likelihood of occurrence and impact to the Company across five (5) areas, namely strategic, financial, operational, compliance and information technology. From the findings, there are no significant weaknesses that require urgent attention. The main risk exposure of the Company remains the volatility of crude oil prices, which requires monitoring and is beyond its control. The steps taken by the Company to mitigate the inherent risk include maintaining a lean cost structure, optimising production levels and deferring non-critical capital expenditure. These results were presented to the AC by Crowe for assessment and reporting to the Board.

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

#### Provision 9.2

The Board has received, together with the AC's recommendation, a letter of assurance from the CEO and the Chief Financial Officer ("**CFO**") with respect to FY2020 confirming that:

- (a) the accounting and other financial records required by the Act to be kept by the Company have been maintained in accordance with the provisions of the Act;



# CORPORATE GOVERNANCE REPORT

- (b) the financial statements of the Company (together with its subsidiaries, the “**Group**”) have been prepared in accordance with the provisions of the Act, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards so as to give a true and fair view of the state of business and financial affairs of the Company and of the Group; and
- (c) the Company and the Group have put in place and will continue to maintain an effective and reliable system of risk management and internal controls.

## **Principle 10 – Audit Committee**

***The Board has an Audit Committee (“AC”) which discharges its duties objectively.***

### Provision 10.1

The AC has been delegated by the Board to oversee matters pertaining to financial reporting, internal and external audit, and risk governance. It has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions. Each meeting of the AC is properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes is duly circulated to all members and tabled at Board meetings.

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

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

# CORPORATE GOVERNANCE REPORT

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

# CORPORATE GOVERNANCE REPORT

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

The AC has in place a whistle blowing policy which provides a platform for employees of the Group to report any fraud, abuse or violation of business ethics and regulations to the AC Chairman directly, and puts in place arrangements for independent investigation of such concerns and appropriate follow-up actions. Employees may report any violations in writing to the AC Chairman in confidence. An employee who makes an allegation in good faith will be treated fairly and justly, and harassment or victimisation of an employee who has lodged a report will not be tolerated. The violations that can be reported on under the policy include both accounting and non-accounting related matters. During the year under review, no whistle-blowing concerns were raised through the AC Chairman.

## Provision 10.2

The AC comprises three (3) non-executive Directors, all of whom, including the Chairman, are independent Directors. In addition, at least two (2) of the AC members, including the AC Chairman, have relevant accounting or related financial management expertise or experience and accounting qualifications. The name of each AC member as at the date of this Annual Report is set out in the Corporate Information section of this Annual Report. With the retirement of Mr Lim, who is an AC member, at this AGM, the AC will have two (2) independent Directors whose continued appointment as independent Directors will be subject to shareholders' approval under the Two-Tiered Vote as mentioned under Provision 2.1. Contingent on the said approvals being obtained, the Board will look into appointing at least one (1) non-executive Director as AC member in order to meet the requirements pursuant to Provision 10.2.

The Board is of the view that the present members of the AC, whose professions or principal commitments require them to keep abreast of changes to accounting standards and regulatory developments through training courses, conferences or seminars, have sufficient accounting or related financial management expertise and experience to discharge their responsibilities as set out in the terms of reference. Furthermore, changes to the various accounting standards are monitored closely by Management. Where these changes have an important bearing on the Company's disclosure obligations, the Directors as well as the AC members are kept informed of such changes through circulation which are also tabled at Board meetings.

## Provision 10.3

None of the AC members are former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two (2) years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

## Provision 10.4

The internal audit function of the Company is outsourced to Crowe, who aligns their services to the standards set by the relevant professional bodies in Singapore, including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor has unfettered access to all the Company's documents, records and personnel, including the AC. Being directly involved in establishing and executing the strategy, objectives and directions of the internal audit function, it also has appropriate standing in the Company. The AC reviews and approves the engagement, evaluation and remuneration of the internal auditor, who reports functionally to the AC Chairman and administratively to Management.

# CORPORATE GOVERNANCE REPORT

## Provision 10.5

During FY2020, the AC met with the internal auditor on one (1) occasion, of which a separate session was held without the presence of Management. Agenda of these sessions included, *inter alia*, review of internal controls maintained by the Company, scope, findings and recommendations of audit, and objectivity and independence of the internal auditor. The AC also reviewed the adequacy and effectiveness of the internal audit function and was satisfied with the qualifications and experience of, and the work performed and resources provided by Crowe. It has reported to the Board that the internal audit function of the Company is adequately resourced and independent of the activities it audits.

The Company has engaged the same Singapore-based external auditor, Nexia TS Public Accounting Corporation ("**Nexia TS**"), to audit its financial statements and that of all its Singapore-incorporated subsidiaries. Nexia TS is a respectable accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority. In addition, both the firm and the director-in-charge have relevant experiences, professional capabilities and collective expertise in the oil and gas industry. The name and date of appointment of the director-in-charge, whose engagement does not exceed five (5) consecutive years, are set out in the Corporate Information section of this Annual Report. The financial statements of the Company's significant foreign-incorporated components are audited by Nexia TS for management and consolidation purpose, and Nexia TS affiliates or suitable reputable accounting firms for statutory purpose. Therefore, the Company has complied with Rules 712, 713 and 715 of the SGX-ST Listing Manual for FY2020.

During FY2020, the AC met with the external auditor on two (2) occasions and had a separate session without the presence of Management. Apart from review of financial statements, agenda of these meetings included, *inter alia*, discussion of significant accounting issues and judgements, changes in accounting policies and internal control procedures that are relevant in the preparation of financial statements, scope and findings of audit, cooperation extended by Management, and objectivity and independence of the external auditor.

The report of Nexia TS as the external auditor of the Company is set out in the Independent Auditor's Report section of this Annual Report. The fees paid or payable by the Group to Nexia TS for its audit services with respect to FY2020 amounted to US\$97,101 (FY2019: US\$119,960). There were no non-audit services provided by Nexia TS to the Group for FY2020. Should there be any non-audit services provided by Nexia TS to the Group, the AC will undertake a review of the services and ensure that such services would not, in the AC's opinion, affect the independence of Nexia TS. After considering the experience of and the resources provided by Nexia TS and the director-in-charge, the quality of works performed under regulatory guidelines, and the remuneration and terms of engagement, the AC has recommended to the Board the re-appointment of Nexia TS as external auditor for the Company's audit obligations in the financial year ending 31 December 2021. The Board has accepted the recommendation of the AC and the re-appointment will be put to shareholders for approval at the forthcoming AGM.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### **Principle 11 – Shareholder Rights and Conduct of General Meetings**

***The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

# CORPORATE GOVERNANCE REPORT

## Provision 11.1

Due to the public health restrictions relating to the COVID-19 pandemic, the Company's AGM in respect of FY2019 initially scheduled to be held in late April 2020 was postponed to 29 June 2020. The AGM was convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Order**"). Following the alternative arrangements set out under the COVID-19 Order, shareholders were not able to attend the AGM in person. Instead, shareholders participated in the AGM by observing the proceedings via live audio-visual webcast, submitting questions to the chairman of the AGM ("**Chairman of the AGM**") in advance of the AGM; and appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

The Company respects shareholder rights and ensures that shareholders have the opportunity to participate effectively in and vote at its general meetings by keeping them informed of the rules and voting procedures governing the meetings, especially in light of the procedures for attending and voting at a general meeting held by electronic means as prescribed in the COVID-19 Order. Notices of general meetings, together with proxy forms relating to voting procedures, are despatched to all shareholders on or before the requisite minimum notice period. Under the COVID-19 Order, these notices were not sent by post but announced on the website of Singapore Exchange ("**SGX**") and made available on the Company's website on the date of publication. Circulars, statements or reports in respect of the general meetings are provided via electronic communications under the implied consent regulation of the Company's Constitution. Given the timelier, more efficient and less costly mode of transmission, these documents are made available on the aforesaid websites by default, unless otherwise required by the Act and/or the SGX-ST Listing Manual, on the respective dates of posting of general meeting notices. Shareholders also are promptly notified of the details of the website publication and offered the option of requesting physical copies of the documents.

The Company encourages active and greater shareholder participation at its general meetings, where ample time is set aside for shareholder engagement after the meetings. This provides opportunity conducive to better understanding of the Company's performance, position and prospects as Management is able to illustrate and explain in layman's terms. Shareholders, typically a small group of individual retail investors, are also able to effectively communicate their views on various matters affecting the Company. Notwithstanding that the AGM in respect of FY2019 was held via electronic means in accordance with the COVID-19 Order, shareholders were given the opportunity to submit their questions within reasonable time prior to the meeting. Although no questions were received, the Chairman of the AGM would have endeavoured to address substantial and relevant questions prior to the meeting through publication on the websites of SGX and the Company.

## Provision 11.2

Resolutions proposed by the Company at general meetings are kept separate with respect to each substantially separate issue, unless the resolutions have to be inter-conditional and linked so as to form one significant proposal. Explanatory notes on resolutions with underlying reasons and material implications are provided within the notices of general meeting. Where information relating to the resolutions are of a huge amount (such as financial data, curriculum vitae, terms and conditions), clear references to the respective documents containing the details are stated in the notices. Besides providing the necessary information, shareholders are also given the opportunity to ask questions and exercise their voting rights in accordance with the COVID-19 Order.

## Provision 11.3

Directors' attendance at general meetings is set out below. The Directors, three (3) of whom are based overseas, endeavour to attend all general meetings. However, the foreign Directors encounter scheduling conflicts at times due to the different time zones. Notwithstanding that, all the local Directors are often present at general meetings, and all the Directors work together to address shareholders' queries sent before the general meeting in accordance with the COVID-19 Order. The Company Secretary and external auditor also assist the Directors in answering relevant questions raised by shareholders.

# CORPORATE GOVERNANCE REPORT

Name of Director	AGM held on 29 June 2020
Edwin Soeryadjaya	Absent
Lany Djuwita Wong	Present
Ng Soon Kai	Present
Yin Lifeng	Absent
Low Siew Sie Bob	Present
Allan Charles Buckler	Absent
Lim Hock San	Present
Marcel Han Liong Tjia	Present

## Provision 11.4

Generally, the Constitution of the Company allows shareholders who are unable to attend general meetings to appoint up to two (2) proxies each to attend and vote on their behalf as long as their proxy forms are duly lodged with the Company in advance. Shareholders who are relevant intermediaries, such as banks, capital market services licence holders which provide custodial services and the Central Provident Fund Board, are allowed to appoint more than two (2) proxies to attend, speak and vote at general meetings. However, the Company has decided not to provide for other absentia voting methods until security and other pertinent issues relating to shareholder identity authentication can be satisfactorily resolved.

The Company adopts the procedure of putting all resolutions tabled at general meetings to vote by poll and announced the detailed results showing the number of votes cast for and against each resolution and the respective percentages. In view of the small number of voters at its general meetings, the Company has yet to employ electronic polling due to cost factor and will continue to retain manual polling until it is cost effective to do otherwise. In light of the COVID-19 pandemic, the rules governing voting at general meetings will be superseded by the arrangements set out in the COVID-19 Order.

## Provision 11.5

The Company Secretary makes notes of substantial and relevant comments or queries from shareholders relating to the agenda, and responses from the Board and Management during general meetings. The minutes of the AGM in respect of FY2019 have been published on the websites of SGX and the Company in accordance with the COVID-19 Order.

## Provision 11.6

The Company is a developing enterprise engaged in a business that is capital intensive in nature, thus it does not have a fixed dividend policy at this immature stage of growth. However, it endeavours to reward shareholders through other means, such as the enhancing the intrinsic value of the Company through long-term growth strategy.

# CORPORATE GOVERNANCE REPORT

## **Principle 12 – Engagement with Shareholders**

***The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

### Provision 12.1

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

Releases of half-yearly financial and operational reports, activity updates, media releases on significant developments and other pertinent information are first announced on the website of SGX and then posted on the Company's website. These websites are updated regularly and provides an efficient channel of communication with shareholders.

Typically, after general meetings, the Lead Independent Director performs the role of facilitating constructive dialogue between the shareholders and the Board. These dialogue sessions serve as an effective avenue of soliciting and gathering views and inputs from shareholders who are able to openly communicate with the Directors and Management. The Lead Independent Director also gives out his name cards to shareholders so as to allow them to contact him directly rather than having to go through the Company. However, in light of the public health restrictions relating to the COVID-19 pandemic, the aforementioned interactions were suspended for the AGM in respect of FY2019.

### Provision 12.2

The Company has in place an investor communication framework that disseminates timely financial data, price-sensitive updates and material information to shareholders. All public releases are drafted under the legal or secretarial guidance, so as to provide relevant and sufficient information without being overly detailed and technical. A dedicated email managed by in-house investor relations function is provided on the Company's website for shareholders to direct their queries and convey their views to Management. To promote communication with analysts and the media, Management voluntarily meets with them separately from time to time to explain and clarify the Company's financial results and industry operations.

### Provision 12.3

The Company welcomes ad hoc queries from shareholders but to avoid making inadvertent or asymmetrical disclosures in the course of addressing their concerns, the standard mode of communication adopted by the Company to engage shareholders is through its corporate website and email correspondence. In this manner, queries can be directed properly to the appropriate personnel or division for response.

# CORPORATE GOVERNANCE REPORT

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Principle 13 – Engagement with Stakeholders

***The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

#### Provision 13.1

Apart from shareholder engagement, the Board regards fostering relationships with other stakeholders, such as business partners, surrounding communities, customers, employees and regulators, an important element in achieving long-term sustainable business performance. Therefore, the Board considers sustainability issues, such as environmental and social factors, as part of its strategic formulation so as to ensure the interests of material stakeholders are taken into account in its decision-making processes. In 2017, the Board commissioned the establishment of a formal sustainability reporting framework aimed at providing meaningful disclosures of the environmental and social aspects that are material to the Company's business operations. Subsequently, the first and second entry-level annual sustainability reports, prepared based on the internationally recognised Global Reporting Initiative (GRI) Standards, were issued on 28 March 2018 and 27 March 2019 respectively. Going forward, it is envisaged that this annual phased approach sustainability reporting will serve as a platform for identifying and conducting regular interaction with material stakeholders.

#### Provision 13.2

A summary of the sustainability report for FY2020 is set out in the Summary Sustainability Report section of this Annual Report and the full report is available on the Company's website. The report covers the Company's strategy, practices, results and performance across four (4) key material sustainability aspects, namely, sustainable development, environmental stewardship, health and safety, and community. It discloses how the Company endeavours to operate in an economically, environmentally and socially responsible way through stakeholder engagement.

#### Provision 13.3

The Company publishes a full sustainability report annually on both SGX and its corporate websites and employs such reporting as a means of raising transparency and awareness on the Company's footprint in the environmental and social realms. It aims to gradually deepen stakeholders' understanding of its management of social and environmental issues, thereby promoting stakeholder engagement and improving communications with stakeholders. The outcomes of such stakeholder engagement are reviewed annually, and applied in the development of the Company's sustainability materiality matrix and towards the progression of its sustainability reporting.

## INTERESTED PERSON TRANSACTIONS

There were no interested person transactions entered into during FY2020. The Company did not seek any general mandate from shareholders pursuant to Rule 920 of the SGX-ST Listing Manual during FY2020.

## DEALING IN SECURITIES

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

- (a) to observe insider trading laws and avoid potential conflicts of interest at all times when dealing in securities;
- (b) not to deal in the Company's shares while in possession of unpublished material price sensitive information;
- (c) not to deal in the Company's shares for short-term considerations; and



# CORPORATE GOVERNANCE REPORT

- (d) not to deal in the Company’s shares during the period commencing two (2) weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company’s full year financial statements.

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

## USE OF PROCEEDS

The Company allotted and issued 62,500,000 new ordinary shares in the capital of the Company at an issue price of S\$0.045 each pursuant to a private placement completed on 9 June 2020 (the “**Placement**”). The net proceeds from the Placement (after deducting expenses incurred in connection with the Placement) amounted to S\$2,807,800 (US\$2,020,352) (the “**Net Proceeds**”). The Company has been providing updates on the use of the Net Proceeds as and when such proceeds are materially disbursed. As announced on 20 November 2020, the Net Proceeds have been fully utilised in accordance with the intended use stated in the announcement dated 20 April 2020 in relation to the Placement. The breakdown of the utilisation is as follows:

<b>Purpose</b>	<b>Amount (US\$)</b>
Payment for work activities relating to the work programme of the Chauk and Yenangyaung fields in Myanmar for the year 2020	2,020,352
<b>Total</b>	<b>2,020,352</b>

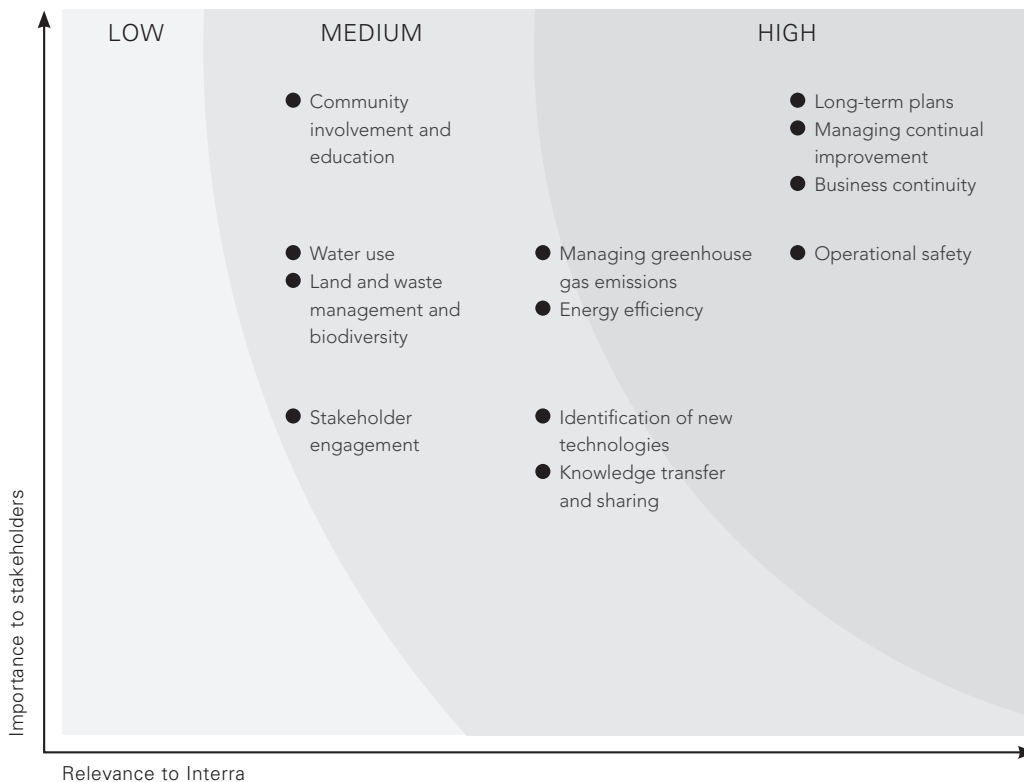
# SUMMARY SUSTAINABILITY REPORT

## SUSTAINABILITY STRATEGY

At the Group, our sustainability strategy aims to create integrated values. Not only do we create economic value by maximising profits and shareholder value, but we also take on a broader responsibility as a global corporate citizen to create societal values. We commit to deliver value to all our stakeholders. As we look back on our progress over the last year, our efforts to deliver value to all our stakeholders can be summarised as follows:



We engage both internal and external stakeholders on a regular basis with the goal of strengthening our sustainability approach and performance. Based on the stakeholder engagement, we developed our sustainability materiality matrix which is aligned with our principal business and operational risks, and formed our sustainability strategy which has shaped our approach to sustainability reporting. We will review and adjust the matrix each year, as the external and business context changes.



# SUMMARY SUSTAINABILITY REPORT

## SUSTAINABILITY PERFORMANCE

### Sustainable Development

**Track and report fulfilment of budgeted drilling programme**



**Wells drilled (No.)**



**Wells completed as oil producers (No.)**



**FY2020 progress**

- A total of three development wells were drilled during the year, one of which was under the 2021 drilling programme.
- All three wells under the FY2020 drilling programme, one of which commenced drilling in 2019, were completed as oil producers during the first quarter of the year, with initial production rates totalling 128 BO per day.

**Improve oil production (from FY2017 baseline)**



**Barrels of oil produced (BO)**

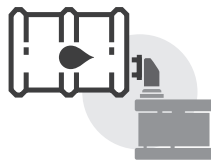


**FY2020 progress**

- The drilling programme was suspended in April 2020 due to the plunging crude oil prices and uncertain economic conditions. Drilling resumed in December 2020 when crude oil prices rebounded.
- As a result of our early drilling successes combined with gains from the water-flood projects and aggressive production optimisation efforts, oil production increased by 15.8% in FY2020, compared to the FY2017 baseline.

### Environmental Stewardship

**Achieve zero spills and regulatory compliance incidents**



**Achievements**

- Achieved zero spills and regulatory compliance incidents in Myanmar

**FY2020 progress**

- We had no spills and no regulatory compliance incidents in Myanmar, demonstrating the benefit of integrating environmental initiatives into our business plans and strategies. We are mindful of the environment in which we operate and we strive to minimise our impact.

# SUMMARY SUSTAINABILITY REPORT

Maintain carbon footprint per barrel of oil production (from FY2018 baseline)



Carbon footprint per barrel of oil production (kgCO<sub>2</sub>e)



FY2020 progress

- As a result of decreased drilling activities due to the suspension of drilling programme, our carbon footprint per barrel of oil production decreased from previous years.
- Energy consumption is expected to increase in tandem with the drilling campaign and accelerated field activities.
- We will seek to gradually improve our performance in this area by focusing on the energy efficiency of our operations.

## Health and Safety

Achieve zero safety incidents



Achievements

- Achieved zero safety incidents in Myanmar

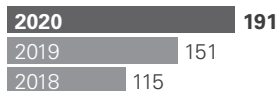
FY2020 progress

- We had no safety incidents in Myanmar, demonstrating our commitment to ensure that ensuring the safety of the people who work in or live near our operational areas is our number one priority.

Limit maximum of 120 hours of overtime per employee



Overtime hours per employee (Hours)

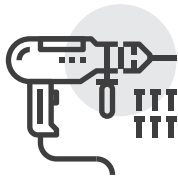


FY2020 progress

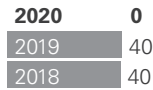
- We clocked 191 overtime hours per employee due to reassignment of work schedules and replacement of staff due to quarantined and COVID-19 positive staff. In addition, there were more public holidays declared in Myanmar for 2020 as compared to 2019.
- Although this is in excess of 120 hours per employee as indicated in our targets, the safety of our operations was not compromised in any case. All field operations staff are required to have a full 8 hours of rest before commencing their work shifts.

# SUMMARY SUSTAINABILITY REPORT

**Achieve minimum of 40 hours of training per employee**



**Training hours per employee (Hours)**



**FY2020 progress**

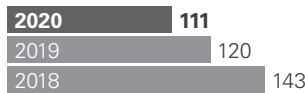
- In view of COVID-19 restrictions, no work-related training was conducted in FY2020. Focus during the year was to implement measures to deal with the rapidly evolving regulatory requirements relating to COVID-19 pandemic. These included activating business continuity plans, implementing workplace protocols to comply with personal protection and safe distancing measures, expanding digital workplace and telecommuting resources, educating employees on precautionary measures and sanitation practices, and introducing new health and travel policies.
- Previously, we achieved 40 training hours per employee, as part of an ongoing training for existing employees to refresh their working knowledge.

## Community

**Invest a minimum of US\$100,000 towards community development**



**Investment in community projects (US\$'000)**



**FY2020 progress**

- We invested about US\$111,000 in the Chauk and Yenangyaung communities, providing much needed personal protective equipment (i.e. masks and medical supplies) to local hospitals to support their fight against COVID-19.

# SHAREHOLDER DEMOGRAPHICS

AS AT 16 MARCH 2021

## ISSUED SHARE CAPITAL

Class of Shares	Number of Shares	%	Voting Rights
Ordinary shares	655,498,604	100	One (1) vote per share (on poll)
<b>Total</b>	<b>655,498,604</b>	<b>100</b>	

## ORDINARY SHARES

### Distribution of Shareholdings

(As per the Register of Members and Depository Register)

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 to 99	312	3.19	9,939	0.00
100 to 1,000	4,471	45.67	1,900,959	0.29
1,001 to 10,000	2,512	25.66	12,063,503	1.84
10,001 to 1,000,000	2,456	25.09	203,706,308	31.08
1,000,001 and above	38	0.39	437,817,895	66.79
<b>Total</b>	<b>9,789</b>	<b>100.00</b>	<b>592,998,604</b>	<b>100.00</b>

### Twenty Largest Shareholders

(As per the Register of Members and Depository Register)

Name of Shareholder	Number of Shares	%
Citibank Nominees Singapore Pte Ltd	113,710,859	17.35
DBS Nominees Pte Ltd	85,415,344	13.03
UOB Kay Hian Pte Ltd	83,371,060	12.72
Phillip Securities Pte Ltd	70,715,427	10.79
Raffles Nominees (Pte) Limited	12,046,476	1.84
Maybank Kim Eng Securities Pte. Ltd.	7,416,765	1.13
Tan Kah Heng (Chen Jiaying)	5,117,700	0.78
Ip Yuen Kwong	4,668,400	0.71
Lim & Tan Securities Pte Ltd	4,270,600	0.65
Chua Lai Siang	3,600,000	0.55
United Overseas Bank Nominees Pte Ltd	3,551,160	0.54
OCBC Securities Private Ltd	2,908,032	0.44
Ang Ah Lek @ An Ah Lek	2,300,000	0.35
Tan Boon Pew	2,220,000	0.34
Goh Kim Siah	2,000,000	0.30
Goh Khay Pheng (Wu Qiping)	1,981,100	0.30
Lim Ke	1,961,000	0.30
OCBC Nominees Singapore Pte Ltd	1,913,212	0.29
Lim Lay Hoon	1,818,200	0.28
Kui Yong Sin	1,805,000	0.28
<b>Total</b>	<b>412,790,335</b>	<b>62.97</b>

# SHAREHOLDER DEMOGRAPHICS

AS AT 16 MARCH 2021

## Substantial Shareholders

(As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Edwin Soeryadjaya <sup>(1)</sup>	540,000	0.08	71,362,200	10.89
Sandiaga Salahuddin Uno <sup>(1)</sup>	600,000	0.09	71,362,200	10.89
PT Saratoga Investama Sedaya <sup>(1)</sup>	71,362,200	10.89	–	–
North Petroleum International Company Limited	79,526,847	12.13	–	–
Poly Legend International Limited	62,500,000	9.53	–	–
Meity Subianto <sup>(2)</sup>	–	–	53,040,000	8.09
Shining Persada Investments Pte. Ltd. <sup>(2)</sup>	53,040,000	8.09	–	–

### Notes:

- (1) Edwin Soeryadjaya and Sandiaga Salahuddin Uno are deemed to have interests in all the shares held by PT Saratoga Investama Sedaya by virtue of Section 7 of the Companies Act, Chapter 50.
- (2) Meity Subianto is deemed to have an interest in all the shares held by Shining Persada Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

## TREASURY SHARES AND SUBSIDIARY HOLDINGS

The Company has no treasury shares and subsidiary holdings.

## PUBLIC SHAREHOLDING

Based on the information available to the Company, approximately 58% of the total number of issued shares of the Company is held by the public as at 16 March 2021. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members together with the audited statement of financial position of the Company as at 31 December 2020 and the consolidated financial statements of the Group for the financial year ended 31 December 2020.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 66 to 137 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Edwin Soeryadjaya	(Chairman)
Marcel Han Liong Tjia	
Ng Soon Kai	
Low Siew Sie Bob	
Allan Charles Buckler	
Lim Hock San	
Lany Djuwita Wong	(Alternate to Edwin Soeryadjaya)
Yin Lifeng	(Resigned on 25 February 2021)

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 55 to 57.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Held in the Name of Director or Nominee		Held in which the Director is Deemed to Have an Interest		
	At end of the financial year and 21 January 2021	At beginning of the financial year	At 21 January 2021	At end of the financial year	At beginning of the financial year
The Company					
No. of Ordinary Shares					
Edwin Soeryadjaya	540,000	540,000	71,362,200	79,364,000	79,364,000
Ng Soon Kai	480,000	480,000	–	–	–
Low Siew Sie Bob	120,000	120,000	–	–	–
Allan Charles Buckler	6,458,400	6,458,400	–	–	–
Lim Hock San	360,000	360,000	–	–	–
Yin Lifeng	1,500,000	2,640,000	–	–	–



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Interra Share Option Plan as set out below and under "Share Options" on pages 55 to 57.

	Number of Unissued Ordinary Shares under Option		
	At 21 January 2021	At end of the financial year	At beginning of the financial year
<u>2017 Options</u>			
Marcel Han Liong Tjia	6,000,000	6,000,000	6,000,000
Ng Soon Kai	2,850,000	2,850,000	2,850,000
Low Siew Sie Bob	–	–	2,850,000
Allan Charles Buckler	2,850,000	2,850,000	2,850,000
Lim Hock San	2,850,000	2,850,000	2,850,000

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

## DIRECTORS' CONTRACTUAL BENEFITS

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

## SHARE OPTIONS

- (a) Interra Share Option Plan 2017

The Interra Share Option Plan 2017 ("ISOP 2017") was approved by members of the Company at an Extraordinary General Meeting on 28 April 2017. ISOP 2017 provides a mean to recruit, retain and give recognition to directors of the Group, employees, controlling shareholders and/or their associates, who have contributed to the success and development of the Group with an opportunity to participate in the equity of the Company and to motivate them to better performance through increased dedication and loyalty. The ISOP 2017 is administered by the Remuneration Committee, of which the members at the date of this statement are as follows:

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

Subject to the absolute discretion of the Remuneration Committee, the controlling shareholders and/or their associates are eligible to participate in the ISOP 2017, provided that the participation of the controlling shareholders and/or their associates and the actual number of shares comprised in the option(s) and terms of such option(s) to be granted to any of them only be effected with the specific prior approval of independent shareholders in a general meeting in separate resolutions. The aggregate number of shares over which options can be granted to one controlling shareholder or his associate shall not exceed 10% of the total number of shares available under the ISOP 2017, and the aggregate number of shares over which options can be granted to all controlling shareholders and their associates shall not exceed 25% of the total number of shares available under the ISOP 2017.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## SHARE OPTIONS (CONTINUED)

### (a) Interra Share Option Plan 2017 (Continued)

Under the ISOP 2017, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) is to be determined by the Remuneration Committee in its absolute discretion. Options granted at market price or premium may be vested after one year from the date of grant and are exercisable over a period of four years, while options granted at a discount may be vested after two years from the date of grant and are exercisable over a period of three years. The options may be exercised, in whole or in part (being 1,000 shares or any multiple thereof), on the payment of the aggregate exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ISOP 2017, shall not exceed 15% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date.

On 11 December 2017, the Company granted options to directors and employees to subscribe for 24,000,000 ordinary shares of the Company at exercise price of S\$0.060 per share ("2017 Options"). The 2017 Options were exercisable from 12 December 2018 and will expire on 10 December 2022. The fair value of the 2017 Options granted was estimated to be S\$406,283 (equivalent to US\$300,626) using the Binomial Option Pricing Model.

Details of the 2017 Options granted to key management personnel and employees (other than the directors) of the Company were as follows:

	<b>Number of Unissued Ordinary Shares of the Company under Option</b>			
	<b>Granted during the financial year</b>	<b>Aggregate granted since commencement of Plan to end of the financial year</b>	<b>Aggregate exercised since commencement of Plan to end of the financial year</b>	<b>Aggregate outstanding at end of the financial year</b>
2017 Options	–	6,600,000	4,175,000	2,425,000

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## SHARE OPTIONS (CONTINUED)

### (a) Interra Share Option Plan 2017 (Continued)

Details of the 2017 Options granted to the directors of the Company were as follows:

Name of director	Number of Unissued Ordinary Shares of the Company under Option			
	Granted during the financial year	Aggregate granted since commencement of Plan to end of the financial year	Aggregate exercised since commencement of Plan to end of the financial year	Aggregate outstanding at end of the financial year
Marcel Han Liong Tjia	–	6,000,000	–	6,000,000
Ng Soon Kai	–	2,850,000	–	2,850,000
Low Siew Sie Bob	–	2,850,000	2,850,000	–
Allan Charles Buckler	–	2,850,000	–	2,850,000
Lim Hock San	–	2,850,000	–	2,850,000

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

No participant under the ISOP 2017 other than one of the directors, Marcel Han Liong Tjia who has received 5% or more of the total number of shares available under the ISOP 2017.

No options have been granted during the financial year.

### (b) Share Options Outstanding

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

	Number of Unissued Ordinary Shares under Option		Exercise price	Exercise period
	At end of the financial year	At beginning of the financial year		
2017 Options	16,975,000	21,605,000	S\$0.060	12 December 2018 to 10 December 2022

## AUDIT COMMITTEE

The members of the Audit Committee at the date of this statement are set out as follows:

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

All members of the Audit Committee are non-executive directors and independent directors.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## AUDIT COMMITTEE (CONTINUED)

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor and the internal auditor; and
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2020 before their submission to the Board of Directors.

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

## INDEPENDENT AUDITOR

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

On behalf of the Board of Directors



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**Marcel Han Liong Tjia**

Director



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**Low Siew Sie Bob**

Director

**26 March 2021**

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

## **Report on the Audit of the Financial Statements**

### *Opinion*

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 66 to 137.

In our opinion, the accompanying statement of financial position of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provision of the Singapore Companies Act, Chapter 50 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2020 and of the consolidated financial performance, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended on that date.

### *Basis of Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

We draw attention to Note 34(a) to the financial statements. The global news on 1 February 2021 reported that Aung San Suu Kyi, the State Counsellor of Myanmar and other top government leaders from the National League Democracy party in Myanmar have been detained by the Tatmadaw Myanmar's military which vested power in a stratocracy. Civil resistance efforts have emerged within the country, in opposition to the coup, in numerous forms, including acts of civil disobedience, labour strikes, a military boycott campaign, a pot-banging movement, a red ribbon campaign, public protests, and formal recognition of the election results by elected representatives.

As a result of the current civil disobedience movement in Myanmar, the Group is not able to have continuous and uninterrupted access to its field operations at the Chauk and Yenangyaung fields. The Group is therefore temporarily suspending most of its operations in Myanmar including production. Field operations in Myanmar will resume once the Group is able to ensure its access to its fields without any interruptions. Although it is still too early to ascertain the longer term impact to the Myanmar operations and the Group's overall financial performance, the coup could have adverse impact on the Group as the mood on the ground in Myanmar remains tense, the demonstrations gather strength and the situation gets worse and/or prolonged in view of the Group's significant reliance on the Myanmar operations.

The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of this matter in the financial statements. Our opinion is not qualified with respect to this matter.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Valuation and Impairment of Assets**

The outbreak of the coronavirus ("COVID-19") pandemic in 2020 coupled with the oil prices war have created a high level of uncertainty to the business of petroleum exploration and production which the Group operates. This gives rise to financial statements risk such as determination of valuation of the Group's significant assets, such as exploration and evaluation assets, producing oil and gas properties, intangible assets (patent rights) and other receivables from non-related parties and the Company's investments in subsidiary corporations and other receivables from subsidiary corporations.

### **1 Impairment of Non-financial Assets**

#### (a) Exploration and Evaluation ("E&E") Assets

See accounting policies on Note 2(c)(i) and critical accounting estimates on Note 3(a).

Refer to Note 7 to the financial statements.

#### *Area of focus*

In accordance with SFRS(I) 6 Exploration for and Evaluation of Mineral Resources, E&E costs capitalised are written-off unless commercial reserves have been established or the appraisal process is not completed. This was considered a key risk due to the significant judgements and estimates that are required to be assessed and inherently difficult, and the highly material nature of the related balances in the financial statements.

The realisation of the carrying value of E&E assets as at 31 December 2020 of US\$13,734,585 (2019: US\$13,497,813) is dependent on the Group's ability and intention to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the E&E assets may not hold hydrocarbons that are commercially viable for extraction. This creates a risk that the amount may be overstated in the financial statements.

#### *How our audit addressed the area of focus*

We evaluated management's assessment of E&E assets carried forward with reference to the criteria under SFRS(I) 6 and the Group's successful efforts accounting policy (see Note 2(c)(i)). During the financial year, the Group has reconsidered their exploration strategy and locations for future exploration focus in the context of uncertain oil price environment, the drilling and testing results of the exploration well, the ongoing analysis of all technical data and the committed future work programmes. Our evaluation has paid particular attention to these circumstances.

We have considered the process by which management reviewed their E&E assets to assess if there were any indicators of impairment for any of the Group's material field interests. We challenged the outcome of this review by discussing with key operational and finance staff to understand the current status and future intention for each asset. In particular, we challenged the Group's:

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

*Key Audit Matters* (Continued)

## 1 Impairment of Non-financial Assets (Continued)

### (a) Exploration and Evaluation ("E&E") Assets (Continued)

- right to explore in the relevant exploration license which included obtaining and reviewing supporting documentation such as license agreements and/or correspondences with relevant government agencies including the approval for the extension of exploration period;
- intention to continuing carry out exploration and evaluation activities in the relevant exploration area which included discussions with senior management and directors as to the intentions and strategy of the Group;
- commercial viability of results of exploration and evaluation activities carried out in the relevant license area; and
- ability to finance any planned future exploration and evaluation activities.

We have also assessed the capabilities of management's expert and/or use of independent qualified person engaged for the purposes of assessing the potential resources associated with those E&E assets and considered the adequacy and appropriateness of the disclosures made in the financial statements in respect of the impairment of E&E assets.

### (b) Producing Oil and Gas Properties, Patent Rights and Investments in Subsidiary Corporations

See accounting policies on Note 2(c)(v), Note 2(f)(ii) and critical accounting estimates on Note 3(b).

Refer to Note 6, Note 8 and Note 9 to the financial statements.

#### *Area of focus*

The Group has recognised producing oil and gas properties with carrying amount of US\$10,037,431 as at 31 December 2020 (2019: US\$10,040,697). In addition, the carrying amount of the patent rights acquired for the purpose of improving the production of oil fields in Myanmar as at 31 December 2020 was US\$2,441,440 (2019: US\$2,778,271). Impairment of producing oil and gas properties and patent rights is considered key risks due to the significant judgements and estimates that need to be made in assessing whether any impairment have arisen as at financial year end. The risk of impairment is greater where there are potential impairment indicators such as continuous or significant reduction in the global oil prices, reserves downgrades, and upward revisions to future costs estimates or changes to exploration plans. When such indicators are identified, management must exercise further judgement in making an estimate of the recoverable amount of the asset or the cash generating unit ("CGU") against which to compare with the carrying value.

As most of the Company's subsidiary corporations derive revenue from petroleum production, field development and exploration, any impairment on the respective entity's long-lived non-financial assets will have a significant adverse impact on the subsidiary corporations' financial position and performance which is considered as indication that the Company's investments in the subsidiary corporations may need to be impaired.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

*Key Audit Matters* (Continued)

## 1 Impairment of Non-financial Assets (Continued)

### (b) Producing Oil and Gas Properties, Patent Rights and Investments in Subsidiary Corporations (Continued)

In reviewing the impairment calculations, there are significant judgements in relation to assumptions such as:

- Long-term oil price
- Production profile
- Cost profiles and escalation applied
- Capital costs
- Reserves estimates
- Discount rates

*How our audit addressed the area of focus*

We reviewed management's assessment of impairment indicators and did not identify any further indicators which had not been considered by management. We tested management's impairment review of producing oil and gas properties, patent rights and investments in subsidiary corporations.

We evaluated the appropriateness of management's defined CGU in performing their impairment assessment. Our audit work assessed the reasonableness of management's estimations of the recoverable amount of each asset or CGU and we challenged management on the inclusion of all appropriate assets and liabilities in the CGU.

Specifically, together with our valuation specialists, we independently developed expectations for the key macro-economic assumptions used in the impairment analysis taking into consideration the impact of COVID-19. Our works included, but was not limited to, the following procedures:

- benchmarking and analysis of oil price assumptions against peer information and other market data;
- verification of estimated future capital and operating expenditures to approved budgets and business plans and other evidence of future intentions for individual exploration properties;
- agreement of hydrocarbon production profiles and proved and probable reserves to third party reserve report or operator estimates;
- recalculation and benchmarking of discount rates applied with involvement of our firm internal valuation specialists; and
- performing sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes.

We also reviewed and considered the adequacy of the disclosures made in the financial statements in respect of the impairment of producing oil and gas properties, intangible assets and investments in subsidiary corporations.



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

*Key Audit Matters (Continued)*

## **2 Expected Credit Losses ("ECL") on Other Receivables**

See accounting policies on Note 2(l)(ii) and critical accounting estimates on Note 3(c).

Refer to Note 31(b) to the financial statements.

### *Area of focus*

As of 31 December 2020, the Group and the Company have other receivables from non-related parties and subsidiary corporations of \$4,687,343 and \$11,702,902 respectively which are related to the Group's investment in Kuala Pambuang Production Sharing Contract ("PSC"). These receivables represent 11% and 36% of the Group's and the Company's total assets respectively. Any significant impairment of these receivables could have a material impact on the results.

In accordance with SFRS(I) 9 Financial Instruments, the Group and the Company are required to recognise ECL on financial assets. For other receivables, the Group has applied general approach and measured loss allowance at an amount equal to the 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience. The Group also considers the forward-looking overlay adjustments on the uncertainties in existing market conditions including the potential effects of COVID-19 pandemic on the industry. The estimation of impairment loss is performed by management and approved by the Audit Committee and the Board of Directors.

As the impairment assessment on other receivables required significant management's judgement in assessing the credit-worthiness of the receivables, estimating the ECL and in consideration of the significance of other receivables in the Group and the Company, we determined this area to be a key audit matter.

### *How our audit addressed the area of focus*

We obtained an understanding and evaluated the Group's processes and ECL assessment for other receivables. We assessed the reasonableness of management's judgement and assumptions applied in the ECL model such as management's assessment of credit-worthiness of the receivables, management's consideration of current conditions and forecasts of future economic conditions including the potential effects of COVID-19 pandemic and management's assessment of the impairment of E&E assets for Kuala Pambuang PSC to which the receivables related.

We also reviewed and considered the adequacy of the disclosures made in the financial statements in respect of the credit risk of other receivables.

### *Other Information*

Management is responsible for the other information. The other information comprises the Directors' statement and other sections of the annual report, which we obtained prior to the date of this auditor's report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

## *Other Information (Continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of Management and Directors for the Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

## *Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## ***Report on Other Legal and Regulatory Requirements***

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

The engagement director on the audit resulting in this independent auditor's report is Meriana Ang Mei Ling.



***Nexia TS Public Accounting Corporation***  
***Public Accountants and Chartered Accountants***

**Singapore**  
**26 March 2021**

# STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	Company		Group	
		2020 US\$	2019 US\$	2020 US\$	2019 US\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	1,115	10,152	1,115	10,152
Right-of-use assets	5	71,892	204,079	259,658	409,192
Producing oil and gas properties	6	–	–	10,037,431	10,040,697
Exploration and evaluation assets	7	–	–	13,734,585	13,497,813
Intangible assets	8	–	–	2,447,376	2,790,683
Investments in subsidiary corporations	9	19,062,102	19,062,103	–	–
Investments in associated companies	10	–	–	–	–
Other receivables	12	11,656,742	11,215,171	4,510,464	4,060,335
		<b>30,791,851</b>	<b>30,491,505</b>	<b>30,990,629</b>	<b>30,808,872</b>
<b>Current assets</b>					
Inventories	11	–	–	3,413,354	4,069,151
Trade and other receivables	12	46,160	36,196	2,445,022	2,459,883
Other current assets	13	46,786	80,425	138,182	209,475
Cash and cash equivalents	14	1,422,096	376,505	4,218,199	2,777,212
		<b>1,515,042</b>	<b>493,126</b>	<b>10,214,757</b>	<b>9,515,721</b>
<b>Total Assets</b>		<b>32,306,893</b>	<b>30,984,631</b>	<b>41,205,386</b>	<b>40,324,593</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Other payables	15	–	–	1,293,811	1,295,472
Lease liabilities	16	6,388	77,147	65,950	117,235
		<b>6,388</b>	<b>77,147</b>	<b>1,359,761</b>	<b>1,412,707</b>
<b>Current liabilities</b>					
Trade and other payables	15	11,310,077	11,136,017	3,704,201	3,641,578
Lease liabilities	16	73,007	135,344	240,723	305,751
Borrowings	17	1,000,000	1,000,000	1,000,000	1,000,000
Current income tax liabilities	18	24,509	–	4,084,351	4,290,408
		<b>12,407,593</b>	<b>12,271,361</b>	<b>9,029,275</b>	<b>9,237,737</b>
<b>Total Liabilities</b>		<b>12,413,981</b>	<b>12,348,508</b>	<b>10,389,036</b>	<b>10,650,444</b>
<b>NET ASSETS</b>		<b>19,892,912</b>	<b>18,636,123</b>	<b>30,816,350</b>	<b>29,674,149</b>
<b>EQUITY</b>					
Share capital	20	75,157,304	72,872,883	75,157,304	72,872,883
Accumulated losses		(55,477,022)	(54,507,386)	(31,144,330)	(29,979,534)
Other reserves	22	212,630	270,626	(16,224,692)	(16,163,519)
<b>Equity attributable to owners of the Company</b>		<b>19,892,912</b>	<b>18,636,123</b>	<b>27,788,282</b>	<b>26,729,830</b>
Non-controlling interests	9	–	–	3,028,068	2,944,319
<b>TOTAL EQUITY</b>		<b>19,892,912</b>	<b>18,636,123</b>	<b>30,816,350</b>	<b>29,674,149</b>

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
Revenue	23	10,796,345	15,674,886
Cost of production		(9,307,116)	(9,966,651)
<b>Gross profit</b>		<b>1,489,229</b>	5,708,235
Other income, net	24		
– Interest		288,144	297,527
– Others		384,352	386,034
Loss allowance on financial assets at amortised cost	12	–	(624,130)
Administrative expenses		(2,850,620)	(3,231,957)
Finance expenses	25	(126,410)	(89,151)
Share of losses of associated companies	10	–	(2,417,150)
<b>(Loss)/Profit before income tax</b>		<b>(815,305)</b>	29,408
Income tax expense	19	(434,040)	(606,217)
<b>Net loss</b>		<b>(1,249,345)</b>	(576,809)
<b>Attributable to:</b>			
Equity holders of the Company		(1,164,796)	(477,737)
Non-controlling interests		(84,549)	(99,072)
		<b>(1,249,345)</b>	(576,809)
<b>Other comprehensive (loss)/income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences arising from consolidation – Loss	22(b)(iii)	(3,177)	(28,274)
Share of other comprehensive income of associated companies	22(b)(iii)	–	33,334
		<b>(3,177)</b>	5,060

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Share of defined benefit obligation re-measurements of associated companies		-	2,160
<b>Other comprehensive (loss)/income, net of tax</b>		<b>(3,177)</b>	7,220
<b>Total comprehensive loss</b>		<b>(1,252,522)</b>	(569,589)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		<b>(1,167,973)</b>	(470,517)
Non-controlling interests		<b>(84,549)</b>	(99,072)
		<b>(1,252,522)</b>	(569,589)
<b>Losses per share for loss from operations attributable to equity holders of the Company (cents per share)</b>			
<b>Basic losses per share</b>	28	<b>(0.186)</b>	(0.082)
<b>Diluted losses per share</b>	28	<b>(0.186)</b>	(0.082)

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	Attributable to Equity Holders of the Company							Non-Controlling Interests US\$	Total Equity US\$
		Share Capital US\$	Currency Translation Reserve US\$	Special Reserve US\$	Share Option Reserve US\$	Accumulated Losses US\$	Total US\$			
<b>At 1 January 2020</b>		<b>72,872,883</b>	<b>109,995</b>	<b>(16,544,140)</b>	<b>270,626</b>	<b>(29,979,534)</b>	<b>26,729,830</b>	<b>2,944,319</b>	<b>29,674,149</b>	
Loss for the financial year		-	-	-	-	(1,164,796)	(1,164,796)	(84,549)	(1,249,345)	
Currency translation differences		-	(3,177)	-	-	-	(3,177)	-	(3,177)	
- Loss on consolidation	22(b)(iii)	-	-	-	-	-	-	-	-	
<b>Total comprehensive loss for the financial year</b>		<b>-</b>	<b>(3,177)</b>	<b>-</b>	<b>-</b>	<b>(1,164,796)</b>	<b>(1,167,973)</b>	<b>(84,549)</b>	<b>(1,252,522)</b>	
Additional increase of non-controlling interests in subsidiary corporation	9	-	-	-	-	-	-	168,298	168,298	
Issuance of new ordinary shares pursuant to share option plan	20, 22(b)(ii)	264,198	-	-	(57,996)	-	206,202	-	206,202	
Issuance of new ordinary shares pursuant to private placement	20	2,023,678	-	-	-	-	2,023,678	-	2,023,678	
Share issue expenses	20	(3,455)	-	-	-	-	(3,455)	-	(3,455)	
<b>Total transactions with owners, recognised directly in equity</b>		<b>2,284,421</b>	<b>-</b>	<b>-</b>	<b>(57,996)</b>	<b>-</b>	<b>2,226,425</b>	<b>168,298</b>	<b>2,394,723</b>	
<b>At 31 December 2020</b>		<b>75,157,304</b>	<b>106,818</b>	<b>(16,544,140)</b>	<b>212,630</b>	<b>(31,144,330)</b>	<b>27,788,282</b>	<b>3,028,068</b>	<b>30,816,350</b>	

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	Attributable to Equity Holders of the Company							Total Equity US\$
		Share Capital US\$	Currency Translation Reserve US\$	Special Reserve US\$	Share Option Reserve US\$	Accumulated Losses US\$	Total US\$	Non-Controlling Interests US\$	
<b>At 1 January 2019</b>		<b>72,737,880</b>	<b>104,935</b>	<b>(16,544,140)</b>	<b>300,626</b>	<b>(29,503,957)</b>	<b>27,095,344</b>	<b>2,061,108</b>	<b>29,156,452</b>
Loss for the financial year		-	-	-	-	(477,737)	(477,737)	(99,072)	(576,809)
Currency translation differences									
- Loss on consolidation	22(b)(iii)	-	(28,274)	-	-	-	(28,274)	-	(28,274)
Share of currency translation differences of associated companies	22(b)(iii)	-	33,334	-	-	-	33,334	-	33,334
Share of defined benefit obligation re-measurements of associated companies		-	-	-	-	2,160	2,160	-	2,160
<b>Total comprehensive income/(loss) for the financial year</b>		<b>-</b>	<b>5,060</b>	<b>-</b>	<b>-</b>	<b>(475,577)</b>	<b>(470,517)</b>	<b>(99,072)</b>	<b>(569,589)</b>
Additional increase of non-controlling interests in subsidiary corporation	9	-	-	-	-	-	-	982,283	982,283
Issuance of new ordinary shares pursuant to share option plan	20, 22(b)(ii)	135,054	-	-	(30,000)	-	105,054	-	105,054
Share issue expenses	20	(51)	-	-	-	-	(51)	-	(51)
<b>Total transactions with owners, recognised directly in equity</b>		<b>135,003</b>	<b>-</b>	<b>-</b>	<b>(30,000)</b>	<b>-</b>	<b>105,003</b>	<b>982,283</b>	<b>1,087,286</b>
<b>At 31 December 2019</b>		<b>72,872,883</b>	<b>109,995</b>	<b>(16,544,140)</b>	<b>270,626</b>	<b>(29,979,534)</b>	<b>26,729,830</b>	<b>2,944,319</b>	<b>29,674,149</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
<b>Cash flows from operating activities</b>			
Net loss		(1,249,345)	(576,809)
<b>Adjustments for non-cash items</b>			
Income tax expense	19	434,040	606,217
Depreciation of property, plant and equipment	4	9,037	11,014
Depreciation of right-of-use assets	5	288,865	325,569
Amortisation of producing oil and gas properties	6	2,118,619	1,397,163
Amortisation of intangible assets	8	343,307	343,305
Interest income	24	(288,144)	(297,527)
Interest expenses	25	39,739	51,266
Interest on lease liabilities	25	21,723	37,885
Unwinding of interest-free from non-current payables	25	64,948	–
Loss allowance on financial assets at amortised cost		–	624,130
Amortised cost adjustment for interest-free non-current payables	24	(64,948)	(135,563)
Share of losses of associated companies	10	–	2,417,150
Unrealised currency translation gains		(2,826)	(42,122)
<b>Operating profit before working capital changes</b>		<b>1,715,015</b>	<b>4,761,678</b>
<b>Changes in working capital</b>			
Inventories		655,797	(690,494)
Trade and other receivables and other current assets		85,973	(97,187)
Trade and other payables		58,775	(37,494)
<b>Cash generated from operations</b>		<b>2,515,560</b>	<b>3,936,503</b>
Income tax paid	18	(640,501)	(824,337)
<b>Net cash provided by operating activities</b>		<b>1,875,059</b>	<b>3,112,166</b>
<b>Cash flows from investing activities</b>			
Interest received		4,923	77,824
Additions of property, plant and equipment	4	–	(1,837)
Additions of producing oil and gas properties	6	(2,115,353)	(3,888,646)
Additions of exploration and evaluation assets	7	(236,772)	(2,857,270)
<b>Net cash used in investing activities</b>		<b>(2,347,202)</b>	<b>(6,669,929)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(59,274)	(93,201)
Proceeds from issuance of new ordinary shares pursuant to private placement	20	2,023,678	–
Proceeds from issuance of new ordinary shares pursuant to share option plan	20	206,202	105,054
Share issue expenses	20	(3,455)	(51)
Principal payment of lease liabilities		(253,863)	(314,482)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,913,288</b>	<b>(302,680)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,441,145</b>	<b>(3,860,443)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>2,777,212</b>	<b>6,637,526</b>
Effects of currency translation on cash and cash equivalents		(158)	129
<b>Cash and cash equivalents at end of the financial year</b>	14	<b>4,218,199</b>	<b>2,777,212</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## Reconciliation of assets/(liabilities) arising from investing and financing activities

	1 January 2020 US\$	Principal and interest payments US\$	Non-cash changes				31 December 2020 US\$
			Additions US\$	Rent concession US\$	Equity conversion US\$	Interest income/(expense) US\$	
Loan to non-related parties	4,060,335	–	–	–	168,298	283,401	4,510,464
Loan to associated companies	30,581	10,231	–	–	–	–	40,812
Lease liabilities	(422,986)	255,985	(139,331)	19,601	–	(21,723)	(306,673)

	1 January 2019 US\$	Principal and interest payments US\$	Non-cash changes				31 December 2019 US\$
			Loss allowance US\$	Reclassify US\$	Equity conversion US\$	Interest income/(expense) US\$	
Loan to non-related parties	2,820,415	–	–	–	982,283	221,787	4,060,335
Loan to associated companies	557,914	–	(624,130)	90,797	–	6,000	30,581
Lease liabilities	–	352,367	–	–	–	(37,885)	(422,986)

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

## 1. GENERAL

Interra Resources Limited (the “Company”) is a company incorporated in the Republic of Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”) Mainboard. The address of its registered office is at 1 Grange Road #05-04 Orchard Building Singapore 239693.

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

The principal activities, country of incorporation and place of operation of the subsidiary corporations and associated companies of the Group are set out in Note 9 and Note 10 to the financial statements respectively.

The consolidated financial statements relate to the Company and its subsidiary corporations (the “Group”) and the Group’s interests in joint operations and associated companies.

### **Military Coup Impact on Myanmar operations**

The Myanmar coup began on 1 February 2021 when democratically elected members of Myanmar’s ruling party, the National League for Democracy were deposed by the Tatmadaw Myanmar’s military which vested power in a stratocracy. As a result of the current civil disobedience movement in Myanmar, the Group is not able to have continuous and uninterrupted access to its field operations at the Chauk and Yenangyaung fields. The Group temporarily suspended most of its operations in Myanmar including production as announced on 9 February 2021. Field operations in Myanmar will resume once the Group is able to ensure its access to its fields without any interruptions.

There is a potential risk on reduction in overall production of oil due to temporary suspension of the Group’s operations in Myanmar. It is too early to ascertain the longer-term impact on the Group’s overall financial performance. As such, at current situation, subject to the duration and severity of the unrest, the Group does not foresee significant financial impact to its operation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **(a) Basis of Preparation**

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and International Financial Reporting Standards (“IFRS”) under the historical cost convention, except as disclosed in the accounting policies below.

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

Interpretations and amendments to published standards effective in 2020

On 1 January 2020, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of Preparation (Continued)

Effective for annual periods beginning on or after 1 January 2020:

Amendments to:

- SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)
- SFRS(I) 3 Business Combinations (Definition of a Business)
- SFRS(I) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurements and SFRS(I) 7 Financial Instruments: Disclosures (Interest Rate Benchmark Reform)
- Conceptual Framework for Financial Reporting

The amendments listed above did not result in substantial changes to the Group's accounting policies and have no impact on the amounts recognised in prior periods and not expected to significantly affect the current or future periods.

The following are the new and amended Standards and Interpretations that are not yet applicable, but may be early adopted for the current financial year.

<u>Annual periods commencing on</u>	<u>Description</u>
1 June 2020	Amendments to SRS(I) 16 Leases (Covid-19-Related Rent Concessions)
1 January 2021	SFRS(I) 17 Insurance Contracts
1 January 2022	Amendments to: <ul style="list-style-type: none"> <li>– SFRS(I) 3 Business Combinations (Reference to the Conceptual Framework)</li> <li>– SFRS(I) 1-16 Property, Plant and Equipment (Proceeds before Intended Use)</li> <li>– SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)</li> </ul> Annual improvements to SFRS(I)s 2018 to 2020
1 January 2023	Amendments to: <ul style="list-style-type: none"> <li>– SFRS(I) 1-1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)</li> </ul>
To be determined	Amendments to: <ul style="list-style-type: none"> <li>– SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)</li> </ul>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (a) Basis of Preparation (Continued)

The new or amended accounting Standards and Interpretations listed above are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group except for Amendments to SFRS(I) 16 Leases (Covid-19-Related Rent Concessions). These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### Impact of COVID-19

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments. The Group's significant operations in Singapore, Myanmar and Indonesia, all of which have been affected by the spread of COVID-19 in 2020.

As the global COVID-19 situation remains very fluid as at the date of these financial statements were authorised for issuance, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the subsequent financial periods. If the situation persists beyond management's current expectations, the Group's assets may be subject to write down in the subsequent financial periods.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the financial year ended 31 December 2020:

- (i) The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- (ii) The outbreak of COVID-19 has a major setback for the historically volatile industry. The demand for oil tumbled across the globe as governments shuttered businesses, issued lockdown orders and restricted travel. The sweeping reduction in economic activity created a significant oversupply of crude oil and prices plunged dramatically. These have negatively impacted business operation which resulted in negative impact on the Group's financial performance and delayed the drilling program planned in 2020.
- (iii) In 2020, the Group has received rental rebates for its leased office space and the amount received is disclosed in Note 24.
- (iv) The Group has considered the market conditions (including the impact of COVID-19) as at the reporting date, in making estimates and judgements on the recoverability of assets and provisions for onerous contracts as at 31 December 2020. The significant estimates and judgement applied on impairment of exploration and evaluation assets, producing oil and gas properties and trade and other receivables are disclosed in Notes 3(a), 3(b) and 3(c) respectively.

### Rent concessions

As a result of COVID-19, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

The Group has elected to early adopt this practical expedient to all property leases. The adoption of this new amendment did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Group Accounting

#### (i) Subsidiary Corporations

##### (1) Consolidation

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

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

Investments in subsidiary corporations are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between the disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

##### (2) Acquisition

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Group Accounting (Continued)

#### (i) Subsidiary Corporations (Continued)

##### (2) Acquisition (Continued)

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

Where the business combination is achieved in stages, the fair value of the previously held interest immediately before the acquisition date shall form part of the total purchase consideration. That acquisition-date fair value shall be disclosed together with the amount of any gain or loss recognised as a result of re-measuring to fair value the previously held interest, and the line item in the statement of comprehensive income where that gain or loss is included.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to the asset or liability is recognised in accordance with SFRS(I) 7 Financial Instruments: Disclosures either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph 2(d), "Intangible Assets" for the subsequent accounting policy on goodwill.

##### (3) Disposals

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

Any retained equity interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations, associated companies and joint operations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Group Accounting (Continued)

#### (ii) Transactions with Non-Controlling Interests

Changes in the Group's ownership interest in a subsidiary corporation that do not result in loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

#### (iii) Reverse Acquisition

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

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

- the assets and liabilities of the legal subsidiary corporation (the accounting acquirer) recognised and measured at their pre-combination carrying amounts;
- the assets and liabilities of the legal parent (the accounting acquiree) are recognised at fair value and measured in accordance with SFRS(I) 3 Business Combination at the acquisition date;
- the retained profits and other equity balances of the legal subsidiary corporation (the accounting acquirer) before the business combination; and
- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary corporation (the accounting acquirer) outstanding immediately before the business combination to the cost of reverse acquisition determined in accordance with SFRS(I) 3. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquiree), including the equity interests issued by the legal parent to effect the combination. Accordingly, the equity structure of the legal subsidiary corporation (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquiree) issued in the reverse acquisition.

#### (iv) Joint Operation

The Group's joint operation is joint arrangement whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations to the liabilities, relating to the arrangement.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Group Accounting (Continued)

#### (iv) Joint Operation (Continued)

The Group recognises, in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.

When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to a third party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of assets to be purchased or an impairment loss.

The accounting policies of the assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Company applies the same accounting policy on joint operation in its separate financial statements.

#### (v) Associated Companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

#### (1) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Group Accounting (Continued)

#### (v) Associated Companies (Continued)

##### (2) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

##### (3) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Investments in associated companies are carried at cost less accumulated impairment losses in the Group's statement of financial position. On disposal of such investment, the difference between the disposal proceeds and the carrying amounts of the investment is recognised in profit or loss.

### (c) Producing Oil and Gas Properties

The Group applies successful efforts method of accounting for its exploration and evaluation costs, having considered for the requirements of SFRS(I) 6 Exploration for and Evaluation of Mineral Resources.

#### (i) Exploration and Evaluation Phase

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Producing Oil and Gas Properties (Continued)

#### (i) Exploration and Evaluation Phase (Continued)

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

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

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

#### (ii) Development and Production Phase

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

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

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

#### (iii) Development Tangible Assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Producing Oil and Gas Properties (Continued)

#### (iii) Development Tangible Assets (Continued)

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

#### (iv) Amortisation/Depreciation

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

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

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

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

#### (v) Impairment

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Producing Oil and Gas Properties (Continued)

#### (vi) Participating Rights for Production Sharing Contract for Kuala Pambuang ("PSC KP")/ Concession Rights for Improved Petroleum Recovery Contracts ("IPRCs")

Participating/Concession rights relate to the Group's legal rights to explore, develop and produce oil and petroleum products. Participating/Concession rights acquired in a business combination are initially recognised at cost, which represents fair value at the date of acquisition, and are subsequently carried at cost less accumulated amortisation and impairment losses.

Concession rights are amortised on a straight-line basis from the date of initial recognition over the extended period of IPRCs. The extended period of IPRCs is 11 years from 4 April 2017 to 3 April 2028. No amortisation is charged for PSC KP during the exploration and evaluation phase.

### (d) Intangible Assets

#### (i) Goodwill on Reverse Acquisition

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

#### (ii) Goodwill on Acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations, joint operations and associated companies include the carrying amount of goodwill relating to the entity sold.

#### (iii) Computer Software

Computer software is initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Computer software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised to profit or loss using straight-line basis over their estimated useful life of 3 to 4 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Intangible Assets (Continued)

#### (iv) Patent Rights

The patent rights (i.e. technology know-how) acquired is initially recognised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use, and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised on a straight-line basis from the date of initial recognition over the extended period of IPRCs from 4 April 2017 to 3 April 2028.

The amortisation period and the amortisation method of intangible assets other than goodwill are reviewed at least at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

### (e) Property, Plant and Equipment

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

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

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

#### Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line basis to allocate their depreciable amounts over their respective estimated useful lives as follows:

Computers	3 years
Office equipment	3 years
Renovations, furniture and fittings	2 to 3 years
Pumping tools	8 years
Motor vehicles	4 to 8 years

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (i) Goodwill

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

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's CGU expected to benefit from synergies arising from the business combination. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

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

#### (ii) Other Non-Financial Assets

Other non-financial assets including intangible assets, property, plant and equipment, right-of-use assets, investments in subsidiary corporations and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

If the recoverable amount of the asset (or CGU) is estimated to be less than the carrying amount, the carrying amount of an asset (or CGU) is reduced to its recoverable amount.

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

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

### (h) Provisions

#### (i) General

A provision is recognised when the Company or the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

A provision for onerous contracts is recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

#### (ii) Environmental Expenditures and Liabilities

Liabilities for environmental and restoration costs are recognised when a clean-up is probable and the associated costs can be reliably estimated. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liabilities are recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the producing oil and gas properties. The amount recognised is the best estimate of the expenditure required. If the effect of the time value of money is material, the amount recognised is the present value of the estimated future expenditure.

Changes in the estimated timing or amount of the expenditure or discount rate for environmental and restoration costs are adjusted against the cost of the producing oil and gas properties, unless the decrease in the liability exceeds the carrying amount of the producing oil and gas properties or the producing assets has reached the end of its contract period. In such cases, the excess of the decrease over the carrying amount of the producing oil and gas properties or the changes in the liability is recognised in profit or loss immediately.

### (i) Income Taxes

#### (i) Current Income Tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Income Taxes (Continued)

#### (ii) Deferred Income Tax

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

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

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

Deferred income tax is measured:

- (1) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (2) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### (j) Borrowings and Finance Costs

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the year end date, in which case they are presented as non-current liabilities.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Employee Compensation

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

#### (i) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

#### (ii) Defined Benefit Plans

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

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency and the country in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period.

Past service costs are recognised immediately in profit or loss.

#### (iii) Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Employee Compensation (Continued)

#### (iv) Share-Based Compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

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

### (l) Financial Assets

#### (i) Classification and Measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

#### At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Financial Assets (Continued)

#### (i) Classification and Measurement (Continued)

##### At subsequent measurement

##### (1) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other income, net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other income, net".
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other income, net".

##### (2) Equity Investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other income, net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in OCI. Dividends from equity investments are recognised in profit or loss as "dividend income".

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Financial Assets (Continued)

#### (ii) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### (iii) Recognition and De-recognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in OCI relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sale proceeds is recognised in profit or loss if there is no election made to recognise fair value changes in OCI. If there is an election made, any difference between the carrying amount and sales proceed amount would be recognised in OCI and transferred to retained profits along with the amount previously recognised in OCI relating to that asset.

### (m) Cash and Cash Equivalents

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

### (n) Inventories

Inventories comprise mainly consumable stocks, spare parts, fuel, lubricants and supplies which are carried at the lower of cost and net realisable value. Cost is determined using the first-in-first-out method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Revenue Recognition

#### (i) Sale of Oil and Petroleum Products

The Group is principally engaged in the business of petroleum exploration and production. Revenue from the sale of oil and petroleum products is recognised when control of goods is transferred to the customer being when the product is physically transferred into a vessel, pipe and by other delivery mechanism at an amount that reflects the consideration to which the Group expects to be entitled in exchange of those goods.

#### (ii) Interest Income

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

#### (iii) Dividend Income

Dividend income from subsidiary corporations is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

#### (iv) Management and Petroleum Services Fees

Management and petroleum services fees are recognised upon the rendering of management and consultation services to and the acceptance by associated companies and joint operations.

### (p) Currency Translation

#### (i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar ("USD"), which is the functional currency of the Company.

#### (ii) Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. Monetary items include primary financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in OCI and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Currency Translation (Continued)

#### (ii) Transactions and Balances (Continued)

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "other income, net."

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

#### (iii) Translation of Group Entities' Financial Statements

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (2) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of transactions); and
- (3) All resulting foreign currency translation differences are recognised in OCI and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

### (q) Leases

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

#### (i) Right-of-use Assets

The Group recognised right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any leased payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Leases (Continued)

#### (i) Right-of-use Assets (Continued)

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meet the definition of an investment property) are presented separately as "Right-of-use assets".

#### (ii) Lease Liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be re-measured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is re-measured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Leases (Continued)

#### (iii) Short Term and Low Value Leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of twelve months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

#### (iv) Variable Lease Payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

### (r) Segment Reporting

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

### (s) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment by the shareholders at general meetings.

### (t) Fair Value Estimation

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

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

### (u) Government Grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as "other income, net".

### (v) Share Capital

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical, relevant factors and conditions, including expectation of future events that are believed to be reasonable under the circumstances.

### (a) Impairment of Exploration and Evaluation ("E&E") Assets

The Group evaluated assessment of E&E assets carried forward with reference to the criteria of SFRS(I) 6 Exploration for and Evaluation of Mineral Resources and the successful efforts accounting policy (Note 2(c)(v)) if there are any indicators of impairment of any of the material field interests. During the financial year, the Group has reconsidered their exploration strategy and locations for future exploration focus in the context of an uncertain oil price environment, the drilling and testing results of the exploration well, the ongoing analysis of all technical data and the committed future work programmes.

In accordance with SFRS(I) 6 Exploration for and Evaluation of Mineral Resources, E&E costs capitalised are written-off unless commercial reserves have been established or the appraisal process is not completed.

The realisation of the carrying value of E&E assets as at 31 December 2020 of US\$13,734,585 (2019: US\$13,497,813) (Note 7) is dependent on the Group's ability and intention to continue to explore the asset. The carrying value may also be impacted by the results of exploration work indicating that the E&E assets may not hold hydrocarbons that are commercially viable for extraction. Management has assessed that there are no indicators that the Group's E&E assets would be impaired as the Group continues to have ability and intention to explore the assets which are believed to have commercial viability. Management has also engaged the third party to assess the potential resources associated with the E&E assets to evaluate the commercial viability of results of activities carried out in the relevant license area.

### (b) Estimated Impairment of Producing Oil and Gas Properties, Patent Rights and Investments in Subsidiary Corporations

The Group performs assessment of the carrying value of its non-financial assets (other than goodwill) when there is indication of impairment. The recoverable amounts of CGU are determined based on value-in-use calculations and fair value less cost of sale. These calculations require the use of estimates and key assumptions, inter alia, petroleum recoverable reserves, future crude oil prices, operating costs, capital expenditure, decline rate and number of payment of invoices received by the Group in the financial year. Management has used the 2021 budgets reviewed by the respective owner committees and also past experiences as a guide. The period beyond 2021 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using discount rates of 13% per annum (2019: 10% per annum) (a comparable rate used by other companies in the region and in the similar nature of business sector). The pre-tax discount rate is estimated to be 19% per annum (2019: 17% per annum).

The continually evolving situation due to COVID-19 pandemic during the financial year resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment of the carrying amount of its non-financial assets, the Group adopted the Expected Cash Flow approach. The Expected Cash Flow approach uses all expectations about possible cash flows, instead of single most likely cash flow.

Uncertainties about future outcomes are reflected through probability-weighted cash flow scenarios. The use of the Expected Cash Flow approach also aligns with management's internal forecasts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

### (b) Estimated Impairment of Producing Oil and Gas Properties, Patent Rights and Investments in Subsidiary Corporations (Continued)

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

As at 31 December 2020, the carrying amounts of producing oil and gas properties and patent rights were US\$10,037,431 (2019: US\$10,040,697) (Note 6) and US\$2,441,440 (2019: US\$2,778,271) (Note 8) respectively. Based on the impairment test of the Myanmar CGU, no impairment charge was recognised for producing oil and gas properties and patent rights respectively for the financial years ended 31 December 2020 and 2019. The estimated recoverable amount of the Myanmar CGU was higher than its carrying amount.

If management's estimated oil production used in the discounted cash flows as at 31 December 2020 have been lower by 10%, or the estimated crude oil price declined by 8%, the recoverable amounts of CGU would still be higher than the carrying amount of producing oil and gas properties.

As the Company's subsidiary corporations derive revenue from petroleum production, field development and exploration, any impairment on the respective entity's long-lived non-financial assets will have a significant adverse impact on the subsidiary corporations' financial position and performance which is considered as indication that the Company's investments in the subsidiary corporations may need to be impaired.

Impairment of investments in subsidiary corporations are assessed based on value-in-use calculation as derived from the Group's producing oil and gas properties and patent rights of the Myanmar CGU.

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

As at 31 December 2020, the carrying amount of the Company's investments in subsidiary corporations was US\$19,062,102 (2019: US\$19,062,103) (Note 9). Based on the impairment test of the Myanmar CGU, no impairment charge was recognised for the Company's investments in subsidiary corporations for the financial years ended 31 December 2020 and 2019 respectively. The estimated recoverable amount of the CGU was higher than its carrying amount.

Management has assessed that any reasonable increase in discount rate applied and decrease in crude oil price used in the discounted cash flows from management's estimates is unlikely to result in any impairment to the carrying amounts of the Group's producing oil and gas properties and patent rights and the Company's investments in subsidiary corporations respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

### (c) Expected Credit Losses (“ECL”) on Other Receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For other receivables, the Group has applied general approach and measured loss allowance at an amount equal to the 12-month ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group’s historical experience. The Group also considers the forward-looking overlay adjustments on the uncertainties in existing market conditions including the potential effects of COVID-19 pandemic on the industry. The Group uses relevant historical information and loss experience to determine the probability of default of the instruments and incorporated forward looking information, including significant changes in external market indicators which involved significant estimates and judgements.

The carrying amount of the other receivables at the reporting date is disclosed in Note 12 to the financial statements.

### (d) Amortisation of Development and Production Assets (Producing Oil and Gas Properties)

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

The Group currently amortises development and production assets using the units of production method against management’s estimates of petroleum recoverable reserves. Changes in the petroleum recoverable reserves could impact future amortisation charges. Accordingly, there may be material adjustments made to the carrying amount of the respective assets. As at 31 December 2020, the carrying amounts of the development and production assets were US\$9,181,045 (2019: US\$9,231,333) (Note 6). The amortisation charge for the financial year ended 31 December 2020 was US\$1,763,661 (2019: US\$1,147,345) (Note 6).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

### (e) Income Taxes

The Group's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. These income tax expenses are still subject to final tax assessments from the tax authority. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than current tax position. If such over-provision occurs, it will be reversed upon determination. The amounts of current income tax liabilities and income tax expense are disclosed in Note 18 and Note 19 respectively. Please refer to Note 30 for contingent liabilities for possible capital gain tax in Myanmar.

For Myanmar operations, the tax assessment was finalised till year of assessment 2021, as a result, there was a under-provision in prior year income tax of US\$148,295 (2019: over-provision of US\$225,000). The income tax paid for the financial year was US\$616,712 (2019: US\$811,070).

During the financial year, the Group re-assessed the Indonesia operations' prior year tax provisions for financial year 2008 following the expiry of TAC and reversed the amount of US\$324,424 (2019: nil) after the statute of limited period lapsed.

### (f) Joint Arrangement

The Group holds 60% of the voting rights of its joint arrangement, Goldpetrol Joint Operating Company Inc. ("Goldpetrol"). The Group has joint control over this arrangement as under the contractual agreement, unanimous consent is required from all parties for all relevant operating activities.

In assessing the classification of the joint arrangement, the Group considers:

- (i) The structure of the joint arrangement – whether it is structured through a separate vehicle; and
- (ii) When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - (1) the legal form of the separate vehicle;
  - (2) the terms of the contractual arrangement; and
  - (3) other facts and circumstances (where relevant).

The Group has assessed that the joint arrangement shall be classified as joint operation as the Group and the other party have contractually agreed that each party shall have rights and obligations arising from the joint arrangement's activities in proportion to the respective holdings in Goldpetrol, and in particular both parties share the rights and obligations arising from the exploration and development concession granted, the production obtained and all related costs.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4. PROPERTY, PLANT AND EQUIPMENT

<u>Company and Group</u>	<u>Computers US\$</u>	<u>Office Equipment US\$</u>	<u>Renovations, Furniture and Fittings US\$</u>	<u>Total US\$</u>
<b>2020</b>				
<b>Cost</b>				
<b>Opening and Closing balance</b>	<b>125,957</b>	<b>7,233</b>	<b>99,871</b>	<b>233,061</b>
<b>Accumulated depreciation</b>				
<b>Opening balance</b>	<b>116,564</b>	<b>6,474</b>	<b>99,871</b>	<b>222,909</b>
Depreciation charge (Note 26)	8,777	260	–	9,037
<b>Closing balance</b>	<b>125,341</b>	<b>6,734</b>	<b>99,871</b>	<b>231,946</b>
<b>Net book value as at 31 December 2020</b>	<b>616</b>	<b>499</b>	<b>–</b>	<b>1,115</b>
<b>2019</b>				
<b>Cost</b>				
<b>Opening balance</b>	<b>124,901</b>	<b>6,965</b>	<b>99,871</b>	<b>231,737</b>
Additions	1,056	781	–	1,837
Disposals	–	(513)	–	(513)
<b>Closing balance</b>	<b>125,957</b>	<b>7,233</b>	<b>99,871</b>	<b>233,061</b>
<b>Accumulated depreciation</b>				
<b>Opening balance</b>	<b>105,572</b>	<b>6,965</b>	<b>99,871</b>	<b>212,408</b>
Depreciation charge (Note 26)	10,992	22	–	11,014
Disposals	–	(513)	–	(513)
<b>Closing balance</b>	<b>116,564</b>	<b>6,474</b>	<b>99,871</b>	<b>222,909</b>
<b>Net book value as at 31 December 2019</b>	<b>9,393</b>	<b>759</b>	<b>–</b>	<b>10,152</b>

## 5. RIGHT-OF-USE ASSETS

**Leases – The Group as a lessee**

**Nature of the Group's leasing activities**

### **Property and Office Equipment**

The Company and Group lease office space and office equipment for the purpose of back office operations.

### **Motor Vehicles and Heavy Equipment and Machinery**

The Group leases motor vehicles for internal logistic purposes and leases of heavy equipment and machinery for oil extraction operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. RIGHT-OF-USE ASSETS (CONTINUED)

### (a) Carrying amounts and depreciation charge

<u>Company</u>	<u>Property US\$</u>	<u>Office Equipment US\$</u>	<u>Total US\$</u>		
<b>2020</b>					
<b>Cost</b>					
Opening and Closing balance	<b>322,902</b>	<b>13,363</b>	<b>336,265</b>		
<b>Accumulated depreciation</b>					
Opening balance	129,161	3,025	132,186		
Depreciation charge	129,161	3,026	132,187		
<b>Closing balance</b>	<b>258,322</b>	<b>6,051</b>	<b>264,373</b>		
<b>Net book value as at 31 December 2020</b>	<b>64,580</b>	<b>7,312</b>	<b>71,892</b>		
<b>2019</b>					
<b>Cost</b>					
Adoption of SFRS(I) 16 Leases	322,902	13,363	336,265		
<b>Closing balance</b>	<b>322,902</b>	<b>13,363</b>	<b>336,265</b>		
<b>Accumulated depreciation</b>					
Depreciation charge	129,161	3,025	132,186		
<b>Closing balance</b>	<b>129,161</b>	<b>3,025</b>	<b>132,186</b>		
<b>Net book value as at 31 December 2019</b>	<b>193,741</b>	<b>10,338</b>	<b>204,079</b>		
<b>Group</b>	<u>Property US\$</u>	<u>Office Equipment US\$</u>	<u>Motor Vehicles US\$</u>	<u>Heavy Equipment and Machinery US\$</u>	<u>Total US\$</u>
<b>2020</b>					
<b>Cost</b>					
Opening balance	442,185	13,363	33,950	245,263	734,761
Additions	–	–	–	139,331	139,331
<b>Closing balance</b>	<b>442,185</b>	<b>13,363</b>	<b>33,950</b>	<b>384,594</b>	<b>874,092</b>
<b>Accumulated depreciation</b>					
Opening balance	175,039	3,025	11,707	135,798	325,569
Depreciation charge (Note 26)	169,641	3,026	11,707	104,491	288,865
<b>Closing balance</b>	<b>344,680</b>	<b>6,051</b>	<b>23,414</b>	<b>240,289</b>	<b>614,434</b>
<b>Net book value as at 31 December 2020</b>	<b>97,505</b>	<b>7,312</b>	<b>10,536</b>	<b>144,305</b>	<b>259,658</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5. RIGHT-OF-USE ASSETS (CONTINUED)

### (a) Carrying amounts and depreciation charge (Continued)

	Property US\$	Office Equipment US\$	Motor Vehicles US\$	Heavy Equipment and Machinery US\$	Total US\$
<b>2019</b>					
<b>Cost</b>					
Adoption of SFRS(I) 16 Leases	442,185	13,363	33,950	245,263	734,761
<b>Closing balance</b>	<b>442,185</b>	<b>13,363</b>	<b>33,950</b>	<b>245,263</b>	<b>734,761</b>
<b>Accumulated depreciation</b>					
Depreciation charge (Note 26)	175,039	3,025	11,707	135,798	325,569
<b>Closing balance</b>	<b>175,039</b>	<b>3,025</b>	<b>11,707</b>	<b>135,798</b>	<b>325,569</b>
<b>Net book value as at 31 December 2019</b>	<b>267,146</b>	<b>10,338</b>	<b>22,243</b>	<b>109,465</b>	<b>409,192</b>

### (b) Interest expense

	Group	
	2020 US\$	2019 US\$
Interest on lease liabilities (Note 25)	<b>21,723</b>	37,885

### (c) Lease expenses not capitalised in lease liabilities

	Group	
	2020 US\$	2019 US\$
Lease expense – short-term leases (Note 26)	<b>139,167</b>	148,635

### (d) Total cash outflow for all the leases

	Group	
	2020 US\$	2019 US\$
Cash outflow for all the leases	<b>414,753</b>	501,002

### (e) Future cash outflow which are not capitalised in lease liabilities

#### (i) Variable lease payments

There are no variable lease payments for the financial year ended 31 December 2020.

#### (ii) Extension options

The leases for heavy equipment and machinery contain extension periods, for which the related lease payments had been included in lease liabilities as the Group is reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6. PRODUCING OIL AND GAS PROPERTIES

<u>Group</u>	<b>Development and Production Assets US\$</b>	<b>Development Tangible Assets US\$</b>	<b>Participating and Concession Rights US\$</b>	<b>Total US\$</b>
<b>2020</b>				
<b>Cost</b>				
<b>Opening balance</b>	<b>48,164,538</b>	<b>5,657,584</b>	<b>600,000</b>	<b>54,422,122</b>
Additions	1,713,373	401,980	–	2,115,353
<b>Closing balance</b>	<b>49,877,911</b>	<b>6,059,564</b>	<b>600,000</b>	<b>56,537,475</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>Opening balance</b>	<b>38,933,205</b>	<b>4,848,220</b>	<b>600,000</b>	<b>44,381,425</b>
Amortisation charge (Note 26)	1,763,661	354,958	–	2,118,619
<b>Closing balance</b>	<b>40,696,866</b>	<b>5,203,178</b>	<b>600,000</b>	<b>46,500,044</b>
<b>Net book value as at 31 December 2020</b>	<b>9,181,045</b>	<b>856,386</b>	<b>–</b>	<b>10,037,431</b>
<b>2019</b>				
<b>Cost</b>				
<b>Opening balance</b>	<b>44,772,990</b>	<b>5,160,486</b>	<b>600,000</b>	<b>50,533,476</b>
Additions	3,391,548	497,098	–	3,888,646
<b>Closing balance</b>	<b>48,164,538</b>	<b>5,657,584</b>	<b>600,000</b>	<b>54,422,122</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>Opening balance</b>	<b>37,785,860</b>	<b>4,598,402</b>	<b>600,000</b>	<b>42,984,262</b>
Amortisation charge (Note 26)	1,147,345	249,818	–	1,397,163
<b>Closing balance</b>	<b>38,933,205</b>	<b>4,848,220</b>	<b>600,000</b>	<b>44,381,425</b>
<b>Net book value as at 31 December 2019</b>	<b>9,231,333</b>	<b>809,364</b>	<b>–</b>	<b>10,040,697</b>

During the financial years ended 31 December 2020 and 2019, no impairment loss arose in producing oil and gas properties following the assessment of the recoverable amount of its assets. The key assumptions used for impairment assessment were disclosed under Note 3(b).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 7. EXPLORATION AND EVALUATION ASSETS

<u>Group</u>	<u>Exploration and Evaluation Assets US\$</u>	<u>Participating Rights US\$</u>	<u>Total US\$</u>
<b>2020</b>			
<b>Cost</b>			
Opening balance	18,305,467	1,435,258	19,740,725
Additions	236,772	–	236,772
<b>Closing balance</b>	<b>18,542,239</b>	<b>1,435,258</b>	<b>19,977,497</b>
<b>Accumulated impairment losses</b>			
Opening and Closing balance	6,242,912	–	6,242,912
<b>Net book value as at 31 December 2020</b>	<b>12,299,327</b>	<b>1,435,258</b>	<b>13,734,585</b>
<b>2019</b>			
<b>Cost</b>			
Opening balance	15,448,197	1,435,258	16,883,455
Additions	2,857,270	–	2,857,270
<b>Closing balance</b>	<b>18,305,467</b>	<b>1,435,258</b>	<b>19,740,725</b>
<b>Accumulated impairment losses</b>			
Opening and Closing balance	6,242,912	–	6,242,912
<b>Net book value as at 31 December 2019</b>	<b>12,062,555</b>	<b>1,435,258</b>	<b>13,497,813</b>

## 8. INTANGIBLE ASSETS

<u>Group</u>	<u>Goodwill on Reverse Acquisition US\$</u>	<u>Computer Software US\$</u>	<u>Patent Rights US\$</u>	<u>Total US\$</u>
<b>2020</b>				
<b>Cost</b>				
Opening and Closing balance	1,488,902	25,903	3,480,000	4,994,805
<b>Accumulated amortisation and impairment losses</b>				
Opening balance	1,488,902	13,491	701,729	2,204,122
Amortisation charge (Note 26)	–	6,476	336,831	343,307
<b>Closing balance</b>	<b>1,488,902</b>	<b>19,967</b>	<b>1,038,560</b>	<b>2,547,429</b>
<b>Net book value as at 31 December 2020</b>	<b>–</b>	<b>5,936</b>	<b>2,441,440</b>	<b>2,447,376</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8. INTANGIBLE ASSETS (CONTINUED)

	Goodwill on Reverse Acquisition US\$	Computer Software US\$	Patent Rights US\$	Total US\$
<b>2019</b>				
<b>Cost</b>				
<b>Opening and Closing balance</b>	<b>1,488,902</b>	<b>25,903</b>	<b>3,480,000</b>	<b>4,994,805</b>
<b>Accumulated amortisation and impairment losses</b>				
<b>Opening balance</b>	<b>1,488,902</b>	<b>7,016</b>	<b>364,899</b>	<b>1,860,817</b>
Amortisation charge (Note 26)	–	6,475	336,830	343,305
<b>Closing balance</b>	<b>1,488,902</b>	<b>13,491</b>	<b>701,729</b>	<b>2,204,122</b>
<b>Net book value as at 31 December 2019</b>	<b>–</b>	<b>12,412</b>	<b>2,778,271</b>	<b>2,790,683</b>

### Goodwill on Reverse Acquisition

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

The deemed cost of acquisition is derived from the total percentage of shareholdings held by the shareholders of the former Van der Horst Limited (now known as “Interra Resources Limited”) as at the reverse acquisition date and Shantex Holdings Pte. Ltd. multiplied by the net assets of GCL as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to US\$1,488,902 was recognised in the consolidated financial statements.

### Impairment Tests for Goodwill and Patent Rights

Goodwill is allocated to the Group’s CGUs identified according to countries of operation and business segments. Goodwill on reverse acquisition is allocated to oil exploration business in Myanmar and had been fully impaired in prior financial year.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2020 US\$	2019 US\$
<b>Composition:</b>		
Equity shares at cost	19,062,204	19,062,204
Allowance for impairment	(102)	(101)
Net investments in subsidiary corporations	<b>19,062,102</b>	19,062,103
<b>Equity shares at cost</b>		
<b>Opening and Closing balance</b>	<b>19,062,204</b>	19,062,204
<b>Allowance for impairment of investments in subsidiary corporations</b>		
<b>Opening balance</b>	101	101
Allowance for impairment	1	–
<b>Closing balance</b>	<b>102</b>	101

The details of the subsidiary corporations as at 31 December 2020 and 2019 were as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2020	2019	2020	2019	2020	2019
			%	%	%	%	%	%
Goldwater Company Limited <sup>(b)</sup>	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Myanmar	100	100	100	100	–	–
Goldwater TMT Pte. Ltd. <sup>(b)</sup>	Exploration and operation of oil fields for crude petroleum production	Singapore/ Indonesia	100	100	100	100	–	–
Goldwater Eagle Limited <sup>(a)</sup>	Investment holding	British Virgin Islands	100	100	100	100	–	–
Goldwater Indonesia Inc. ("GII") <sup>(a)</sup>	Investment holding	British Virgin Islands	100	100	100	100	–	–
Goldwater Energy Limited <sup>(d)</sup>	Dormant	British Virgin Islands	–	100	–	100	–	–
Interra Resources (Australia) Pte. Ltd. <sup>(b)</sup>	Dormant	Singapore	100	100	100	100	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Proportion of Ordinary Shares held by the Parent		Proportion of Ordinary Shares held by the Group		Proportion of Ordinary Shares held by Non-Controlling Interests	
			2020	2019	2020	2019	2020	2019
			%	%	%	%	%	%
Goldwater KP Pte. Ltd. ("GKP") <sup>(b)</sup>	Exploration and operation of oil fields for crude petroleum production	Singapore/ Indonesia	100	100	100	100	-	-
<b>Held by a subsidiary corporation, GKP</b>								
PT Sumber Sari Rejeki ("SSR") <sup>(c)</sup>	Trading of heavy machinery	Indonesia/ Indonesia	100	100	100	100	-	-
<b>Held by a subsidiary corporation, SSR</b>								
PT Pambuang Investindo ("PI") <sup>(c)</sup>	Multi-industry sector	Indonesia/ Indonesia	100	100	100	100	-	-
<b>Held by a subsidiary corporation, PI</b>								
PT Mentari Pambuang Internasional ("MPI") <sup>(c)</sup>	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	67.50	67.50	67.50	67.50	32.50	32.50

(a) Not required to be audited under the laws of the country of incorporation

(b) Audited by Nexia TS Public Accounting Corporation, Singapore

(c) Audited by Kanaka Puradiredja, Suhartono, a member firm of Nexia International

(d) Strike off via not renewing annual license on 1 May 2020

### Significant Restrictions

As at 31 December 2020 and 2019, there were no significant restrictions with regards to the Company's investments in subsidiary corporations.

### Carrying Value of Non-Controlling Interests

	Group	
	2020 US\$	2019 US\$
PT Mentari Pambuang Internasional	<b>3,028,068</b>	2,944,319

### Summarised Financial Information of Subsidiary Corporation with Material Non-Controlling Interests

Set out below was the summarised financial information for subsidiary corporation that have non-controlling interests which were material to the Group. These were presented before inter-company eliminations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

### Summarised Statement of Financial Position

	MPI	
	As at 31 December	
	2020 US\$	2019 US\$
<b>Current</b>		
Assets	243,634	275,108
Liabilities	(429,092)	(639,397)
Total current net liabilities	(185,458)	(364,289)
<b>Non-current</b>		
Assets	12,299,327	12,062,555
Liabilities	(2,826,162)	(2,668,249)
Total non-current net assets	9,473,165	9,394,306
<b>Net assets</b>	<b>9,287,707</b>	<b>9,030,017</b>

### Summarised Statement of Comprehensive Income

	MPI	
	For the financial year ended 31 December	
	2020 US\$	2019 US\$
<b>Net loss, representing total comprehensive loss</b>	(260,150)	(304,836)
Total comprehensive loss allocated to non-controlling interests	(84,549)	(99,072)

### Summarised Statement of Cash Flows

	MPI	
	For the financial year ended 31 December	
	2020 US\$	2019 US\$
<b>Cash used in operation, representing net cash used in operating activities</b>	(293,427)	(77,299)
<b>Net cash used in investing activities</b>	(236,717)	(2,857,116)
<b>Net cash provided by financing activities</b>	492,862	3,007,195
<b>Net (decrease)/increase in cash and cash equivalents</b>	(37,282)	72,780
<b>Cash and cash equivalents at beginning of financial year</b>	87,873	15,093
<b>Cash and cash equivalents at end of financial year</b>	50,591	87,873

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 9. INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

### Effects of Transactions with Non-controlling Interests on the Equity Attributable to Owners of the Parent

	<b>Group</b>	
	<b>2020 US\$</b>	<b>2019 US\$</b>
Changes in equity attributable to shareholders of the Company arising from		
– Additional increase of non-controlling interests in subsidiary corporation in relation to capitalisation of loans from non-controlling shareholders as equity	<b>168,298</b>	982,283

## 10. INVESTMENTS IN ASSOCIATED COMPANIES

	<b>Company</b>	
	<b>2020 US\$</b>	<b>2019 US\$</b>
<b>Equity shares at cost</b>		
<b>Opening balance</b>	–	4,833,235
Less: Allowance for impairment	–	(4,833,235)
<b>Closing balance</b>	–	–
<b>Allowance for impairment</b>		
<b>Opening balance</b>	<b>4,833,235</b>	2,451,579
Allowance for impairment	–	2,381,656
<b>Closing balance</b>	<b>4,833,235</b>	4,833,235
	<b>Group</b>	
	<b>2020 US\$</b>	<b>2019 US\$</b>
<b>Opening balance</b>	–	2,381,656
Share of losses (Note 19)	–	(2,417,150)
Share of other comprehensive income	–	35,494
<b>Closing balance</b>	–	–
<b>Allowance for impairment</b>		
<b>Opening and Closing balance</b>	<b>2,137,795</b>	2,137,795

Set out below were the associated companies of the Group as at 31 December 2020 and 2019, which in the opinion of the directors, were material to the Group. The associated companies as listed below have share capital consisting solely of ordinary shares, which were held directly by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Ownership Interest	
			2020 %	2019 %
<b>Held by Company</b>				
PT Mitra Investindo Tbk. ("MITI") <sup>(a)</sup>	Operation of granite mining and exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	48.87	48.87
<b>Held by a subsidiary corporation, GII</b>				
PT Indelberg Oil Indonesia (formerly known as PT Benakat Oil) ("IOI")	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	21.51	21.51

(a) Audited by KAP Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, a member firm of PKF International

Following the extraordinary meeting on 30 October 2020 by MITI on its stock consolidation for 1-for-5 reverse stock split, the Company's existing number of shares held in MITI reduced from 689,870,383 to 275,948,154 which proportionally increased in nominal value per share from 5 to become 2 (i.e. existing share of IDR 20 per share increased to IDR 50 per share). The stock consolidation did not result in any change to the Company's shareholding and cost of investment in MITI. As at 31 December 2020, the Company does not have the majority representation on MITI's Boards but continued to have significant influence. Accordingly, the Company will still classify its interests in MITI of US\$4,833,235 as investments in associated company.

On 9 February 2021, MITI issued 1,878,368,047 new ordinary shares by a way of right issue, as a result, the Company's shareholding in MITI was diluted from 48.87% to 11.30%. Despite the reduction in its shareholding in MITI to less than 20%, the Company continues to have significant influence over MITI through its representative on the Board of MITI, and accordingly, the Company will continue to classify its interests in MITI of US\$4,833,235 as investments in associated company.

In prior financial year ended 31 December 2019, the Group recognised its share of losses and OCI of an associated company of US\$2,381,656 up to its cost of investments, following the termination of Benakat Barat KSO by Pertamina on 13 May 2019, while the Company recognised additional allowance for impairment of US\$2,381,656 to fully impair its cost of investments in associated companies. The fair value measurement is classified within Level 1 of the fair value hierarchy.

### **Summarised Financial Information of Associated Companies**

Set out below were the summarised financial information for associated companies:



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

### Summarised Statement of Financial Position

	MITI		IOI	
	As at 31 December 2020 US\$	2019 US\$	As at 31 December 2020 US\$	2019 US\$
Current assets	782,308	2,876,705	6,094,413	6,094,413
Current liabilities	(2,604,574)	(3,128,186)	(54,090,394)	(54,090,394)
Non-current assets	1,337,845	1,277,077	797	797
Non-current liabilities	(100,856)	(1,834,433)	(11,426,988)	(11,426,988)
<b>Net liabilities</b>	<b>(585,277)</b>	<b>(808,837)</b>	<b>(59,422,172)</b>	<b>(59,422,172)</b>

### Summarised Statement of Comprehensive Income

	MITI		IOI	
	For the financial year ended 31 December 2020 US\$	2019 US\$	For the financial year ended 31 December 2020 US\$	2019 US\$
Revenue	–	–	–	–
Loss from operations	(228,327)	(7,245,270)	–	–
Net profit/(loss) from operations	270,492	(7,245,270)	–	–
Other comprehensive (loss)/income	(46,932)	125,573	–	–
Total comprehensive income/(loss)	223,560	(7,119,697)	–	–

Note: There was no comprehensive income available for financial year ended 2020 and 2019 for associated company, IOI following the termination of Benakat Barat KSO by Pertamina on 13 May 2019.

The information above reflects the amounts presented in the financial statements of the associated companies (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated companies.

	MITI		IOI		Total	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<b>Net liabilities</b>	<b>(585,277)</b>	<b>(808,837)</b>	<b>(56,433,597)</b>	<b>(56,433,597)</b>	<b>(57,018,874)</b>	<b>(57,242,434)</b>
Group's equity interest	48.87%	48.87%	21.51%	21.51%	–	–
Group's share of net liabilities	(286,044)	(395,304)	(12,139,325)	(12,139,325)	(12,425,369)	(12,534,629)
Cumulative unrecognised share of losses	988,709	1,097,969	1,389,560	1,389,560	2,378,269	2,487,529
Goodwill	1,435,130	1,435,130	10,749,765	10,749,765	12,184,895	12,184,895
<b>Carrying value</b>	<b>2,137,795</b>	<b>2,137,795</b>	<b>–</b>	<b>–</b>	<b>2,137,795</b>	<b>2,137,795</b>
Impairment in value	(2,137,795)	(2,137,795)	–	–	(2,137,795)	(2,137,795)
<b>Carrying value of Group's interests in associated companies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

Note: The current financial year's financial information about the associated company, IOI was derived based on last unaudited financial statements. Certain comparative figures have been represented to be in line with the audited financial statements issued by IOI.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 11. INVENTORIES

Consumables stock includes tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance.

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Inventories – consumable stock	<b>3,413,354</b>	4,069,151

## 12. TRADE AND OTHER RECEIVABLES

Trade receivables relate mainly to receivables from the Myanma Oil and Gas Enterprise (“MOGE”) in respect of the sale of the Group’s share of petroleum entitlements.

	<b>Company</b>		<b>Group</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<u>Current</u>				
Trade receivables – non-related parties	–	–	<b>2,268,143</b>	2,286,259
Loan to subsidiary corporations	<b>10,144,938</b>	10,136,063	–	–
Less: Loss allowance (Note 31(b))	<b>(10,144,938)</b>	(10,136,063)	–	–
Loan to subsidiary corporations, net	–	–	<b>2,268,143</b>	2,286,259
Other receivables – non-related parties	<b>46,160</b>	36,196	<b>136,067</b>	143,043
Loan to associated companies	–	–	<b>664,942</b>	654,711
	<b>46,160</b>	36,196	<b>801,009</b>	797,754
Less: Loss allowance (Note 31(b))	–	–	<b>(624,130)</b>	(624,130)
	<b>46,160</b>	36,196	<b>176,879</b>	173,624
	<b>46,160</b>	36,196	<b>2,445,022</b>	2,459,883
<u>Non-current</u>				
Loan to subsidiary corporations	<b>19,552,627</b>	19,111,056	–	–
Less: Loss allowance (Note 31(b))	<b>(7,895,885)</b>	(7,895,885)	–	–
Loan to subsidiary corporations, net	<b>11,656,742</b>	11,215,171	–	–
Loan to non-related parties	–	–	<b>4,510,464</b>	4,060,335
	<b>11,656,742</b>	11,215,171	<b>4,510,464</b>	4,060,335

During the financial year, the Company recognised a loss allowance of US\$2,691 and US\$6,184 (2019: US\$4,041 and reversal of loss allowance of US\$50,105) respectively on the advances made to Interra Resources (Australia) Pte. Ltd. and Goldwater TMT Pte. Ltd.

On 13 May 2019, the Group received the termination letter from Pertamina for Benakat Barat KSO. Accordingly, the loan to an associated company, IOI of US\$528,395 and advance to PT Indelberg Makmur Petroleum (“IMP”) through Goldwater TMT Pte. Ltd. of US\$95,735 was fully impaired. The Company also recognised a loss allowance of US\$7,895,885 on the advances made to Goldwater Indonesia Inc. for the purpose of investment in Benakat Barat KSO.

The fair values of non-current trade and other receivables which are computed based on cash flows discounted at market borrowing rates. The fair values are within Level 2 of the fair values hierarchy.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Company		Group	
	2020 %	2019 %	2020 %	2019 %
Borrowing rates				
Loan to subsidiary corporations	<b>3.90</b>	4.06 – 4.55	–	–
Loan to non-related parties	–	–	<b>5.22 – 6.90</b>	6.89 – 7.80

The current loan to an associated company as at 31 December 2020 of US\$528,395 (2019: US\$528,395) was unsecured and interest rate was charged at 2.00% above LIBOR per annum (i.e. 3.90%) (2019: 4.54%) per annum for a term period of two years. There was no interest charged during the financial year since the loan amount was fully impaired since financial year ended 31 December 2019.

The non-current loan to non-related parties as at 31 December 2020 of US\$4,510,464 (2019: US\$4,060,335) were unsecured and receivable upon commencement of production of which timing cannot be determined at this point. Interest rate was charged at 5% above LIBOR per annum.

As at 31 December 2020, loan to subsidiary corporations were unsecured, interest-free and receivable on demand except for loan to Goldwater KP Pte. Ltd. which bear interest rate at 2.00% above LIBOR per annum (i.e. 3.90%) (2019: 4.06% to 4.55%) per annum and not expected to be recovered within twelve months from the end of the financial year. The loans are provided for the purpose of operating and development activities in their respective fields and are expected to be repaid or received upon successful development and production of the respective fields.

## 13. OTHER CURRENT ASSETS

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Deposits	<b>28,232</b>	35,986	<b>36,632</b>	62,461
Prepayments	<b>18,554</b>	44,439	<b>58,843</b>	109,164
Advances to suppliers and staff	–	–	<b>42,707</b>	37,850
	<b>46,786</b>	80,425	<b>138,182</b>	209,475

## 14. CASH AND CASH EQUIVALENTS

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Cash at bank and on hand	<b>420,954</b>	376,505	<b>1,716,453</b>	1,777,212
Short-term bank deposits	<b>1,001,142</b>	–	<b>2,501,746</b>	1,000,000
	<b>1,422,096</b>	376,505	<b>4,218,199</b>	2,777,212

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15. TRADE AND OTHER PAYABLES

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<u>Current</u>				
Trade payables – non-related parties	–	–	<b>966,851</b>	1,271,556
Trade payables – related parties	–	–	<b>378,000</b>	333,240
Accrued expenses	<b>324,343</b>	291,293	<b>547,557</b>	373,931
Other payables – non-related parties	<b>41,820</b>	59,902	<b>1,811,793</b>	1,662,851
Loan from subsidiary corporations	<b>10,943,914</b>	10,784,822	–	–
	<b>11,310,077</b>	11,136,017	<b>3,704,201</b>	3,641,578
<u>Non-current</u>				
Other payable – non-related party	–	–	<b>903,435</b>	905,096
Other payable – related party	–	–	<b>390,376</b>	390,376
	–	–	<b>1,293,811</b>	1,295,472

As at 31 December 2020, non-current other payable to non-related party related to the remaining consideration for the participating rights in PSC KP of US\$1,038,001 (2019: US\$1,038,001) was re-measured at amortised cost to US\$903,435 (2019: US\$905,096) based on the extended agreement signed by the counter-party for not demanding the settlement extended from 31 December 2021 to 31 December 2022 without interest charged.

As at 31 December 2020 and 2019, loan from subsidiary corporations were unsecured, interest-free and payable on demand.

## 16. LEASE LIABILITIES

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Current	<b>73,007</b>	135,344	<b>240,723</b>	305,751
Non-current	<b>6,388</b>	77,147	<b>65,950</b>	117,235
Total lease liabilities	<b>79,395</b>	212,491	<b>306,673</b>	422,986

## 17. BORROWINGS

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<u>Current</u>				
Bank loan	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000

### Company and Group

As at 31 December 2020, the bank loan was unsecured and bears interest rate of 3.67% per annum for a tenor period of one month (2019: 4.74% per annum for a tenor period of one month).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 18. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<b>Opening balance</b>	–	–	<b>4,290,408</b>	4,508,406
Current income tax expense	<b>18,678</b>	–	<b>589,354</b>	826,156
Under/(Over) provision in prior financial years	<b>20,815</b>	5,061	<b>(155,314)</b>	(219,939)
Income tax paid	<b>(16,322)</b>	(5,042)	<b>(640,501)</b>	(824,337)
Currency translation differences	<b>1,338</b>	(19)	<b>404</b>	122
<b>Closing balance</b>	<b>24,509</b>	–	<b>4,084,351</b>	4,290,408

## 19. INCOME TAX EXPENSE

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

The subsidiary corporations are liable to pay income taxes in the countries where the respective petroleum contracts and operations are domiciled. The subsidiary corporations and joint operations of the Group operating in oil and gas segment have made the necessary tax provisions as required under their respective petroleum contracts.

During the financial year, the Group re-assessed the Indonesia operations' prior year tax provisions for financial year 2008 following the expiry of TAC and reversed the amount of US\$324,424 (2019: nil) after the statute of limited period lapsed.

For Myanmar operations, the tax assessment was finalised till year of assessment 2021, as a result, there was an under-provision in prior year income tax of US\$148,295 (2019: over-provision of US\$225,000). The income tax paid for the financial year was US\$616,712 (2019: US\$811,070).

Tax expense attributable to profit or loss were made up of:

	Group	
	2020 US\$	2019 US\$
Profit for the financial year:		
Current income tax – foreign	<b>589,354</b>	826,156
Under/(Over) provision of current income tax in prior financial years (Note 18):		
– Singapore	<b>20,815</b>	5,061
– Foreign	<b>(176,129)</b>	(225,000)
	<b>(155,314)</b>	(219,939)
	<b>434,040</b>	606,217

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 19. INCOME TAX EXPENSE (CONTINUED)

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

	<b>Group</b>	
	<b>2020 US\$</b>	<b>2019 US\$</b>
(Loss)/Profit before income tax	<b>(815,305)</b>	29,408
Add: Share of losses of associated companies, net of tax (Note 10)	–	2,417,150
(Loss)/Profit before income tax and share of losses of associated companies	<b>(815,305)</b>	2,446,558
Tax calculated at tax rate of 17% (2019: 17%)	<b>(138,602)</b>	415,915
Effects of:		
– Different tax rates in other countries	<b>175,616</b>	257,856
– Income not subject to tax	<b>(352,783)</b>	(676,197)
– Expenses not deductible for tax purposes	<b>905,123</b>	828,582
– Over-provision of prior financial years income tax	<b>(155,314)</b>	(219,939)
	<b>434,040</b>	606,217

## 20. SHARE CAPITAL

<b>Company and Group</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Number of Ordinary Shares</b>		<b>US\$</b>	<b>US\$</b>
<b>Opening balance</b>	<b>588,368,604</b>	585,973,604	<b>72,872,883</b>	72,737,880
Issuance of new ordinary shares pursuant to private placement	<b>62,500,000</b>	–	<b>2,023,678</b>	–
Issuance of new ordinary shares pursuant to share option plan	<b>4,630,000</b>	2,395,000	<b>264,198</b>	135,054
Share issue expenses	–	–	<b>(3,455)</b>	(51)
<b>Closing balance</b>	<b>655,498,604</b>	588,368,604	<b>75,157,304</b>	72,872,883

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

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

On 10 January 2020, 4,630,000 ordinary shares were issued at the exercise price of S\$0.060 per share pursuant to the exercise of 2017 Options granted under the Share Option Plan for a total cash consideration of US\$206,202. As a result, an amount of US\$57,996 was transferred from share option reserve (Note 22(b)(ii)). On 9 June 2020, an aggregate of 62,500,000 new ordinary and fully paid-up shares in the capital of the Company by way of a private placement were issued at an issue price of S\$0.045 per subscription price with aggregate cash proceeds of S\$2,812,500 (US\$2,023,678) to provide funds for working capital purposes.

In prior financial year, 2,395,000 ordinary shares were issued at the exercise price of S\$0.060 per share pursuant to the exercise of 2017 Options granted under the Share Option Plan for a total cash consideration of US\$105,054. As a result, an amount of US\$30,000 was transferred from share option reserve (Note 22(b)(ii)).

These newly issued ordinary shares ranked pari passu in all respects with the existing ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21. SHARE OPTIONS

On 28 April 2017, a new share option plan named the Interra Share Option Plan 2017 ("ISOP 2017") was approved by members of the Company at an Extraordinary General Meeting. ISOP 2017 provides a means to recruit, retain and give recognition to directors of the Group, employees, controlling shareholders and/or their associates, who have contributed to the success and development of the Group with an opportunity to participate in the equity of the Company and to motivate them to better performance through increased dedication and loyalty.

Subject to the absolute discretion of the Remuneration Committee, the controlling shareholders and/or their associates are eligible to participate in the ISOP 2017, provided that the participation of the controlling shareholders and/or their associates and the actual number of shares comprised in the option(s) and terms of such option(s) to be granted to any of them only be effected with the specific prior approval of independent shareholders in a general meeting in separate resolutions. The aggregate number of shares over which options can be granted to one controlling shareholder or his associate shall not exceed 10% of the total number of shares available under the ISOP 2017, and the aggregate number of shares over which options can be granted to all controlling shareholders and their associates shall not exceed 25% of the total number of shares available under the ISOP 2017.

Under the ISOP 2017, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) is to be determined by the Remuneration Committee in its absolute discretion. Options granted at market price or premium may be vested after one year from the date of grant and are exercisable over a period of four years, while options granted at a discount may be vested after two years from the date of grant and are exercisable over a period of three years. The options may be exercised, in whole or in part (being 1,000 shares or any multiple thereof), on the payment of the aggregate exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the ISOP 2017, shall not exceed 15% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding that date.

The Company granted options to directors and employees to subscribe for 24,000,000 ordinary shares of the Company at exercise price of S\$0.060 per share ("2017 Options") on 11 December 2017. The 2017 Options are exercisable from 12 December 2018 and will expire on 10 December 2022.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21. SHARE OPTIONS (CONTINUED)

The movements in the number of unissued ordinary shares under option and their exercise price were as follows:

<u>Company and Group</u>	<u>Number of Ordinary Shares under Option</u>				<u>Exercise price</u>	<u>Exercise period</u>
	<u>At beginning of the financial year</u>	<u>Granted during financial year</u>	<u>Exercised during financial year</u>	<u>At end of the financial year</u>		
<b>2020</b>						
2017 Options	<u>21,605,000</u>	<u>–</u>	<u>(4,630,000)</u>	<u>16,975,000</u>	S\$0.060	12 December 2018 to 10 December 2022
<b>2019</b>						
2017 Options	<u>24,000,000</u>	<u>–</u>	<u>(2,395,000)</u>	<u>21,605,000</u>	S\$0.060	12 December 2018 to 10 December 2022

All the unexercised options were exercisable at the reporting date. Options exercised in 2020 resulted in issuance of 4,630,000 ordinary shares at exercise price of S\$0.060 each. The weighted average share price at the time of exercise was S\$0.1025 per share. The related transaction costs amounting to US\$310 were deducted against the proceeds received.

The fair value of the 2017 Options granted was estimated to be S\$406,283 (equivalent to US\$300,626) using the Binomial Option Pricing Model. The significant inputs into the model were the share price of S\$0.059 per share at the grant date, the exercise price of S\$0.060 per share, standard deviation of expected share price returns of 57%, no dividend yield, the option life of two years and the annual risk-free interest rate of 1.71%. The volatility measured as the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last two years.

## 22. OTHER RESERVES

### (a) Composition:

	<u>Company</u>		<u>Group</u>	
	<u>2020 US\$</u>	<u>2019 US\$</u>	<u>2020 US\$</u>	<u>2019 US\$</u>
Special reserve	–	–	<b>(16,544,140)</b>	(16,544,140)
Share option reserve	<b>212,630</b>	270,626	<b>212,630</b>	270,626
Currency translation reserve	–	–	<b>106,818</b>	109,995
	<b>212,630</b>	270,626	<b>(16,224,692)</b>	(16,163,519)

Other reserves are non-distributable.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 22. OTHER RESERVES (CONTINUED)

### (b) Movements:

#### (i) Special Reserve

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

	<b>Group</b>	
	<b>2020</b> <b>US\$</b>	<b>2019</b> <b>US\$</b>
Cost of investment	<b>(18,319,492)</b>	(18,319,492)
Share capital of GCL	<b>200,000</b>	200,000
Goodwill on reverse acquisition	<b>1,575,352</b>	1,575,352
<b>Opening and Closing balance</b>	<b>(16,544,140)</b>	(16,544,140)

#### (ii) Share Option Reserve

	<b>Company and Group</b>	
	<b>2020</b> <b>US\$</b>	<b>2019</b> <b>US\$</b>
<b>Opening balance</b>	<b>270,626</b>	300,626
Employee share option plan – share options exercised (Note 20)	<b>(57,996)</b>	(30,000)
<b>Closing balance</b>	<b>212,630</b>	270,626

#### (iii) Currency Translation Reserve

	<b>Group</b>	
	<b>2020</b> <b>US\$</b>	<b>2019</b> <b>US\$</b>
<b>Opening balance</b>	<b>109,995</b>	104,935
Currency translation differences of foreign subsidiary corporations	<b>(3,177)</b>	(28,274)
Share of currency translation differences of associated companies	–	33,334
<b>Closing balance</b>	<b>106,818</b>	109,995

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 23. REVENUE

	Group	
	2020 US\$	2019 US\$
Sale of oil and petroleum products	<b>10,796,345</b>	15,674,886

## 24. OTHER INCOME, NET

	Group	
	2020 US\$	2019 US\$
Interest income from bank deposits	<b>4,743</b>	69,740
Interest income from loan to non-related parties	<b>283,401</b>	221,787
Interest income from loan to an associated company	–	6,000
<b>Total interest income</b>	<b>288,144</b>	297,527
Petroleum services fees	<b>204,894</b>	226,181
Amortised cost adjustment for interest-free non-current payables	<b>64,948</b>	135,563
Currency translation (losses)/gains, net	<b>(25,352)</b>	9,290
Management fee	<b>15,000</b>	15,000
Government grant	<b>105,261</b>	–
Rent concession received from lessors	<b>19,601</b>	–
	<b>672,496</b>	683,561

Included in other income, net are COVID-19 related rent concession received from lessors of US\$19,601 to which the Group applied the practical expedient as disclosed in Note 2(a).

Government grant of US\$105,261 (2019: nil) was recognised during the financial year under the Jobs Support Scheme (“JSS”). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

## 25. FINANCE EXPENSES

	Group	
	2020 US\$	2019 US\$
Bank loan interest expenses	<b>39,739</b>	51,266
Interest on lease liabilities (Note 5(b))	<b>21,723</b>	37,885
Unwinding of interest-free from non-current payables	<b>64,948</b>	–
	<b>126,410</b>	89,151

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 26. EXPENSES BY NATURE

	Group	
	2020 US\$	2019 US\$
Royalties	1,709,297	2,481,676
Repair and maintenance expenses	1,564,286	1,831,254
Well servicing and workover expenses	869,303	507,381
Geology and geophysical study	157,865	307,005
Depreciation of property, plant and equipment (Note 4)	9,037	11,014
Depreciation of right-of-use assets (Note 5)	288,865	325,569
Amortisation of producing oil and gas properties (Note 6)	2,118,619	1,397,163
Amortisation of intangible assets (Note 8)	343,307	343,305
<b>Total amortisation and depreciation</b>	<b>2,759,828</b>	2,077,051
Other production expenses	790,286	1,289,184
Employee compensation (Note 27)	2,929,629	3,113,522
Directors' remuneration (Note 33(c))	446,802	541,275
Rental expenses (Note 5(c))	139,167	148,635
Professional, legal and compliance expenses	116,894	86,845
Other expenses	569,355	686,632
Auditor's fees:		
Fees on audit services paid/payable to:		
– Auditor of the Company	97,101	119,960
– Other auditors	7,923	8,188
<b>Total cost of production and administrative expenses</b>	<b>12,157,736</b>	13,198,608

## 27. EMPLOYEE COMPENSATION

	Group	
	2020 US\$	2019 US\$
Wages and salaries	2,628,013	2,882,539
Employer's contribution to defined contribution plan	88,701	94,747
Other short-term benefits	212,915	136,236
<b>Total employee compensation (Note 26)</b>	<b>2,929,629</b>	3,113,522

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28. LOSSES PER SHARE

Basic losses per share is calculated by dividing the net loss attributable to equity holders of the Company for the financial year by the weighted average number of ordinary shares outstanding during the financial year.

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
Net loss attributable to equity holders of the Company (US\$)	<b><u>(1,164,796)</u></b>	<u>(477,737)</u>
Weighted average number of ordinary shares outstanding for basic losses per share	<b>627,898,932</b>	585,980,166
Adjustments for share options	<b><u>16,975,000</u></b>	<u>21,605,000</u>
Weighted average number of ordinary shares outstanding for diluted losses per share	<b><u>644,873,932</u></b>	<u>607,585,166</u>
<b>Basic losses per share (US cents)</b>	<b><u>(0.186)</u></b>	<u>(0.082)</u>
<b>Fully diluted losses per share (US cents)*</b>	<b><u>(0.186)</u></b>	<u>(0.082)</u>

\* As losses were recorded in the current and prior financial years, the dilutive potential shares from share options were anti-dilutive and no change has been made to the diluted losses per share.

For the purpose of calculating diluted earnings per share, weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised.

## 29. COMMITMENTS

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

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

As at the reporting date, the operating leases commitments relating to short-term and low value assets were as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Not later than one year	<u>-</u>	<u>80,917</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 29. COMMITMENTS (CONTINUED)

### (b) Capital Commitments

The Group's capital commitments are in respect of the investments in the IPRCs in Myanmar and PSC KP in Indonesia. The capital expenditure for 2021 and 2020 are based on the work programmes and budgets approved by the respective local authorities. These include development and well drillings in Myanmar.

Capital expenditure contracted for at the reporting date but not recognised in the financial statements were as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Not later than one year	<b>2,616,378</b>	<b>4,434,808</b>

## 30. CONTINGENT LIABILITIES

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

### Company

The Company has provided letters of financial support to some of its subsidiary corporations to enable the subsidiary corporations to operate as going concerns and to meet their liabilities as and when they fall due.

### Group

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT

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

### (a) Market Risk

#### (i) Price Risk

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

If crude oil price strengthened/weakened by 5% (2019: 5%) with all other variables including tax rate being held constant, the impact to the revenue and net profit of the Group would have been higher/lower by approximately US\$540,000 and US\$512,000 (2019: higher/lower by approximately US\$784,000 and US\$743,000) respectively.

#### (ii) Cash Flow and Fair Value Interest Rate Risks

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

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

The effective interest rates for short-term bank deposits ranged from 0.08% to 0.19% (2019: 1.60% to 2.57%) per annum. These deposits were staggered in varying periods and amounts in accordance with the cash requirements of the Group. The effective interest rates for bank loans ranged from 3.65% to 4.68% (2019: 4.74% to 5.56%) per annum. Any significant movement in the interest rates was not likely to be material to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market Risk (Continued)

#### (iii) Political and Regulatory Risks

The Group operates in countries where political, economic and social transitions are taking place or may occur from time to time. Developments in politics, laws and regulations can affect its operational performance and financial position. Potential developments include forced divestment of assets, limits on production or cost recovery, international sanctions, import and export restrictions, price controls, tax increases and other retroactive tax claims, expropriation of property, cancellation of contract rights, changes to environmental regulations, international conflicts such as war, civil unrest, acts of sabotage or terrorism, and local security concerns that threaten the safe operation of facilities. In countries which lack well developed legal systems or have yet adopted clear regulatory frameworks for petroleum industry, the Group's operations are exposed to increased risk of adverse or unpredictable actions by government officials and may face difficulty in enforcing contracts or delays in issuance of licences and permits. Please refer to Note 34(a) for further disclosure on management's assessment of Myanmar coup on the Group's operations and financial performance.

#### (iv) Currency Risk

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market Risk (Continued)

#### (iv) Currency Risk (Continued)

The Company's currency exposure was as follows:

	USD US\$	SGD US\$	Others US\$	Total US\$
<b>2020</b>				
<b>Financial assets</b>				
Cash and bank balances	1,356,906	61,256	3,934	1,422,096
Trade and other receivables	11,697,594	5,307	1	11,702,902
Other financial assets	–	28,232	–	28,232
	<u>13,054,500</u>	<u>94,795</u>	<u>3,935</u>	<u>13,153,230</u>
<b>Financial liabilities</b>				
Lease liabilities	–	(79,395)	–	(79,395)
Borrowings	(1,000,000)	–	–	(1,000,000)
Other financial liabilities	(10,948,603)	(361,474)	–	(11,310,077)
	<u>(11,948,603)</u>	<u>(440,869)</u>	<u>–</u>	<u>(12,389,472)</u>
<b>Net financial assets/ (liabilities)</b>	<b>1,105,897</b>	<b>(346,074)</b>	<b>3,935</b>	<b>763,758</b>
Add: Net non-financial assets	19,076,700	52,454	–	19,129,154
<b>Currency profile including non-financial assets/ (liabilities)</b>	<b><u>20,182,597</u></b>	<b><u>(293,620)</u></b>	<b><u>3,935</u></b>	<b><u>19,892,912</u></b>
<b>Currency exposure of financial (liabilities)/ assets, net of those denominated in the Company's functional currency</b>	<b><u>–</u></b>	<b><u>(346,074)</u></b>	<b><u>3,935</u></b>	<b><u>(342,139)</u></b>
<b>2019</b>				
<b>Financial assets</b>				
Cash and bank balances	178,443	194,061	4,001	376,505
Trade and other receivables	11,245,752	5,613	2	11,251,367
Other financial assets	–	35,986	–	35,986
	<u>11,424,195</u>	<u>235,660</u>	<u>4,003</u>	<u>11,663,858</u>
<b>Financial liabilities</b>				
Lease liabilities	–	(212,491)	–	(212,491)
Borrowings	(1,000,000)	–	–	(1,000,000)
Other financial liabilities	(10,787,323)	(348,694)	–	(11,136,017)
	<u>(11,787,323)</u>	<u>(561,185)</u>	<u>–</u>	<u>(12,348,508)</u>
<b>Net financial (liabilities)/ assets</b>	<b>(363,128)</b>	<b>(325,525)</b>	<b>4,003</b>	<b>(684,650)</b>
Add: Net non-financial assets	19,081,355	239,418	–	19,320,773
<b>Currency profile including non-financial assets/ (liabilities)</b>	<b><u>18,718,227</u></b>	<b><u>(86,107)</u></b>	<b><u>4,003</u></b>	<b><u>18,636,123</u></b>
<b>Currency exposure of financial (liabilities)/ assets, net of those denominated in the Company's functional currency</b>	<b><u>–</u></b>	<b><u>(325,525)</u></b>	<b><u>4,003</u></b>	<b><u>(321,522)</u></b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market Risk (Continued)

#### (iv) Currency Risk (Continued)

The Group's currency exposure was as follows:

<u>2020</u>	<u>USD US\$</u>	<u>SGD US\$</u>	<u>IDR US\$</u>	<u>Others US\$</u>	<u>Total US\$</u>
<b>Financial assets</b>					
Cash and bank balances	4,038,095	89,756	47,202	43,146	4,218,199
Trade and other receivables	6,943,714	5,307	6,465	–	6,955,486
Other financial assets	8,400	28,232	–	–	36,632
	<u>10,990,209</u>	<u>123,295</u>	<u>53,667</u>	<u>43,146</u>	<u>11,210,317</u>
<b>Financial liabilities</b>					
Lease liabilities	(227,278)	(79,395)	–	–	(306,673)
Borrowings	(1,000,000)	–	–	–	(1,000,000)
Other financial liabilities	(3,241,670)	(402,974)	(1,336,199)	(17,169)	(4,998,012)
	<u>(4,468,948)</u>	<u>(482,369)</u>	<u>(1,336,199)</u>	<u>(17,169)</u>	<u>(6,304,685)</u>
<b>Net financial assets/ (liabilities)</b>	<b>6,521,261</b>	<b>(359,074)</b>	<b>(1,282,532)</b>	<b>25,977</b>	<b>4,905,632</b>
Add: Net non-financial assets/(liabilities)	<u>25,833,497</u>	<u>76,609</u>	<u>(143)</u>	<u>755</u>	<u>25,910,718</u>
<b>Currency profile including non-financial assets/(liabilities)</b>	<b><u>32,354,758</u></b>	<b><u>(282,465)</u></b>	<b><u>(1,282,675)</u></b>	<b><u>26,732</u></b>	<b><u>30,816,350</u></b>
<b>Currency exposure of financial (liabilities)/ assets, net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>(359,074)</u>	<u>(1,282,532)</u>	<u>25,977</u>	<u>(1,615,629)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Market Risk (Continued)

#### (iv) Currency Risk (Continued)

The Group's currency exposure was as follows:

<b>2019</b>	<b>USD US\$</b>	<b>SGD US\$</b>	<b>IDR US\$</b>	<b>Others US\$</b>	<b>Total US\$</b>
<b>Financial assets</b>					
Cash and bank balances	2,460,428	222,553	78,217	16,014	2,777,212
Trade and other receivables	6,508,039	5,613	6,566	–	6,520,218
Other financial assets	26,476	35,985	–	–	62,461
	<u>8,994,943</u>	<u>264,151</u>	<u>84,783</u>	<u>16,014</u>	<u>9,359,891</u>
<b>Financial liabilities</b>					
Lease liabilities	(210,495)	(212,491)	–	–	(422,986)
Borrowings	(1,000,000)	–	–	–	(1,000,000)
Other financial liabilities	(2,972,526)	(366,524)	(1,553,335)	(44,665)	(4,937,050)
	<u>(4,183,021)</u>	<u>(579,015)</u>	<u>(1,553,335)</u>	<u>(44,665)</u>	<u>(6,360,036)</u>
<b>Net financial assets/(liabilities)</b>	4,811,922	(314,864)	(1,468,552)	(28,651)	2,999,855
Add: Net non-financial assets	26,441,153	230,030	1,440	1,671	26,674,294
<b>Currency profile including non-financial assets/(liabilities)</b>	<u>31,253,075</u>	<u>(84,834)</u>	<u>(1,467,112)</u>	<u>(26,980)</u>	<u>29,674,149</u>
<b>Currency exposure of financial liabilities, net of those denominated in the respective entities' functional currencies</b>	<u>–</u>	<u>(314,864)</u>	<u>(1,468,552)</u>	<u>(28,651)</u>	<u>(1,812,067)</u>

As at 31 December 2020, if SGD had strengthened/weakened by 5% (2019: 5%) against USD with other variables including tax rate being held constant, the Company's and the Group's profit/(loss) after tax would have been higher/lower by approximately US\$14,000 and US\$13,000 (2019: higher/lower by approximately US\$4,100 and US\$4,000) respectively, as a result of currency translation gains/(losses) on SGD denominated financial instruments.

As at 31 December 2020, if IDR had strengthened/weakened by 5% (2019: 5%) against USD with other variables including tax rate being held constant, the Group's profit/(loss) after tax would have been higher/lower by approximately US\$61,000 (2019: higher/lower by approximately US\$70,000), as a result of currency translation gains/(losses) on IDR denominated financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Company and of the Group are cash and cash equivalents (Note 14), trade receivables, loan to non-related parties and loan to associated companies (Note 12). For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Cash and cash equivalents that are neither past due nor impaired are mainly deposits with banks of high credit-ratings assigned by international credit-rating agencies.

As the Company and the Group do not hold collaterals, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that financial assets presented on the statement of financial position.

The Group currently sells all the crude oil produced to MOGE, and therefore has a significant concentration of credit risk. The Group does not foresee its exposure to MOGE to be significant as payments have been regular and there are no balances which are long over-due. The trade receivables from MOGE represented 100% (2019: 100%) of the Group's total trade receivables respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Trade receivables are written-off when there is no reasonable expectation of recovery. The Group considers a trade receivable as default if the counterparty fails to make contractual payments within 120 days when they fall due, which are derived based on the Group's historical information. Where trade receivables have been written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2020, trade receivables were not past due and were not subject to any material credit losses.

As at 31 December 2020, the carrying amounts of the loan extended to subsidiary corporations, non-related parties and associated companies from the Company and the Group for the purpose of short-term funding requirements are US\$11,656,742, US\$4,510,464 and US\$40,812 (2019: US\$11,215,171, US\$4,060,335 and US\$30,581) respectively. The Group assesses the credit risk rating of these receivables based on qualitative and quantitative (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, and available press information, if available, and applying expected credit judgement). Based on the assessment, these receivables are considered to have low credit risk except for loans to certain subsidiary corporations which had been fully impaired in prior financial years as the subsidiary corporations ceased to have active operations and did not generate any revenue and results. During the financial year, the Company recognised additional loss allowance of US\$2,691 and US\$6,184 (2019: US\$4,041 and reversal of loss of allowance of US\$50,105) respectively on the advances made to Interra Resources (Australia) Pte. Ltd. and Goldwater TMT Pte. Ltd. In prior financial year ended 31 December 2019, the Company recognised a loss allowance of US\$7,895,885 on the advances made to Goldwater Indonesia Inc. based on lifetime expected credit loss model (Note 12).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit Risk (Continued)

The movements in credit loss allowance were as follows:

	Company		Group	
	Loan to subsidiary corporations		Loan to associated companies	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<b>Opening balance</b>	<b>18,031,948</b>	10,182,127	<b>624,130</b>	–
Loss allowance	<b>8,875</b>	7,899,926	–	624,130
Reversal of loss allowance recovered	–	(50,105)	–	–
<b>Closing balance</b>	<b>18,040,823</b>	18,031,948	<b>624,130</b>	624,130

### (c) Capital Risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In light of the present economic conditions in the industry and various stages of development of its assets, the Group will endeavour to manage its capital structure and make adjustment to it, in order to achieve its objectives.

In view of the Group's assets at different stages of development, the Group will be actively seeking to raise debt financing or issue new shares in order to generate maximum returns, and at the same time attain an optimal capital structure through close monitoring of its gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities plus trade and other payables less cash and bank balances. Total capital is calculated as total equity plus net debt.

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Net debt	<b>10,967,376</b>	11,972,003	<b>2,086,486</b>	3,582,824
Total equity	<b>19,892,912</b>	18,636,123	<b>30,816,350</b>	29,674,149
Total capital	<b>30,860,288</b>	30,608,126	<b>32,902,836</b>	33,256,973
<b>Gearing ratio</b>	<b>36%</b>	39%	<b>6%</b>	11%

The Company and the Group have no externally imposed capital requirements for the financial years ended 31 December 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and obtaining credit facilities when the needs arise. The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group's surplus funds are also managed centrally by placing them on short-term deposits with reputable financial institutions.

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
<u>Less than one year</u>				
Trade and other payables	<b>11,310,077</b>	11,136,017	<b>3,704,201</b>	3,641,578
Lease liabilities	<b>75,931</b>	145,652	<b>237,163</b>	326,948
Borrowings	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
	<b>12,386,008</b>	12,281,669	<b>4,941,364</b>	4,968,526
<u>More than one year</u>				
Other payables	–	–	<b>1,293,811</b>	1,295,472
Lease liabilities	<b>6,664</b>	80,290	<b>80,584</b>	122,194
	<b>6,664</b>	80,290	<b>1,374,395</b>	1,417,666

### (e) Fair Value Measurements

The fair values of current financial assets and liabilities carried at amortised costs are assumed to approximate their carrying amounts.

### (f) Financial Instruments by Category

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

	Company		Group	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Financial assets at amortised cost	<b>13,153,230</b>	11,663,858	<b>11,210,317</b>	9,359,891
Financial liabilities at amortised cost	<b>12,389,472</b>	12,348,508	<b>6,304,685</b>	6,360,036

## 32. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("BOD") that are used to make strategic decisions, allocate resources, and assess performance.

The Group operates primarily in two geographical areas, namely Indonesia and Myanmar. The Group has one reportable business segments, namely the exploration and operation of oil fields for crude petroleum production.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. SEGMENT INFORMATION (CONTINUED)

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

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

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2020 and 2019 were as follows:

	Indonesia US\$	Myanmar US\$	All Other Segments US\$	Total US\$
<b>2020</b>				
<b>Revenue</b>				
Sales to external customers	–	10,796,345	–	10,796,345
<b>Adjusted EBITDA</b>	(161,252)	3,616,040	(1,736,947)	1,717,841
Amortisation and depreciation	–	2,618,605	141,223	2,759,828
<b>Total assets</b>	18,498,420	21,115,788	1,591,178	41,205,386
<b>Total assets include:</b>				
Capital expenditures (tangible and intangible assets)	236,772	2,115,353	–	2,352,125
<b>Total liabilities</b>	(4,667,468)	(189,767)	(1,447,450)	(6,304,685)
<b>2019</b>				
<b>Revenue</b>				
Sales to external customers	–	15,674,886	–	15,674,886
<b>Adjusted EBITDA</b>	(96,353)	7,003,558	(2,103,405)	4,803,800
Amortisation and depreciation	–	1,933,851	143,200	2,077,051
Loss allowance on financial assets at amortised cost	–	–	624,130	624,130
Share of losses of associated companies	–	–	2,417,150	2,417,150
<b>Total assets</b>	17,902,743	21,711,259	710,591	40,324,593
<b>Total assets include:</b>				
Capital expenditures (tangible and intangible assets)	2,857,270	3,888,646	1,837	6,747,753
<b>Total liabilities</b>	(1,575,566)	(3,218,181)	(1,566,289)	(6,360,036)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. SEGMENT INFORMATION (CONTINUED)

### (a) Reconciliations

#### (i) Segment Profits

A reconciliation of adjusted EBITDA to (loss)/profit before income tax was as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Adjusted EBITDA for reportable segments	<b>3,454,788</b>	6,907,205
Adjusted EBITDA for other segments	<b>(1,736,947)</b>	(2,103,405)
Total adjusted EBITDA	<b>1,717,841</b>	4,803,800
Amortisation and depreciation	<b>(2,759,828)</b>	(2,077,051)
Finance expenses	<b>(126,410)</b>	(89,151)
Amortised cost adjustment for interest-free non-current payables	<b>64,948</b>	135,563
Loss allowance on financial assets at amortised cost	–	(624,130)
Interest income	<b>288,144</b>	297,527
Share of losses of associated companies	–	(2,417,150)
<b>(Loss)/Profit before income tax</b>	<b>(815,305)</b>	29,408

#### (ii) Segment Assets

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

Segment assets were reconciled to total assets as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Segment assets for reportable segments	<b>39,614,208</b>	39,614,002
Other segment assets	<b>1,591,178</b>	710,591
Total segment assets	<b>41,205,386</b>	40,324,593

#### (iii) Segment Liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32. SEGMENT INFORMATION (CONTINUED)

### (a) Reconciliations (Continued)

#### (iii) Segment Liabilities (Continued)

Segment liabilities were reconciled to total liabilities as follows:

	Group	
	2020 US\$	2019 US\$
Segment liabilities for reportable segments	4,857,235	4,793,747
Other segment liabilities	1,447,450	1,566,289
Total segment liabilities	6,304,685	6,360,036
Unallocated:		
Current income tax liabilities	4,084,351	4,290,408
Total liabilities	<u>10,389,036</u>	<u>10,650,444</u>

### (b) Revenue from Major Customers

The Group derived its revenues from the sale of crude petroleum to one major external customer for the financial years ended 31 December 2020 amounting to US\$10,796,345 (2019: US\$15,674,886). These revenues were attributable to oil and gas segment.

### (c) Geographical Information

Revenue and non-current assets of the Group based on the location of customers and assets respectively were as follows:

	Revenue		Non-Current Assets	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Indonesia	–	–	13,734,585	13,497,813
Myanmar	10,796,345	15,674,886	12,672,573	13,036,493
Other countries	–	–	73,007	214,231
	<u>10,796,345</u>	<u>15,674,886</u>	<u>26,480,165</u>	<u>26,748,537</u>

Non-current assets consist of property, plant and equipment, right-of-use assets, producing oil and gas properties, exploration and evaluation assets and intangible assets.

## 33. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 33. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONTINUED)

### (a) Purchases of Drilling Equipment and Services Received from Related Parties

	Group	
	2020 US\$	2019 US\$
Purchases of drilling equipment	36,361	147,712
Geological and geophysics study services	270,000	270,000
	<b>306,361</b>	417,712

North Petroleum International Company Limited is also the common shareholders of China North Vehicle Corporation Ltd. and Chengdu North Petroleum Exploration and Development Technology Co., Ltd. During the financial year, the Group purchased drilling equipment and received geological and geophysics study services at terms agreed between both parties. The outstanding balances due to related parties as at 31 December 2020 were nil and US\$378,000 (2019: US\$63,240 and US\$270,000) respectively.

### (b) Employment Services Received by Related Party

The daughter of substantial shareholder of the Company, Edwin Soeryadjaya occupying a managerial position during the financial year. The total remuneration was nil (2019: US\$22,357) for the financial year ended 31 December 2020. On 31 December 2020, she resigned from the Company.

### (c) Key Management's Remuneration

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

	Group	
	2020 US\$	2019 US\$
Directors' fees	164,991	167,231
Wages and salaries	765,525	943,275
Other benefits	135,452	58,335
Employer's contribution to defined contribution plan	12,537	15,828
<b>Total costs incurred by the Group</b>	<b>1,078,505</b>	1,184,669

Costs are incurred for the following categories of key management:

– Directors of the Company (Note 26)	446,802	541,275
– Other key management personnel	631,703	643,394
<b>Total costs incurred by the Group</b>	<b>1,078,505</b>	1,184,669

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 34. SUBSEQUENT EVENTS

- (a) The Myanmar coup began on 1 February 2021 when democratically elected members of Myanmar's ruling party, the National League for Democracy were deposed by the Tatmadaw Myanmar's military which vested power in a stratocracy. As a result of the current civil disobedience movement in Myanmar, the Group is not able to have continuous and uninterrupted access to its field operations at the Chauk and Yenangyaung fields. The Group temporarily suspended most of its operations in Myanmar including production as announced on 9 February 2021. Field operations in Myanmar will resume once the Group is able to ensure its access to its fields without any interruptions.

There is a potential risk on reduction in overall production of oil due to temporary suspension of the Group's operations in Myanmar. It is too early to ascertain the longer-term impact on the Group's overall financial performance. As such, at current situation, subject to the duration and severity of the unrest, the Group does not foresee significant financial impact to its operation.

- (b) On 9 February 2021, MITI issued 1,878,368,047 new ordinary shares by a way of right issue, as a result, the Company's shareholding in MITI was diluted from 48.87% to 11.30%. Despite the reduction in its shareholding in MITI to less than 20%, the Company continues to have significant influence over MITI through its representative on the Board of MITI, and accordingly, the Company will continue to classify its interests in MITI of US\$4,833,235 (Note 10) as investments in associated company.

## 35. NEW OR REVISED SFRS(I) AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 and which the Group has not early adopted.

### (i) Amendments to SFRS(I) 1-1 Presentation of Financial Statements

Classification of liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the "settlement" of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

### (ii) Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment ("PPE") prohibits an entity from deducting from the cost an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35. NEW OR REVISED SFRS(I) AND INTERPRETATIONS (CONTINUED)

### (ii) Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022) (Continued)

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The Group does not expect any significant impact arising from applying these amendments.

### (iii) Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

The Group does not expect any significant impact arising from applying these amendments.

## 36. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 26 March 2021.

# APPENDIX

26 March 2021

Mr Marcel Tjia  
Chief Executive Officer  
Interra Resources Limited  
1 Grange Road, #05-04 Orchard Building, Singapore 239693

Dear Mr Tjia,

## Summary of the Reserves, Contingent Resources and Prospective Resources Extracted from the Qualified Person's Reports for Interra Resources Limited Assets in Myanmar and Indonesia

In response to your request, ERCE Equipoise Pte Ltd ("ERCE") has carried out an evaluation of the hydrocarbon Reserves and Resources owned by Interra Resources Limited ("Interra") in Myanmar and Indonesia, with Reserves calculated as at 1<sup>st</sup> January 2021.

We have prepared the Reserves estimates in line with the requirements of the Singapore Exchange ("SGX") and the June 2018 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("PRMS") as the standard for classification and reporting of Proved, Probable and Possible Reserves together with Contingent Resources and Prospective Resources.

The evaluation and its results have been reported in full in separate ERCE Qualified Person's Reports ("QPRs"), one for each asset, dated March 2021. The following summary information has been extracted from the QPRs. ERCE confirmed that the information below has been fully and accurately extracted from the QPRs. Further details can be found in the QPRs, which are available for inspection by Interra's shareholders at Interra's office in Singapore.

The assets for which ERCE conducted the Reserves, Contingent Resources and Prospective Resources evaluations are listed in **Table 1**.

**Table 1: Summary of Interra's Assets**

Country	Block / Licence	Field	Operator	Interra Working Interest (%)	Licence		Current Area (km <sup>2</sup> )	Outstanding Commitments
					Start of Current Phase	End of Current Phase		
Myanmar	Chauk IPRC	Chauk	GJOC	60.00	04/04/2017	03/04/2028	955.0	None
Myanmar	Yenangyaung IPRC	Yenangyaung	GJOC	60.00	04/04/2017	03/04/2028	845.0	None
Indonesia	Kuala Pambuang PSC	(Exploration)	Interra	67.50	19/12/2011	18/12/2021	1,630.7	1 Expl Wells & 200 km Seismic

# APPENDIX

ERCE reviewed the reservoir and production engineering data provided by Interra of the respective blocks and generated independent production forecasts. ERCE also independently reviewed the CAPEX and OPEX presented by Interra and in accordance with reporting requirements, conducted Economic Limit Tests (“ELTs”) on the volumes. The Reserves volumes calculated are based on ERCE’s 2021 Q1 Price Deck and the cost and fiscal assumptions are detailed in the respective QPRs. ERCE’s estimates of the oil Reserves, as at 1<sup>st</sup> January 2021 are summarised for each asset in **Table 2**.

**Table 2: Summary of Oil Reserves for Interra’s Assets in Myanmar**

Country	Licence	Sub-Classification		Oil Reserves (Mstb)		
				1P	2P	3P
Myanmar	CHK IPRC	On Production	Gross (100%)	1,334	2,265	2,788
			Company Working Interest (60%)	800	1,359	1,673
			Company Net Entitlement	341	621	796
Myanmar	YNG IPRC	On Production	Gross (100%)	0	3,099	3,525
			Company Working Interest (60%)	0	1,859	2,115
			Company Net Entitlement	0	502	672

**Notes:**

1. Gross Reserves represent 100% of the estimated commercially recoverable oil within the IPRC period. Gross Reserves include volumes attributable to third parties and government, including the agreed contract baseline production, and thus contain volumes which are not attributable to Interra.
2. Company Working Interest Reserves are based on the working interest share of the field Gross Reserves and are used under the terms of the IPRC to ascertain Company Net Entitlement Reserves.
3. Company Net Entitlement Reserves are based on Company share of total Cost and Profit Revenues after the terms of the IPRC have been applied.
4. There are no 1P Reserves case for the Yenangaung field is uneconomic and as such no 1P Reserves are reported.

In the case of the two Myanmar Improved Petroleum Recovery Contracts (“IPRCs”), volumes which are still economically recoverable beyond the expiry of the current contracts are classified as Contingent Resources. The two Myanmar contracts are due to expire in April 2028. Under the current IPRC terms, if in the opinion of the Myanmar Oil and Gas Enterprise (“MOGE”) and GoldPetrol Joint Operating Company (“GJOC”) that (1) in the course of a waterflood pilot test or (2) after results of the new pool appraisal, commercial production can occur, then the GJOC may propose that the IPRC is extended for such further period and such terms to make commercial production economically feasible. Contingent Resources are reported for these contracts assuming extensions are granted with no reduction in equity and are sub-classified as Development on Hold. Contingent Resources are also reported for nine infill wells in the Yenangaung field. These wells are planned to be drilled with a hired rig but are currently uncommercial. They are sub-classified as Development on Hold. ERCE’s estimates of the oil Contingent Resources in the Myanmar assets as at 1<sup>st</sup> January 2020 are presented in **Table 3**.

# APPENDIX

**Table 3: Summary of Oil Contingent Resources for Interra's Assets in Myanmar**

Country	Licence	Sub-Classification	Risk Factor		Oil Contingent Resources (Mstb)		
					1C	2C	3C
Myanmar	Chauk IPRC	Development on Hold (IPRC Extension)	80%	Gross (100%)	0	581	1,906
				Company Working Interest (60%)	0	349	1,144
Myanmar	YNG IPRC	Development on Hold (IPRC Extension)	80%	Gross (100%)	0	3160	3,921
				Company Working Interest (60%)	0	1,896	2,353
		Development on Hold (Infill Wells)	50%	Gross (100%)	126	253	441
				Company Working Interest (60%)	76	152	265

**Notes:**

1. Gross Contingent Resources represent 100% of the estimated economically recoverable oil.
2. Company Working Interest Contingent Resources are based on the working interest share of the field Gross Contingent Resources.
3. Company Net Entitlement Contingent Resources require a full economic evaluation which has not been done as part of this QPR and hence are not presented.
4. Volumes presented are "unrisked" in the sense that no adjustment has been made for the risk that the project may not be developed in the form envisaged or may not go ahead at all (i.e. no "Chance of Development" factor has been applied).
5. The "Risk Factor" shown in the table is equivalent to the Chance of Development (COD) factor associated with the Contingent Resources. This is the chance that the Contingent Resources will become commercially recoverable. Quantifying the COD requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are out-with the knowledge of ERCE they must be used with caution.
6. Contingent Resources should not be aggregated with Reserves because of the different levels of risk involved and the different basis on which volumes are determined.

In December 2019, Interra drilled Well KP-1 to a total depth of 3,771 ft measured depth in the Kuala Pambuang PSC. The well targeted a four-way dip closure on the PR-1 prospect and is interpreted to have encountered net pay in carbonate reservoir intervals within the Beraï Formation. Skim oil was recovered to surface during openhole swabbing over the interval of 2,043 – 3,771 ft measured depth. The well was cased and temporarily suspended awaiting a well test. During the well test the reservoir interval is expected to be stimulated by fracturing and/or acid.

ERCE's evaluation of the resources within the Kuala Pambuang PSC has not been updated for Well KP-1 results. Any update is pending the results of the well test and other analyses carried out by Interra. A summary of the Unrisked Prospective Resources of oil for each individual prospect is shown in **Table 4**. A summary of the total Unrisked Prospective Resources of oil in the Kuala Pambuang PSC is presented in **Table 5**. Prospective Resources are reported at the 1U, 2U and 3U levels of confidence (as per PRMS 2018) which correspond with P90, P50 and P10 values respectively.

# APPENDIX

**Table 4: Summary of Unrisked Prospective Resources for Individual Prospects for Interra's Kuala Pambuang PSC, Indonesia**

Block / Licence	Prospect		Oil Prospective Resources (MMstb)			Sub-Classification	Risk Factor
			1U	2U	3U		
Kuala Pambuang PSC	PR1	Gross Volumes (100.0% field)	14	81	430	Prospect	29%
		Company Working Interest (67.5%)	10	55	291		
Kuala Pambuang PSC	PR2	Gross Volumes (100.0% field)	19	70	247	Prospect	9%
		Company Working Interest (67.5%)	13	48	167		
Kuala Pambuang PSC	PR3	Gross Volumes (100.0% field)	18	81	346	Prospect	7%
		Company Working Interest (67.5%)	12	54	234		
Kuala Pambuang PSC	W1	Gross Volumes (100.0% field)	11	49	194	Prospect	9%
		Company Working Interest (67.5%)	7	33	131		
Kuala Pambuang PSC	W2	Gross Volumes (100.0% field)	2	8	22	Prospect	9%
		Company Working Interest (67.5%)	2	5	15		
Kuala Pambuang PSC	W3	Gross Volumes (100.0% field)	2	8	22	Prospect	9%
		Company Working Interest (67.5%)	1	5	15		
Kuala Pambuang PSC	W4	Gross Volumes (100.0% field)	2	8	27	Prospect	9%
		Company Working Interest (67.5%)	1	5	18		

**Notes:**

- 1) Gross Prospective Resources represent a 100% total of estimated technically recoverable oil. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 2) Company Working Interest Prospective Resources represent the fraction of Gross Prospective Resources allocated to Interra, based on their working interest in the Contractor group.
- 3) Volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the accumulation(s) may not be discovered (i.e. no Chance of Geological Success factor has been applied).
- 4) The "Risk Factor" shown in the far-right column of the table is equivalent to the Geological Chance of Success factor associated with the Prospective Resources. This is the chance that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.

# APPENDIX

**Table 5: Summary of Unrisked Prospective Resources for Interra's Kuala Pambuang PSC, Indonesia**

Country	Block / Licence		Oil Prospective Resources (MMstb)			Sub-Classification	Risk Factor
			1U	2U	3U		
Indonesia	Kuala Pambuang PSC	Gross Volumes (100.0% field)	67	305	1,288	Prospect	15%
		Company Working Interest (67.5%)	46	206	870		

**Notes:**

- 1) Prospective Resources reported here are the arithmetic sum of the individual prospects (i.e. 1U + 1U + 1U... etc.). Totals summed from Table 4 may be different due to rounding.
- 2) Gross Prospective Resources represent a 100% total of estimated technically recoverable oil. Gross volumes include volumes attributable to third parties and government and thus contain volumes which are not attributable to Interra.
- 3) Company Working Interest Prospective Resources represent the fraction of Gross Prospective Resources allocated to Interra, based on their working interest in the Contractor group.
- 4) Volumes reported here are "unrisked" in the sense that no adjustment has been made for the risk that the accumulation(s) may not be discovered (i.e. no Chance of Geological Success factor has been applied).
- 5) The "Risk Factor" shown in the far-right column of the table is equivalent to the Geological Chance of Success factor associated with the Prospective Resources. This is the chance that exploration activities will confirm the existence of a significant accumulation of potentially recoverable petroleum.
- 6) The Risk Factor for the arithmetically summed Prospective Resources has been calculated based on the summed mean unrisked and risked Prospective Resources.

## Basis of Opinion

This document reflects ERCE's informed professional judgement based on accepted standards of professional investigation and, as applicable, the data and information provided by Interra, the scope of engagement, and the time permitted to conduct the evaluation.

ERCE has used standard petroleum evaluation techniques in the generation of this report. These techniques combine geophysical and geological knowledge with assessments of porosity and permeability distributions, fluid characteristics, production performance and reservoir pressure. There is uncertainty in the measurement and interpretation of basic data. ERCE has estimated the degree of this uncertainty and determined the range of petroleum initially in place and recoverable hydrocarbon volumes. In applying these procedures and tests, nothing came to the attention of ERCE that would suggest that information provided by Interra was not complete and accurate. ERCE reserves the right to review all calculations referred to or included in this report and to revise the estimates in light of erroneous data supplied or information existing but not made available which becomes known subsequent to the preparation of this QPR.

ERCE has carried out this work in accordance with the June 2018 SPE/WPC/AAPG/SPEE/SEG/SPWLA/EAGE Petroleum Resources Management System (PRMS) as the standard for classification and reporting. A summary of the PRMS is found in Appendix 2 of the report. The full text can be downloaded from:-  
[https://secure.spee.org/sites/spee.org/files/prmqmssystem\\_final\\_2018.pdf](https://secure.spee.org/sites/spee.org/files/prmqmssystem_final_2018.pdf).



# APPENDIX

The accuracy of any Reserves, Contingent Resources, Prospective Resources and production estimates is a function of the quality and quantity of available data and of engineering interpretation and judgment. While Reserves, Contingent Resources, Prospective Resources and production estimates presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

Oil volumes are reported in thousands (Mstb) and millions (MMstb) of barrels at stock tank conditions. Stock tank conditions are defined as 14.7 psia and 60°F.

ERCE has relied upon data and information made available by Interra. These data comprise details of Interra's licence interests, seismic data, basic exploration and engineering data (including well logs, core, PVT and test data), technical reports, interpreted data, production and injection data and the field development plans. ERCE has reviewed data made available through to 31 December 2020. ERCE and Interra are not aware of any additional data between the Effective Date and the publication date of this report that would cause ERCE to change the opinions expressed in the report. No site visit was undertaken in the generation of this report.

## Definition of Reserves and Resources

The PRMS presents the following definitions of Reserves and Resources.

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

# APPENDIX

## Professional Qualifications

ERCE is an independent consultancy specialising in geoscience evaluation, engineering and economic assessment. ERCE will receive a fee for the preparation of this report in accordance with normal professional consulting practices. This fee is not dependent on the findings of this QPR and ERCE will receive no other benefit for the preparation of this QPR.

Neither ERCE nor the Qualified Person who is responsible for authoring this QPR, nor any Directors of ERCE have at the date of this report, nor have had within the previous two years, any shareholding in Interra. Consequently, ERCE, the Qualified Person and the Directors of ERCE consider themselves to be independent of the Company, its directors and senior management.

ERCE has the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the assets.

Yours faithfully,



Stewart Easton

Director, ERCE

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Edwin Soeryadjaya**  
Chairman (Non-Executive)

**Marcel Han Liong Tjia**  
Executive Director &  
Chief Executive Officer

**Ng Soon Kai**  
Non-Executive Director

**Yin Lifeng**  
Non-Executive Director  
(Resigned on 25 February 2021)

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

**Allan Charles Buckler**  
Independent Director  
(Non-Executive)

**Lim Hock San**  
Independent Director  
(Non-Executive)

**Lany Djuwita Wong**  
Alternate Director to  
Edwin Soeryadjaya

## NOMINATING COMMITTEE

**Allan Charles Buckler**  
Chairman (Independent Director)

**Lim Hock San**  
(Independent Director)

**Low Siew Sie Bob**  
(Lead Independent Director)

**Ng Soon Kai**  
(Non-Executive Director)

## REMUNERATION COMMITTEE

**Allan Charles Buckler**  
Chairman (Independent Director)

**Lim Hock San**  
(Independent Director)

**Low Siew Sie Bob**  
(Lead Independent Director)

**Ng Soon Kai**  
(Non-Executive Director)

## COMPANY SECRETARY

**Adrian Chan Pengee**

## INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation  
80 Robinson Road #25-00  
Singapore 068898  
Director-in-charge: Meriana Ang  
(Appointed since FY2016)

## REGISTERED OFFICE

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## STOCK EXCHANGE LISTING

Singapore Exchange (SGX) – Mainboard  
Trading Code: 5GI

## SHARE REGISTRAR

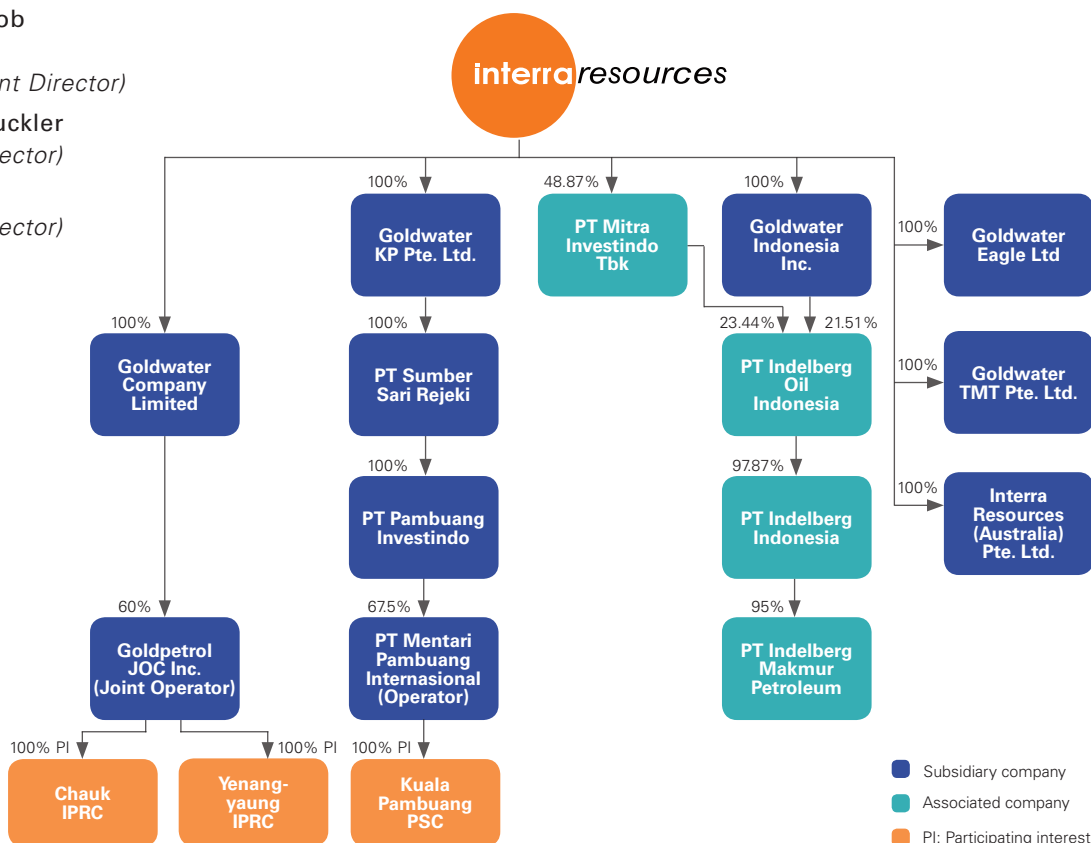
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## AUDIT COMMITTEE

**Low Siew Sie Bob**  
Chairman  
(Lead Independent Director)

**Allan Charles Buckler**  
(Independent Director)

**Lim Hock San**  
(Independent Director)





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