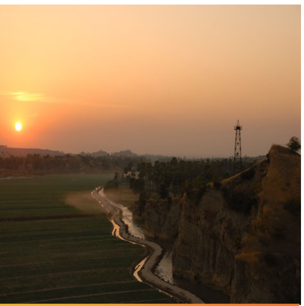
INTERRA RESOURCES LIMITED
Company Registration No. 197300166Z

SGX ANNOUNCEMENT
Trading Code: 5GI



7 September 2022

RESPONSE TO QUERIES ON THE UNAUDITED RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022 ("1H 2022")

The Board of Directors (the "**Board**") of Interra Resources Limited (the "**Company**") refers to the queries received from the Singapore Exchange Regulation ("**SGX RegCo**") on 5 September 2022 regarding the Company's unaudited results for 1H 2022, and would like to respond as follows:

<u>Query (a)</u>

Please disclose the Board's assessment of the recoverability of the non-current loan to non-related parties which amounts to US$4.928 million as at 30 June 2022.

<u>Response</u>

The Company had previously on 17 September 2021 addressed similar questions raised by SGX RegCo on 15 September 2021 regarding the Company's unaudited results for financial period ended 30 June 2021.

These loans to PT Mentari Abdi Nusa ("**MAN**") and PT Energy Alam Mandiri ("**EAM**") of US$3.413 million and US$1.515 million respectively were used to finance the working capital of the Kuala Pambuang Production Sharing Contract ("**KP PSC**") operations held by the Company's subsidiary, PT Mentari Pambuang Internasional ("**MPI**").

MAN and EAM were the original shareholders of MPI. MPI entered into the KP PSC dated 19 December 2011 with Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) as the contractor to explore and exploit the oil and gas concession over the Kuala Pambuang Block in Central Kalimantan, Indonesia. In conjunction with the Company's acquisition of a majority stake in MPI, the Company also agreed to provide the loans which were made pursuant to various shareholder loan agreements among the Company's subsidiaries, MAN and EAM.

Under the shareholder loan agreements, the Company's subsidiaries agreed to provide these loans to MAN and EAM to be used as their share of the working capital required for the KP PSC operations. The loans were given at commercial interest rates. It is a usual "market practice" in Indonesia for a new shareholder farming into an existing oil and gas block to provide loans to the existing shareholders to be used as working capital for the oil and gas block during the exploration period. Under the loan agreements, these loans may be recovered either through revenue from future production derived from the KP PSC operations, or from a potential sale of the shares held by MAN and EAM in MPI, which holds the KP PSC, to the Company.

The Board has assessed the expected credit losses of other receivables from MAN and EAM based on the requirement of SFRS(I) 9 – Financial Instruments and is of the view that there has been no significant change in the credit risk which indicates

there will be default in payment by MAN and EAM. Accordingly, no loss allowance needs to be provided for as at 30 June 2022.

As these receivables may be recovered either through future revenue of the KP PSC operations or from a sale of the shares in MPI that are held by MAN and EAM, the Board has considered the impairment assessment of the capitalised exploration and evaluation costs of KP PSC.

The Board has also considered ongoing preliminary discussions with potential buyers/investors who have expressed interest in acquiring the entire/partial interest in KP PSC. If such a sale takes place, these loans will be recovered from the sale proceeds of the shares in MPI that are held by MAN and EAM.

As at 30 June 2022, the Company owed MAN a sum of US$1.038 million being cost incurred in obtaining the KP PSC. If MAN defaults in the loan repayment to the Company, this sum will be offset against the outstanding loan amount due from MAN.

Query (b)

Please disclose:
(i) aging of the Group's current trade receivables;
(ii) the Company's plans to recover the current trade and other receivables;
(iii) whether they are major customer(s) and whether the Company continues to transact with these customer(s);
(iv) how long are the debts outstanding and in which period the sales were reported;
(v) what were the actions taken to recover the current trade and other receivables;
(vi) the Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the current trade and other receivables; and
(vii) the Board's assessment of the recoverability of the remaining current trade and other receivables.

Response

(i) Aging of the Group's current trade receivables

Aging analysis for current trade receivables	1H 2022 US$'000
Current	2,086
Within 30 days	1,950
More than 30 to 60 days	1,670
Total	**5,706**

(ii) The Company's plans to recover the current trade and other receivables

As at 30 June 2022, the Group's trade receivables amounted to US$5.706 million, which were attributable to the Group's revenue segments, namely the exploration and operation of oil fields for crude petroleum production. Payment in respect of the trade receivables have been regular and there are no balances long overdue. As at

the 1H 2022 unaudited results announcement date on 11 August 2022, the Group had already received payment amounting to US$3.620 million for receivables within 30 to 60 days.

(iii) Whether they are major customer(s) and whether the Company continues to transact with these customer(s)

The trade receivables comprised mainly receivables from the Myanma Oil and Gas Enterprise ("**MOGE**") in respect of the sale of the Group's share of crude petroleum entitlements. The Group operates two oil fields in Myanmar under two Improved Petroleum Recovery Contracts ("**IPRCs**") with MOGE commencing from 4 October 1996 until 3 April 2028.

(iv) How long are the debts outstanding and in which period the sales were reported

As mentioned in paragraph (ii) above, the Group had already received payment amounting to US$3.620 million for receivables within 30 to 60 days as at 11 August 2022. These receivables were related to the sale of oil and petroleum products recognised in the period from April to June 2022.

(v) What were the actions taken to recover the current trade and other receivables

As mentioned in paragraph (ii) above, payment in respect of the trade receivables has been regular and there are no balances long overdue. Therefore, no actions were necessary.

(vi) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the current trade and other receivables

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 trade receivables as default if the counterparty fails to make contractual payments within 120 days when they fall due, and this is derived based on the Group's historical information. Where trade receivables have been written off, the Group continues to engage in enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Board is of the opinion that the abovementioned methodologies used to determine the value of the impairment of the current trade and other receivables are reasonable.

(vii) The Board's assessment of the recoverability of the remaining current trade and other receivables

Other receivables	1H 2022 US$'000
Other receivables	191
Loan to associated companies	528
Loss allowances	(528)
Total	**191**

As at 30 June 2022, other receivables of US$0.191 million were not past due and were not subject to any material credit losses.

Query (c)

Please disclose the reason(s) for the increase in non-current other payables – related party from US$0.515 million as at 31 December 2021 to US$1.195 million as at 30 June 2022.

Response

The non-current other payables – related party was related to a loan from the Group's joint venture partner to the joint venture entity. The loan was unsecured and interest-free. The increase was due to additional loan of US$0.679 million from the joint venture partner to the joint venture entity for its contractual loan repayment purpose.

Query (d)

Please disclose:

(i) the reason(s) for the significant trade and other payables of US$5.718 million as at 30 June 2022 when the Group recorded a cash and cash equivalents of US$9.292 million as at 30 June 2022.

(ii) the reason(s) for the increase in trade payables – non-related parties from US$2.347 million as at 31 December 2021 to US$2.742 million as at 30 June 2022.

(iii) the aging and nature of current other payables – non-related parties which amount to US$2.379 million as at 30 June 2022.

Response

(i) The reason(s) for the significant trade and other payables of US$5.718 million as at 30 June 2022 when the Group recorded a cash and cash equivalents of US$9.292 million as at 30 June 2022

Trade payables – non-related parties amounting to US$2.742 million was the main factor for the significant trade and other payables of US$5.718 million as at 30 June 2022. These were higher as compared to the financial year ended 31 December 2021 ("**FY2021**") due to a delay in settlement of a supplier's outstanding balance of US$1.225 million (FY2021: US$1.250 million) brought about by its banking issues. As of today, a total amount of US$0.775 million has been paid to the supplier.

Current trade and other payables	**1H 2022 US$'000**
Trade payables – non-related parties	2,742
Trade payable – related party	150
Accrued expenses	447
	3,339
Other payables – non-related parties	2,379
Total	**5,718**

(ii) The reason(s) for the increase in trade payables – non-related parties from US$2.347 million as at 31 December 2021 to US$2.742 million as at 30 June 2022

Higher trade payables – non-related parties of US$2.742 million as at 30 June 2022 as compared to FY2021 were mainly due to the increase in procurement of workover and stimulation services.

(iii) The aging and nature of current other payables – non-related parties which amount to US$2.379 million as at 30 June 2022

Other payables – non-related parties	**1H 2022 US$'000**
Provision for electricity charges	177
Provision for training levy	437
Provision for community social responsibility	65
Provision for research and development costs	327
Provision for land tax of KP PSC	307
Provision for salary and employee benefits	116
	1,429
MOGE electricity charges – non-related parties	703
Various payables – non-related parties	247
	950
Total	**2,379**

Aging analysis for current other payables excluding provisions	**1H 2022 US$'000**
Less than 1 year	950
Total	**950**

Training levy and research and development costs were contractual obligations under the IPRCs.

By Order of the Board of Directors of
INTERRA RESOURCES LIMITED

Marcel Tjia
Chief Executive Officer

About Interra

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