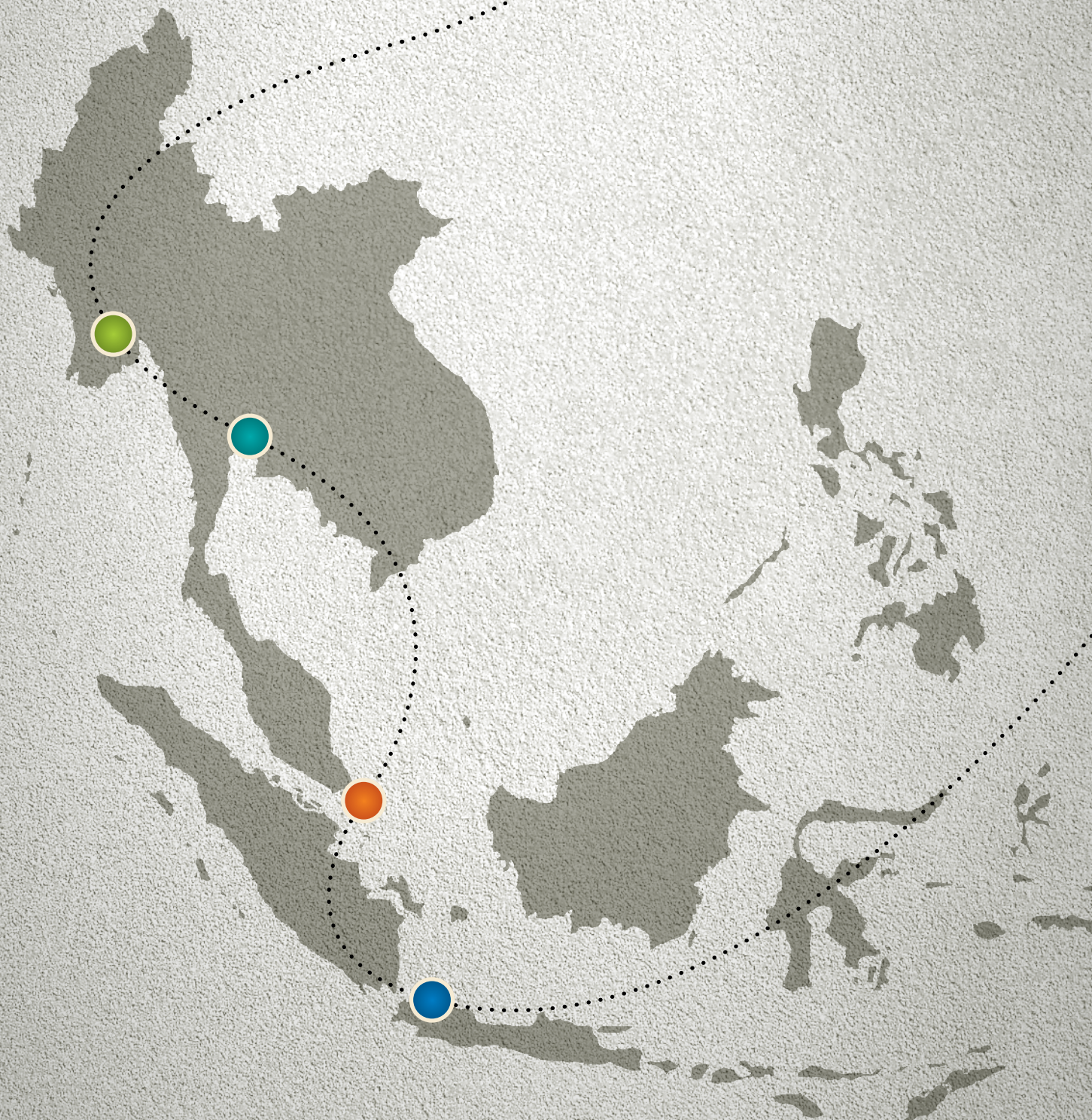


# Exploring, Discovering Value

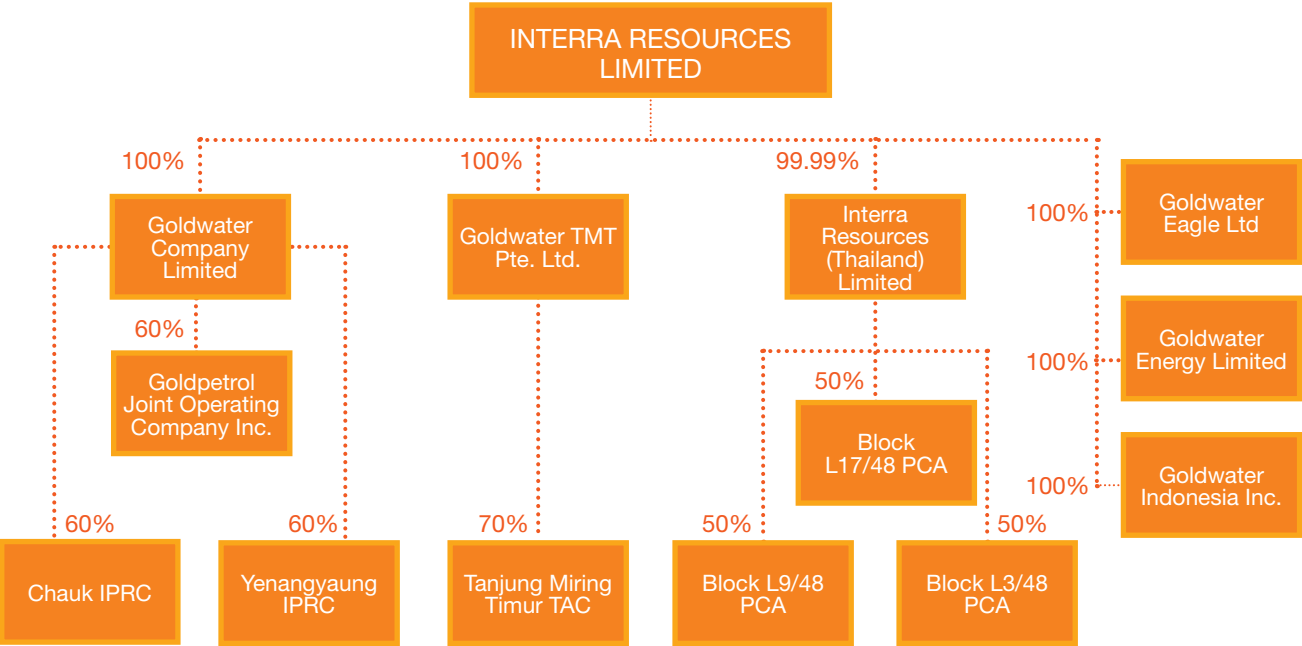
» Annual Report 2008

**interra**resources





# Corporate Structure



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# ABOUT US

**Interra Resources Limited**, listed on the SGX Catalist and the ASX, is a Singapore-incorporated company engaged in the business of upstream petroleum exploration and production (“E&P”). Our E&P activities include petroleum production, field development and exploration. We are positioning ourselves to becoming a leading regional independent producer of oil and gas.

Since our inception, we have grown both organically by developing our existing assets and through disciplined acquisitions by seeking attractive targets across Southeast Asia and Australia.

Today, we have established oil and gas interests and operations in various parts of Southeast Asia. Our balanced portfolio of production, development and exploration assets comprises six contract areas in Indonesia, Myanmar and Thailand. Our share of proved plus probable reserves was about 13.7 million barrels of oil as at 31 December 2008.

## Chairman's Statement

Dear Shareholders

These are challenging times with the price of oil plunging from around US\$119 per barrel in the 3<sup>rd</sup> quarter of 2008 to approximately US\$58 per barrel in the 4<sup>th</sup> quarter of 2008. Oil prices have continued to fall since that time. Share prices including ours have also fallen. Interra, along with many other companies, is reducing work programs and cutting costs wherever we can. Access to new capital and financing is difficult and comes at a high cost. Notwithstanding this, Interra remains in a sound financial position, has no debt and has sufficient cash on hand to meet its operating costs for the foreseeable future. Accordingly, in the absence of any significant acquisition or corporate action, the Company does not anticipate raising new capital or bank debt at this time.

The performance during the first 3 quarters of 2008 was solid but the 4<sup>th</sup> quarter result was poor due to the decrease in oil prices. Our revenue for 2008 increased by more than 15.1% to US\$17.48 million due to a combination of increased production and stronger oil prices. However, gross profit increased only modestly to US\$6.77 million compared to US\$6.37 million the previous year. The Group returned a reduced net profit after tax of US\$1.70 million compared to a net profit after tax of US\$2.26 million in 2007.

Myanmar's shareable production in 2008 was the highest since 2003 and improvements continue to be made. During the year, two wells were drilled which whilst still undergoing extended production testing, are contributing to total production. In addition, there were various successful well reopenings and reactivations. We received more payments of outstanding trade receivables (14 payments) during 2008 than we did in 2007 (10 payments).

In Thailand, the additional 2D seismic data was successfully acquired during the year and a suitable exploration well location was determined in Block L17/48. Planning for drilling the exploration well in 2009 is underway. Analysis continues with respect to the remaining two exploration blocks.

Production in Indonesia was the highest since Interra acquired its interest in the TMT field in early 2004 although it could have been better. Unfortunately, various operational and mechanical difficulties were encountered. The operator also experienced delays in the planned 3 well drilling program with the first well only spud in November 2008. Whether the remaining two wells will be drilled during 2009 is currently under review. Plans for a 3D seismic acquisition program have been temporarily suspended. The acquisition and successful installation of new engines which utilise previously flared gas to power the lifting units was a significant improvement to operations.

Throughout the year, we maintained our excellent health, safety and environment record although we are always looking to improve our efficiency and performance.

Interra operates with a small group of committed professionals with significant technical and regional knowledge. We are constantly strengthening our in-house ability to manage our existing assets and evaluate new opportunities. I would like to thank our staff for their continued hard work and commitment to the Group.

Despite the difficult market conditions, we continue to focus on replacing our reserves and our growth strategy remains consistent. Our strategy includes the following:

1. Maximise existing assets with additional investment and technology
2. Optimise human resources and increase technical skills
3. Expand through disciplined acquisitions and new ventures:
  - Onshore rather than offshore
  - Producing fields with upside potential
  - Lower risk exploration which is analogous to existing producing fields
  - Smaller scale assets
  - Major stakes and operatorship, where possible and realistic
  - Focus on Southeast Asia and Australia

Interra seeks to add shareholder value in a disciplined manner by adhering to our stated strategy. During the year, we continued to evaluate various opportunities which would fit in our asset portfolio. We believe that opportunities will arise in this period of uncertainty and our search remains ongoing.

During the year, we successfully completed a dual listing exercise on the Australian Securities Exchange without issuing any new shares. We intend to leverage on our dual listed status and consider other initiatives so that shareholder value will be enhanced.

The Board continues to be committed to the highest standards of corporate governance.

At this time, the Board considers that no dividend should be declared.

On behalf of the Board of Directors, I would like to thank our shareholders for their ongoing support.

Yours sincerely



**EDWIN SOERYADJAYA**

*Chairman*

26 March 2009





# MYANMAR

» **728,837 barrels** Gross Production

## Chauk and Yenangyaung IPRCs

In central Myanmar, we hold 60% of the rights to operate in two of the largest onshore oil fields, being the Chauk and Yenangyaung Improved Petroleum Recovery Contracts (“IPRCs”). The IPRCs with the Myanma Oil and Gas Enterprise (“MOGE”) (the Myanmar national oil company) commenced on 4 October 1996 for a term of 20 years and 6 months. We own the operatorship of the fields jointly with a partner. The Myanmar concessions cover a total area of approximately 1,800 square kilometres and are located along the Ayeyarwaddy River, approximately 580 kilometres north of Yangon. During 2008, the combined gross production for both fields was 728,837 barrels of oil.



## Financial Highlights



Group	2004	2005	2006	2007	2008
<b>Financial Performance</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Revenue	6,438 <sup>b</sup>	10,847 <sup>b</sup>	13,082	15,192	17,479
Cost of production	4,888 <sup>b</sup>	6,844 <sup>b</sup>	8,606	8,826	10,708
Gross profit	1,550 <sup>b</sup>	4,003 <sup>b</sup>	4,476	6,366	6,771
Gross profit margin (%)	24%	37%	34%	42%	39%
Net (loss)/profit before tax	(242) <sup>b</sup>	2,753 <sup>b</sup>	(822)	3,398	3,358
Net (loss)/profit after tax	(491) <sup>b</sup>	2,034 <sup>b</sup>	(1,743)	2,264	1,696
<b>Financial Strength</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Cash and cash equivalents	4,748 <sup>b</sup>	4,829 <sup>b</sup>	24,229	24,993	17,257
Debt and borrowings	4,381 <sup>b</sup>	15,282 <sup>b</sup>	4,041	4,292	–
Net current assets	3,355 <sup>b</sup>	4,005 <sup>b</sup>	23,822	18,436	16,779
Shareholders' equity	18,556 <sup>b</sup>	21,347 <sup>b</sup>	30,921	33,238	34,010
<b>Cash Flow</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Operating cash flow	644 <sup>b</sup>	797 <sup>b</sup>	748	3,505	2,014
Investing cash flow	(7,559) <sup>b</sup>	(11,998) <sup>b</sup>	20,061	(6,928)	(3,199)
Financing cash flow	9,146 <sup>b</sup>	11,283 <sup>b</sup>	(1,409)	–	(5,325)
Group	2004	2005	2006	2007	2008
<b>Shareholders' Wealth</b>					
Number of shares on issue	192,527,024 <sup>c</sup>	192,527,024	256,920,238	256,920,238	256,920,238
Basic (loss)/earnings per share (US cents) <sup>a</sup>	(0.263) <sup>c</sup>	1.057	(0.768)	0.881	0.660
Net asset value per share (US cents)	9.638 <sup>c</sup>	11.088	12.035	12.937	13.238
<b>Stock Information</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>	<b>S\$</b>
Year-end share price	0.600 <sup>c</sup>	0.215	0.290	0.280	0.095
Average share price	0.810 <sup>c</sup>	0.338 <sup>c</sup>	0.349	0.311	0.190
Highest share price	1.675 <sup>c</sup>	0.700 <sup>c</sup>	0.640	0.405	0.295
Lowest share price	0.475 <sup>c</sup>	0.185 <sup>c</sup>	0.220	0.210	0.070
Year-end market capitalisation	115,516,214	41,393,310	74,506,869	71,937,667	24,407,423
Average market capitalisation	151,213,696 <sup>c</sup>	64,977,871 <sup>c</sup>	79,886,449	79,953,578	48,917,613

<sup>a</sup> See Note 30 of the notes to financial statements for full details on fully diluted earnings per share

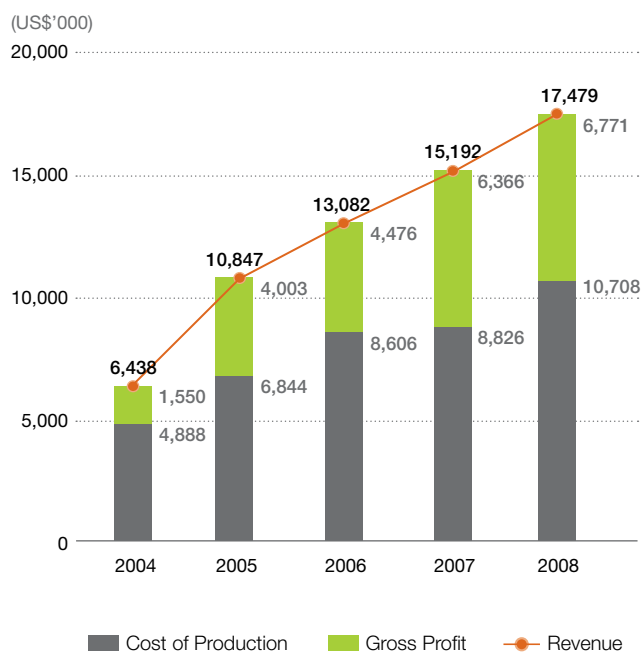
<sup>b</sup> Restated in US\$

<sup>c</sup> Adjusted for 5-to-1 share consolidation



## Financial Highlights

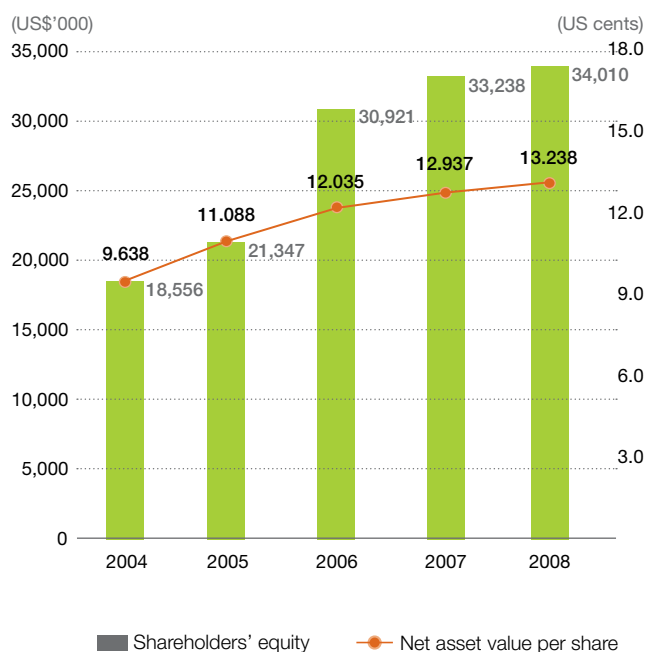
### Revenue, Cost of Production, Gross Profit



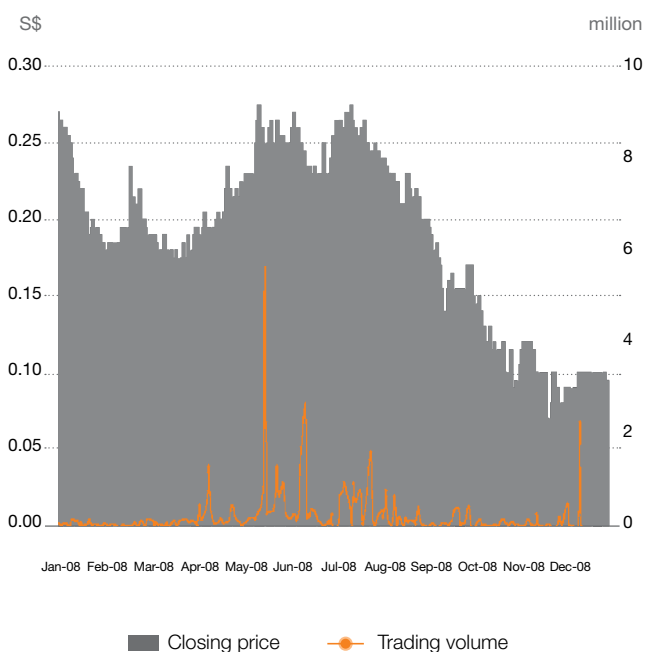
### Net Profit/(Loss) Before & After Tax, Basic Earnings/(Loss) Per Share



### Shareholder's Equity & Net Asset Value Per Share



### SGX Share Price & Volume for 2008





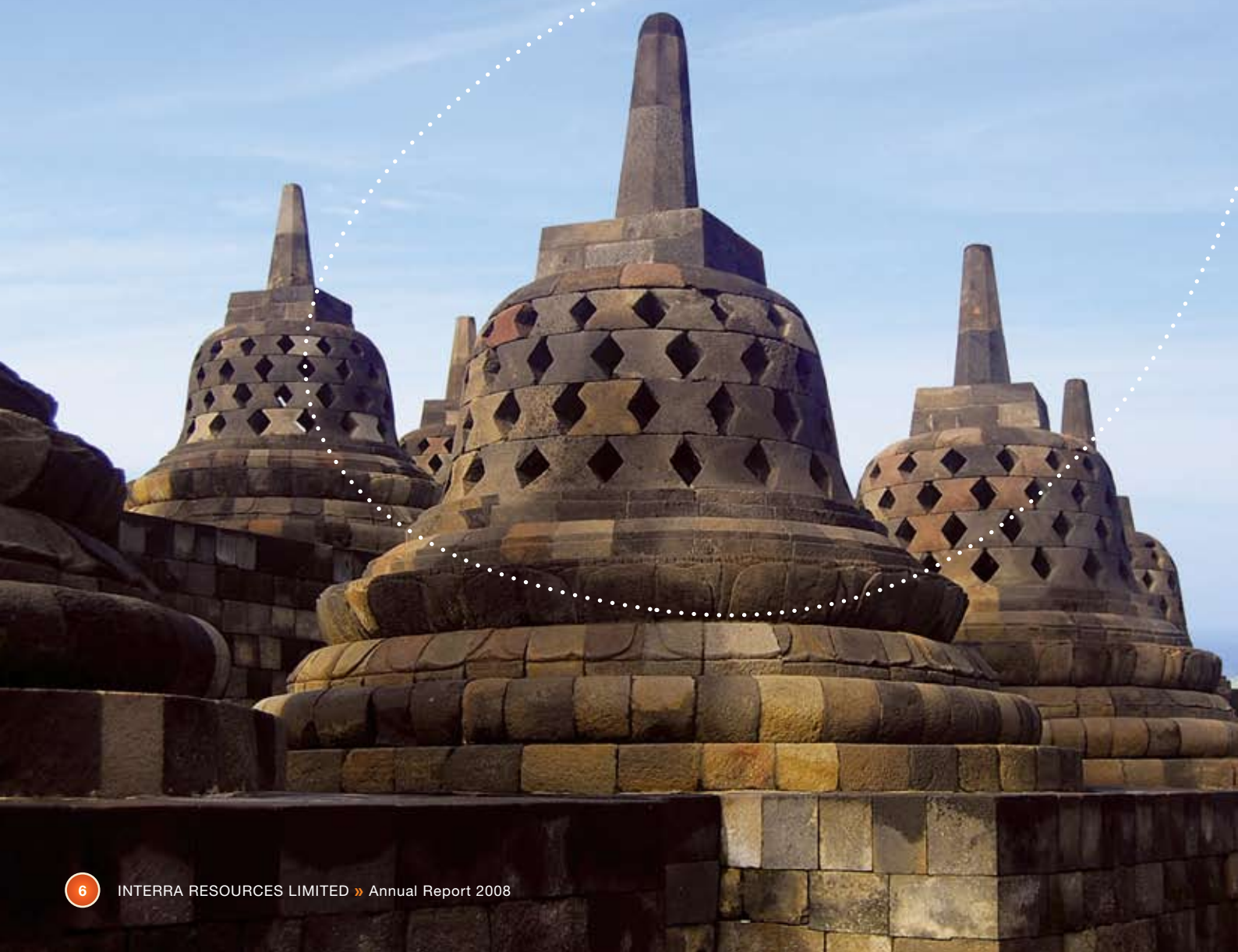


# INDONESIA

» **287,235 barrels** Gross Production

## Tanjung Miring Timur TAC

Onshore south Sumatra, we own a 70% non-operated interest in the Tanjung Miring Timur (“TMT”) Technical Assistance Contract (“TAC”). The TAC with Pertamina commenced on 17 December 1996 for a term of 20 years. The operator of the oil field is PT Retco Prima Energy (“Retco”). TMT covers an area of approximately 61 square kilometres and is located around 30 kilometres southeast of Prabumulih and about 120 kilometres southwest of Palembang. During 2008, gross production was 287,235 barrels of oil.





## Operating and Financial Review



### FINANCIAL REVIEW

#### Financial Performance

The Group's revenue has climbed steadily each year since its listing on the Singapore Exchange in 2003. Revenue for 2008 was US\$17.48 million compared to US\$15.19 million the previous year. The 15.1% increase was driven by a combination of increased production and higher oil prices mainly from the Myanmar concessions. Revenue from the Myanmar assets surged almost 52.4% to US\$7.97 million from US\$5.23 million the previous year. Revenue from Tanjung Miring Timur ("TMT") dropped by 4.6% to US\$9.51 million even though oil production increased compared to the year before. The decrease was due to domestic market obligation ("DMO") (a form of government royalty) of US\$1.97 million being netted off from revenue. No DMO was payable in 2007.

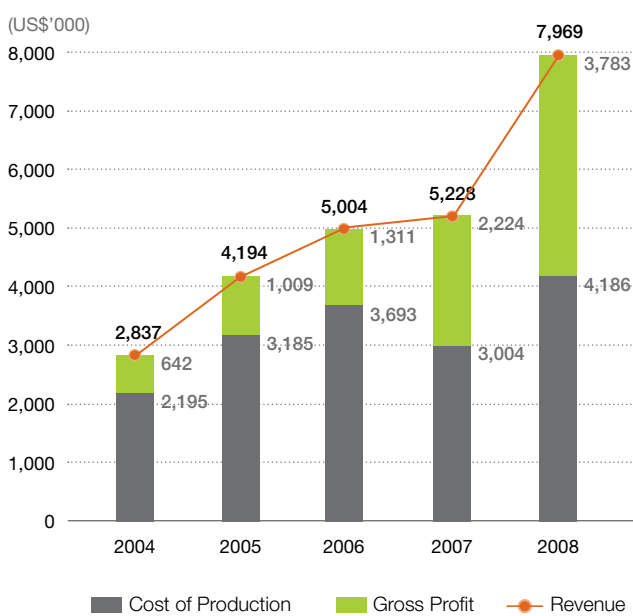
Due to the high cost operating environment, gross profit increased only modestly to US\$6.77 million compared to US\$6.37 million the previous year. Total production costs rose year on year by US\$1.88 million to US\$10.71 million, an increase of 21.3%.

This includes US\$1.64 million of non-cash costs being depreciation and amortisation. Production costs in Myanmar increased by almost 39.3% due to the increased level of activity and costs at TMT increased by 12.0%.

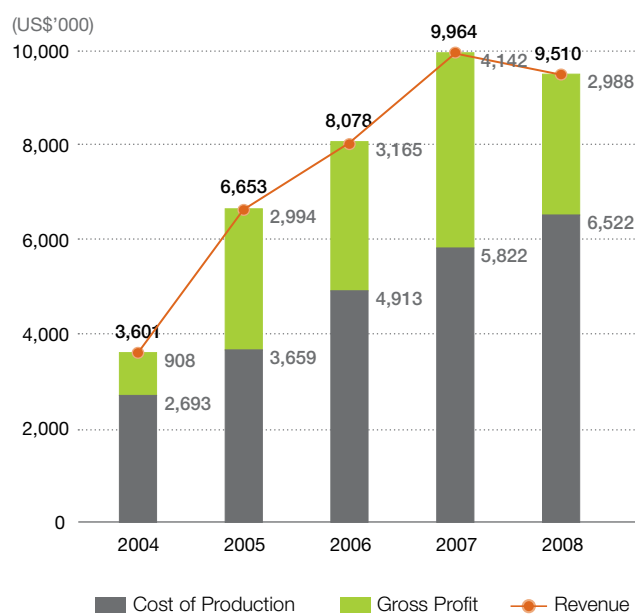
No impairment write-downs or additional allowance for doubtful debts were incurred during the year. Interest income was US\$0.51 million during the year whereas US\$1.13 million was earned in 2007. In 2009, only negligible interest will be earned on deposits due to the global low interest rate environment. A one-off profit on the sale of shares in Salamander Energy plc of US\$0.21 million was realised during the year. Income tax expense increased 46.9% to US\$1.66 million during the year. The Group generated a net profit after tax of US\$1.70 million for the year compared to US\$2.26 million the year before.

The Group had been on track to exceed the prior year's performance, however, the collapse of the oil price in late 2008 resulted in a poor performance in the 4<sup>th</sup> quarter of the year. In light of the prevailing economic conditions, costs are being reduced and work plans for 2009 minimised.

Revenue, Cost of Production & Gross Profit for Myanmar



Revenue, Cost of Production & Gross Profit for TMT







The Myanmar assets contributed a net amount of US\$2.92 million to the Group's earnings whereas TMT contributed US\$0.99 million. This represents a reversal from 2007 when the contribution from TMT was significantly larger than that of the Myanmar assets. Due to the terms of the concession agreements with the relevant host governments, the Myanmar assets will tend to outperform TMT when oil prices are high. Conversely, TMT will be less impacted by lower oil prices than the Myanmar assets.

#### Financial Position

The Group's financial position remained sound at the end of 2008. Total shareholders' equity as at 31 December 2008 increased to US\$34.01 million compared to US\$33.24 million at the previous year end. As at the end of 2008, the net asset value per share increased to 13.24 US cents per share compared with 12.94 US cents per share a year earlier. The Group has no interest-bearing debt.

Total cash on hand was US\$17.26 million at year end with US\$2.96 million pledged as cash collateral in respect of banker's guarantees in favour of the Thai Ministry of Energy which support the minimum work expenditures for the Thailand exploration blocks. In early 2009, the cash pledged reduced to US\$2.14 million.

The Group holds 10 million shares worth almost US\$0.44 million in PT Adaro Energy Tbk which are listed on the Jakarta stock exchange.

#### Cash Flow

The Group's cash position decreased by US\$7.73 million during 2008 so that cash at bank at year end was US\$17.26 million.

TMT generated a net cash inflow of US\$1.98 million for 2008. During the year, there was minimal capital expenditure due to a delay in the planned drilling program. The Myanmar fields incurred a net cash outflow of US\$0.45 million which was mainly attributable to the costs of drilling 2 wells at the Yenangyaung field during the second half of the year. There were 14 monthly payments of outstanding trade receivables made by MOGE during the year.

During 2008, the net cash outflow for the Thailand operations was US\$2.40 million. This comprised mainly expenditure on the 2D seismic acquisition program which was completed in early 2008. The minimum expenditure commitments required by the Petroleum Concession Agreements ("PCAs") for Blocks L3/48 and L9/48 have almost been fully met. The outstanding work commitment for Block L17/48 is the drilling of an exploration

well, the final cost of which has not yet been determined. Interra is required to fund a further US\$1.29 million in respect of the initial expenditure commitment on this block after which any further expenditure will be borne by the owners of the blocks in proportion to their participating interests in the PCAs.

During the year, unsecured loans totalling US\$4.38 million from a director, a substantial shareholder and a third party were repaid by the Company in full in cash. A maiden dividend to shareholders of the Company totalling US\$0.94 million was also paid in May 2008.

The Group foresees that it is able to internally fund its share of planned operating, capital and other commitments in 2009.

#### Capital

In June 2008, the Company was successfully admitted to the official list of the Australian Securities Exchange ("ASX"). No new shares were issued during this dual listing exercise. The Company's current issued ordinary shares are quoted on the ASX in the form of CHESS Depositary Interests ("CDIs"), with each CDI representing one ordinary share in the capital of the Company.

In March 2008, a total of 1,200,000 share options were granted to the Chief Executive Officer and Chief Technical Officer under the Interra Share Option Plan, with exercise prices at S\$0.45 and S\$0.55. None of the options have been exercised yet.

#### Myanmar

The Group's earnings will continue to be influenced by developments in Myanmar, particularly with respect to the payment of outstanding trade receivables. The impairment of the carrying value of the Myanmar assets which was made during 2006 was based upon the persistent irregular payment pattern. The frequency of payment improved during 2008. The Group received more monthly payments (14 received) during 2008 than it did in 2007 (10 received). If the payment situation permanently and consistently improves and circumstances warrant, the Board may write back all or part of the impairment in the future. Any write-back would be subject to the prevailing Financial Reporting Standards. Conversely, as impairment tests are conducted regularly, if circumstances deteriorate, a further impairment write-down may be required.

Shareholders should be aware that there is inherent uncertainty and unpredictability regarding the interpretation and implementation of various laws and regulations in Myanmar. For more detailed information regarding this matter, please refer to the notes to the financial statements on contingent liabilities.





# THAILAND

» **Exploration News:** After completing the interpretation of the additional 2D seismic data in 3Q08, a well location has been selected in **Block L17/48** and the well design has been finalised.

## Blocks L3/48, L9/48 and L17/48 PCAs

In western Thailand, we own a 50% interest in three onshore exploration blocks, namely Blocks L3/48, L9/48 and L17/48 Petroleum Concession Agreements ("PCAs"). The L17/48 PCA commenced on 8 December 2006 with an initial exploration obligation period of 6 years, followed by a commercial production period of 20 years and an option to extend the commercial production period for up to 10 years. The L3/48 and L9/48 PCA commenced on 20 April 2007 and have similar terms as the Block L17/48 PCA. We have joint control with our partner over the operations of the

blocks. The PCAs cover a total area of approximately 9,911 square kilometres. Block L17/48 covers an area of 3,996 square kilometres and is located in a highly prospective area of western Thailand abutting the Myanmar border and encompasses the Mae Sot Basin. Blocks L3/48 and L9/48, which are adjacent to each other, cover an area of 1,981 square kilometres and 3,934 square kilometres respectively and are located directly to the northeast of Block L17/48.

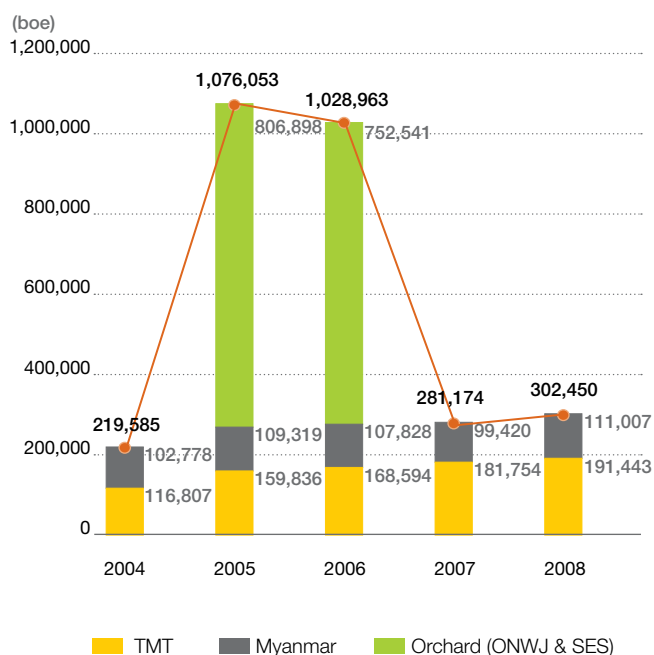


## OPERATING REVIEW

## Production

The Group's annual shareable production by field before application of the contractual arrangements with the relevant host government for the past 5 years is as follows:

Annual Shareable Production



## Notes:

1. Revenue from Orchard (ONWJ and SES) was not consolidated into the Group's top line revenue as it was consolidated based on equity accounting.
2. "boe" means "barrels of oil equivalent".

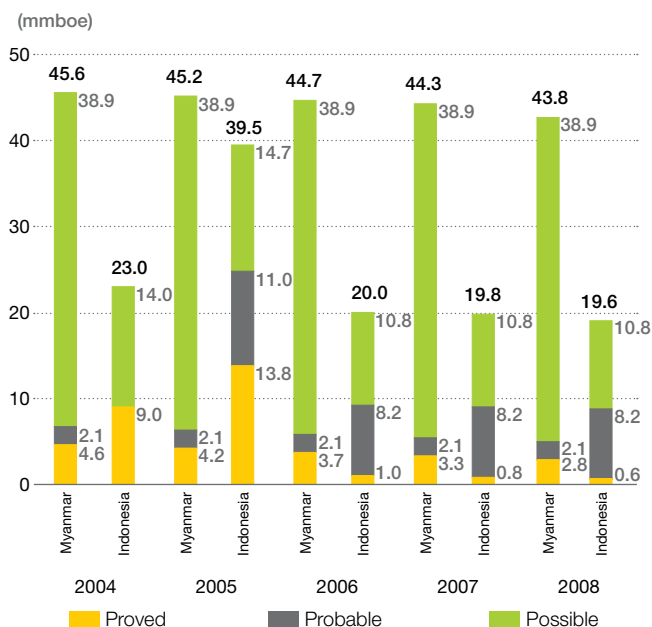
The Group's annual shareable production during 2008 was 302,450 barrels of oil, approximately 7.6% higher than for the previous year (281,174 barrels of oil). Interra's share of shareable production at TMT was the highest since the interest in the field was acquired in 2004 and shareable production in Myanmar was the highest since 2003. The increases were due to the effects of drilling new wells both in 2007 and late 2008 together with successful well reopenings and improved field practices in well maintenance.

The Group no longer produces gas commercially due to the sale of Orchard in August 2006.

## Reserves

The Group's gross reserves by country which represent its working interest in the reserves of the fields for the past 5 years are as follows:

Gross Reserves



## Notes:

1. Gross reserves refer to the estimated oil and gas reserves in the ground before application of the contractual arrangements with the relevant host government regarding produced hydrocarbons.
2. "mmboe" means "million barrels of oil equivalent".
3. For the purpose of converting gas reserves to barrels of oil equivalent, a factor of 6,000 standard cubic feet of gas to 1 barrel of oil equivalent was used.
4. The gross reserves are internal estimations based upon the following sources:

Field	Source of Data
Myanmar Chauk & Yenangyaung	Certificate of Oil Reserves as of April 2002* By Lemigas dated September 2002
Indonesia TMT	Reserves Certification of Tanjung Miring Timur as of 1 August 2005* By Gaffney, Cline & Associates (Consultants) Pte Ltd dated March 2006
Indonesia ONWJ	Oil and Gas Reserves Report as of 1 January 2006 By BP West Java Ltd dated January 2006
Indonesia SES	Estimated Future Gross and Net Reserves as of 31 December 2005 By Ryder Scott Company Petroleum Consultants dated February 2006

\*Actual production since the cut-off date has been deducted from the quantum of proved reserves

The Group's share of gross reserves based on existing external reserve certifications as of 31 December 2008 decreased compared to the previous year end as a result of actual production during 2008. Updated external reserve certifications were not commissioned during the year, however, at TMT there was significant production at one of the wells drilled during 2007 from a sand which is interpreted to have not previously produced in the field. Accordingly, the Group's internal analysis indicates that the reserves at the field have increased (such increase is not reflected in the chart above).



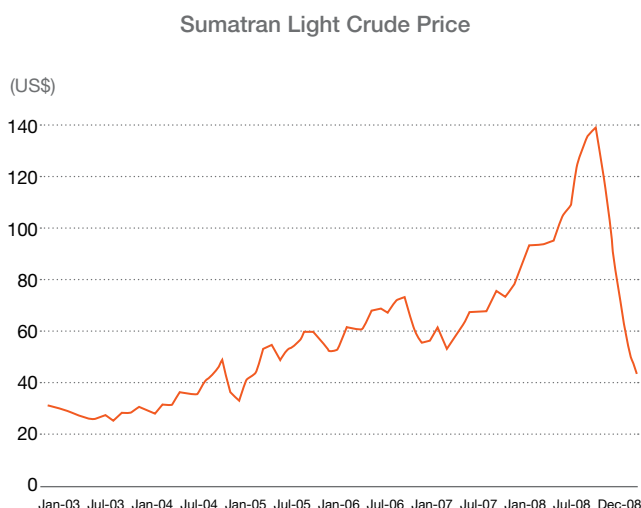
The comprehensive field study previously completed by Schlumberger Logelco Inc highlighted prospective areas in the Myanmar fields including various exploration prospects and leads. Similarly, Interra's analysis of available seismic data in the Thailand exploration blocks has identified one drillable exploration prospect and several leads. Any accumulation would likely be classified as prospective or contingent resources under the petroleum reserves and resources classification definitions and guidelines issued by the SPE/WPC/AAPG. Accordingly, they are not included in the gross reserves chart above.

**Note:**

The above information with respect to the Group's reserves is compiled by the Group's Chief Technical Officer, Mr Frank Overall Hollinger, who has consented in writing to the inclusion of that information in the form and context in which it appears.

### Oil Prices and Hedging

Oil prices rose during the first half of 2008 then collapsed later in the year as the global financial crisis took hold. The Sumatran Light Crude ("SLC") price (the oil price at which all of the Group's oil is sold) for the past 5 years is as follows:



During the year, the Group did not enter into any hedge or derivative agreements with respect to oil sales or prices. As such, the Group remains exposed to rises and falls in the prevailing oil price. It is likely that the Group will only enter into hedge arrangements if they are considered necessary as part of any acquisition. This will continue to be closely monitored in light of the prevailing circumstances.

### Factors Affecting Performance of the Business

The key factors affecting the performance of the business include:

#### 1. Oil Prices

As mentioned above, the Group does not have any hedge or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the oil it produces. The Group remains exposed to rises and falls in the prevailing oil price.

#### 2. Operating Costs

Costs associated with the petroleum industry surged in parallel with the higher oil prices during the past few years. We expect to see operating costs fall as the price of raw materials and demand for oil field services reduces as future work plans including drilling are cancelled or minimised throughout the industry. It may take some time for these costs to reduce in line with the lower prevailing oil price.

#### 3. Reserve Replacement, Drilling and Production Risk

The Group is striving to increase its reserves and production by new drilling at our existing fields and also by acquiring new producing properties. Two development wells were drilled in Myanmar during the year. Whilst still undergoing extended production testing, they have added modestly to the fields' production. Up to three development wells using the operator's own drilling rig may be drilled later in 2009. Three development wells were planned to be drilled at TMT during 2008, however, various delays experienced by the operator meant that only one well was spud during the year. The remaining two wells may be drilled during 2009 although this remains under review. Whilst the planned drilling at both TMT and Myanmar is development in nature, there is always risk that it will not be successful. A 3D seismic acquisition program at TMT, which may have highlighted increased reserves and delineated optimal drilling locations, has been temporarily suspended in light of the prevailing conditions.

As detailed in the Chairman's Statement in this annual report, the Group is actively seeking acquisitions to add to the Group's acreage and reserve base.



#### 4. Exploration Risk

The Thailand blocks in which the Group acquired a 50% interest during 2007 are exploration in nature. No wells have previously been drilled in these concessions. Accordingly, although prospective from the data that we have acquired, it is not certain whether any hydrocarbons exist and even if they do exist, whether it would be commercially viable to produce them. A drilling location has been selected and it is expected that an exploration well will be drilled in Block L17/48 in 2009. The result of this well will be important in determining the future work commitments that the Group will undertake in Block L17/48. Due to the inherently speculative nature of exploration activities, the Group carefully monitors its exposure to exploration costs and will look to defray such potential costs where it is deemed prudent to do so. This risk minimisation strategy is applicable to all contract areas in which the Group has an interest.

#### 5. Reserves Risk

There are numerous uncertainties inherent in estimating quantities of reserves and cash flows, including many factors that are beyond the control of the Company. Evaluation of reserves and cash flows include a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. Many of these assumptions are subject to change and are beyond the control of the Company.

### REVIEW OF ASSETS

#### Indonesia – TMT

TMT again improved its production performance during the year. Total gross oil production for 2008 was 287,235 barrels of oil compared to 275,697 barrels of oil during 2007. The 4.2% increase was mainly due to the additional production from the 3 wells drilled during the second half of 2007. The Group's shareable production was 191,443 barrels, an increase of almost 5.3% or 9,689 barrels of oil compared to the year before. Production would have been better had various operational and mechanical problems not been encountered, particularly in the third quarter of the year.

It was intended to drill 3 development wells during 2008, however, the operator experienced delays in implementing the program including rig availability and reliability. Accordingly, the first well in the program was only spud in November 2008. The remaining two wells in the program are intended to be drilled back to back in 2009 although this remains under review in light of the current circumstances. Apart from the drilling program, ongoing field and well maintenance including workovers and stimulations were conducted in order to slow the natural production decline which

occurs in a mature oil field. Gas powered engines have been introduced into the field to utilise the gas produced which would otherwise be flared. This reduces the fuel costs associated with the diesel powered engines which were replaced.

In light of the current circumstances, the work plan for 2009 has been reduced where possible and a planned 3D seismic acquisition survey has also been temporarily suspended.

#### Myanmar – Chauk and Yenangyaung Fields

The fields performed as expected with total gross oil production during 2008 of 728,837 barrels of oil which is consistent with the previous year. Interra's share of shareable production for 2008 increased by approximately 11.7% to 111,007 barrels of oil. This is the highest level since 2003.

The Chauk field performed well during the year with all major performance metrics improving from the previous year. Interra's share of shareable production from the Chauk field was 47,594 barrels of oil, an increase of 17.2% on 2007. Production increased due to amongst other things, successful well reopenings, reactivations and existing production enhancements. Two development wells were drilled in the Yenangyaung field in late 2008. Whilst still undergoing extended production testing, they are contributing modestly to the field's production. Interra's share of shareable production from the Yenangyaung field was 63,413 barrels of oil, some 7.8% higher than in 2007.

During 2009, a particular focus will be on improving production from existing wells in the two fields. Reactivating non-producing wells and small scale water disposal projects designed to enhance reservoir pressure maintenance will also be undertaken. During 2009, up to three low cost intermediate depth wells may be drilled using the operator's own rig. Geosciences work and field analysis will continue with in-house reservoir simulation projects to be undertaken in respect of various of the fault blocks in both fields.

#### Thailand – Exploration Blocks

Significant work by Interra's geosciences team has yielded a suitable location to drill an exploration well in Block L17/48. Extensive work was undertaken leading to the comprehensive application to the Office of Natural Resources and Environmental Policy and Planning ("ONEP") for environmental approval of the drilling project. Written approval was received from the ONEP in early 2009. It is expected that the well will spud in 2009 depending on various factors including rig availability and the impact, if any, of the rainy season. The result of this well will strongly influence what future work will be undertaken in this block.

The seismic acquired in early 2008 and other data for Blocks L3/48 and L9/48 continue to be reviewed. The minimum work commitments have essentially been met for these blocks and the results of the ongoing analysis will determine the future work plans.

## Board of Directors

### **Edwin Soeryadjaya**

#### *Chairman*

Mr Edwin Soeryadjaya, who joined Interra as a Non-Executive Director on 14 December 2004, has been the Chairman of the Interra Board since 1 July 2005.

Mr Soeryadjaya is one of the Founding Partners and Chairman of PT Saratoga Investama Sedaya, a private equity and direct investment company in Indonesia. He commenced his career with PT Astra International Tbk in 1978 and was responsible for its financial restructuring and public listing. He left Astra as Vice President Director in 1993 to set up his own investment company. His chairmanships include being the President Commissioner of PT Mitra Global Telekomunikasi Indonesia, PT Adaro Energy Tbk, PT Saptaindra Sejati, PT Global Kalimantan Makmur, PT Indonesia Bulk Terminal and PT Pulau Seroja. He also serves on the board of commissioners of PT Lintas Marga Sedaya and sits on the board of directors of L & M Group Investments Ltd and Fleur Enterprises Limited.

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

Mr Soeryadjaya was last re-elected as a director at Interra's Annual General Meeting on 25 April 2008.

### **Sandiaga Salahuddin Uno**

#### *Deputy Chairman*

Mr Sandiaga Salahuddin Uno, who joined Interra as a Non-Executive Director on 1 July 2003, has been the Deputy Chairman of the Interra Board since 1 July 2005. He also serves as a Member of the Audit Committee, a Member of the Nominating Committee and a Member of the Remuneration Committee.

Currently, Mr Sandiaga is the President Director of PT Saratoga Investama Sedaya, a private equity and direct investment company in Indonesia. He is also the Vice President for Small and Medium Enterprises of the Indonesian Chamber of Commerce and Industry (KADIN).

He sits on the board of directors of PT Adaro Energy Tbk, PT Indonesia Bulk Terminal, PT Mitra Global Telekomunikasi Indonesia, PT Lintas Marga Sedaya, Fleur Enterprises Limited and Attica Finance Limited. He also serves on the board of commissioners of PT Saptaindra Sejati, PT Global Kalimantan Makmur, PT Capitalinc Investment Tbk and PT Makmur Sejahtera Wisesa.

Mr Sandiaga received a Bachelor of Business Administration with summa cum laude from the Wichita State University, Kansas in 1990 and a Master of Business Administration from The George Washington University, Washington D.C. in 1992.

Mr Sandiaga was last re-elected as a director at Interra's Annual General Meeting on 30 April 2007.

### **Luke Christopher Targett**

#### *Chief Executive Officer & Executive Director*

Mr Luke Christopher Targett has been the Chief Executive Officer and Executive Director of Interra since 1 July 2005. He also sits on the boards and management committees of Interra's subsidiary companies and joint venture entities.

He was previously a Partner at Ernst & Young in Corporate Finance with over 17 years experience in mergers and acquisitions, valuations, restructuring and risk management gained in Australia, London, Thailand and Indonesia.

Mr Targett graduated with a Bachelor of Commerce from The University of Melbourne in 1991 and completed the Professional Year Program at the Institute of Chartered Accountants in Australia in 1993. Subsequently, he obtained a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a Member of the Institute of Chartered Accountants in Australia and a Fellow of the Financial Services Institute of Australasia.

Mr Targett was last re-elected as a director at Interra's Annual General Meeting on 26 April 2006.

### **Subianto Arpan Sumodikoro**

#### *Non-Executive Director*

Mr Subianto Arpan Sumodikoro has been a Non-Executive Director of Interra since 14 December 2004. He commenced his career with PT Astra International Tbk in 1969 and held a variety of positions within the Astra group, rising to be its Vice Chairman in 2000. Before he retired from the Astra group in 2006, he also served on the board of commissioners of PT Astra Agro Lestari Tbk.

Currently, Mr Subianto leads the board of directors of his own investment and holding companies, PT Tri Nur Cakrawala, PT Pandu Alampersada, PT Persada Capital, PT Persada Capital Investama and Canyon Gate Investments Ltd. In addition, he is the President Commissioner of PT Kirana Megatara and the Chairman of Multi-Corporation (S) Pte Ltd. He also sits on the board of commissioners of PT Saptaindra Sejati, PT Adaro Indonesia and PT Padang Karunia.



## Board of Directors

Mr Subianto graduated from the Bandung Institute of Technology in 1969 with a Bachelor Degree in Mechanical Engineering.

Mr Subianto was last re-elected as a director at Interra's Annual General Meeting on 26 April 2006.

### **Allan Charles Buckler**

#### *Independent Director*

Mr Allan Charles Buckler has been an Independent Director of Interra since 14 December 2004. He also serves as the Chairman of the Nominating Committee, a Member of the Audit Committee and a Member of the Remuneration Committee. He also sits on the board of directors of Haddington Resources Limited.

Mr Buckler holds a Certificate in Mine Surveying and Mining. He also holds a First Class Mine Managers Certificate and a Mine Surveyor Certificate issued by the Queensland Government's Department of Mines.

Mr Buckler was last re-elected as a director at Interra's Annual General Meeting on 25 April 2008.

### **Lim Hock San**

#### *Independent Director*

Mr Lim Hock San has been an Independent Director of Interra since 3 July 2004. He also serves as the Chairman of the Audit Committee, the Chairman of the Remuneration Committee and a Member of the Nominating Committee.

Mr Lim is currently the President and Chief Executive Officer of both United Industrial Corporation Limited and Singapore Land Limited. He also holds directorships in Keppel Corporation Limited, Gallant Venture Ltd., Hsu Fu Chi International Limited and Indofood Agri Resources Ltd.

Mr Lim graduated from the University of Singapore with a Bachelor of Accountancy. He obtained a Master of Science in Management from Massachusetts Institute of Technology, USA in 1973 and attended the Advanced Management Program at Harvard Business School. He is a Fellow of The Chartered Institute of Management Accountants, UK and a Fellow of the Institute of Certified Public Accountants of Singapore.

Mr Lim was last re-elected as a director at Interra's Annual General Meeting on 30 April 2007.

### **Ng Soon Kai**

#### *Independent Director*

Mr Ng Soon Kai has been an Independent Director of Interra since 1 November 2005. He also serves as a Member of the Nominating Committee and a Member of the Remuneration Committee. He is currently the Managing Director of Ng Chong & Hue LLC and has vast legal experience in litigation, mergers and acquisitions, corporate restructuring, reverse takeovers and schemes of arrangement.

Mr Ng obtained Second Class Upper Division Honours in Law from the National University of Singapore in 1989. He is a Commissioner for Oaths and a Notary Public.

Mr Ng was last re-elected as a director at Interra's Annual General Meeting on 26 April 2006.

### **Crescento Hermawan**

#### *Alternate Director to Subianto Arpan Sumodikoro*

Mr Crescento Hermawan has been the Alternate Director to Mr Subianto Arpan Sumodikoro since 19 May 2005. He is currently the President Director of PT Persada Capital and Director of PT Persada Capital Investama. He also serves on the board of commissioners of PT Sahabat Finance.

Mr Crescento holds a Bachelor of Finance from The University of Toledo, Ohio.

# Key Management

## **Foo Say Tain**

### *Chief Financial Officer*

Mr Foo Say Tain, the Chief Financial Officer of Interra, joined the Company in November 2007. He has overall responsibility for the Group's financial and management accounting, treasury, taxation and other corporate compliance matters.

Prior to joining Interra, Mr Foo was the Group Financial Controller of Ultro Technologies Limited and Tye Soon Limited. He has more than 16 years of experience in accounting, finance and administration, both in listed companies and foreign MNCs.

Mr Foo is a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore and a Fellow of the Association of Chartered Certified Accountants, UK. He also holds a degree in Bachelor of Business Administration from The National University of Singapore.

## **Frank Overall Hollinger**

### *Chief Technical Officer*

Mr Frank Overall Hollinger has been the Chief Technical Officer of Interra since July 2006. He manages the geoscience and other technical aspects of the petroleum exploration and production business.

Prior to joining Interra, 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 geoscience career in 1971 while in graduate school as a National Aeronautics and Space Administration research assistant at The University of New Mexico, USA. 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 30 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 American Association of Petroleum Geologists.



# Corporate Governance Report

The Company is required under the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2005 (the "SGX Code") which came into effect on 1 January 2007.

The following report discloses the Company's corporate governance policies and practices in 2008 and explains any deviation from any guideline of the SGX Code.

## BOARD MATTERS

### Principle 1 – Board's Conduct of its Affairs

***Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the success of the company. The board works with management to achieve this and the management remains accountable to the board.***

The role of the Board includes:

- (a) providing entrepreneurial leadership and setting corporate strategy and direction;
- (b) ensuring that the necessary financial resources and Management of high integrity are in place for the Company to meet its objectives;
- (c) reviewing risk management framework and controls;
- (d) reviewing Management performance and providing oversight in the proper conduct of the Group's business; and
- (e) ensuring that obligations to shareholders and others are understood and met.

To assist in the efficient discharge of its fiduciary duties, the Board had previously established three (3) Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). Each Committee has its own terms of reference to address their respective areas of focus. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board.

All directors objectively take decisions in the interests of the Company. The Management provides the Board with regular financial and operational updates and decisions on all key matters such as significant acquisitions and disposals or undertakings, funding proposals and the releases of the Group's results and other significant announcements are made by the Board.

During the year, the Board met on five (5) occasions to review and approve various matters relating to business strategies, corporate governance practices, and performance of the Group. Whenever possible, Board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate the review of financial statements and announcement of unaudited quarterly results of the Group. Ad-hoc Board meetings to discuss and approve material acquisitions and disposals of assets and major undertakings of the Group were convened when the need arose. Where the attendance of certain directors was not physically possible, meetings were conducted with these directors communicating through teleconferencing. To further facilitate the efficient management of the Group, resolutions of the Board were passed by way of circulating minutes pursuant to Article 105 of the Articles of Association of the Company.

Upon the appointment of a new director, the Company will provide a formal letter to the director, setting out clearly the director's duties and obligations. For first-time directors, the Company will offer to provide training appropriate to the level of their previous experience in areas such as accounting, legal and industry knowledge. Further, the Company has in place an orientation program to ensure that the incoming directors become familiar with the Group's businesses and corporate governance practices. No new directors were appointed during the financial year ended 31 December 2008.

Changes to regulations and accounting standards are monitored closely by the Management. Where these changes have an important bearing on the Company's or directors' disclosure obligations, directors are kept informed of such changes from time to time through the circulation of the relevant changes which are also tabled during Board meetings.

# Corporate Governance Report

The attendance of every member at Board meetings and Board Committee meetings expressed as a ratio of the total number of meetings held during each member's period of appointment is set out as follows:-

Name	Board Meeting Attendance	Audit Committee Meeting Attendance	Nominating Committee Meeting Attendance	Remuneration Committee Meeting Attendance
Edwin Soeryadjaya	3/5	-	-	-
Sandiaga Salahuddin Uno	5/5	4/4	1/1	2/2
Luke Christopher Targett	5/5	4/4^	-	-
Subianto Arpan Sumodikoro	3/5	-	-	-
Allan Charles Buckler	4/5	2/4	1/1	2/2
Lim Hock San	5/5	4/4	1/1	2/2
Ng Soon Kai*	4/5	-	0/1	-
Crescento Hermawan				
(alternate director to Subianto Arpan Sumodikoro)	0/5	-	-	-

^ Attended by invitation

\* Mr Ng Soon Kai was appointed to the Remuneration Committee on 25 June 2008.

## Principle 2 – Board Composition and Balance

***There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the board's decision making.***

The Board comprises seven (7) directors and one (1) alternate director to Mr Subianto Arpan Sumodikoro. Profiles of the directors are set out in the Board of Directors section of this Annual Report.

The compositions of the Board and Board Committees are set out below.

Name	Date of First Appointment / Last Re-election	Board	Audit Committee	Nominating Committee	Remuneration Committee
Edwin Soeryadjaya	14-Dec-2004/ 25-Apr-2008	Non-Executive, Chairman	-	-	-
Sandiaga Salahuddin Uno	01-Jul-2003/ 30-Apr-2007	Non-Executive, Deputy Chairman	Member	Member	Member
Luke Christopher Targett	01-Jul-2005/ 26-Apr-2006	Executive, Chief Executive Officer	-	-	-
Subianto Arpan Sumodikoro	14-Dec-2004/ 26-Apr-2006	Non-Executive	-	-	-
Allan Charles Buckler	14-Dec-2004/ 25-Apr-2008	Non-Executive, Independent	Member	Chairman	Member
Lim Hock San	03-Jul-2004/ 30-Apr-2007	Non-Executive, Independent	Chairman	Member	Chairman



# Corporate Governance Report

Name	Date of First Appointment / Last Re-election	Board	Audit Committee	Nominating Committee	Remuneration Committee
Ng Soon Kai	01-Nov-2005/ 26-Apr-2006	Non-Executive, Independent	-	Member	Member
Crescento Hermawan	19-May-2005	Alternate director to Subianto Arpan Sumodikoro	-	-	-

Currently, there are three (3) independent directors appointed on the Board thereby fulfilling the SGX Code's recommendation that independent directors make up at least one third (1/3) of the Board. The independence of each director is reviewed by the NC based on the guidelines set forth in the SGX Code.

The Board is of the view that its current size is appropriate, taking into account the size and scope of operations of the Company.

The Board of Directors possesses the requisite experience and knowledge in various fields. As a group, the Board is skilled in core competencies such as law, accounting/finance, business/management, industry knowledge and strategic planning.

The non-executive directors met informally without the presence of the Management from time to time so as to facilitate a more effective check on the Management. The matters discussed included developing proposals on strategy, reviewing the performance of the Management in meeting agreed goals and objectives, and monitoring the reporting of performance.

## Principle 3 – Chairman and Chief Executive Officer

***There should be a clear division of responsibilities at the top of the company – the working of the board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.***

The roles of the Chairman and the Chief Executive Officer ("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 related to each other within the meaning of the SGX Code. The CEO, who is responsible for the day-to-day operations of the Group, 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.

## Principle 4 – Board Membership

***There should be a formal and transparent process for the appointment of new directors to the board.***

The members of the NC are:

- (a) Mr Allan Charles Buckler (Chairman);
- (b) Mr Lim Hock San;
- (c) Mr Ng Soon Kai; and
- (d) Mr Sandiaga Salahuddin Uno.

The NC comprises four (4) directors, the majority of whom, including the Chairman are independent. The Chairman of the NC is not directly associated with a substantial shareholder of the Company within the meaning of the SGX Code.

The NC has written terms of reference that describe the responsibilities of its members. The role of the NC includes:

- (a) developing and maintaining a formal and transparent process for the appointment of new directors, including the nomination and selection process of the new director and how he/she will fit in the overall competency of the Board;

## Corporate Governance Report

- (b) reviewing all nominations for the re-appointment of members of the Board at the annual general meeting having regard to the director's contribution and performance (e.g. attendance, preparedness, participation, candour and any other salient factors);
- (c) ensuring that all directors submit themselves for re-nomination and re-election at regular intervals and at least every three (3) years in accordance with the Articles of Association of the Company;
- (d) determining annually whether a director is independent, bearing in mind the circumstances set forth in the SGX Code;
- (e) recommending to the Board as to whether the director is to be considered independent, based on the returns submitted by the directors upon appointment and subsequently on an annual basis in the form set out in its terms of reference;
- (f) reviewing the change in circumstances upon notification of an independent director to the Board that he no longer meets the criteria for independence as a result of a change in circumstances and make its recommendation to the Board;
- (g) deciding whether a director is able to and has adequately carried out his duties as a director of the Company in particular where the director concerned has multiple board representations;
- (h) developing and maintaining a formal assessment process for the evaluation of the effectiveness of the Board as a whole and the contributions of each individual director to the Board's effectiveness;
- (i) deciding on how the Board's performance may be evaluated and proposing objective performance criteria for the Board's approval;
- (j) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily;
- (k) considering the various disclosure requirements for the appointment of directors, particularly those required by regulatory bodies such as the SGX-ST; and
- (l) undertaking such other duties as may be agreed to between itself and the Board.

The NC made the requisite recommendations to the Board on the re-nomination and re-election of directors in accordance with the Articles of Association of the Company and as contemplated by the SGX Code.

The NC also reviewed and determined that there was no change in the independent status of three (3) independent directors, Mr Allan Charles Buckler, Mr Lim Hock San and Mr Ng Soon Kai.

When considering a new Board member, the NC will review the curriculum vitae of the potential candidate and consider his/her experience and likely contribution to the Board. Interviews will then be subsequently conducted before the NC makes its recommendation to the Board. The Board will make the final determination for the appointment.

Each meeting of the NC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and reported by the NC chairman to the Board.

### **Principle 5 – Board Performance**

***There should be a formal assessment of the effectiveness of the board as a whole and the contribution by each director to the effectiveness of the board.***

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual directors. The assessment parameters include evaluation of the size and composition of the Board, the Board's access to information, the Board's processes and accountability, objective performance criteria, which allow comparison with the Company's peers, as well as consideration of the Guidelines to Principle 5 of the SGX Code.

### **Principle 6 – Access to Information**

***In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.***

The Management regularly keeps the Board updated on the operational activities, progress and development, and future prospects of the Group. Comprehensive quarterly financial reports are submitted to the Board for approval and release to the public. Other information given to the Board comprises background or explanatory information, disclosure documents, proposals, budgets, forecasts and monthly management accounts.



# Corporate Governance Report

The directors have direct and independent access to the Company Secretary. The responsibilities of the Company Secretary include:

- (a) attending all Board 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 Group;
- (d) maintaining and updating all statutory books and records;
- (e) ensuring that good information flows within the Board and its Committees and between senior management and non-executive directors; and
- (f) facilitating orientation and assisting with professional development as required.

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. The existing Company Secretary, Ms Loo Hwee Fang, was appointed as Company Secretary with effect from 6 March 2009, in place of Mr Lun Chee Leong who resigned as Company Secretary with effect from 6 March 2009.

The directors, in the furtherance of their duties, are allowed to take independent professional advice, if necessary, at the Company's expense.

## REMUNERATION MATTERS

### Principle 7 – Procedures for Developing Remuneration Policies

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

### Principle 8 – Level and Mix of Remuneration

*The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

### Principle 9 – Disclosure on Remuneration

*Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

The members of the RC are:

- (a) Mr Lim Hock San (Chairman);
- (b) Mr Allan Charles Buckler;
- (c) Mr Ng Soon Kai; and
- (d) Mr Sandiaga Salahuddin Uno.

The RC comprises four (4) non-executive directors, the majority of whom are independent, including the Chairman.

The RC has written terms of reference that describe the responsibilities of its members. The role of the RC includes:

- (a) developing and maintaining a formal and transparent policy for the determination of directors' remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;
- (b) recommending to the Board a framework of remuneration for directors and specific remuneration packages for each executive director and the chief executive officer, if the chief executive officer is not an executive director;
- (c) reviewing the remuneration of senior management;
- (d) considering what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination;
- (e) ensuring that the level of remuneration offered is appropriate to the level of contribution, taking into account factors such as effort and time spent, pay and employment conditions within the industry and in comparable companies and responsibilities undertaken;

## Corporate Governance Report

- (f) reviewing whether directors should be eligible for benefits under long-term incentive schemes and to evaluate the costs and benefits of long-term incentive schemes;
- (g) making recommendations in consultation with the chief executive officer and submitting its recommendations for endorsement by the entire Board;
- (h) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily;
- (i) considering the various disclosure requirements for directors' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties; and
- (j) undertaking such other duties as may be agreed to by itself and the Board.

During the year, the RC made the requisite recommendations regarding the remuneration packages of directors including the CEO and submitted them for endorsement by the entire Board. The RC's recommendations covered all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. In setting remuneration packages of directors, the RC takes into consideration the remuneration and employment conditions within the same industry and comparable companies as well as the Group's relative performance and size. No director was involved in deciding his own remuneration other than the framework of remuneration scheme for the Board as a whole. Directors' fees for the financial year ended 31 December 2008 are proposed by the Board for shareholders' approval at the Company's annual general meeting to be held on 29 April 2009.

The RC also reviewed the remuneration of senior management during the course of the year. The RC had on 3 March 2008 granted share options to the CEO and Chief Technical Officer so as to further align the interest of the senior management with those of shareholders and to link corporate and individual performance. A SGXNET announcement with details of the grants was made on the date of grant in accordance with Rule 704(27) of the SGX-ST Listing Manual. Full details of the Interra Share Option Plan are set out in Note 22 of the Notes to Financial Statements of this Annual Report.

The RC also recommended to the Board that the CEO's service contract, which had expired in June 2008, be extended to 20 June 2009 and thereafter be renewed on a yearly basis.

Each meeting of the RC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and reported by the RC chairman to the Board.

The Company has endeavoured to ensure that there is adequate disclosure of its remunerations policies and the remuneration details of directors and key executives to enhance transparency between the Company and shareholders.

The remuneration of directors for the financial year ended 31 December 2008 is tabularised below.

Name	Directors' Fees	Base / Fixed Salary	Variable Component or Bonuses	Benefits-in-kind, Allowances and Other Incentives
<b>S\$500,000 – S\$750,000</b>				
Luke Christopher Targett	-	48%	6%	46%
<b>Below S\$250,000</b>				
Edwin Soeryadjaya	100%	-	-	-
Sandiaga Salahuddin Uno	100%	-	-	-
Subianto Arpan Sumodikoro	100%	-	-	-
Allan Charles Buckler	100%	-	-	-
Lim Hock San	100%	-	-	-
Ng Soon Kai	100%	-	-	-
Crescento Hermawan	-	-	-	-

The total directors' fees for the year amounted to S\$328,000 (FY2007: S\$205,000).



# Corporate Governance Report

The remuneration of key executives for the financial year ended 31 December 2008 is tabularised below:

Name	Base / Fixed Salary	Variable Component or Bonuses	Benefits-in-kind, Allowances and Other Incentives
<b>S\$250,000 – S\$500,000</b>			
Frank Overall Hollinger	73%	9%	18%
<b>Below S\$250,000</b>			
Foo Say Tain	85%	11%	4%

There were no employees who are immediate family members of a director or CEO, and whose remuneration exceeds S\$150,000 during the year.

## ACCOUNTIBILITY AND AUDIT

### Principle 10 – Accountability

***The board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Board is mindful of its responsibility of overseeing the corporate performance of the Company and is accountable to shareholders for the processes of directing and managing the Company's business and affairs. The Board makes quarterly announcements of the Group's results so as to provide shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

The Management keeps the Board informed and updated of the Group's operational and financial performance with the provision of comprehensive monthly management reports. Apart from adopting corporate governance practices in line with the spirit of the SGX Code, the Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has endeavoured to circulate timely, adequate and non-selective disclosure of material information.

### Principle 11 – Audit Committee

***The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

The members of the AC are:

- (a) Mr Lim Hock San (Chairman);
- (b) Mr Allan Charles Buckler; and
- (c) Mr Sandiaga Salahuddin Uno.

The AC comprises three (3) directors, all of whom, including the Chairman, are non-executive and the majority of whom are independent.

The AC has written terms of reference that describe the responsibilities of its members. The role of the AC includes:

- (a) appraising the effectiveness of the audit efforts of the external auditors and reviewing the independence of the external auditors annually and making recommendations to the Board on the appointment and re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, including but not limited to approving remuneration and terms of engagement of the external auditors;
- (b) ensuring (at least annually) that the internal audit function is adequately resourced, independent of the activities it audits and has appropriate standing within the Company;
- (c) ensuring that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management policies and systems, is conducted annually;
- (d) reviewing the audit plans of the external auditors and the internal auditors, including the results of their review and evaluation of the adequacy and effectiveness of the system of internal audit controls;

# Corporate Governance Report

- (e) reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discussing any significant adjustments, major risks areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, 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;
- (f) reviewing the periodic consolidated financial statements comprising the profit and loss statements and the balance sheets and such other information required by the SGX-ST Listing Manual, before submission to the Board for approval;
- (g) reviewing and discussing with the external auditors and the internal auditors any suspected fraud, irregularity or infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;
- (h) meeting with the external auditors and the internal auditors without the presence of the Management at least once a year and to review the co-operation given by the Management to them;
- (i) reviewing arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (j) reviewing, approving and ratifying any interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual as may be amended from time to time and such other rules and regulations under the listing rules of the SGX-ST that may be applicable in relation to such matters from time to time;
- (k) reviewing any potential conflicts of interest;
- (l) undertaking such other reviews and projects as may be requested by the Board, and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (m) undertaking generally such other functions and duties as may be required by law, the SGX-ST Listing Manual or the Securities and Futures Act, Chapter 289 and by such amendments made thereto from time to time;
- (n) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily; and
- (o) considering the various disclosure requirements for the financial reporting, particularly those required by regulatory bodies such as the SGX-ST and to ensure that there is adequate disclosure in the financial statements.

The Board is of the view that the present members of the AC have sufficient accounting or related financial management expertise and experience to discharge their responsibilities as set out in its terms of reference.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation of the Management and full discretion to invite any director or executive officer to any of its meetings, and it is in possession of reasonable resources to enable it to discharge its functions properly.

During the year, the AC met with the Management and the external auditors on four (4) occasions. These meetings included, amongst other things, a review of the Group's financial statements, internal control procedures, prospects and independence of the external auditors. The AC also met with the external auditors without the presence of the Management. There were no non-audit services provided to the Group by the external auditors.

The AC has in place a whistle blowing policy for the Group. The purpose of the policy is to provide a platform for the employees of the Group to report any fraud, abuse or violations of business ethics and regulations to the AC Chairman directly. The violations that can be reported on under the policy include both accounting related as well as non-accounting related violations.

Each meeting of the AC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and tabled at Board meetings.

## Principle 12 – Internal Controls

***The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.***



# Corporate Governance Report

## Principle 13 – Internal Audit

***The company should establish an internal audit function that is independent of the activities it audits.***

The Company has, during the financial year outsourced and appointed an established audit firm to perform the internal audit function. The appointed audit firm will propose and present its audit plan to the AC during the next AC meeting and will perform the field audit in due course. In the meantime, the Board is of the opinion that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets.

The AC is responsible for reviewing the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management. The external auditors conduct annual compliance check of the internal controls of the Group and report these findings to the AC. This facilitates the AC in assessing the adequacy of internal controls and in reassuring the Board that sufficient checks are in place. The AC is satisfied that the independence of the external auditors is not compromised by any other material relationship with the Company. An efficient framework of internal controls is in place and is being refined constantly, with reviews conducted at least annually.

## COMMUNICATIONS WITH SHAREHOLDERS

### Principle 14 – Regular, Effective and Fair Communication with Shareholders

***Companies should engage in regular, effective and fair communication with shareholders.***

### Principle 15 – Greater Shareholder Participation

***Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

The Company has in place a communication framework that disseminates timely and complete financial data, price-sensitive information and material developments to shareholders. Quarterly releases of financial results, press releases on significant developments and all other information are first announced on the website of the SGX-ST via SGXNET and then posted on the Company's website at [www.interraresources.com](http://www.interraresources.com).

The Company encourages active shareholder participation at its general meetings. Notices of meetings are published in the major newspapers and reports or circulars of the general meetings are despatched to all shareholders by post. Shareholders who are unable to attend the general meetings may appoint up to two proxies each to attend and vote on their behalf as long as proxy forms are sent in advance.

Resolutions passed at general meetings are kept separate with respect to each distinct issue.

In previous general meetings, as far as possible, at least one chairperson of the AC, NC and RC has been present and was available to address questions. The Company will continue to endeavour to arrange for all Committee chairpersons to attend all general meetings. The external auditors are present at every general meeting to assist the directors in addressing any relevant queries by any shareholder.

## INTERESTED PERSON TRANSACTIONS – SGX-ST LISTING RULE 1207(16)

There were no interested person transactions entered into during the financial year ended 31 December 2008.

## DEALING IN SECURITIES – SGX-ST LISTING RULE 1207(18)

The Company has complied with Rule 1207(18) of the SGX-ST Listing Manual in relation to dealings in securities of the Company. Directors and employees of the Company are required to adhere to the following rules 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
- (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.

# Corporate Governance Report

## CORPORATE GOVERNANCE STATEMENT

The Company is required under the Australian Securities Exchange Limited ("ASX") Listing Rules to disclose the extent to which it has complied with the Corporate Governance Principles and Recommendations, 2nd Edition (the "ASX Code") which took effect from 1 January 2008.

As the principles and best practice recommendations of the ASX Code are fairly similar to those of the SGX Code, the Company's compliance with the ASX Code is tabulated below with references being made to comparable provisions in the SGX Code described in the preceding Corporate Governance Report section.

ASX Code Recommendation	Complied	Note	SGX Code Principle
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	-	1
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	-	4, 9
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	-	1, 4, 9
2.1 A majority of the board should be independent directors.	-	A	2, 6
2.2 The chair should be an independent director.	-	B	3
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	-	3
2.4 The board should establish a nomination committee.	Yes	-	1, 4
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	-	5
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	A, B	1, 2, 3, 4, 5, 6
3.1 Companies should establish a code of conduct and disclose the code or summary of the code as to: <ul style="list-style-type: none"> <li>the practices necessary to maintain confidence in the company's integrity</li> <li>the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	-	C	6, 10, 11
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	D	-
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	C, D	6, 10, 11
4.1 The board should establish an audit committee.	Yes	-	1, 11

# Corporate Governance Report

ASX Code Recommendation	Complied	Note	SGX Code Principle
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consist of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul>	Yes	-	11
4.3 The audit committee should have a formal charter.	Yes	-	11
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	-	11
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	-	E	6, 10, 14
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	E	6, 10, 14
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	-	14, 15
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	-	14, 15
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	-	11, 12
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	-	1, 11, 12, 13
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Not applicable	F	13
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	F	1, 11, 12, 13
8.1 The board should establish a remuneration committee.	Yes	-	1, 7, 8
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors or senior executives.	Yes	-	8, 9
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	-	1, 7, 8, 9



# Corporate Governance Report

## Notes:

- A. The Board comprises 3 independent directors, 3 non-executive directors and 1 executive director, in compliance with the SGX Code that independent directors make up at least one third of the Board. Given the Company's background, nature of business, size of operations and current stage of development, the Board is of the view that its current size and composition is appropriate and has a strong and independent element in exercising objective judgement and decision making.
- B. The Chairman's role is non-executive and is kept separate from the CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Board had established 3 Board Committees namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), to assist in the efficient discharge of its fiduciary duties. Each committee is headed by an independent director and the majority of its members are also independent directors. Matters which are delegated to the Board Committees are reported to and approved collectively by the Board. Directors are regularly informed of and consulted on all key matters and activities of the Company, both at formal Board meetings and informally as and when information is available. Given the current size and structure of the Company, the Board is of the view that this culture of open communication and consultation is a sound corporate governance practice. It is the Board's intention to appoint a lead independent director in due course as the Company expands and grows in size.
- C. The AC has in place a whistle blowing policy for the Group. The policy states the Company's requirement for directors, managers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities and provides a platform for the employees of the Group to report any fraud, abuse or violations of business ethics and regulations to the AC Chairman directly. The violations that can be reported on under the policy include both accounting related as well as non-accounting related violations.
- D. This is in line with SGX-ST Listing Rule 1207(18).
- E. As the Company is a listed entity on both SGX-ST and ASX, for the purposes of compliance with the ASX Listing Rules, the management of the Company gives careful consideration to the views expressed by its Australian based lawyers and similar professional persons to ensure compliance at all times. Following such considerations, the authority to release the Company's material information and announcements is typically made only upon the written authorisation by the Board of Directors.
- F. As the Company is registered as a foreign company in Australia, it is not required to comply with section 295A of the Corporations Act. Nevertheless, the AC is responsible for reviewing the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management. The external auditors conduct annual compliance check of the internal controls of the Group and report these findings to the AC. This facilitates the AC in assessing the adequacy of internal controls and in reassuring the Board that sufficient checks are in place.
- 

The Company's corporate governance policies and practices can be found under the Corporate Governance section of its website at [www.interraresources.com](http://www.interraresources.com).

# Directors' Report

For the financial year ended 31 December 2008

The directors present their report to the members together with the audited balance sheet and statement of changes in equity of the Company and consolidated financial statements of the Group for the financial year ended 31 December 2008.

## DIRECTORATE

The directors of the Company at the date of this report are:

Edwin Soeryadjaya	(Chairman)
Sandiaga Salahuddin Uno	(Deputy Chairman)
Luke Christopher Targett	
Subianto Arpan Sumodikoro	
Allan Charles Buckler	
Lim Hock San	
Ng Soon Kai	
Crescento Hermawan	(Alternate to Subianto Arpan Sumodikoro)

## ARRANGEMENTS FOR 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 is 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 29 and 30 of this report.

## 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 particulars of interests of directors who held office at the end of the financial year in shares or debentures of the Company and of related corporations other than wholly-owned subsidiaries were as follows:

	Number of ordinary shares in the name of director or nominee		Number of ordinary shares in which the director is deemed to have an interest	
	At end of the financial year	At beginning of the financial year	At end of the financial year	At beginning of the financial year
<u>The Company</u>				
Edwin Soeryadjaya	-	-	39,958,000	39,960,000
Sandiaga Salahuddin Uno	-	-	39,958,000	39,960,000
Luke Christopher Targett	40,000	40,000	-	-
Subianto Arpan Sumodikoro	-	-	30,000,000	25,000,000
Allan Charles Buckler	3,945,600	3,945,600	-	-

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

- (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 are under "Share Options" on pages 29 and 30 of this report.

	Number of unissued ordinary shares under plan	
	At end of the financial year	At beginning of the financial year
<u>Luke Christopher Targett</u>		
2008 Options	700,000	-

- (c) Except as disclosed above, there was no change in any of the above-mentioned interests in the Company or related corporations between the end of the financial year and 21 January 2009.

# Directors' Report

For the financial year ended 31 December 2008

## DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the accompanying financial statements and in this report, since the end of previous financial year, no director of the Company had received or become entitled to receive a benefit (other than as disclosed as directors' remuneration and fees in the accompanying financial statements) 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

The Interra Share Option Plan (the "Plan") for key executives and other employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 30 April 2007.

The Plan provides a means to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees 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 market days immediately preceding the date of the grant or a price which is set at a premium to the market price, the quantum of such premium to be determined by the Remuneration Committee in its absolute discretion (amended and approved by SGX on 26 December 2007). The vesting of the options is conditional on the participant completing another two years of service to the Group. Once the options are vested, they are exercisable for a period of three years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. There will be no restriction on the eligibility of any participant to participate in any other share option plan or share incentive plan implemented by any other companies within the Group. 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 Plan, shall not exceed 5% of the issued share capital of the Company on the day preceding that date.

The Plan became operative upon the Company granting options to subscribe for 1,200,000 ordinary shares of the Company on 3 March 2008 ("2008 Options"). On 3 March 2008, the Company granted options to subscribe for 600,000 ordinary shares at an exercise price of S\$0.45 per share and 600,000 ordinary shares at an exercise price of S\$0.55 per share. The 2008 Options are exercisable from 4 March 2010 and expire on 2 March 2013. The total fair value of the 2008 Options granted was estimated to be S\$49,448 (US\$35,461) using the Binomial Option Pricing Model. Details of the options granted to Chief Executive Officer and Executive Director, Luke Christopher Targett and Chief Technical Officer, Frank Overall Hollinger of the Company are as follows:

	Number of unissued ordinary shares of the Company under option			
	Granted at the end of the financial year	Aggregate granted since the commencement of plan to end of the financial year	Aggregate exercise since the commencement of plan to end of the financial year	Aggregate outstanding at the end of the financial year
Luke Christopher Targett	700,000	700,000	-	700,000
Frank Overall Hollinger	500,000	500,000	-	500,000

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 Plan has received 5% or more of the total number of shares under option available under the Plan.



# Directors' Report

For the financial year ended 31 December 2008

## SHARE OPTIONS (CONT'D)

### (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:

	<b>Number of unissued ordinary shares under option at end of the financial year</b>	<b>Exercise price</b>	<b>Exercise period</b>
Luke Christopher Targett	350,000	S\$0.45	4 March 2010 to 2 March 2013
	350,000	S\$0.55	4 March 2010 to 2 March 2013
Frank Overall Hollinger	250,000	S\$0.45	4 March 2010 to 2 March 2013
	250,000	S\$0.55	4 March 2010 to 2 March 2013

## AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this report are as follows:

Lim Hock San (Chairman)

Allan Charles Buckler

Sandiaga Salahuddin Uno


The Audit Committee carried out its function in accordance with Section 201B(5) of the Singapore Companies Act. The nature and extent of the functions performed by the Audit Committee are further described in the Corporate Governance Report.

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

## INDEPENDENT AUDITOR

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

On behalf of the Board of Directors



**Allan Charles Buckler**

Director



**Luke Christopher Targett**

Director

Singapore  
26 March 2009

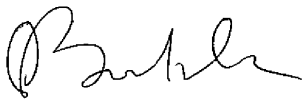
## Statement by Directors

For the financial year ended 31 December 2008

We, **Allan Charles Buckler** and **Luke Christopher Targett**, being directors of Interra Resources Limited, do hereby state that in our opinion,

- (a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 34 to 76 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the changes in equity of the Company and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

On behalf of the Board of Directors



**Allan Charles Buckler**  
*Director*



**Luke Christopher Targett**  
*Director*

Singapore  
26 March 2009

# Auditors' Report

For the financial year ended 31 December 2008

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERRA RESOURCES LIMITED

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 34 to 76, which comprise the balance sheets of the Company and of the Group as at 31 December 2008, and the statement of changes in equity of the Company and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act Chapter 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) 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 income statement and balance sheets and to maintain accountability of assets;
- (b) Selecting and applying appropriate accounting policies; and
- (c) Making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.



# Auditors' Report

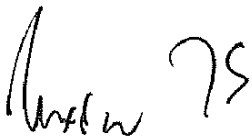
For the financial year ended 31 December 2008

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERRA RESOURCES LIMITED (CONT'D)

### **Opinion**

In our opinion,

- (a) the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and the changes in equity of the Company, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.



**Nexia TS Public Accounting Corporation**  
**Public Accountants and Certified Public Accountants**  
**Director-in-charge: Kristin YS Kim**  
**Appointed since financial year ended 31 December 2006**

Singapore  
26 March 2009

## Balance Sheets

as at 31 December 2008

		Company		Group	
	Note	2008	2007	2008	2007
		US\$	US\$	US\$	US\$
<b>Non-current assets</b>					
Property, plant and equipment	4	<b>76,629</b>	68,755	<b>1,790,043</b>	1,028,593
Exploration, evaluation and development costs	5	-	-	<b>10,540,075</b>	7,494,549
Intangible assets	6	<b>6,713</b>	7,329	<b>5,414,818</b>	5,539,784
Investments in subsidiaries	7	<b>18,614,952</b>	13,106,721	-	-
Financial assets, available-for-sale	8	-	-	-	1,029,132
Club membership	9	<b>4,570</b>	4,570	<b>4,570</b>	4,570
		<b>18,702,864</b>	13,187,375	<b>17,749,506</b>	15,096,628
<b>Current assets</b>					
Financial assets, at fair value through profit or loss	10	-	-	<b>436,014</b>	-
Inventories	11	-	-	<b>1,746,355</b>	1,075,328
Trade and other receivables	12	<b>20,000</b>	47,716	<b>6,015,478</b>	4,930,210
Deposits and prepayments	13	<b>114,020</b>	86,704	<b>712,383</b>	337,731
Cash and cash equivalents	14	<b>12,212,864</b>	19,979,058	<b>17,256,829</b>	24,993,495
		<b>12,346,884</b>	20,113,478	<b>26,167,059</b>	31,336,764
<b>Total Assets</b>		<b>31,049,748</b>	33,300,853	<b>43,916,565</b>	46,433,392
<b>Current liabilities</b>					
Trade payables - third parties		-	-	<b>2,473,094</b>	933,059
Other payables and accruals	15	<b>528,522</b>	660,494	<b>2,656,546</b>	3,825,870
Borrowings	16	-	-	-	4,291,911
Current income tax liabilities	17	<b>40,564</b>	145,761	<b>4,258,452</b>	3,850,135
		<b>569,086</b>	806,255	<b>9,388,092</b>	12,900,975
<b>Non-current liabilities</b>					
Provision for environmental and restoration costs	19	-	-	<b>517,989</b>	294,329
<b>Total Liabilities</b>		<b>569,086</b>	806,255	<b>9,906,081</b>	13,195,304
<b>NET ASSETS</b>		<b>30,480,662</b>	32,494,598	<b>34,010,484</b>	33,238,088
<b>Representing:</b>					
Share capital	21	<b>40,108,575</b>	40,108,575	<b>40,108,575</b>	40,108,575
Reserves	23	<b>(9,627,913)</b>	(7,613,977)	<b>(6,098,091)</b>	(6,870,487)
<b>TOTAL EQUITY</b>		<b>30,480,662</b>	32,494,598	<b>34,010,484</b>	33,238,088

The accompanying notes are an integral part of the financial statements

# Consolidated Income Statement

For the financial year ended 31 December 2008

	Note	2008 US\$	2007 US\$
<b>Revenue</b>	25	<b>17,479,459</b>	15,191,628
Cost of production	27	<b>(10,707,967)</b>	(8,826,058)
<b>Gross profit</b>		<b>6,771,492</b>	6,365,570
Other income	26	<b>576,596</b>	1,227,740
Administrative expenses	27	<b>(3,900,728)</b>	(3,944,625)
Finance costs	29	<b>(88,848)</b>	(250,944)
<b>Net profit before income tax</b>		<b>3,358,512</b>	3,397,741
Income tax expense	18	<b>(1,662,564)</b>	(1,133,856)
<b>Profit after income tax</b>		<b>1,695,948</b>	2,263,885
<b>Attributable to:</b>			
Equity holders of the Company		<b>1,695,948</b>	2,263,885
<b>Earnings per share (cents)</b>			
- Basic	30	<b>0.660</b>	0.881
- Fully diluted	30	<b>0.660</b>	0.881

The accompanying notes are an integral part of the financial statements



# Statement of Changes in Equity

For the financial year ended 31 December 2008

Company	Note	Share Capital US\$	Share Option Reserves US\$	Retained Earnings / (Accumulated Losses) US\$	Total Equity US\$
At 1 January 2007		40,108,575	-	(9,040,159)	31,068,416
Total recognised gain					
– Net profit		-	-	1,426,182	1,426,182
<b>At 31 December 2007</b>		<b>40,108,575</b>	<b>-</b>	<b>(7,613,977)</b>	<b>32,494,598</b>
Total recognised loss					
– Net loss		-	-	(1,084,777)	(1,084,777)
Employee share option plan					
- value of employee services	23(c)	-	14,707	-	14,707
Dividends relating					
to FY 2007 paid	24	-	-	(943,866)	(943,866)
<b>At 31 December 2008</b>		<b>40,108,575</b>	<b>14,707</b>	<b>(9,642,620)</b>	<b>30,480,662</b>

The accompanying notes are an integral part of the financial statements

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2008

	Attributable to equity holders of the Company						
	Share Capital US\$	Foreign Currency Translation Reserve US\$	Special Reserves US\$	Fair Value Reserves US\$	Share Option Reserves US\$	Retained Earnings / (Accumulated Losses) US\$	Total Equity US\$
<b>Group</b>							
At 1 January 2007	40,108,575	(1,224,290)	(16,544,140)	36,579	-	8,543,720	30,920,444
Financial assets, available-for-sale							
- Fair value loss	-	-	-	(7,447)	-	-	(7,447)
Currency translation difference of financial statements of foreign subsidiary	-	61,206	-	-	-	-	61,206
Net gain / (loss) recognised directly in equity	-	61,206	-	(7,447)	-	-	53,759
Net profit for the financial year	-	-	-	-	-	2,263,885	2,263,885
Total recognised gain / (loss)	-	61,206	-	(7,447)	-	2,263,885	2,317,644
<b>At 31 December 2007</b>	<b>40,108,575</b>	<b>(1,163,084)</b>	<b>(16,544,140)</b>	<b>29,132</b>	<b>-</b>	<b>10,807,605</b>	<b>33,238,088</b>
Financial assets, available-for-sale							
- Transfer to income statement on disposal	-	-	-	(29,132)	-	-	(29,132)
Currency translation difference of financial statements of foreign subsidiary	-	34,739	-	-	-	-	34,739
Net gain / (loss) recognised directly in equity	-	34,739	-	(29,132)	-	-	5,607
Net profit for the financial year	-	-	-	-	-	1,695,948	1,695,948
Total recognised gain / (loss)	-	34,739	-	(29,132)	-	1,695,948	1,701,555
Employee share option plan - value of employee services	-	-	-	-	14,707	-	14,707
Dividends relating to FY 2007 paid	-	-	-	-	-	(943,866)	(943,866)
<b>At 31 December 2008</b>	<b>40,108,575</b>	<b>(1,128,345)</b>	<b>(16,544,140)</b>	<b>-</b>	<b>14,707</b>	<b>11,559,687</b>	<b>34,010,484</b>

The accompanying notes are an integral part of the financial statements

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2008

	Note	2008 US\$	2007 US\$
<b>Cash flows from operating activities</b>			
Profit before income tax		3,358,512	3,397,741
<b>Adjustments for non-cash items</b>			
Foreign currency translation		(171,045)	17,720
Depreciation of property, plant and equipment	4	543,849	518,508
Amortisation of:			
- Exploration, evaluation and development costs	5	1,130,745	949,065
- Concession rights	6	8,187	8,185
- Computer software	6	10,600	8,344
- Participating rights	6	169,200	169,200
Impairment of exploration, evaluation and development costs	5	-	228,634
Write off on non-producing wells	5	-	198,508
Interest income	26	(513,068)	(1,130,768)
Interest expense	29	88,848	250,944
Exchange difference		233,579	49,933
Financial assets, at fair value through profit or loss			
- fair value loss		101,764	-
Financial assets, available-for-sale			
- transfer from equity on disposal	26	(29,132)	-
Net gain on disposal of financial assets, available-for-sale	26	(180,880)	-
<b>Operating profit before working capital changes</b>		<b>4,751,159</b>	<b>4,666,014</b>
<b>Changes in working capital:</b>			
Inventories		(671,027)	466,318
Trade and other receivables		(1,513,288)	(2,113,128)
Trade and other payables		587,772	(70,315)
Accrued operating expenses		(108,641)	270,171
Work in progress		-	61,234
Provision for environmental and restoration costs		223,660	214,940
<b>Cash generated from operations</b>		<b>3,269,635</b>	<b>3,495,234</b>
Income tax (paid) / refund	17	(1,255,245)	10,021
<b>Net cash inflows from operating activities</b>		<b>2,014,390</b>	<b>3,505,255</b>

The accompanying notes are an integral part of the financial statements

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2008

	Note	2008 US\$	2007 US\$
<b>Cash flows from investing activities</b>			
Interest income received		557,366	1,102,012
Acquisition cost for exploration concession in Thailand	6	-	(192,639)
Fixed deposit released / (held) as collateral for bankers' guarantees	14	1,227,000	(4,187,000)
Net proceeds from disposal of financial assets, available-for-sale	8	1,210,012	-
Purchase of financial assets, at fair value through profit or loss	10	(537,778)	-
<b>Capital expenditure</b>			
- Purchase of property, plant and equipment	4	(1,306,639)	(805,251)
- Purchase of computer software	6	(81,186)	-
- Well drillings and improvements	5	(3,537,679)	(1,851,516)
- Geological and geophysical studies	5	(730,527)	(928,360)
- Exploration fee in Thailand	5	-	(65,432)
<b>Net cash (outflows) from investing activities</b>		<b>(3,199,431)</b>	<b>(6,928,186)</b>
<b>Cash flows from financing activities</b>			
Repayment of loan from a director	16	(1,401,843)	-
Repayment of loan from a substantial shareholder	16	(1,489,458)	-
Repayment of loan from a third party	16	(1,489,458)	-
Dividend paid	24	(943,866)	-
<b>Net cash (outflows) from financing activities</b>		<b>(5,324,625)</b>	<b>-</b>
Net decrease in cash and cash equivalents		(6,509,666)	(3,422,931)
Cash and cash equivalents at beginning of the financial year		20,806,495	24,229,426
<b>Cash and cash equivalents at end of the financial year</b>	14	<b>14,296,829</b>	<b>20,806,495</b>

The accompanying notes are an integral part of the financial statements



# Notes to the Financial Statements

For the financial year ended 31 December 2008

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") being the primary exchange and the Australian Securities Exchange ("ASX") being the secondary exchange. The address of its registered office is at 61 Stamford Road, #04-06 Stamford Court Singapore 178892. The Company registration number is 197300166Z and the Australian registered body number is 129 575 275.

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

The principal activities, country of incorporation and place of operation of the subsidiary and joint ventures are set out in Note 7 to the financial statements respectively. There were no significant changes in such activities during the financial year.

The consolidated financial statements relate to the Company and its subsidiaries (the "Group") and the Group's interests in joint ventures.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been consistently applied in the preparation of the financial statements of the Group and of the Company are as follows:

### (a) Basis of Preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS 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. 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 2008**

On 1 January 2008 and 1 July 2008, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

INT FRS 111	Group and Treasury Share Transactions
Amendments to FRS 39	Financial Instruments: Recognition and Measurement

The adoption of the above INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (b) Principles of Consolidation

#### (i) *Subsidiaries*

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses. Subsidiaries are consolidated with the Company in the Group's financial statements. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On 10 July 2003, the Company became the legal parent of Goldwater Company Limited ("Goldwater") as part of its restructuring process. The shareholders of Goldwater became the majority shareholders of the Company with 76.18% of the enlarged share capital before the placement exercise. Further, the Company's continuing operations and executive management were those of Goldwater. Accordingly, the substance of the business combination was that Goldwater acquired the Company in a reverse acquisition. As a result of applying the reverse acquisition accounting, the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, Goldwater.

#### (ii) *Joint Ventures*

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties. The Group's interests in joint ventures are accounted for in the consolidated financial statements by proportionate consolidation.

Proportionate consolidation involves combining the Group's share of joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture to the extent that it is attributable to the other venturers. The Group does not recognise its share of results from the joint venture that arises from its purchase of assets from the joint venture until the Group resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the current assets or an impairment loss.

### (c) 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. Goodwill is stated at cost less impairment losses. Goodwill is tested for its impairment annually or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

#### (ii) *Participating Rights for TAC TMT*

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 70% interest in the Technical Assistance Contract for Tanjung Miring Timur ("TAC TMT"). Participating rights are amortised on a straight line basis from the date of initial recognition over the remaining period of TAC TMT.

#### (iii) *Participating Rights for Petroleum Concession Agreements ("PCAs")*

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 50% interest in the PCAs in Thailand. Participating rights are amortised on a straight line basis from the date of initial recognition over the remaining period of PCAs upon successful exploration.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (iv) *Intangible Benefits*

Intangible benefits are capitalised and amortised on a straight line basis over their remaining useful life.

### (v) *Concession Rights*

Concession rights are capitalised and amortised on a straight line basis over their remaining useful life.

### (vi) *Computer Software*

Computer software is capitalised and amortised on a straight line basis over its useful life of 3 to 4 years.

### (d) **Property, Plant and Equipment**

Property, plant and equipment is 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 the income statement.

#### **Depreciation**

Depreciation is provided for all property, plant and equipment on a straight-line basis so as to write off the cost of these assets over the following estimated useful life:

Pumping tools	4 years
Drilling and field equipment	4 years
Computers	3 years
Office equipment	3 years
Renovations, furniture and fittings	2 to 3 years

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement in the financial year in which the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use or disposed of.

### (e) **Exploration, Evaluation and Development Costs**

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

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.

Exploration, evaluation and development 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.

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 the directors decide that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of a financial period and accumulated costs written off to the extent that they will not be recoverable. Each potential or recognised area of interest is evaluated as and when the management deems there are indications of significant change in the oil reserves.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (ii) **Development and Production Phase**

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

Recoverable costs included in the production phase represent costs recoverable under the production sharing type of petroleum contracts. Under these contracts, cost is recoverable monthly to the extent and out of a maximum allowable depending on the production output. Any excess expenses not recovered for the period are carried forward to the extent where they may be recouped in the following periods. The carrying amount of the recoverable cost is reviewed to determine whether there is any indication of impairment. Capitalisation of recoverable cost will cease if there is such indication.

### (iii) **Amortisation**

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 exploration, evaluation and development costs will be amortised on a units of production basis over the life of the economically recoverable reserves.

Capitalised recoverable costs are amortised on a units of production basis over the life of the reserves.

## (f) **Impairment of Non-Financial Assets**

### (i) **Goodwill**

Goodwill is reviewed for impairment whenever there is an indication that the assets may be impaired or at least once a year.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") which are expected to benefit from synergies of the business combination. An impairment loss is recognised in the income statement when the carrying amount of the CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use. The total impairment loss 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.

Impairment loss on goodwill is not reversed in a subsequent period.

### (ii) **Non-Financial Assets other than Goodwill**

Intangible assets, exploration, evaluation and development costs, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If that is the case the recoverable amount is determined for the CGU to which the asset belongs. When estimating these future cash flows, the Company 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 the income statement whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

An impairment loss for an asset other than goodwill 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 an asset other than goodwill 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 the income statement.



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (g) Payables

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

### (h) Provisions

A provision is recognised in the balance sheet when the Company or the Group has a legal constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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.

### (i) Income Taxes

#### (i) **Current Income Tax**

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities.

#### (ii) **Deferred Income Tax**

Deferred income tax is recognised for all temporary difference except when the deferred income tax arises from the initial recognition of an asset or liability affects neither accounting nor taxable profit or loss at the time of the transaction.

Current and deferred income taxes are measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date and are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

### (j) Borrowings and Finance Costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortisation process.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the balance sheet date.

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent that they are 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 the income statement using the effective interest method.

### (k) Environmental and Restoration Expenditure

Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and the amount can be reasonably estimated.

The environmental and restoration expenditure is accumulated using the units of production basis. Subsequent revisions to the environmental and restoration expenditure are considered as a change in estimates and will be accounted for on a prospective basis.

### (l) Employee Benefits

#### (i) **Post Employment Benefits**

The Group and its joint ventures operate both defined benefit and defined contribution post-employment benefit plans.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **Defined Contribution Plans**

Defined contribution plans are post-employment benefit plans under which the Group and its joint ventures pay fixed contributions to entities such as the Central Provident Fund ("CPF") Board on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions are paid. The Group's contributions are recognised as employee compensation expense when they are due.

### **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 upon or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefits plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is estimated 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 post-employment benefit obligations.

Past service costs are recognised immediately in the income statement. If there is a change to the plan which is conditional on the employee remaining in service for a specified period of time (the vesting period), the past service costs are amortised on a straight-line basis over the vesting period.

### **(ii) *Employee Leave Entitlements***

Employee entitlements to annual leave are recognised when accrued to employees. An accrual is made for the estimated liabilities for annual leave as a result of services rendered up to the balance sheet.

### **(iii) *Share-based Compensation***

The share option plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The fair value is measured at grant value and spread over the period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expenses and in a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital accounts when new ordinary shares are issued.

### **(m) *Financial Assets***

The Group's and Company's financial assets which are within the scope of FRS 39 are classified in the following categories: loans and receivables, financial assets, available-for-sale and at fair value through profit or loss. The classification depends on the purpose for which the assets were acquired. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provision of the financial instrument. The Group and the Company determine the classification of the financial assets after initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial year end. The designation of financial assets at fair value through profit or loss is irrevocable.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### **(i) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than twelve months after the balance sheet date which are presented as non-current assets.

Loans and receivables, including trade and other receivables, are initially recognised at fair value and subsequently at fair value less allowances for impairment.

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

### **(ii) Financial Assets, Available-for-sale**

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories within the scope of FRS 39. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the balance sheet date.

Financial assets, available-for-sale are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Unrealised gains and losses arising from the changes in the fair value of the financial assets, available-for-sale are recognised in the fair value reserves within equity. When financial assets, available-for-sale are sold the accumulated fair value adjustments recognised in the fair value reserves within equity are reversed to the income statement.

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. The impairment amount charged to the income statement shall be the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement. This impairment loss shall not be reversed through the income statement.

### **(iii) Financial Assets, At Fair Value through Profit or Loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purposes of selling in the short term. Financial assets designated as fair value through profit or loss at inception are those that are managed and whose performance is evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the balance sheet date.

Financial assets, at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Transaction costs are recognised immediately in the income statement.

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in the income statement when the changes arise.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (n) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances, bank balances, fixed deposits and fixed deposits as collateral for bankers' guarantees which are subject to an insignificant risk of change in value. For the purpose of presentation in the consolidated cash flow statement, 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.

### (o) **Inventories**

Inventories comprise mainly consumable stocks which are stated at the lower of cost and net realisable value. Cost is determined by applying the first-in-first-out basis.

### (p) **Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in the income statement as follows:

#### (i) **Sales Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and it can be reliably measured.

#### (ii) **Interest Income**

Interest income from bank deposits and advances made to subsidiaries are accrued on a time basis, by reference to the principal outstanding and the interest the applicable.

#### (iii) **Dividend Income**

Dividend income from subsidiaries is recognised when the right to receive payment is established.

#### (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 subsidiaries and joint ventures.

### (q) **Foreign Currency Translation**

#### (i) **Functional and Presentation Currency**

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The financial statements are presented in United States Dollars, which is the functional and presentation currency of the Group.

#### (ii) **Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.

Currency translation differences on non-monetary items which arise when the fair value gain or loss is recognised directly in equity, such as equity investments classified as financial assets, available-for-sale, are included in the fair value reserves within equity.

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

The results and financial position of Group entities that are in functional currencies other than United States Dollars are translated into United States Dollars on the following basis:

- (1) Assets and liabilities for each balance sheet presented are translated at the rate of exchange approximating those ruling at the balance sheet date;
- (2) Income and expenses for each income statement are translated at average exchange rates (unless this 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 the transactions);



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- (3) All resulting foreign currency translation differences are taken into the shareholders' equity as foreign currency translation reserve; and
- (4) On consolidation, currency translation differences arising from the net investment in foreign operations, borrowings in foreign currencies, and other currency instruments designated as hedges of such investments, are taken into the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in the income statement as part of the gain or loss on sale.

### (r) Operating Leases

Leases of property, plant and equipment where a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the income statement in the financial period in which they are incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

### (s) Segment Reporting

For management purposes, the Group operates primarily in three geographical areas, namely Indonesia, Myanmar and Thailand. The Group operates in one business segment, namely exploration for and operation of oil fields for crude petroleum production, and derives its revenue solely from the sale of petroleum. Segment revenues, expenses, assets and liabilities are those directly attributable to or allocated to a segment on a reasonable basis. Segment assets do not include income tax assets and segment liabilities do not include income tax liabilities.

### (t) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### (u) Fair Value Estimation

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

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

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in preparation of the financial statements. They affect the application of the Group's accounting policies and the reported amounts of the financial statements and disclosures made. They are assessed on an on-going basis and are based on experience, relevant factors and conditions including current and the expectation of future events that are believed to be reasonable under the circumstances.

### Key Sources of Estimating Uncertainty

#### (a) Petroleum Reserves

There are numerous uncertainties inherent in estimating quantities 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 reserves has a significant impact on the future cash flows which will affect the production level and hence future sales. Petroleum reserves also affect the future amortisation rates of certain capitalised costs, such as exploration, evaluation and development costs. It also affects the future provision rates for the provision for environmental and restoration costs.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

### (b) Amortisation of Exploration, Evaluation and Development Costs

The amounts recorded for amortisation as well as the recovery of the carrying value of petroleum properties depend on the estimates of petroleum reserves and the useful lives of the related assets. The Group currently amortises exploration, evaluation and development costs using the units of production method against management's estimates of petroleum reserves. Changes in the petroleum reserves could impact future amortisation charges. Accordingly, there may be material adjustments to the carrying amount of the respective assets.

### (c) Estimated Impairment of Exploration, Evaluation and Development Costs, Intangible Assets and Allowances for Impairment of Receivables

The Group performs assessment of the carrying value of its assets on a regular basis. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, inter alia, petroleum reserves, future crude oil prices, operating costs, capital expenditure and number of payments of invoices received by the Group in a year. Management has used the 2009 budgets which have been reviewed by the relevant joint ventures' Owner Committees and also past experience as a guide. The period beyond 2009 until the contracts expire assumes some drilling activities are undertaken to further develop the existing fields. The future cash flows are discounted using 5.77% per annum, a rate which approximates the risk free rate plus a risk premium for United States Dollars.

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

The collection of the trade receivables in Myanmar improved during 2008 compared to the previous year. As at 31 December 2008, the Group's joint venture, Goldpetrol, collected 14 invoices (2007: 10 invoices). In view of the prevailing circumstances in Myanmar and applying the basis described above, management assessed no additional impairment is required as at 31 December 2008 (2007: US\$228,634) in the consolidated balance sheet.

The Company has not made any allowance for impairment on its investment in Goldwater as at 31 December 2008 and 31 December 2007.

### (d) Provision for Environmental and Restoration Costs

Environmental and restoration costs are a normal consequence of oil extraction and the majority of this expenditure is incurred at the end of a well's life or area of interest. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the wells), and the expected useful life of the areas of interest and wells. The ultimate cost of environmental and restoration is uncertain and costs can also vary in response to many factors including changes to the relevant legal requirements and the emergence of new restoration techniques or experience at other wells. The Group currently makes provisions for environmental and restoration costs using the units of production method. Changes in the petroleum reserves could impact future provision charges.

### (e) Income Taxes

The Group is subjected to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provision for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. In FY 2008, the Group paid income tax in respect of Indonesian operations as the unrecovered cost pool has been exhausted. As for Myanmar operations, the Group paid the tax assessment for 2001 and finalisation for 2002 and 2003 is pending. If the final tax outcome allows the deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than the current tax provision. If such over provision occurs, it will be reversed when it is determined. Please also see Note 32(b) for contingent liabilities for possible capital gains tax in Myanmar.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US\$	Office Equipment US\$	Renovations, Furniture and Fittings US\$	Total US\$
<b>2008</b>				
<b>Cost</b>				
Opening balance	81,698	4,426	80,824	166,948
Additions	42,527	-	-	42,527
Closing balance	124,225	4,426	80,824	209,475
<b>Accumulated depreciation</b>				
Opening balance	53,327	4,417	40,449	98,193
Charge	14,963	9	19,681	34,653
Closing balance	68,290	4,426	60,130	132,846
<b>Net book value as at 31 December 2008</b>	<b>55,935</b>	<b>-</b>	<b>20,694</b>	<b>76,629</b>
<b>2007</b>				
<b>Cost</b>				
Opening balance	21,972	4,426	43,633	70,031
Additions	59,726	-	37,191	96,917
Closing balance	81,698	4,426	80,824	166,948
<b>Accumulated depreciation</b>				
Opening balance	17,156	3,882	24,878	45,916
Charge	36,171	535	15,571	52,277
Closing balance	53,327	4,417	40,449	98,193
<b>Net book value as at 31 December 2007</b>	<b>28,371</b>	<b>9</b>	<b>40,375</b>	<b>68,755</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Computers US\$	Office Equipment US\$	Renovations, Furniture and Fittings US\$	Pumping Tools US\$	Drilling and Field Equipment US\$	Total US\$
<b>2008</b>						
<b>Cost</b>						
<b>Opening Balance</b>	<b>108,440</b>	<b>23,708</b>	<b>87,753</b>	<b>1,063,557</b>	<b>1,742,388</b>	<b>3,025,846</b>
Additions	93,878	10,612	85,424	1,000,387	116,338	1,306,639
Foreign currency realignment	(309)	(260)	(841)	-	-	(1,410)
<b>Closing balance</b>	<b>202,009</b>	<b>34,060</b>	<b>172,336</b>	<b>2,063,944</b>	<b>1,858,726</b>	<b>4,331,075</b>
<b>Accumulated Depreciation</b>						
<b>Opening balance</b>	<b>71,567</b>	<b>21,062</b>	<b>44,826</b>	<b>870,368</b>	<b>989,430</b>	<b>1,997,253</b>
Charge	24,023	3,061	30,182	170,743	315,840	543,849
Foreign currency realignment	(40)	(10)	(20)	-	-	(70)
<b>Closing balance</b>	<b>95,550</b>	<b>24,113</b>	<b>74,988</b>	<b>1,041,111</b>	<b>1,305,270</b>	<b>2,541,032</b>
<b>Net book value as at 31 December 2008</b>	<b>106,459</b>	<b>9,947</b>	<b>97,348</b>	<b>1,022,833</b>	<b>553,456</b>	<b>1,790,043</b>
<b>2007</b>						
<b>Cost</b>						
<b>Opening Balance</b>	<b>45,654</b>	<b>23,708</b>	<b>50,562</b>	<b>894,418</b>	<b>1,206,160</b>	<b>2,220,502</b>
Additions	62,693	-	37,191	169,139	536,228	805,251
Foreign currency realignment	93	-	-	-	-	93
<b>Closing balance</b>	<b>108,440</b>	<b>23,708</b>	<b>87,753</b>	<b>1,063,557</b>	<b>1,742,388</b>	<b>3,025,846</b>
<b>Accumulated Depreciation</b>						
<b>Opening balance</b>	<b>30,974</b>	<b>18,645</b>	<b>27,523</b>	<b>698,933</b>	<b>702,575</b>	<b>1,478,650</b>
Charge	40,498	2,417	17,303	171,435	286,855	518,508
Foreign currency realignment	95	-	-	-	-	95
<b>Closing balance</b>	<b>71,567</b>	<b>21,062</b>	<b>44,826</b>	<b>870,368</b>	<b>989,430</b>	<b>1,997,253</b>
<b>Net book value as at 31 December 2007</b>	<b>36,873</b>	<b>2,646</b>	<b>42,927</b>	<b>193,189</b>	<b>752,958</b>	<b>1,028,593</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Group	Exploration and Evaluation				Development and Production			
	Initial Joint Study Cost US\$	Contractual Bonus US\$	Geophysical Costs US\$	Asset under Construction US\$	Completed Assets US\$	Recovery US\$	Cost US\$	Total US\$
<b>2008</b>								
<b>Cost</b>								
<b>Opening Balance</b>	1,890,616	599,023	1,117,424	-	11,824,432	4,249,173	19,680,668	
Additions	-	-	730,527	723,207	2,895,658	-	4,349,392	
Transfer to intangible assets	-	-	-	(81,186)	-	-	(81,186)	
Transfer to completed assets	-	-	-	(494,090)	494,090	-	-	
Foreign currency realignment	-	(725)	(91,210)	-	-	-	(91,935)	
<b>Closing balance</b>	<b>1,890,616</b>	<b>598,298</b>	<b>1,756,741</b>	<b>147,931</b>	<b>15,214,180</b>	<b>4,249,173</b>	<b>23,856,939</b>	
<b>Accumulated amortisation and impairment loss</b>								
<b>Opening balance</b>	1,110,719	540,000	137,592	-	6,812,368	3,585,440	12,186,119	
Charge	160,381	-	15,798	-	827,509	127,057	1,130,745	
<b>Closing balance</b>	<b>1,271,100</b>	<b>540,000</b>	<b>153,390</b>	<b>-</b>	<b>7,639,877</b>	<b>3,712,497</b>	<b>13,316,864</b>	
<b>Net book value as at 31 December 2008</b>	<b>619,516</b>	<b>58,298</b>	<b>1,603,351</b>	<b>147,931</b>	<b>7,574,303</b>	<b>536,676</b>	<b>10,540,075</b>	



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS (CONT'D)

Group	Exploration and Evaluation			Development and Production			
	Initial Joint Study Cost US\$	Contractual Bonus US\$	Exploration, Geological and Geophysical Costs US\$	Asset under Construction US\$	Completed Assets US\$	Cost Recovery US\$	Total US\$
<b>2007</b>							
<b>Cost</b>							
<b>Opening Balance</b>	<b>1,890,616</b>	<b>540,000</b>	<b>240,525</b>	<b>219,009</b>	<b>10,023,782</b>	<b>4,249,173</b>	<b>17,163,105</b>
Additions	-	65,432	928,360	-	1,851,516	-	2,845,308
Write off	-	-	-	-	(269,875)	-	(269,875)
Transfer to completed assets	-	-	-	(219,009)	219,009	-	-
Foreign currency realignment	-	(6,409)	(51,461)	-	-	-	(57,870)
<b>Closing balance</b>	<b>1,890,616</b>	<b>599,023</b>	<b>1,117,424</b>	<b>-</b>	<b>11,824,432</b>	<b>4,249,173</b>	<b>19,680,668</b>
<b>Accumulated amortisation and impairment loss</b>							
<b>Opening balance</b>	<b>950,861</b>	<b>386,167</b>	<b>129,610</b>	<b>-</b>	<b>6,023,445</b>	<b>3,518,337</b>	<b>11,008,420</b>
Charge	81,372	3,685	7,982	-	788,923	67,103	949,065
Impairment loss	78,486	150,148	-	-	-	-	228,634
<b>Closing balance</b>	<b>1,110,719</b>	<b>540,000</b>	<b>137,592</b>	<b>-</b>	<b>6,812,368</b>	<b>3,585,440</b>	<b>12,186,119</b>
<b>Net book value as at 31 December 2007</b>	<b>779,897</b>	<b>59,023</b>	<b>979,832</b>	<b>-</b>	<b>5,012,064</b>	<b>663,733</b>	<b>7,494,549</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 6. INTANGIBLE ASSETS

Group	Goodwill on Reverse Acquisition US\$	Participating Rights US\$	Concession Rights US\$	Computer Software US\$	Total US\$
<b>2008</b>					
<b>Cost</b>					
<b>Opening balance</b>	<b>1,488,902</b>	<b>4,585,436</b>	<b>600,000</b>	<b>39,116</b>	<b>6,713,454</b>
Additions	-	-	-	81,186	81,186
Adjustment	-	(18,165)	-	-	(18,165)
<b>Closing balance</b>	<b>1,488,902</b>	<b>4,567,271</b>	<b>600,000</b>	<b>120,302</b>	<b>6,776,475</b>
<b>Accumulated amortisation and impairment loss</b>					
<b>Opening balance</b>	-	<b>632,925</b>	<b>524,266</b>	<b>16,479</b>	<b>1,173,670</b>
Charge	-	169,200	8,187	10,600	187,987
<b>Closing balance</b>	-	<b>802,125</b>	<b>532,453</b>	<b>27,079</b>	<b>1,361,657</b>
<b>Net Book Value 31 December 2008</b>	<b>1,488,902</b>	<b>3,765,146</b>	<b>67,547</b>	<b>93,223</b>	<b>5,414,818</b>
<b>2007</b>					
<b>Cost</b>					
<b>Opening balance</b>	<b>1,488,902</b>	<b>2,141,537</b>	<b>600,000</b>	<b>39,116</b>	<b>4,269,555</b>
Additions	-	2,446,139	-	-	2,446,139
Foreign currency realignment	-	(2,240)	-	-	(2,240)
<b>Closing balance</b>	<b>1,488,902</b>	<b>4,585,436</b>	<b>600,000</b>	<b>39,116</b>	<b>6,713,454</b>
<b>Accumulated amortisation and impairment loss</b>					
<b>Opening balance</b>	-	<b>463,725</b>	<b>516,081</b>	<b>8,135</b>	<b>987,941</b>
Charge	-	169,200	8,185	8,344	185,729
<b>Closing balance</b>	-	<b>632,925</b>	<b>524,266</b>	<b>16,479</b>	<b>1,173,670</b>
<b>Net Book Value 31 December 2007</b>	<b>1,488,902</b>	<b>3,952,511</b>	<b>75,734</b>	<b>22,637</b>	<b>5,539,784</b>

Note: Amortisation charge included in income statement under Cost of Production (see Note 27) and Administrative expenses are US\$9,984 and US\$178,003 (2007: US\$7,729 and US\$178,000) respectively.

### Company

Intangible assets at Company level include computer software with net book value of US\$6,713 (2007: US\$7,329).

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 6. INTANGIBLE ASSETS (CONT'D)

### **Goodwill on Reverse Acquisition**

Goodwill on reverse acquisition represents the goodwill arising from the business combination in which Goldwater acquired the Company through a reverse acquisition on 10 July 2003. Goodwill on reverse acquisition is the difference between Goldwater's deemed cost of acquisition over the fair value of the assets acquired and liabilities of the Company on the reverse acquisition date (see Note 2(b)(i)).

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 Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to US\$1,488,902 is recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining period of the IPRCs of approximately 14 years from 10 July 2003 to 31 March 2017.

FRS 103, FRS 36 and FRS 38 which deal with the treatment of goodwill arising from business combinations were adopted prospectively from 1 April 2004 and hence no amortisation charges were made from the financial year ended 31 December 2005.

The management is of the view that no impairment is required as at 31 December 2008 and 31 December 2007 as the Company's net assets have increased since the reverse acquisition took place on 10 July 2003. As at 31 December 2008, the Company's net assets amounted to US\$30,480,662 (2007: US\$32,494,598) whereas as at 10 July 2003 (reverse acquisition date), the Company did not possess any assets of substance.

### **Participating Rights for TAC TMT**

Participating rights recognised in the Group's balance sheet arose from the acquisition of the 70% interest in TAC TMT. The amount recognised as participating rights is the excess of the net fair value of the identifiable assets acquired and liabilities assumed over the cost of acquisition. The participating rights cost is amortised on a straight line basis over the remaining life of TAC TMT of 12.75 years from 1 April 2004 to 31 December 2016.

### **Participating Rights for Petroleum Concession Agreements ("PCAs")**

Participating rights recognised in the Group's balance sheet arose from the acquisition of the 50% interest in the PCAs in Thailand. The amount recognised as participating rights is the excess of the net fair value of the identifiable assets acquired and liabilities assumed over the cost of acquisition. The participating rights cost will be amortised on a straight line basis over the remaining life of PCAs upon successful exploration.

### **Concession Rights**

Concession rights refer to the amount paid to acquire the interest in IPRCs which is amortised over the remaining period of the IPRCs of approximately 14 years on a straight line basis from 1 March 2003 to 31 March 2017.

### **Computer Software**

Computer software is amortised on a straight line basis so as to write off the cost of these assets over their useful life of 3 to 4 years.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 7. INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
<b>Unquoted equity shares at cost</b>		
Goldwater Company Limited	<b>19,062,000</b>	19,062,000
Goldwater TMT Pte. Ltd.	<b>1</b>	1
Goldwater Eagle Limited	<b>1</b>	1
Goldwater Indonesia Inc.	<b>1</b>	1
Goldwater Energy Limited	<b>1</b>	1
Interra Resources (Thailand) Limited	<b>76,325</b>	76,325
	<b>19,138,329</b>	19,138,329
<b>Advances made to subsidiaries</b>		
Goldwater Company Limited	<b>7,051,397</b>	1,029,812
Goldwater TMT Pte. Ltd.	<b>5,570,013</b>	7,703,947
Goldwater Eagle Limited	<b>324,274</b>	1,000,000
Interra Resources (Thailand) Limited	<b>4,146,099</b>	1,849,793
	<b>17,091,783</b>	11,583,552
<b>Net investment in subsidiaries</b>	<b>36,230,112</b>	30,721,881
Less:		
<b>Allowance for impairment</b>		
Goldwater Company Limited	<b>(17,615,160)</b>	(17,615,160)
<b>Investments in subsidiaries</b>	<b>18,614,952</b>	13,106,721

### Advances made to subsidiaries

The advances made to subsidiaries form part of the Company's net investment in the subsidiaries. Advances made to subsidiaries are interest free advances for the purpose of operating and development activities in their respective fields. These advances are not expected to be repaid within the next twelve months.

The Company will assess annually whether there is evidence showing that the character of the advance is changed. When evidence of change exists, the Company would consider the effects of the change in determining the fair value of the advance.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The principal activities, country of incorporation and place of business of the subsidiaries and joint ventures as at 31 December 2008 are as follows:

Name of Company / Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest	
			2008 %	2007 %
<b><u>Subsidiaries</u></b>				
Goldwater Company Limited <sup>(a)</sup>	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands / Myanmar	100	100
Goldwater TMT Pte. Ltd. <sup>(b)</sup>	Exploration and operation of oil fields for crude petroleum production	Singapore / Indonesia	100	100
Goldwater Eagle Limited <sup>(c)</sup>	Investment holding	British Virgin Islands	100	100
Goldwater Indonesia Inc <sup>(c)</sup>	Dormant	British Virgin Islands	100	100
Goldwater Energy Limited <sup>(c)</sup>	Dormant	British Virgin Islands	100	100
Interra Resources (Thailand) Limited <sup>(d)</sup>	Exploration and operation of oil fields for crude petroleum production	Thailand / Thailand	100	100
<b><u>Joint Venture of Goldwater Company Limited</u></b>				
Goldpetrol Joint Operating Company Inc. <sup>(a)</sup>	Exploration and operation of oil fields for crude petroleum production	Republic of Panama / Myanmar	60	60
<b><u>Joint Venture of Goldwater TMT Pte. Ltd.</u></b>				
TAC Tanjung Miring Timur <sup>(e)</sup>	Exploration and operation of oil fields for crude petroleum production	Indonesia / Indonesia	70	70

<sup>(a)</sup> Audited by Nexia TS Public Accounting Corporation, a member firm of Nexia International for consolidation purposes

<sup>(b)</sup> Audited by Nexia TS Public Accounting Corporation, a member firm of Nexia International

<sup>(c)</sup> Not required to be audited under the laws of the country of incorporation

<sup>(d)</sup> Audited by V.A.T Accounting, a member firm of Nexia International

<sup>(e)</sup> Audited by Johan Malonda Astika & Rekan, a member firm of Baker Tilly International



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 8. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

	Group	
	2008	2007
	US\$	US\$
<b>Opening balance</b>	<b>1,029,132</b>	1,036,579
Fair value loss recognised in equity	-	(7,447)
Proceeds from disposal	<b>(1,210,012)</b>	-
Net gain recognised in income statement upon disposal	<b>180,880</b>	-
<b>Closing balance</b>	<b>-</b>	1,029,132

### Financial assets, available-for-sale are analysed as follows:

Listed securities

- Equity securities – Salamander Energy PLC, listed on London Stock Exchange	-	1,029,132
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On 29 February 2008, the Group disposed of all the investment in Salamander Energy for a cash consideration of US\$1,210,012 resulting in a gain on disposal of US\$210,012.

## 9. CLUB MEMBERSHIP

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
<b>Club membership at cost</b>				
Opening and closing balance	<b>4,570</b>	4,570	<b>4,570</b>	4,570

## 10. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	US\$	US\$
<b>At fair value on initial recognition</b>		
Listed securities		
- Equity securities – PT Adaro Energy TBK, listed on Jakarta Stock Exchange	<b>436,014</b>	-

On 25 March 2009, the Group disposed of 2,000,000 PT Adaro Energy TBK shares on the open market.

## 11. INVENTORIES

Inventories comprise consumables including tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 12. TRADE AND OTHER RECEIVABLES

Trade receivables are receivables from the Myanmar Oil and Gas Enterprise ("MOGE") and Pertamina in respect of sales of the Group's share of petroleum entitlement. Allowances for impairment of receivables are in respect of the Group's crude oil sales in its Myanmar operations. The Group has not provided any additional allowance for impairment of receivables as at 31 December 2008 (2007: Nil) (see Note 3(c)).

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Trade receivables – non-related parties	-	-	8,616,867	7,556,389
Less: Allowances for impairment of receivables	-	-	(2,916,754)	(2,916,754)
Trade receivables - net	-	-	5,700,113	4,639,635
Other receivables	20,000	47,716	315,365	290,575
	<b>20,000</b>	<b>47,716</b>	<b>6,015,478</b>	<b>4,930,210</b>

## 13. DEPOSITS AND PREPAYMENTS

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Deposits	61,691	56,352	143,617	169,736
Prepayments	52,190	30,314	132,692	127,034
Advance payment to suppliers	139	38	436,074	40,961
	<b>114,020</b>	<b>86,704</b>	<b>712,383</b>	<b>337,731</b>

## 14. CASH AND CASH EQUIVALENTS

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Cash at bank and on hand	253,366	500,391	3,078,980	1,804,268
Short term fixed deposits	11,959,498	19,478,667	14,177,849	23,189,227
<b>Cash and bank balances</b>	<b>12,212,864</b>	<b>19,979,058</b>	<b>17,256,829</b>	<b>24,993,495</b>
Cash collateral			(2,960,000)	(4,187,000)
<b>Cash and cash equivalents</b>			<b>14,296,829</b>	<b>20,806,495</b>
<b>(as per consolidated cash flow statement)</b>				

Cash and cash equivalents were denominated in the following currencies:

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
United States Dollar	11,274,700	19,249,196	16,159,802	24,054,099
Australia Dollar	432,264	-	432,264	-
Myanmar Kyat	-	-	5,341	11,125
Indonesia Rupiah	622	5,450	27,056	122,327
Singapore Dollar	505,278	724,412	512,064	731,342
Thailand Baht	-	-	120,302	74,602
	<b>12,212,864</b>	<b>19,979,058</b>	<b>17,256,829</b>	<b>24,993,495</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 14. CASH AND CASH EQUIVALENTS (CONT'D)

### **Short Term Fixed Deposits and Bank Balances**

Short term fixed deposits earned interest at effective interest rates ranging from 0.38% to 6.40% per annum (2007: 4% to 5.94% per annum). Short term fixed deposits are made for varying periods between seven days to three months depending on the cash requirements of the Group, and earn interest at the relevant short term deposit rates (see Note 33(a)(ii)).

### **Cash Collateral**

Cash collateral represents bank deposits of the Company pledged as security for issuance of the bank guarantees in favour of the Thailand Ministry of Energy for a period of up to 3 years with effect from 19 April 2007. On September 2008, the bank guarantees were reduced by US\$1,227,000 as approved by the Thailand Ministry of Energy.

On 12 March 2009, the Group obtained approval from the Thailand Ministry of Energy for the release of bank guarantees of US\$820,000. The bank guarantees were revised on 16 March 2009.

## 15. OTHER PAYABLES AND ACCRUALS

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Accrued expenses	482,988	634,021	1,491,420	1,682,968
Other creditors	45,534	26,473	790,695	926,002
Amounts due to joint venture partners	-	-	374,431	1,216,900
	528,522	660,494	2,656,546	3,825,870

## 16. BORROWINGS

	Group	
	2008	2007
	US\$	US\$
<b>Current</b>		
Loan from a director (a)	-	1,401,843
Loan from a substantial shareholder (b)	-	1,489,458
Loan from a third party (c)	-	1,489,458
	-	4,380,759
Less: Unamortised deemed interest	-	(88,848)
	-	4,291,911

(a) The outstanding loan refers to an unsecured and interest free loan from a director, Mr Edwin Soeryadjaya to Goldwater. On 30 April 2008, the loan was fully repaid. The deemed interest expense amortised during the year was reflected under finance costs (see Note 29).

(b) The outstanding loan refers to an unsecured and interest free loan from a substantial shareholder, Canyon Gate Investments Ltd to Goldwater. On 30 April 2008, the loan was fully repaid. The deemed interest expense amortised during the year was reflected under finance costs (see Note 29).

(c) The outstanding loan refers to an unsecured and interest free loan from a third party, Prairie Heritage Ltd. to Goldwater. On 30 April 2008, the loan was fully repaid. The deemed interest expense amortised during the year was reflected under finance costs (see Note 29).

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 17. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
<b>Opening balance</b>	<b>145,761</b>	3,910	<b>3,850,135</b>	2,706,223
Current income tax	<b>32,447</b>	131,794	<b>1,662,564</b>	1,133,856
Income tax (paid) / refund	<b>(137,641)</b>	10,021	<b>(1,255,245)</b>	10,021
Currency translation differences	<b>(3)</b>	36	<b>998</b>	35
<b>Closing balance</b>	<b>40,564</b>	145,761	<b>4,258,452</b>	3,850,135

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

The subsidiaries are liable to pay income taxes in the countries where the petroleum contracts are domiciled. The subsidiaries and joint ventures of the Company have made the necessary tax provisions under their respective petroleum contracts. In FY 2008, the Group paid income tax in respect of Indonesian operations as the unrecovered cost pool has been exhausted. As for Myanmar operations, the Group paid the tax assessment for 2001 and finalisation for 2002 and 2003 is pending.

## 18. INCOME TAX EXPENSE

Tax expense attributable to profit is made up of:

	Group	
	2008	2007
	US\$	US\$
Current year income tax		
- Singapore	<b>32,447</b>	131,794
- Foreign	<b>1,676,990</b>	1,002,062
	<b>1,709,437</b>	1,133,856
Prior year income tax		
- Singapore	<b>13,500</b>	-
- Foreign	<b>(60,373)</b>	-
	<b>(46,873)</b>	-
	<b>1,662,564</b>	1,133,856

The tax expense on profit differs from the amount that would arise using the Singapore standard rates of income tax as explained below:

	Group	
	2008	2007
	US\$	US\$
Profit before income tax	<b>3,358,512</b>	3,397,741
Notional income tax expense using Singapore tax rate at 18% (2007: 18%)	<b>604,532</b>	611,592
Effect of different tax rates in other countries	<b>806,617</b>	435,906
Tax effect of income not subject to tax	<b>(465,623)</b>	(546,519)
Tax effect of expenses not deductible for tax purposes	<b>763,911</b>	632,877
	<b>1,709,437</b>	1,133,856

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 19. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group continued to make provision for environmental and restoration costs for its TAC TMT operations. Provisions are made based on a unit of production basis. The Group has not made any provision for environmental and restoration costs for its Myanmar operations as the Group believes that there are no significant costs involved in meeting the legal and regulatory requirements laid down at the current time (see Note 32(a)).

	Group	
	2008	2007
	US\$	US\$
<b>Opening balance</b>	<b>294,329</b>	79,388
Allowance for the year	<b>223,660</b>	214,941
<b>Closing balance</b>	<b>517,989</b>	294,329

## 20. RETIREMENT BENEFIT OBLIGATIONS

The Group's joint venture, TAC TMT, has a funded defined benefit plan relating to its employees. This plan is a final salary retirement and severance benefit. The assets of the plan are held independently of the Group's assets in an insurance fund managed by Paninlife Financial Services in Indonesia.

The amounts recognised in the balance sheet are as follows:

	Group	
	2008	2007
	US\$	US\$
Net present value of funded obligations	<b>85,051</b>	99,954
Fair value of plan assets	<b>(282,351)</b>	(220,405)
Assets not recognised on balance sheet	<b>197,300</b>	120,451
<b>Net liabilities recognised on balance sheet</b>	<b>-</b>	-

The amounts recognised in the income statement are as follows:

	Group	
	2008	2007
	US\$	US\$
Interest cost	<b>2,426</b>	1,592
Current service costs	<b>95,598</b>	75,528
Past service costs	<b>57,233</b>	159,142
<b>Total included in employee compensation (see Note 28)</b>	<b>155,257</b>	236,262

Retirement benefit costs included in Administrative expenses was US\$155,257 (2007: US\$236,262). The actual return on plan assets was US\$23,142 (2007: US\$7,390).

The movements in the defined benefit obligation are as follows:

	Group	
	2008	2007
	US\$	US\$
<b>Opening balance</b>	<b>99,954</b>	47,029
Interest cost	<b>2,426</b>	1,592
Current service costs	<b>95,598</b>	75,528
Past service costs	<b>57,233</b>	159,142
Benefits paid	<b>(58,144)</b>	(82,105)
Actuarial (losses)	<b>(85,513)</b>	(99,089)
Exchange difference	<b>(26,503)</b>	(2,143)
<b>Closing balance</b>	<b>85,051</b>	99,954



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 20. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

The movements in the fair value of plan assets are as follows:

	Group	
	2008 US\$	2007 US\$
<b>Opening balance</b>	<b>220,405</b>	64,718
Employer contributions	<b>144,468</b>	237,366
Net return on plan assets	<b>23,142</b>	7,390
Withdrawn for settlement	<b>(58,144)</b>	(82,105)
Exchange difference	<b>(47,520)</b>	(6,964)
<b>Closing balance</b>	<b>282,351</b>	220,405

The principal actuarial assumptions used are as follows:

	Group	
	2008 %	2007 %
Discount rate	<b>7.0</b>	7.0
Expected return on plan assets	<b>7.0</b>	7.0
Future salary increases	<b>10.0</b>	10.0

## 21. SHARE CAPITAL

	Company		Company	
	2008	2007	2008	2007
	Number of ordinary shares		US\$	US\$
Issued and fully paid				
<b>Opening and closing balance</b>	<b>256,920,238</b>	256,920,238	<b>40,108,575</b>	40,108,575

On 19 May 2008, the Company successfully quoted all the Company's current issued ordinary shares on the Australian Securities Exchange ("ASX"). Upon admission to the official list of the ASX, the Company is now dual listed on both the Catalist in Singapore being the primary exchange and the ASX being the secondary exchange on which the Company's shares will be traded.

## 22. SHARE OPTIONS

Please refer to the Director's Report under "Share Options" on pages 29 and 30 of this report for detailed disclosure and movement in the number of unissued ordinary shares under option.

## 23. RESERVES

### (a) Special Reserves

As a result of applying the reverse acquisition accounting as set out in Note 2b(i), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, Goldwater. As such, the cost of investment to acquire Goldwater and the reserves of the Company immediately prior to the reverse acquisition were transferred to special reserves when consolidating 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.

	Group	
	2008 US\$	2007 US\$
Cost of investment	<b>(18,319,492)</b>	(18,319,492)
Share capital of Goldwater	<b>200,000</b>	200,000
Goodwill on reverse acquisition	<b>1,575,352</b>	1,575,352
	<b>(16,544,140)</b>	(16,544,140)

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 23. RESERVES (CONT'D)

### (b) Fair Value Reserves

	Group	
	2008 US\$	2007 US\$
<b>Opening balance</b>	<b>29,132</b>	36,579
Financial assets, available-for-sale		
– fair value loss	-	(7,447)
Transfer to income statement on disposal	<b>(29,132)</b>	-
<b>Closing balance</b>	<b>-</b>	29,132

### (c) Share Option Reserves

	Company		Group	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
<b>Opening balance</b>	<b>-</b>	-	-	-
Employee share option plan				
– value of employee services (see Note 28)	<b>14,707</b>	-	<b>14,707</b>	-
<b>Closing balance</b>	<b>14,707</b>	-	<b>14,707</b>	-

### (d) Retained Earnings / (Accumulated Losses)

	Company		Group	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
<b>Opening balance</b>	<b>(7,613,977)</b>	(9,040,159)	<b>10,807,605</b>	8,543,720
Net (loss) / profit for the financial year	<b>(1,084,777)</b>	1,426,182	<b>1,695,948</b>	2,263,885
Dividend paid (See Note 24)	<b>(943,866)</b>	-	<b>(943,866)</b>	-
<b>Closing balance</b>	<b>(9,642,620)</b>	(7,613,977)	<b>11,559,687</b>	10,807,605

## 24. DIVIDENDS

	Group	
	2008 US\$	2007 US\$
<b>Ordinary dividends paid</b>		
Final exempt dividend paid in respect of the previous financial year of SGD cents 0.50 (2007: Nil cents) per share (see Note 23(d))	<b>943,866</b>	-
	<b>943,866</b>	-

## 25. REVENUE

	Group	
	2008 US\$	2007 US\$
Sales of crude oil	<b>17,479,459</b>	15,191,628

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 26. OTHER INCOME

	Group	
	2008 US\$	2007 US\$
Bank interest income	513,068	1,130,768
Petroleum services fees	191,265	140,910
Other income	50	5,995
Foreign exchange loss	(236,035)	(49,933)
Financial assets, at fair value through profit or loss		
– fair value loss	(101,764)	-
Financial assets, available-for-sale		
– transfer from equity on disposal (see Note 23(b))	29,132	-
Net gain on disposal of financial assets, available-for-sale	180,880	-
	<b>576,596</b>	<b>1,227,740</b>

## 27. EXPENSES BY NATURE

	Group	
	2008 US\$	2007 US\$
Royalty	1,112,381	726,774
Production expenses	7,961,168	6,677,350
Depreciation of property, plant and equipment (see Note 4)	543,849	518,508
Amortisation of exploration, evaluation and development costs (Note 5)	1,130,745	949,065
Amortisation of computer software (see Note 6)	10,600	8,344
Amortisation of concession rights (see Note 6)	8,187	8,185
Amortisation of participation rights (see Note 6)	169,200	169,200
Impairment loss of Myanmar assets in Goldwater (See Note 3(c))	-	228,634
<b>Total amortisation, depreciation and impairment</b>	<b>1,862,581</b>	<b>1,881,936</b>
Employee compensation (see Note 28)	2,209,849	1,795,287
Rental expense on operating lease	323,823	228,047
Administrative expenses	1,138,882	1,461,289
<b>Total cost of production and administrative expenses</b>	<b>14,608,684</b>	<b>12,770,683</b>

## 28. EMPLOYEE COMPENSATION

	Group	
	2008 US\$	2007 US\$
Wages and salaries	1,787,767	1,365,470
Defined contribution plan	48,124	35,494
Defined benefit plan (see Note 20)	155,257	236,262
Other benefits	203,994	158,061
Share option expense (see Note 23 (c))	14,707	-
<b>Total employee compensation (see Note 27)</b>	<b>2,209,849</b>	<b>1,795,287</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 29. FINANCE COSTS

	<b>Group</b>
	<b>2008</b>
	<b>US\$</b>
Amortisation of deemed interest expense	<b>88,848</b>
	250,944

This amount relates to the interest free loans from a director, a substantial shareholder and a third party for which repayment was deferred to 30 April 2008 in April 2005. In accordance with FRS 39, the difference between the present value of the loans and the carrying amount is amortised as interest expense over the life of these loans. The present value of the loans is discounted at the interest rates which were originally due to be charged on the loans of approximately 6.21% per annum (2007: 6.21%) (see Note 16). The loans were repaid in full on 30 April 2008.

## 30. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's results for the financial year by the weighted average number of ordinary shares on issue during the financial year as follows:

	<b>Group</b>
	<b>2008</b>
	<b>2007</b>
Net profit (US\$)	<b>1,695,948</b>
	2,263,885
Weighted average number of ordinary shares outstanding	<b>256,920,238</b>
	256,920,238
<b>Basic earnings per share (US cents)</b>	<b>0.660</b>
	0.881
<b>Fully diluted earnings per share (US cents)</b>	<b>0.660</b>
	0.881

## 31. COMMITMENTS

### (a) Operating Lease Commitments

The Group has operating lease commitments in respect of rental of office premises, vehicles and equipment in Singapore, Myanmar, Indonesia and Thailand.

	<b>Company</b>	<b>Group</b>
	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
<b>Not later than one year</b>	<b>203,306</b>	228,664
<b>Between one and five years</b>	<b>84,475</b>	213,207
	<b>287,781</b>	441,871
	<b>1,422,695</b>	1,567,398
	<b>438,621</b>	677,416
	<b>1,861,316</b>	2,244,814

### (b) Capital Commitments

The Group has capital commitments in respect of the investment in the petroleum concessions in Thailand. As per the terms of the PCAs, the Group is required to expend a minimum expenditure of US\$3,287,000 for Block L17/48 and US\$900,000 for Blocks L9/48 and L3/48 within the First Obligation Period ("FOP") from 8 December 2006 to 7 December 2009 and 20 April 2007 to 19 April 2010 respectively.

As at 31 December 2008, the Group has essentially met the minimum work commitments for Blocks L9/48 and L3/48. The outstanding work commitment for Block L17/48 is the drilling of an exploration well, the final cost of which has not yet been determined. As per the PCAs, the drilling expenditure commitment is US\$2,000,000. The Group is required to fund 50% of the drilling expenditure after it has satisfied its minimum expenditure. On 6 March 2009, we obtained written approval from the Department of Mineral Fuels to change the timing of the drilling of an exploration well from the second year of the FOP to the third year of the FOP.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 31. COMMITMENTS (CONT'D)

	Group	
	2008 US\$	2007 US\$
<b>Not later than one year</b>	<b>655,085</b>	586,294
<b>Between one and five years</b>	<b>3,809</b>	620,600
	<b>658,894</b>	1,206,894

## 32. CONTINGENT LIABILITIES

- (a) 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 in countries in response to developments in Myanmar. These may include sanctions by other countries on trade 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 effect upon the Group are not predictable.

The Myanmar Investment Commission ("MIC") resolved at its meeting in August 1994 that all projects established with the permission of the Commission 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 be exposed to the cost of restoring the project sites. The potential costs are not estimated as the Group does not foresee any circumstances to arise which may require it to make such provisions to comply with the MIC.

- (b) In late 2005, the Ministry of Finance and Revenue of Myanmar issued a notification stating that all capital gains arising from any transaction in foreign currencies relating to the sale, exchange or transfer of company shares, capital assets, ownership of, or any interest in a company 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. In late 2002, the Group's subsidiary, Goldwater, farmed out a 40% interest in the IPRCs to Geopetrol. At that time, Goldwater informed MOGE that Goldwater's net cumulative investment was higher than the cash proceeds received from Geopetrol and as such, Goldwater did not derive any capital gain. At this point in time, the Group is of the view that no tax provision is required to be included in the accounts. Furthermore, it is not possible to estimate the quantum of any amount which may eventually become payable in respect of this matter.

## 33. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (including foreign currency risk, interest rate risk and crude oil price risk), credit risk and liquidity risk arising in the normal course of business. The Group recognises the existence of the various risks and the management of the Group constantly assesses the potential impacts to the Group where necessary. The Group implements measures and strategies to minimize any exposure. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in oil prices, interest and foreign exchange rates.



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) **Market Risk**

#### (i) **Price Risk**

The Group is exposed to equity securities price risk and exchange rate risk because of the investments held by the Group which are classified in the consolidated balance sheet as financial assets, at fair value through profit or loss. These securities are listed in Indonesia and quoted in Indonesia Rupiah. However, any significant movement in the price of the equity securities is likely to be immaterial to the Group, in view of the Group's reserves. In addition, the Group is also exposed to crude oil price risk. The price of oil, which is a global commodity is not set by the Group and is subject to fluctuation. The Group does not hedge the price of oil. The Group will monitor the situation, and manage the risk accordingly.

#### (ii) **Interest Rate Risk**

The Group's interest rate risk is primarily from interest income from fixed deposits. As fixed deposits are placed on the short term money market with tenures mostly within the range of one week to three months, the Group's interest income is subject to the fluctuation in interest rates. These fixed deposits are placed on short-term deposit, in view of the future requirement of funds, and as such the Group does not hedge against long term interest rate fluctuations.

The Group does not have any significant financial liabilities which are subject to variable interest rates as at 31 December 2008.

#### (iii) **Country Risk**

The Group constantly assesses the prevailing circumstances in the countries in which it operates and manages its investments in view of the political, economic and social backdrop of the particular country. The Group will also assess the relevant country risk in all its future investments.

#### (iv) **Foreign Currency Risk**

The Group has operations in Myanmar, Indonesia, Thailand and Singapore. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as Singapore Dollar ("SGD"), Australia Dollar ("AUD"), Indonesia Rupiah ("IDR") and Thailand Baht ("THB").

Foreign currency risk arises when transactions are denominated in foreign currencies. The Group currently does not seek to hedge 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 in foreign operations. The Group's foreign currency risks are predominantly in Singapore Dollar, Australia Dollar, Indonesia Rupiah and Thailand Baht. The Group currently does not seek to hedge these exposures. As at the balance sheet date, the Group does not have any forward foreign currency contracts.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

The Group's currency exposure is as follows:

Group	SGD US\$	USD US\$	IDR US\$	AUD US\$	THB US\$	Other US\$	Total US\$
<b>2008</b>							
<b>Financial assets</b>							
Cash and cash equivalents and financial assets, at fair value through profit or loss and available-for-sale	512,064	16,159,802	463,070	432,264	120,302	5,341	17,692,843
Trade and other receivables	7,576	5,782,976	-	2,157	222,770	-	6,015,479
Other financial assets	61,691	65,104	-	-	16,821	-	143,616
	581,331	22,007,882	463,070	434,421	359,893	5,341	23,851,938
<b>Financial liabilities</b>							
Other financial (liabilities) / assets	(464,666)	(4,365,724)	(414,751)	(4,299)	158,795	(38,997)	(5,129,642)
<b>Net financial assets / (liabilities)</b>	116,665	17,642,158	48,319	430,122	518,688	(33,656)	18,722,296
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	758,760	-	-	(518,688)	-	-
<b>Currency exposure on financial assets and (liabilities)</b>	116,665	16,883,398	48,319	430,122	-	(33,656)	
Add: Net non-financial assets	111,006	12,041,446	-	-	3,324,325	2,039	
<b>Currency exposure including non financial assets and (liabilities)</b>	227,671	28,924,844	48,319	430,122	3,324,325	(31,617)	

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

Group	SGD US\$	USD US\$	IDR US\$	AUD US\$	THB US\$	Other US\$	Total US\$
<b>2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents and financial assets, at fair value through profit or loss and available-for-sale	731,342	24,054,098	122,327	74,602	1,029,132	11,125	26,022,626
Trade and other receivables	(1,229)	4,819,975	-	111,462	-	-	4,930,208
Other financial assets	56,351	65,330	-	48,055	-	-	169,736
	786,464	28,939,403	122,327	234,119	1,029,132	11,125	31,122,570
<b>Financial liabilities</b>							
Borrowings	-	(4,291,911)	-	-	-	-	(4,291,911)
Other financial liabilities	(423,048)	(3,929,948)	(381,659)	(20,714)	-	(3,560)	(4,758,929)
	(423,048)	(8,221,859)	(381,659)	(20,714)	-	(3,560)	(9,050,840)
<b>Net financial assets / (liabilities)</b>	363,416	20,717,544	(259,332)	213,405	1,029,132	7,565	22,071,730
Less: Net financial liabilities / (assets) denominated in the respective entities' functional currencies	-	1,745,794	-	(213,405)	-	-	-
<b>Currency exposure on financial assets and (liabilities)</b>	363,416	18,971,750	(259,332)	-	1,029,132	7,565	
Add: Net non-financial assets	111,006	12,041,446	-	3,324,325	-	2,039	
<b>Currency exposure including non financial assets and (liabilities)</b>	474,422	31,013,196	(259,332)	3,324,325	1,029,132	9,604	

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

The Company's currency exposure is as follows:

<b>Company</b>	<b>SGD US\$</b>	<b>USD US\$</b>	<b>IDR US\$</b>	<b>AUD US\$</b>	<b>Total US\$</b>
<b>2008</b>					
<b>Financial assets</b>					
Cash and cash equivalents and financial assets, at fair value through profit or loss and available-for-sale	<b>505,278</b>	<b>11,274,700</b>	<b>622</b>	<b>432,264</b>	<b>12,212,864</b>
Trade and other receivables	<b>7,576</b>	<b>10,267</b>	<b>-</b>	<b>2,157</b>	<b>20,000</b>
Other financial assets	<b>61,691</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,691</b>
	<b>574,545</b>	<b>11,284,967</b>	<b>622</b>	<b>434,421</b>	<b>12,294,555</b>
<b>Financial liabilities</b>					
Other financial liabilities	<b>(464,666)</b>	<b>(59,557)</b>	<b>-</b>	<b>(4,299)</b>	<b>(528,522)</b>
<b>Currency exposure</b>	<b>109,879</b>	<b>11,225,410</b>	<b>622</b>	<b>430,122</b>	<b>11,766,033</b>
<b>2007</b>					
<b>Financial assets</b>					
Cash and cash equivalents and financial assets, at fair value through profit or loss and available-for-sale	724,412	19,249,196	5,451	-	19,979,059
Trade and other receivables	(1,229)	-	-	-	(1,229)
Other financial assets	56,351	-	-	-	56,351
	779,534	19,249,196	5,451	-	20,034,181
<b>Financial liabilities</b>					
Other financial liabilities	(423,048)	(237,446)	-	-	(660,494)
<b>Currency exposure</b>	<b>356,486</b>	<b>19,011,750</b>	<b>5,451</b>	<b>-</b>	<b>19,373,687</b>

If foreign currencies have strengthened/weakened by 5% (2007: 5%) against the USD with all other variables including tax rate being held constant, the impact to the equity and net profit of the Group and the Company arising from currency translation gain/(loss) to the remaining USD denominated financial instruments will not be significant.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### (b) Credit Risk

The Group's main credit risk is from its trade receivables and the financial institutions where the Group invests its surplus funds.

As the Group currently sells all its crude oil produced to MOGE and Pertamina, the Group has a significant credit risk concentration. The Group does not foresee its exposure to Pertamina to be significant as payments have been regular. However, payments from MOGE have previously been irregular, although the frequency improved during the year. Accordingly, the Group has provided allowances for impairment in respect of the trade receivables from MOGE. The maximum exposure to financial assets risk in the event of a full default by MOGE as at 31 December 2008 is US\$3,940,412 (2007: US\$2,175,036). The Group regularly meets with MOGE to assess the collectability of future payments, and manages future cash flow accordingly. The amount due from MOGE as at financial year end was US\$6,857,166 (2007: US\$5,091,789).

The age analysis of trade receivables past due but not impaired is as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>US\$</b>	<b>US\$</b>
Past due 1 to 3 months	<b>1,772,845</b>	1,217,808
Past due 4 to 6 months	<b>1,623,022</b>	-
	<b>3,395,867</b>	1,217,808

Surplus funds are placed with reputable financial institutions, and interest income earned is subject to the fluctuation of the interest rates paid on deposits. These surplus funds are placed on short-term deposit (usually one month terms), in view of the future requirement for funds. The Group does not hedge against long term fluctuations in interest rates.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

### (c) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. With its cash holding, no borrowings and no long-term debts, the Group is in a negative gearing position. Future decisions to raise capital and funds will be made with the objective to maintain an optimal capital structure.

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2008 and 2007.

### (d) Liquidity Risk

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 with reputable financial institutions on varying maturities.



# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

The table below analyses the maturity profile of the Company's and Group's financial liabilities based on contractual undiscounted cash flows.

	<b>Less than one year US\$</b>
<b><u>Company</u></b>	
<b><u>2008</u></b>	
Trade payables and other payables	<b><u>45,534</u></b>
<b><u>2007</u></b>	
Trade payables and other payables	<u>26,473</u>
<b><u>Group</u></b>	
<b><u>2008</u></b>	
Trade payables and other payables	<b><u>3,263,789</u></b>
<b><u>2007</u></b>	
Trade payables and other payables	1,859,060
Borrowings	<u>4,291,911</u>
	<u>6,150,971</u>

## 34. INVESTMENT IN JOINT VENTURES

The following amounts represent the Group's share of results and assets and liabilities of the joint ventures. These items are included in the consolidated balance sheets and income statement using the line-by-line method of proportionate consolidation and after making the necessary adjustments to comply with the Singapore Financial Reporting Standards.

	<b>2008 US\$</b>	<b>2007 US\$</b>
<b>Balance sheet</b>		
Non-current assets	<b>10,596,742</b>	8,179,739
Current assets	<b>13,640,886</b>	10,059,374
Current liabilities	<b>(5,803,613)</b>	(3,430,296)
<b>Net assets</b>	<b><u>18,434,015</u></b>	<u>14,808,817</u>
<b>Income statement</b>		
Revenue	<b>17,479,459</b>	15,191,628
Expenses	<b>(11,220,479)</b>	(9,554,810)
Profit before income tax	<b>6,258,980</b>	5,636,818
Income tax expense	<b>(1,690,490)</b>	(1,002,062)
<b>Profit after income tax</b>	<b><u>4,568,490</u></b>	<u>4,634,756</u>
<b>Group's share of operating lease commitment of joint ventures</b>	<b><u>1,539,200</u></b>	<u>1,794,908</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 35. SEGMENT REPORTING

Group	Indonesia 2008 US\$	Myanmar 2008 US\$	Thailand 2008 US\$	Eliminations 2008 US\$	Consolidated 2008 US\$
<b>Revenue</b>					
Sales to external customers	9,509,912	7,969,547	-	-	17,479,459
<b>Segment results</b>	1,947,868	3,600,904	-	-	5,548,772
Finance costs					(88,848)
Unallocated costs					(2,101,412)
<b>Profit before income tax</b>					3,358,512
Income tax expense					(1,662,564)
<b>Net profit</b>					1,695,948
<b>Assets</b>					
Segment assets	13,428,465	11,707,600	4,468,592	-	29,604,657
Unallocated assets					14,311,908
<b>Total assets</b>					43,916,565
<b>Liabilities</b>					
Segment liabilities	7,348,293	9,330,652	4,840,215	(16,379,876)	5,139,284
Unallocated liabilities					4,766,797
<b>Total liabilities</b>					9,906,081
<b>Net assets as per consolidated balance sheet</b>					34,010,484
<b>Other information</b>					
Capital expenditure (tangible and intangible assets)	1,425,416	3,415,264	754,659	-	5,595,339
Depreciation and amortisation	1,088,934	731,764	6,614	-	1,827,312

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 35. SEGMENT REPORTING (CONT'D)

Group	Indonesia 2007 US\$	Myanmar 2007 US\$	Thailand 2007 US\$	Eliminations 2007 US\$	Consolidated 2007 US\$
<b>Revenue</b>					
Sales to external customers	9,963,401	5,228,227	-	-	15,191,628
<b>Segment results</b>	2,975,870	1,865,831	-	-	4,841,701
Finance costs					(250,944)
Unallocated costs					(1,193,016)
<b>Profit before income tax</b>					3,397,741
Income tax expense					(1,133,856)
<b>Net profit</b>					2,263,885
<b>Assets</b>					
Segment assets	14,118,498	5,915,062	3,698,769	-	23,732,329
Unallocated assets					22,701,063
<b>Total assets</b>					46,433,392
<b>Liabilities</b>					
Segment liabilities	8,755,047	6,426,199	3,616,301	(10,101,766)	8,695,781
Unallocated liabilities					4,499,523
<b>Total liabilities</b>					13,195,304
<b>Net assets as per consolidated balance sheet</b>					33,238,088
<b>Other information</b>					
Capital expenditure (tangible and intangible assets)	2,366,380	191,913	3,441,488	-	5,999,781
Depreciation and amortisation	1,054,279	545,821	270	-	1,600,370
Impairment	-	228,634	-	-	228,634

## 36. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties are entities with common directors, indirect shareholders and / or directors.

In addition to the related party information disclosed elsewhere in the financial statements, the Group had no other significant transactions with related parties during the year.

### (i) **Loan from a Director (Unsecured) – Mr Edwin Soeryadjaya**

The loan is in relation to a loan to Goldwater in 1997 from a director of the Company, Mr Edwin Soeryadjaya. Mr Soeryadjaya gave a deed of undertaking on 8 March 2004 in favour of Goldwater whereby he undertook not to require repayment of the loan by Goldwater until 21 January 2007. On 4 April 2005, Mr Soeryadjaya gave another deed of undertaking not to require repayment of the loan by Goldwater until 30 April 2008. The loan is interest free from 17 December 2002 onwards and is unsecured. The loan was fully repaid on 30 April 2008.

# Notes to the Financial Statements

For the financial year ended 31 December 2008

## 36. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS (CONT'D)

### (ii) *Loan from a Substantial Shareholder (Unsecured) – Canyon Gate Investments Ltd (“Canyon Gate”)*

The loan is in relation to a loan to Goldwater from Canyon Gate in 1997. Canyon Gate gave a deed of undertaking on 8 March 2004 in favour of Goldwater whereby Canyon Gate undertook not to require repayment of the loan by Goldwater until 21 January 2007. On 4 April 2005, Canyon Gate gave another deed of undertaking not to require repayment of the loan by Goldwater until 30 April 2008. The loan is interest free from 17 December 2002 onwards and is unsecured. The loan was fully repaid on 30 April 2008.

### (iii) *Key Management's Remuneration*

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the costs incurred by the Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefits. The key management's remuneration is as follows:

	<b>Group</b>	
	<b>2008 US\$</b>	<b>2007 US\$</b>
Director's fees	<b>233,582</b>	135,826
Short term employee benefits	<b>804,131</b>	712,043
Post employment benefits including Central Provident Fund	<b>7,674</b>	5,712
Share option expense	<b>14,707</b>	-
<b>Total costs incurred by the Group</b>	<b>1,060,094</b>	853,581
Cost incurred for the following categories of key management are:		
- Directors of the Company	<b>630,580</b>	485,638
- Other key management personnel	<b>429,514</b>	367,943
<b>Total costs incurred by the Group</b>	<b>1,060,094</b>	853,581

## 37. SUBSEQUENT EVENTS

- (a) On 12 March 2009, the Group obtained approval from the Thailand Ministry of Energy for the release of bank guarantees of US\$820,000. The bank guarantees were revised on 16 March 2009.
- (b) On 25 March 2009, the Group disposed of 2,000,000 PT Adaro Energy TBK shares on the open market.

## 38. NEW OR REVISED FRS AND INTERPRETATIONS

Certain new FRS, amendments and new interpretations to existing FRS have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009.

FRS 1(R)	Presentation of Financial Statements
FRS 108	Operating Segments
Revised FRS 23	Borrowing costs

## 39. 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 2009.

# Shareholder Information

As at 20 March 2009

## ORDINARY SHARES

	No. of Holders	% of Holders	No. of Shares / CDIs	% of Issued Capital
Ordinary shares fully paid	11,480	99.89	245,672,158	95.62
CDIs fully paid	13	0.11	11,248,080	4.38
Total	11,493	100	256,920,238	100

The Company's ordinary shares are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Australian Securities Exchange Limited ("ASX") (in the form of CHESS Depositary Interests ("CDIs"), with each CDI representing one ordinary share fully paid in the capital of the Company).

## VOTING RIGHTS

At any general meeting of the Company, every shareholder present in person or by proxy or represented by attorney shall have one vote on a show of hands, and in case of a poll shall have one vote for every share held or represented.

## DISTRIBUTION OF SHAREHOLDERS\*

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1 - 999	5,673	49.41	1,843,505	0.72
1,000 - 5,000	2,721	23.70	6,558,182	2.55
5,001 - 10,000	1,170	10.19	9,560,782	3.72
10,001 - 100,000	1,767	15.39	54,294,022	21.13
100,001 - 1,000,000	138	1.20	32,520,608	12.66
1,000,001 and above	11	0.11	140,895,059	54.84
Total	11,480	100.00	245,672,158	95.62

## DISTRIBUTION OF CDI HOLDERS\*

Range of CDI Holdings	No. of CDI Holders	% of CDI Holders	No. of CDIs	% of Issued Capital
1 - 999	2	15.38	720	0.0003
1,000 - 5,000	3	23.08	4,920	0.0019
5,001 - 10,000	1	7.70	10,000	0.0039
10,001 - 100,000	3	23.08	84,440	0.0328
100,001 - 1,000,000	2	15.38	1,150,000	0.4476
1,000,001 and above	2	15.38	9,998,000	3.8915
Total	13	100.00	11,248,080	4.3780

There are 3 CDI holders holding less than a marketable parcel<sup>^</sup> of CDIs.

<sup>^</sup> A marketable parcel is defined in the ASX Market Rule Procedures as a parcel of securities of not less than A\$500 based on the closing price of the securities on the ASX.

\* These 2 tables are compiled on the basis that each CDI holding is a separate holding and accordingly, the holding of shares by Chess Depositary Nominees Pty Limited is ignored.

## Shareholder Information

As at 20 March 2009

### TWENTY LARGEST REGISTERED SHAREHOLDERS

Name of Shareholder	No. of Shares	% of Issued Capital
DB Nominees (S) Pte Ltd	42,586,214	16.58
Raffles Nominees Pte Ltd	42,464,104	16.53
UOB Kay Hian Pte Ltd	19,992,363	7.78
Citibank Nominees Singapore Pte Ltd	19,361,468	7.54
Chess Depositary Nominees Pty Limited <sup>#</sup>	11,248,080	4.38
United Overseas Bank Nominees Pte Ltd	3,679,746	1.43
Kim Eng Securities Pte. Ltd.	3,282,840	1.28
DBS Nominees Pte Ltd	2,847,526	1.11
Ong Meng Huat	2,014,000	0.78
Sugiharto Soeleman	1,946,000	0.76
Andreas Tjahjadi	1,585,000	0.62
OCBC Securities Private Ltd	1,135,798	0.44
Lim & Tan Securities Pte Ltd	989,000	0.38
Swat Ly	984,000	0.38
OCBC Nominees Singapore Pte Ltd	955,292	0.37
DBS Vickers Securities (S) Pte Ltd	919,170	0.36
Tan Chung King	850,000	0.33
Phillip Securities Pte Ltd	689,628	0.27
Lin Ting Yie @ Lam Tin Yie	600,000	0.23
Poh Seng Kui	600,000	0.23
Total	158,730,229	61.78

<sup>#</sup> The shares held by Chess Depositary Nominees Pty Limited are held on behalf of CDI holders in its register.

### REGISTERED CDI HOLDERS

Name of CDI Holder	No. of CDIs	% of Issued Capital
Citicorp Nominees Pty Limited	5,000,000	1.9461
HSBC Custody Nominees (Australia) Limited	4,998,000	1.9454
Lin Ting Yie & Lam Tin Yie	1,000,000	0.3892
Phillip Securities Pte Ltd <Client Account>	150,000	0.0584
Liang Jing	40,000	0.0156
Chong Chai Leeh & Chong Chai Leck	24,440	0.0095
Kung Chung Ming	20,000	0.0078
Ng Ling Cheow	10,000	0.0039
Miss Lisa Patricia Le Strange	2,000	0.0008
Yap Swee Yow	1,920	0.0007
Tai Kay Seng	1,000	0.0004
Heng Kia Ngee Charmaine	360	0.0001
Teo Yu Ching	360	0.0001
Total	11,248,080	4.3780



## Shareholder Information

As at 20 March 2009

### SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Edwin Soeryadjaya <sup>1</sup>	-	-	39,958,000	15.55
Sandiaga Salahuddin Uno <sup>2</sup>	-	-	39,958,000	15.55
ADRC Limited	38,426,214	14.96	-	-
Attica Finance Ltd.	-	-	38,398,000	14.95
Fleur Enterprises Limited	38,398,000	14.95	-	-
Subianto Arpan Sumodikoro <sup>3</sup>	-	-	30,000,000	11.68
Canyon Gate Investments Ltd	30,000,000	11.68	-	-

<sup>1</sup> Edwin Soeryadjaya is deemed to be interested in the 38,398,000 shares held by Fleur Enterprises Limited and the 1,560,000 shares held by Saratoga Equity Partners I Limited (which is not a substantial shareholder) by virtue of Section 7 of the Companies Act, Chapter 50.

<sup>2</sup> Sandiaga Salahuddin Uno is deemed to have an interest in the 38,398,000 shares held by Fleur Enterprises Limited through Attica Finance Ltd. and the 1,560,000 shares held by Saratoga Equity Partners I Limited (which is not a substantial shareholder) by virtue of Section 7 of the Companies Act, Chapter 50.

<sup>3</sup> Subianto Arpan Sumodikoro is deemed to have an interest in the 30,000,000 shares held by Canyon Gate Investments Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

### PUBLIC SHAREHOLDINGS

Based on the information available to the Company as at 20 March 2009, approximately 56% of the issued ordinary shares of the Company are held in the hands of the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual.

### SHARE PURCHASE MANDATE

At an extraordinary ordinary meeting of the Company held on 21 November 2008 ("EGM 2008"), the shareholders approved a general mandate (the "Share Purchase Mandate") authorising the Company to purchase or otherwise acquire up to 10% of the issued ordinary share capital of the Company as at the date of EGM 2008. As at 20 March 2009, there is no current on-market buy-back of shares pursuant to the Share Purchase Mandate.

# Notice Of Annual General Meeting

## INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No. 197300166Z

Australian Registered Body No. 129 575 275

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Interra Resources Limited (the "Company") will be held on 29 April 2009 at 3:00 pm at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352, to transact the following business:

### ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 December 2008 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the sum of S\$328,000 as Directors' fees for the financial year ended 31 December 2008 (FY 2007: S\$205,000). **Resolution 2**

3. To re-elect the following Directors, each of whom will retire by rotation pursuant to Article 89 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:

(a) Subianto Arpan Sumodikoro

**Resolution 3(a)**

(b) Ng Soon Kai

**Resolution 3(b)**

4. To re-appoint Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 4**

### SPECIAL BUSINESS

To consider and if thought fit, to pass, the following resolutions as Ordinary Resolutions, with or without any modifications:

5. That pursuant to Section 161 of the Companies Act, Chapter 50 ("CA") and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to issue:

(i) shares in the capital of the Company; or

(ii) convertible securities; or

(iii) additional convertible securities issued pursuant to adjustments; or

(iv) shares arising from the conversion of the securities in (ii) and (iii) above,

(whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution does not (i) in the case of a renounceable rights issue, exceed one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below) ("Issued Shares"); and (ii) in all other cases, exceed fifty per cent (50%) of the total number of Issued Shares provided that the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of Issued Shares;

## Notice Of Annual General Meeting

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

- (i) new shares arising from the conversion or exercise of convertible securities;
- (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual; and
- (iii) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

### Resolution 5

6. That subject to and pursuant to the share issue mandate in Resolution 5 above being obtained, authority be and is hereby given to the Directors of the Company to issue new shares in the capital of the Company other than on a pro rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than a twenty per cent (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST.

### Resolution 6

7. That pursuant to Section 161 of the CA, authority be and is hereby given to the Directors of the Company, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Interra Share Option Plan (the "Plan"), provided always that the aggregate number of shares to be issued pursuant to the Plan shall not exceed five per cent (5%) of the total number of issued shares including treasury shares at any time and from time to time.

### Resolution 7

8. That authority be and is hereby given to Directors of the Company to make purchases from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of ordinary shares up to ten per cent (10%) of the issued ordinary share capital of the Company as at the date of this Resolution or as at the date of the last AGM of the Company (whichever is the higher) at any price up to but not exceeding the Maximum Price (as defined in the Addendum dated 14 April 2009 to shareholders of the Company, being an addendum to the Annual Report of the Company for the year ended 31 December 2008), and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM of the Company is held or is required by law to be held, whichever is the earlier (the "Share Purchase Mandate").

### Resolution 8

9. To transact any other business as may be properly transacted at an AGM of the Company.

BY ORDER OF THE BOARD

**Adrian Chan Pengee**

*Company Secretary*

Singapore

14 April 2009

### NOTES:

1. A member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument of proxy must be lodged at the registered office of the Company at 61 Stamford Road, #04-06 Stamford Court, Singapore 178892 not less than forty-eight (48) hours before the time appointed for holding the AGM.

# Notice Of Annual General Meeting

## EXPLANATORY NOTES ON BUSINESS TO BE TRANSACTED

### Resolution 3(a)

Subianto Arpan Sumodikoro, if re-elected, will remain as a Non-Executive Director of the Company and Crescento Hermawan will remain as his Alternate Director.

### Resolution 3(b)

Ng Soon Kai, if re-elected, will remain as an Independent Director of the Company, a Member of the Nominating Committee and a Member of the Remuneration Committee.

### Resolution 5

The Ordinary Resolution 5 proposed above, if passed, will empower the Directors of the Company, from the date of the above AGM until the next AGM, to issue shares in the capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders of the Company in general meeting, up to a number not exceeding in total, (i) in the case of a renounceable rights issue, one hundred per cent (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company; (ii) in all other cases, fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, provided that the total number of issued shares (excluding treasury shares) which may be issued other than on a pro rata basis to shareholders does not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares).

### Resolution 6

Contingent on the passing of Resolution 5 above, the Ordinary Resolution 6 proposed above, if passed, will authorise the Directors of the Company, from time to time, to determine up to twenty per cent (20%) discount to the price per new share pursuant to the share issue mandate, and in accordance with the requirements of the SGX-ST.

### Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will authorize the Directors of the Company, from time to time, to allot and issue shares pursuant to the exercise of options under the Plan not exceeding five per cent (5%) of the total number of issued shares including treasury shares at any time.

### Resolution 8

The Ordinary Resolution 8 proposed above, if passed, renews the Share Purchase Mandate and will authorise the Directors of the Company, from time to time, to purchase shares subject to and in accordance with the Articles of Association of the Company, SGX-ST Listing Manual and such other laws and regulations as may for the time being be applicable. The Company intends to use internal sources of funds or external borrowings or a combination of both to finance its purchase or acquisition of shares. An illustration on the financial impact of a purchase or acquisition of shares by the Company pursuant to the Share Purchase Mandate on the audited accounts of the Company for the financial year ended 31 December 2008 is set out in Section 5 of the Addendum.

# PROXY FORM

Annual General Meeting

## INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 197300166Z)

(Australian Registered Body No. 129 575 275)

### IMPORTANT:

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Interra Resources Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No.)

of \_\_\_\_\_ (Address)

being shareholder/shareholders of Interra Resources Limited (the "Company"), hereby appoint:

Name	Address	NRIC / Passport No.	Proportion of Shareholding (%) to be Represented by Proxy

and/or (delete as appropriate)

Name	Address	NRIC / Passport No.	Proportion of Shareholding (%) to be Represented by Proxy

as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held on 29 April 2009 at 3:00 pm at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352, and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, my/our proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

	ORDINARY RESOLUTIONS	For	Against
	Ordinary Business		
1	Adoption of Directors' Report and Audited Financial Statements		
2	Approval of Directors' fees		
3(a)	Re-election of Subianto Arpan Sumodikoro as Director		
3(b)	Re-election of Ng Soon Kai as Director		
4	Re-appointment of Nexia TS Public Accounting Corporation as Auditors		
	Special Business		
5	Authority to issue shares pursuant to share issue mandate		
6	Authority to issue new shares pursuant to share issue mandate at discount of up to 20% (contingent on the passing of Resolution 5)		
7	Authority to allot and issue shares under the Interra Share Option Plan		
8	Renewal of Share Purchase Mandate		

(Please indicate your vote 'For' or 'Against' with 'X' in the box provided.)

Dated this \_\_\_\_\_ day of April 2009

TOTAL NUMBER  
OF SHARES HELD

Signature(s) of Shareholder(s) / Common Seal

**IMPORTANT: Please read notes overleaf**

**Notes:**

1. A shareholder of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where a shareholder appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
2. A shareholder should insert the total number of shares held by him. If he has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), he should insert that number of shares. If he has shares registered in his name in the Register of Members, he should insert that number of shares. If he has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, the instrument of proxy shall be deemed to relate to all the shares held by him.
3. The instrument of proxy must be under the hand of the shareholder or of his attorney duly authorised in writing. Where the shareholder is a corporation, the instrument of proxy must be executed under its common seal or under the hand of its attorney duly authorised in writing.
4. The instrument of proxy (together with the power of attorney, if any, under which it is signed or a duly certified copy thereof) must be lodged at the registered office of the Company at 61 Stamford Road, #04-06 Stamford Court, Singapore 178872 not less than forty-eight (48) hours before the time appointed for holding the AGM.
5. A corporation which is a shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the shareholder are not ascertainable from the instructions specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register forty-eight (48) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



# Corporate Information

## Board Of Directors

Edwin Soeryadjaya

*Chairman (Non-Executive)*

Sandiaga Salahuddin Uno

*Deputy Chairman (Non-Executive)*

Luke Christopher Targett

*Chief Executive Officer*

Subianto Arpan Sumodikoro

*Director (Non-Executive)*

Allan Charles Buckler

*Independent Director (Non-Executive)*

Lim Hock San

*Independent Director (Non-Executive)*

Ng Soon Kai

*Independent Director (Non-Executive)*

Crescento Hermawan

*Alternate Director To Subianto Arpan Sumodikoro*

## Audit Committee

Lim Hock San (*Chairman*)

Allan Charles Buckler

Sandiaga Salahuddin Uno

## Nominating Committee

Allan Charles Buckler (*Chairman*)

Lim Hock San

Ng Soon Kai

Sandiaga Salahuddin Uno

## Remuneration Committee

Lim Hock San (*Chairman*)

Allan Charles Buckler

Ng Soon Kai

Sandiaga Salahuddin Uno

## Company Secretaries

Adrian Chan Pengee

Loo Hwee Fang

## Registered Offices

**Singapore – Principal Administrative Office**

61 Stamford Road

#04-06 Stamford Court

Singapore 178892

CRN: 197300166Z

Tel: +65 6732 1711

Fax: +65 6738 1170

Email: [interra@interraresources.com](mailto:interra@interraresources.com)

Website: [www.interraresources.com](http://www.interraresources.com)

**Australia – Local Agent Office**

307 Queen Street

Level 3 CPA Building

Brisbane QLD 4000 Australia

ARBN: 129 575 275

Tel: +61 7 3221 0922

Fax: +61 7 3221 5529

## Stock Exchange Listings

### Primary Listing

Singapore Exchange Securities Trading Limited

SGX Code: Interra Res (5GI)

### Secondary Listing

Australian Securities Exchange Limited

(In the form of CHESS Depositary Interests)

ASX Code: ITR

## Share Registrars

**Singapore – Share Registration Services**

M & C Services Private Limited

138 Robinson Road

#17-00 The Corporate Office

Singapore 068906

Tel: +65 6227 6660

Fax: +65 6225 1452

Website: [www.mncsingapore.com](http://www.mncsingapore.com)

**Australia – Chess Depositary Interest Registry Services**

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

Level 3

Abbotsford VIC 3067 Australia

Tel: 1300 850 505 (within Australia)

+61 3 9145 5000 (outside Australia)

Fax: +61 3 9473 2500

Website: [www.computershare.com](http://www.computershare.com)

## Auditors

Nexia TS Public Accounting Corporation

5 Shenton Way

#23-03 UIC Building

Singapore 068808

Partner-in-Charge: Kristin Kim Yoon Sook

(Appointed since financial year 2006)



**Interra Resources Limited**

Company Registration No. 197300166Z

Australian Registered Body No. 129 575 275

61 Stamford Road

#04-06 Stamford Court

Singapore 178892

Tel (65) 6732 1711

Fax (65) 6738 1170

Email [interra@interraresources.com](mailto:interra@interraresources.com)

Website [www.interraresources.com](http://www.interraresources.com)



**PROXY FORM**  
**Annual General Meeting**

**INTERRA RESOURCES LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration No. 197300166Z)  
(Australian Registered Body No. 129 575 275)

**IMPORTANT:**

Holders of CHESS Depositary Interests ("CDIs") relating to shares in Interra Resources Limited (the "Company") do not have an automatic right to attend, speak and vote at the Annual General Meeting of the Company to be held on 29 April 2009 at 3:00 pm at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 (the "Meeting"). If a CDI holder wishes to personally attend, speak and vote at the Meeting, the CDI holder **MUST** sign/execute Part VI, and return this Proxy Form in accordance with the instructions in the Notes to this Proxy Form. If the CDI holder wishes to nominate a proxy/proxies to attend, speak and vote at the Meeting on his/its behalf, the CDI holder **MUST** complete Part III and Part IV (in each case where relevant), sign/execute Part VI, and return this Proxy Form in accordance with the instructions in the Notes to this Proxy Form.

To complete this Proxy Form, please see the instructions in the Notes attached to this form and refer to the accompanying documents for details of each Resolution to be proposed at the Meeting.

**I** CHESS Depositary Nominees Pty Ltd ("CDN") of 20 Bridge Street, Sydney NSW 2000, Australia, a holder of shares in INTERRA RESOURCES LIMITED (the "Company"), hereby appoints:

**II** Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Securityholder Reference Number (SRN)

CHESS Depositary Interests ("CDIs") relating to shares in the Company in respect of which the proxy is appointed

**OR failing him/her**, the person whose details are given in Part III below provided that such details have been verified in Part VI below by the affixing of the seal or the signature of or on behalf of the person named in Part II and on the basis that such person is authorised to vote in respect of the proportion or number of the CDIs referred to in this Part II shown in Part III below or if no proportion or number is so shown, in respect of the whole of the said CDIs:

**III** Name

Proportion of CDIs (%)  
OR the number of CDIs  
for this Proxy Form

OR

**OR failing the person referred to in this Part III OR if no person is nominated in this Part III, the Chairman of the Meeting** in respect of the relevant CDIs specified in this Part III (or if no proportion or number is so shown, in respect of the whole of the CDIs referred to in Part II above), as our proxy/proxies to attend, speak and vote for us on our behalf and, if necessary to demand poll, at the Annual General Meeting of the Company to be held on 29 April 2009 at 3:00 pm at Room 503, Level 5, RELC International Hotel, 30 Orange Grove Road, Singapore 258352 (the "Meeting") and at any adjournment thereof. If no specific direction as to voting is given, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.

**IF A CDI HOLDER IS NOMINATING  
A SECOND PROXY PLEASE MARK  
AN 'X' IN THIS BOX.**

☐

The nomination of a second proxy **must** be effected in accordance with the instructions in Part III of the Notes attached. A CDI holder must only mark this box on the first Proxy Form and must leave this box blank on the second Proxy Form.

**IV IF A CDI HOLDER DOES NOT WISH TO DIRECT THE PROXY/PROXIES NOMINATED BY HIM/IT ON HOW TO VOTE, PLEASE MARK AN 'X' IN THIS BOX.**

By marking this box, the CDI holder acknowledges that where the Chairman of the Meeting (whether nominated or by default) is proxy in respect of the CDI holder's CDIs, the Chairman of the Meeting may exercise this proxy even if he has an interest in the outcome of a Resolution which carries a voting exclusion and votes cast by him, other than as proxyholder, will be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of all the Resolutions.

If a CDI holder does **NOT** mark an 'X' in this box and the Chairman of the Meeting (whether nominated or by default) is proxy in respect of the CDI holder's CDIs, the Chairman of the Meeting will not be able to exercise this proxy on a Resolution which carries a voting exclusion if he has an interest in the outcome of the Resolution, and votes cast by him as proxyholder in respect of this proxy on the Resolution will be disregarded unless the CDI holder has directed the Chairman of the Meeting as proxy how to vote below on the Resolution.

**VOTING DIRECTIONS TO PROXY – A CDI HOLDER SHOULD MARK AN 'X' IN THE APPROPRIATE BOX TO INDICATE HOW THE CDI HOLDER WISHES THE PROXY/PROXIES TO VOTE ON EACH RESOLUTION (SEE ALSO THE INSTRUCTIONS IN PART IV OF THE NOTES ATTACHED)**

Securityholder Reference Number (SRN)

Ordinary Resolutions		For	Against	Abstain*
	<b>Ordinary Business</b>			
1	Adoption of Directors' Report and Audited Financial Statements			
2	Approval of Directors' fees			
3(a)	Re-election of Subianto Arpan Sumodikoro as Director			
3(b)	Re-election of Ng Soon Kai as Director			
4	Re-appointment of Nexia TS Public Accounting Corporation as Auditors			
	<b>Special Business</b>			
5	Authority to issue shares pursuant to share issue mandate			
6	Authority to issue new shares pursuant to share issue mandate at discount of up to 20% (contingent on the passing of Resolution 5)			
7	Authority to allot and issue shares under the Interra Share Option Plan			
8	Renewal of Share Purchase Mandate			

\* If a CDI holder marks the 'Abstain' box for a particular Resolution, the CDI holder is directing the proxy nominated by him/it not to vote on behalf of CDN on a show of hands or a poll.

**V CHESS DEPOSITARY NOMINEES PTY LTD**

Adrian Chan Pengee  
Company Secretary  
Interra Resources Limited  
(Agent for CHESS Depositary Nominees Pty Ltd)

(Please also see Part V of the Notes section attached)

**VI TO BE COMPLETED BY A CDI HOLDER IF HE/IT WISHES TO PERSONALLY ATTEND, SPEAK AND VOTE AT THE MEETING, OR WISHES TO NOMINATE A PROXY/PROXIES TO DO SO ON HIS/ITS BEHALF UNDER PART III ABOVE. THIS PART MUST BE SIGNED IN ACCORDANCE WITH THE INSTRUCTIONS IN PART VI OF THE NOTES ATTACHED.**

**Individual 1**

**Signature of CDI Holder/  
Sole Director and Sole Secretary**

**Individual 2**

**Signature of Director**

**Individual 3**

**Signature of Director/Secretary**

Dated this \_\_\_\_\_ day of April 2009

\_\_\_\_\_  
Daytime Telephone Number

## NOTES – How to Complete the Proxy Form

- III** 1. A CDI holder may nominate not more than two proxies (including the Chairman of the Meeting) to attend, speak and vote at the Meeting in his/its place as proxy for CDN in respect of his/its CDIs. A proxy need not be a member of the Company.

**If a CDI holder leaves Part III of the Proxy Form blank or the proxy/proxies nominated by the CDI holder in Part III does/do not attend the Meeting, the Chairman of the Meeting will be the CDI holder's proxy by default and will vote as proxy for CDN in respect of the CDI holder's CDIs if the CDI holder does not attend the Meeting in person.**

2. If a CDI holder wishes to nominate a second proxy, an additional Proxy Form may be obtained by telephoning the Company's Australian registry, Computershare Investor Services Pty Limited, at 1300 850 505 or 61 3 9415 5000 outside Australia, or the CDI holder may copy this form.

To nominate a second proxy a CDI holder must:

- (a) indicate that he/it wishes to nominate a second proxy by marking an 'X' in the box at the end of Part III on the first Proxy Form. A CDI holder must leave the box at the end of Part III blank on the second Proxy Form;
- (b) on the first Proxy Form state the proportion or number of CDIs applicable to the first proxy;
- (c) on the second Proxy Form state the proportion or number of CDIs applicable to the second proxy; and
- (d) return both Proxy Forms together in the same envelope.

A CDI holder who wishes to nominate more than one proxy to attend the Meeting must specify the proportion or number of CDIs to be represented by each proxy. If no proportion or number of CDIs is specified, the proxy named in the first Proxy Form shall be deemed to be entitled to vote in respect of 100 per cent (100%) of the CDIs of his nominator and the proxy named in the second Proxy Form shall be deemed to be appointed in the alternate.

- IV** A CDI holder who wishes to nominate a proxy/proxies to attend, speak and vote at the Meeting should mark an 'X' in the appropriate box to indicate how he/it wishes the proxy/proxies to vote on each Resolution. If the Proxy Form is returned without any indication as to how the proxy/proxies must vote, subject as otherwise provided in Part IV of the Proxy Form, the proxy/proxies may vote as he thinks/they think fit. If a CDI holder marks more than one box on a Resolution, his/its vote on that Resolution will be invalid.

- V** The Proxy Form, duly executed, must be lodged by the CDI holder not less than 48 hours before the time appointed for the Meeting at the office of the Company's Australian registry, Computershare Investor Services Pty Limited, at Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067, Australia or GPO Box 242, Melbourne VIC 3001, Australia or facsimile number 61 3 9473 2555.

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

**CDI HOLDERS DO NOT HAVE AN AUTOMATIC RIGHT TO ATTEND, SPEAK AND VOTE AT THE MEETING. A CDI HOLDER WHO WISHES TO ATTEND, SPEAK AND VOTE AT THE MEETING IN PERSON OR BY PROXY MUST COMPLETE (WHERE RELEVANT), SIGN/EXECUTE, AND RETURN THE PROXY FORM IN ACCORDANCE WITH THE INSTRUCTIONS IN THESE NOTES.**

- VI** If a CDI holder wishes to attend, speak and vote at the Meeting, or wishes to nominate a proxy/proxies, this Proxy Form must be signed by the CDI holder or his attorney duly authorised in writing or, if the CDI holder is a corporation, executed under its common seal or by a duly authorised officer of the corporation or under the hand of its attorney duly authorised in writing. In the case of joint CDI holders, all joint CDI holders must sign the Proxy Form.

If the Proxy Form is being signed on behalf of a CDI holder by an attorney duly authorised in writing, then the CDI holder must have already lodged the power of attorney or a duly certified copy of the power of attorney with the Company or, alternatively, must attach the power of attorney or a certified copy of the power of attorney to the Proxy Form to be lodged with the Company.

## GENERAL

The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the CDI holder are not ascertainable from the CDI holder's instructions specified in the Proxy Form.

The Company shall be entitled and bound to reject the Proxy Form if the person first named in the Proxy Form, being the CDI holder, is not shown, in the records of CDN as at a time not earlier than 48 hours prior to the time appointed for the Meeting supplied by CDN to the Company, to have any CDIs credited to a CDN account.

### **Documents may be lodged by posting, delivery or facsimile to:**

Interra Resources Limited Share Registry  
Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001, Australia  
Delivery: Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067, Australia  
Facsimile: 61 3 9473 2555

## COLLECTION AND DISCLOSURE STATEMENT

### **Your Personal Information and the Role of the Securities Registrar**

Computershare Investor Services Pty Limited (ABN 48 078 279 277) ("CIS") understands that your privacy is important to you.

In its capacity as registrar for securities issuers ("our clients"), CIS collects personal information. Such information may include your name, address, securityholding balance, tax file number and bank account details. The primary purpose of collection of personal information is for the maintenance of our clients' registers of securityholders, facilitating distribution payments and other corporate actions and communications. If you do not provide complete and accurate information, we may not be able to effectively maintain your securityholding.

The Corporations Act 2001, Privacy Act 1988 and rules such as the ASTC Settlement Rules govern the collection, use and disclosure of your personal information.

Your personal information may be disclosed to the securities issuer, persons inspecting securities registers, bidders for your securities in the context of take-overs, regulatory bodies, including the Australian Tax Office, and authorised securities brokers. Your personal information may also be disclosed to contracted external service providers for the purpose of paying distributions and mailing corporation communication such as notice of meetings, proxy forms, annual reports and other information that our clients may wish to communicate to their securityholders. These disclosures are either required or permitted by the Corporations Act 2001, the ASTC Settlement Rules or other legislation.

Under the National Privacy Principles, you can access personal information that we hold about you although there are some exceptions to this. You also have the right to request that we correct information about you which is inaccurate, incomplete or out of date. If you wish to do so, please contact the relevant CIS office at the address set out on the documentation sent to you in relation to your securityholding. If your securityholding is broker sponsored, you need to contact that broker to update your registered name or address.

To ensure the integrity and safety of securityholders' personal information, CIS will only disclose to securityholders such information if our internal procedures are satisfied. In certain cases we may charge you a fee for access to information but we will inform you at that time.

In accordance with the Corporations Act 2001 and subject to compliance with the requirements of the Privacy Act 1988, you may be sent material (including marketing material) approved by the securities issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS at 1300 850 505 or 61 3 9415 5000 outside Australia.





## INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)  
Company Registration No. 197300166Z  
Australian Registered Body No. 129 575 275

### ADDENDUM TO SHAREHOLDERS

#### Directors:

Edwin Soeryadjaya (*Non-Executive Chairman*)  
Sandiaga Salahuddin Uno (*Non-Executive Deputy Chairman*)  
Luke Christopher Targett (*Chief Executive Officer and Executive Director*)  
Subianto Arpan Sumodikoro (*Non-Executive Director*)  
Crescento Hermawan (*Alternate Director to Subianto Arpan Sumodikoro*)  
Allan Charles Buckler (*Independent Director*)  
Lim Hock San (*Independent Director*)  
Ng Soon Kai (*Independent Director*)

#### Registered Office:

61 Stamford Road  
#04-06 Stamford Court  
Singapore 178892

14 April 2009

**To: The Shareholders and CHESS Depository Interests ("CDI") Holders of Interra Resources Limited**

Dear Sir/Madam

### ADDENDUM RELATING TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

#### 1. INTRODUCTION

- 1.1** Interra Resources Limited (the "**Company**" or "**Interra**") has on 14 April 2009 issued a Notice convening the Annual General Meeting ("**AGM**") of the shareholders of the Company (the "**Shareholders**") to be held on 29 April 2009. The proposed Ordinary Resolution No. 8 set out in the Notice of the AGM relates to the renewal of a general mandate (the "**Share Purchase Mandate**") to authorise the directors of the Company (the "**Directors**") to make purchases from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the issued ordinary share capital (the "**Shares**") of the Company as of the date of the last AGM of the Company or, at the date on which the resolution authorising the same is passed (whichever is the higher), at any price up to but not exceeding the Maximum Price (as defined in paragraph 3.1.4 below).

The purchase or acquisition of Shares by the Company will be made in accordance with the Articles of Association of the Company (the "**Articles**"), the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**"), the Companies Act, Chapter 50 (the "**Companies Act**") and other such laws and regulations as may be for the time being be applicable.

- 1.2** The Share Purchase Mandate was originally approved by Shareholders at an Extraordinary General Meeting ("**EGM**") held on 21 November 2008 and will expire on the date of the forthcoming AGM to be held on 29 April 2009. If the proposed resolution for the renewal of the Share Purchase Mandate is approved at the AGM, the mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM of the Company is held or is required by law to be held, whichever is the earlier.
- 1.3** The purpose of this addendum is to explain the rationale for and provide information relating to the proposed renewal of the Share Purchase Mandate.
- 1.4** The SGX-ST assumes no responsibility for the correctness of any statements made or opinions expressed in this addendum. If a Shareholder is in doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

## **2. RATIONALE**

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the ten per cent (10%) limit described in paragraph 3.1.1 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

Such flexibility will also allow the Directors to better manage the Company's capital structure. Further, in view of the Company's listing on the ASX Limited, trading as the Australian Securities Exchange (the "**ASX**"), where the circumstances permit, the Directors may also purchase Shares and convert them into CDIs to be sold on the ASX. Repurchased Shares which are held in treasury may also be transferred for the purposes of or pursuant to the employee share option plan approved and adopted by the Shareholders at an EGM held on 30 April 2007, as modified or altered from time to time (the "**Interra Share Option Plan**").

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said ten per cent (10%) limit during the duration referred to in paragraph 3.1.2 below, purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or its subsidiaries (the "**Group**"), or result in the Company being delisted from the SGX-ST.

## **3. SHARE PURCHASE MANDATE**

### **3.1 Authority and Limits**

Any purchase or acquisition by the Company of its Shares has to be made in accordance with, and in the manner prescribed by, the Articles, the Listing Manual, the Companies Act and such other laws and regulations as may, for the time being, be applicable.

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:-

#### **3.1.1 Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than ten per cent (10%) of the issued ordinary share capital of the Company (ascertained as at the date of the last AGM or at the date of the forthcoming AGM).

at which approval for, *inter alia*, the proposed Share Purchase Mandate is sought, whichever is the higher, unless the share capital of the Company has been reduced in accordance with applicable provisions in the Companies Act, in which event the issued ordinary share capital shall be taken to be the amount of the issued ordinary share capital of the Company as altered). Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per cent (10%) limit.

**For illustrative purposes only**, on the basis of 256,920,238 Shares in issue as at 26 March 2009, being the latest practicable date prior to the printing of this Addendum (the “**Latest Practicable Date**”) and assuming no further Shares are issued on or prior to the AGM, not more than 25,692,023 Shares (representing ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the AGM) may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 3.1.2 below.

As at the Latest Practicable Date, there are 1,200,000 outstanding options granted pursuant to the Interra Share Option Plan, of which none of the options are exercisable before February 2010, except upon the occurrence of certain prescribed events including a take-over offer for the Company.

### **3.1.2 Duration of Authority**

Purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the forthcoming AGM, at which the Share Purchase Mandate is to be renewed, up to:-

- (a) the date on which the next AGM is held or required by law to be held; or
- (b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting, whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed when the next AGM of the Company is held or required by law to be held. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous twelve (12) months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

### **3.1.3 Manner of Purchases or Acquisitions of Shares**

Purchases or acquisitions of Shares may be made by way of:-

- (a) an on-market purchase (“**Market Purchase**”), transacted on the SGX-ST through the ready market, through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) an off-market purchase (“**Off-Market Purchase**”) effected pursuant to an equal access scheme as defined in the Companies Act. The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Articles, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an Off-Market Purchase must satisfy all the following conditions:-

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable, differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Listing Manual, if the Company wishes to make an Off-Market Purchase, it must issue an offer document to all Shareholders containing at least the following information:-

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases.

#### 3.1.4 Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:-

- (a) in the case of a Market Purchase, 105 per cent (105%) of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 105 per cent (105%) of the Average Closing Price (as defined below),

(the “**Maximum Price**”) in either case, excluding related expenses of the purchase or acquisition.

For the purposes of determining the Maximum Price:-

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

### **3.2 Status of Purchased Shares**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition unless such Share is held by the Company as a treasury share. The Directors propose that all Shares purchased or acquired by the Company be held as treasury shares. While such Shares are held as treasury shares by the Company, all rights and privileges attached to the Shares will be suspended. The Company will not have any right to attend and vote at meetings. Further, no dividends shall be paid and no distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members in the event of a winding up) shall be made to the Company in respect of such Shares held as treasury shares.

### **3.3 Treasury Shares**

Under the Companies Act, the Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:-

#### **3.3.1 Maximum Holdings**

The number of Shares held as treasury shares cannot at any time exceed 10 per cent (10%) of the total number of issued Shares.

#### **3.3.2 Voting and Other Rights**

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

#### **3.3.3 Disposal and Cancellation**

Where Shares are held as treasury shares, the Company may at any time but subject always to the Singapore Code on Take-Overs and Mergers (the "**Take-Over Code**"):-

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

### **3.4 Reporting Requirements**

The Company shall notify the Registrar within thirty (30) days of a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the purchases and the total number of Shares purchased by the Company, the Company's issued ordinary share capital as at the date of the Shareholders' resolution approving the purchase of the Shares and after the purchase of Shares, and the amount of consideration paid by the Company for the purchases.

The Listing Manual states that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9:00 a.m.:-

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisition of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide to the Company, in a timely fashion, the necessary information which will enable the Company to make the notifications to the SGX-ST.

#### **4. SOURCE OF FUNDS**

The Company may only apply funds legally available for the purchase or acquisition of the Shares as provided in the Articles and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Companies Act permits the Company to purchase or acquire its own Shares out of capital and its profits, so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

#### **5. FINANCIAL EFFECTS**

- 5.1** It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible assets ("**NTA**") and earnings per Share ("**EPS**") as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.
- 5.2** Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital and/or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.
- 5.3** The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions.



**For illustrative purposes only**, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial accounts of the Group for the financial year ended 31 December 2008, are based on the assumptions set out below.

- (a) Based on 256,920,238 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 25,692,023 Shares (representing ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the AGM) may be purchased by the Company pursuant to the proposed Share Purchase Mandate.
- (b) In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 25,692,023 Shares (being the maximum number of Shares the Company is able to purchase or acquire) at the Maximum Price of S\$0.11025 for one (1) Share (being the price equivalent to five per cent (5%) above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 25,692,023 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$2,832,546 (approximately US\$1,963,500 based on the 2008 year end exchange rate of US\$/S\$ of 1.4426).
- (c) In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 25,692,023 Shares (being the maximum number of Shares the Company is able to purchase or acquire) at the Maximum Price of S\$0.11025 for one (1) Share (being the price equivalent to five per cent (5%) above the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 25,692,023 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$2,832,546 (approximately US\$1,963,500 based on the 2008 year end exchange rate of US\$/S\$ of 1.4426 ).

**For illustrative purposes only**, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) such purchase or acquisition of Shares is financed solely by internal funding; and (ii) 25,692,023 Shares (representing ten per cent (10%) of its issued ordinary share capital at the Latest Practicable Date) are purchased or acquired by the Company pursuant to the Share Purchase Mandate, the financial effects of (i) the purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and held as treasury shares; and (ii) the purchase or acquisition of the abovementioned number of Shares by the Company pursuant to the Share Purchase Mandate by way of purchases made out of capital and profits and cancelled, on the audited financial accounts of the Company and the Group for the financial year ended 31 December 2008 are set out below.

(i) **Purchases made out of capital and profits and held as treasury shares**

(A) **Market Purchases**

	Group		Company	
	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)
<b>As at 31 December 2008</b>				
Profit after Tax	1,696	1,696	(1,085)	(1,085)
Share Capital	40,109	40,109	40,109	40,109
Reserves	(17,658)	(17,658)	15	15
Accumulated Profits	9,864	9,864	(8,558)	(8,558)
Treasury Shares	—	(1,964)	—	(1,964)
Shareholders' funds	34,011	32,047	30,481	28,517
NAV	34,011	32,047	30,481	28,517
Current Assets	26,168	24,204	12,347	10,383
Current Liabilities	9,387	9,387	569	569
Borrowings	—	—	—	—
Number of Shares ('000)	256,920	231,228	256,920	231,228
Treasury Shares ('000)	—	25,692	—	25,692
<b>Financial Ratios</b>				
NAV per Share (US cents)	13.24	13.86	11.86	12.33
Gearing (times)	NA	NA	NA	NA
Current Ratio (times)	2.7877	2.5785	21.6995	18.2487
EPS (US cents)	0.6601	0.7335	(0.4223)	(0.4692)

(B) **Off-Market Purchases**

	Group		Company	
	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)
<b>As at 31 December 2008</b>				
Profit after Tax	1,696	1,696	(1,085)	(1,085)
Share Capital	40,109	40,109	40,109	40,109
Reserves	(17,658)	(17,658)	15	15
Accumulated Profits	9,864	9,864	(8,558)	(8,558)
Treasury Shares	—	(1,964)	—	(1,964)
Shareholders' funds	34,011	32,047	30,481	28,517
NAV	34,011	32,047	30,481	28,517
Current Assets	26,168	24,204	12,347	10,383
Current Liabilities	9,387	9,387	569	569
Borrowings	—	—	—	—
Number of Shares ('000)	256,920	231,228	256,920	231,228
Treasury Shares ('000)	—	25,692	—	25,692
<b>Financial Ratios</b>				
NAV per Share (US cents)	13.24	13.86	11.86	12.33
Gearing (times)	NA	NA	NA	NA
Current Ratio (times)	2.7877	2.5785	21.6995	18.2487
EPS (US cents)	0.6601	0.7335	(0.4223)	(0.4692)

(ii) **Purchases made out of capital and profits and cancelled**

(A) **Market Purchases**

	Group		Company	
	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)
<b>As at 31 December 2008</b>				
Profit after Tax	1,696	1,696	(1,085)	(1,085)
Share Capital	40,109	40,109	40,109	40,109
Reserves	(17,658)	(17,658)	15	15
Accumulated Profits	9,864	7,695	(8,558)	(8,558)
Treasury Shares	—	—	—	—
Shareholders' funds	34,011	34,011	30,481	30,481
NAV	34,011	34,011	30,481	30,481
Current Assets	26,168	24,204	12,347	10,383
Current Liabilities	9,387	9,387	569	569
Borrowings	—	—	—	—
Number of Shares ('000)	256,920	231,228	256,920	231,228
Treasury Shares ('000)	—	—	—	—
<b>Financial Ratios</b>				
NAV per Share (US cents)	13.24	14.71	11.86	13.18
Gearing (times)	NA	NA	NA	NA
Current Ratio (times)	2.7877	2.5785	21.6995	18.2487
EPS (US cents)	0.6601	0.7335	(0.4223)	(0.4692)

(B) **Off-Market Purchases**

	Group		Company	
	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)
<b>As at 31 December 2008</b>				
Profit after Tax	1,696	1,696	(1,085)	(1,085)
Share Capital	40,109	38,145	40,109	38,145
Reserves	(17,658)	(17,658)	15	15
Accumulated Profits	9,864	9,864	(8,558)	(8,558)
Treasury Shares	—	—	—	—
Shareholders' funds	34,011	32,047	30,481	28,517
NAV	34,011	32,047	30,481	28,517
Current Assets	26,168	24,204	12,347	10,383
Current Liabilities	9,387	9,387	569	569
Borrowings	—	—	—	—
Number of Shares ('000)	256,920	231,228	256,920	231,228
Treasury Shares ('000)	—	—	—	—
<b>Financial Ratios</b>				
NAV per Share (US cents)	13.24	13.86	11.86	12.33
Gearing (times)	NA	NA	NA	NA
Current Ratio (times)	2.7877	2.5785	21.6995	18.2487
EPS (US cents)	0.6601	0.7335	(0.4223)	(0.4692)

Shareholders and CDI Holders should note that the financial effects set out above are purely for illustrative purposes only. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to ten per cent (10%) of its issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent (10%) of its issued Shares. In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

## **6. THE TAKE-OVER CODE IMPLICATIONS ARISING FROM PURCHASE OF SHARES**

### **6.1 Takeover Implications**

Appendix 2 of the Take-over Code ("**Appendix 2**") contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

#### **6.1.1 Obligations to Make a Take-over Offer**

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). If such increase results in a change of control, or, as a result of such increase, a Shareholder or a group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make an offer under Rule 14.

#### **6.1.2 Persons Acting in Concert**

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:-

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, and any company whose associated companies include any of the above companies;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;
- (e) a financial or other professional adviser, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10 per cent (10%) or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to the instructions and companies controlled by any of the above, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

For this purpose, ownership or control of at least 20 per cent (20%) but not more than 50 per cent (50%) of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors, CDI Holders and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### **6.1.3 Effect of Rule 14 and Appendix 2 of the Take-over Code**

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30 per cent (30%) or more, or in the event that such Directors and their concert parties hold between 30 per cent (30%) and 50 per cent (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent (1%) in any period of six (6) months.

Under Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30 per cent (30%) or more, or if such Shareholder holds between 30 per cent (30%) and 50 per cent (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

As at the Latest Practicable Date, based on the Directors' interests in Shares set out in paragraph 8.1 and the interests of Shareholders holding not less than five per cent (5%) interest in the Shares (the "**Substantial Shareholders**") set out in paragraph 8.2, assuming (i) the Company purchases the maximum ten per cent (10%) of the issued Shares of the Company as at the Latest Practicable Date, and (ii) there is no change in the number of Shares held or deemed to be held by the Directors, then, as at the Latest Practicable Date, the voting rights of Messrs Edwin Soeryadjaya, Sandiaga Salahuddin Uno and Subianto Arpan Sumodikoro who are also Substantial Shareholders (and who are considered parties acting in concert) may increase to exceed thirty per cent (30%) in the event that the Company purchases 25,692,023 Shares, being the maximum number of ten per cent (10%) of the issued Shares of the Company under the Share Purchase Mandate. In the event that their voting rights exceed thirty per cent (30%), Messrs Edwin Soeryadjaya, Sandiaga Salahuddin Uno and Subianto Arpan Sumodikoro will, unless exempted, become obligated to make a mandatory take-over offer under Rule 14. None of the other Directors (together with persons acting in concert with them) will become obligated to make a mandatory take-over offer pursuant to the exercise of the powers to purchase Shares under the Share Purchase Mandate.

**Shareholders and CDI Holders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.**

## **7. LISTING STATUS ON SGX-ST**

### **7.1 SGX-ST**

While the Listing Manual does not expressly prohibit purchases of shares by a listed company during any particular time or times, because the listed company would be considered an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with the rules on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period of one (1) month immediately preceding the announcement of the Company’s annual or half-yearly results and during the period of two (2) weeks immediately preceding the announcement of the Company’s first three (3) quarterly results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10 per cent (10%) of its Shares are in the hands of the public. The “public”, as defined under the Listing Manual, are persons other than the Directors, chief executive officer, Substantial Shareholders or controlling Shareholders of the Company and its subsidiaries, as well as their associates, as defined in the Listing Manual.

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 144,550,424 Shares, representing 56.26% of the issued Shares, are in the hands of the public.

Assuming that the Company purchases its Shares through Market Purchases up to the full 10 per cent (10%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 118,858,401 Shares, representing 51.40% of the reduced issued share capital of the Company.

Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full 10 per cent (10%) limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

### **7.2 ASX**

The Company has consulted with ASX under ASX Listing Rule 7.36 concerning share buy-backs carried out by the Company.

The ASX has confirmed in its email to the Company dated 3 September 2008 that it has no objection to the proposed Share Purchase Mandate. The Company will comply with the relevant ASX Listing Rules in relation to the lodgement of notices for the purchase or acquisition of Shares under the Share Purchase Mandate.



## 8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

- 8.1 The Directors' interest in the Shares as recorded in the Register of Directors' Shareholdings kept pursuant to Section 164 of the Companies Act, as at the Latest Practicable Date, are set out below.

Name of Director	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Edwin Soeryadjaya	—	—	39,958,000	15.55
Sandiaga Salahuddin Uno	—	—	39,958,000	15.55
Luke Christopher Targett	40,000	0.02	—	—
Subianto Arpan Sumodikoro	—	—	30,000,000	11.68
Crescento Hermawan	—	—	—	—
Allan Charles Buckler	3,945,600	1.54	—	—
Lim Hock San	—	—	—	—
Ng Soon Kai	—	—	—	—

- 8.2 The interests of Substantial Shareholders of the Company in the Shares as recorded in the Register of Substantial Shareholders kept pursuant to Section 88 of the Companies Act, as at the Latest Practicable Date, are set out below.

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Edwin Soeryadjaya	—	—	39,958,000	15.55
Sandiaga Salahuddin Uno	—	—	39,958,000	15.55
ADRC Limited	38,426,214	14.96	—	—
Attica Finance Ltd.	—	—	38,398,000	14.95
Fleur Enterprises Limited	38,398,000	14.95	—	—
Subianto Arpan Sumodikoro	—	—	30,000,000	11.68
Canyon Gate Investment Ltd	30,000,000	11.68	—	—

## 9. NO SHARES PURCHASED OR ACQUIRED IN THE PREVIOUS TWELVE MONTHS

The Company has not made any purchase or acquisition of its Shares in the twelve (12) months preceding the Latest Practicable Date.

## 10. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the renewal of the Share Purchase Mandate is in the interests of the Company and accordingly recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate to be proposed at the AGM on 29 April 2009 as set out in the Notice of Annual General Meeting dated 14 April 2009.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

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

## **12. DOCUMENTS FOR INSPECTION**

The following documents are available for inspection at the registered office of the Company at 61 Stamford Road, #04-06 Stamford Court, Singapore 178892 during normal business hours from the date hereof up to and including the date of the AGM:-

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the Annual Report of the Company for the financial period ended 31 December 2008.

Yours faithfully

For and on behalf of  
the Board of Directors  
INTERRA RESOURCES LIMITED

**Edwin Soeryadjaya**  
Chairman



