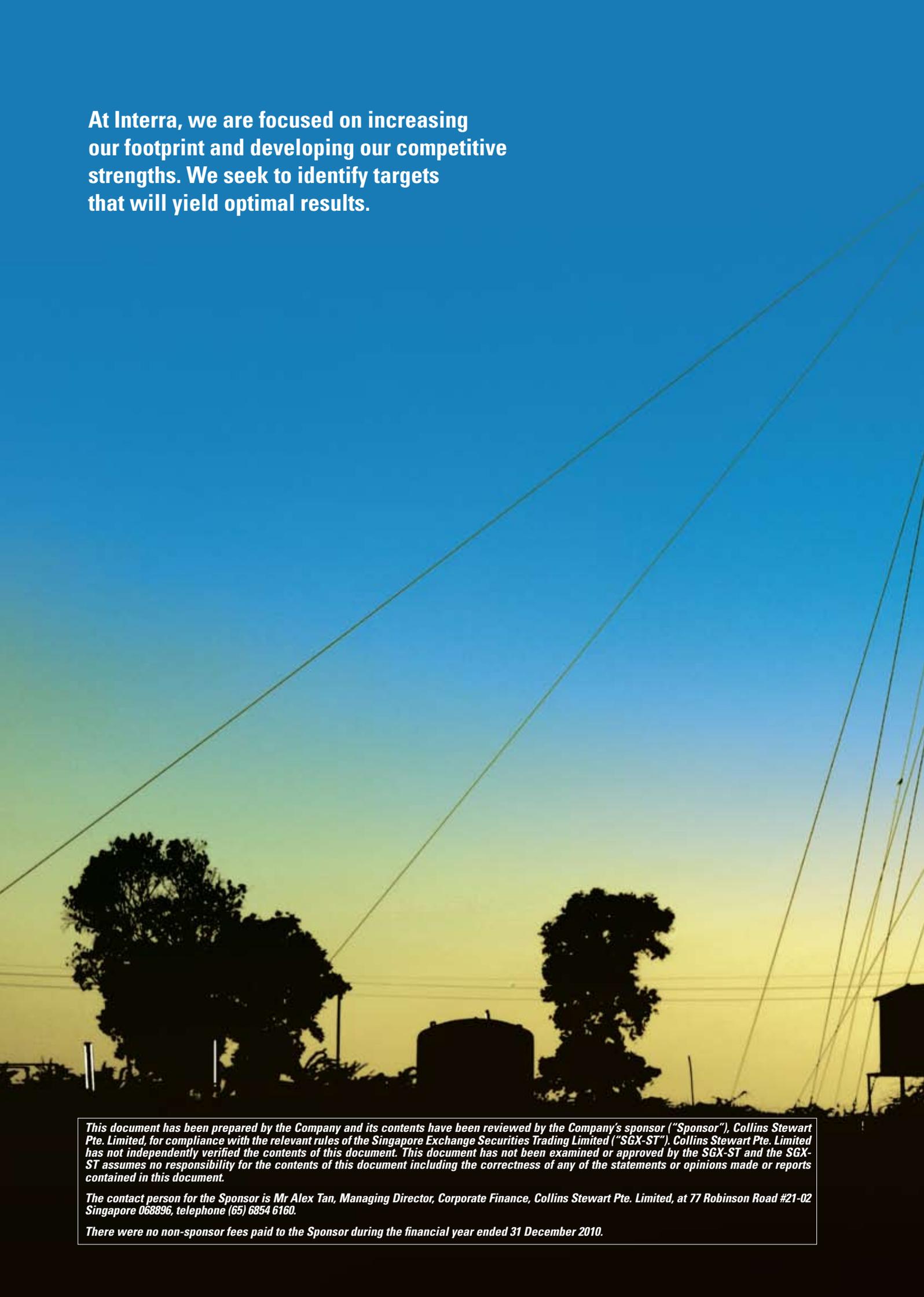


SIGHTS ON NEW FRONTIERS

INTERRA RESOURCES LIMITED ANNUAL REPORT 2010





At Interra, we are focused on increasing our footprint and developing our competitive strengths. We seek to identify targets that will yield optimal results.

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Collins Stewart Pte. Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Collins Stewart Pte. Limited has not independently verified the contents of this document. This document has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited, at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

There were no non-sponsor fees paid to the Sponsor during the financial year ended 31 December 2010.



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WHO WE ARE Interra Resources Limited, listed on the SGX Catalist and the ASX, is a Singapore-incorporated company engaged in the business of petroleum exploration and production ("E&P"). Our E&P activities include petroleum production, field development and exploration. 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.

WHERE WE OPERATE



Myanmar: Chauk and Yenangyaung IPRCs

In central Myanmar, we hold 60% of the rights and interests to two of the largest onshore oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts ("IPRCs"). The IPRCs with the Myanmar Oil and Gas Enterprise commenced on 4 October 1996 for a term of 20 years and 6 months. We manage the operatorship of the two fields jointly with our joint venture partner through Goldpetrol Joint Operating Company Inc. ("Goldpetrol"). The Myanmar concessions cover a total area of approximately 1,800 square kilometres and are located along the Ayeyarwady River, approximately 580 kilometres north of Yangon. During 2010, the combined gross production for both fields was 788,877 barrels of oil.

Indonesia: Tanjung Miring Timur TAC

Onshore South Sumatra, we own a 70% participating interest in the Tanjung Miring Timur ("TMT") Technical Assistance Contract ("TAC"). The TAC with PT Pertamina EP commenced on 17 December 1996 for a term of 20 years. The operator of the oil field is PT Retco Prima Energy. 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 2010, gross production was 118,402 barrels of oil.

Indonesia: Linda Sele TAC

In the province of West Papua, we have a 100% participating interest in the Linda Sele Technical Assistance Contract ("TAC"). The TAC with PT Pertamina EP commenced on 16 November 1998 for a term of 20 years and we have the full operatorship of the onshore field. Linda Sele covers an area of approximately 15 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong City. This new acquisition was completed on 24 January 2011.

Australia: PEP 167

In southeast Australia, we hold a 50% participating interest in an exploration permit located in the onshore Otway Basin, namely the Petroleum Exploration Permit ("PEP") 167. The PEP commenced on 2 July 2007 with an initial exploration work program of 5 years. The operator of the permit area is our joint venture partner, Bass Strait Oil Company Ltd. PEP 167 covers an area of 833 square kilometres and is located near Portland in western Victoria.

MAINTAINING A LONG-TERM VIEW

We remain committed to building a dynamic business through focused execution of strategies, enabling us to create long-term value.



Dear Shareholders,

It is once again my pleasure to present the audited consolidated financial results of the Group for the financial year ended 31 December 2010 ("FY2010"). The Group recorded a net profit after tax of US\$1.71 million in FY2010, an increase of 15.5% compared with US\$1.48 million earned in the financial year ended 31 December 2009 ("FY2009"). The Group saw its revenue increase by 17.7% from US\$12.62 million for FY2009 to US\$14.85 million for FY2010. This increase in revenue was attributable to significantly higher oil prices despite a decrease in the overall production. The weighted average transacted oil price for FY2010 was US\$81.49 per barrel, which was substantially higher than the US\$65.03 per barrel for FY2009.

Our operations in Myanmar continued to deliver satisfactory performance in FY2010. All four shallow development wells drilled were completed as oil producers and several shut-in wells re-entered were re-completed as oil producers and contributed to a total sharable production of 174,372 barrels for the year. We have also successfully completed a 2D seismic survey of the Chauk field and are currently evaluating the results. Furthermore, the number of invoice payments from Myanma Oil and Gas Enterprise increased from 13 payments in FY2009 to 16 payments in FY2010. In light of the improvement in invoice payments and increased production, the Board decided to write back US\$5.00 million of the impairment made in prior years on the carrying value of the Myanmar assets in FY2010, thereby reducing the total impairment made against the Myanmar assets to US\$2.60 million.

In Indonesia, as production at the TMT field, which is operated by our joint venture partner, continued to decline, the Board had decided to make an impairment write-down of US\$0.50 million on carrying value of the asset in FY2010. The 3D seismic program at TMT has commenced in late 2010 and is expected to complete by the second quarter of 2011. This will provide the joint venture with more technical data and hence lead to a better geological understanding of the field and more confidence in picking new drilling locations.

After careful analysis of the available technical data, the Group decided to relinquish both Blocks L17/48 and L9/48 of the exploration concessions in Thailand, and had informed the Department of Mineral Fuels (DMF) of the relinquishments in late 2010. Consequently, the Group recognised a total impairment write-down of US\$4.02 million on the carrying value of the two blocks in FY2010.

Upon official confirmation from DMF, Interra will no longer hold petroleum concessions in Thailand.

In Australia, the 3D seismic program was completed in 2010. Our joint venture partner, who is the operator of the onshore exploration acreage, has commenced planning for an exploration well to be drilled during the year of 2011.

I am pleased to report that Interra took a step forward in our growth with the acquisition of the entire share capital of IBN Oil Holdico Ltd., which owns and operates 100% participating interest in the onshore Linda Sele Technical Assistance Contract in West Papua, Indonesia. The cost of the acquisition was US\$6.25 million and the transaction was completed on 24 January 2011. The Group is currently proceeding with taking over and organising the operations. With near term infrastructure improvement and production facilities upgrade, we expect the fields to contribute modestly to our results in FY2011.

We remain focused on increasing the production in our existing fields through improved production practices, drilling new wells and recompletion of old wells. We are hopeful that, after the completion of all our seismic programs, we will be able to develop a comprehensive strategy with appropriate work programs to improve efficiency and increase production.

Furthermore, we will continue to look for suitable acquisition opportunities so as to increase our reserves. The Company's financial position has remained strong with no debt and total cash on hand of US\$18.75 million as at 31 December 2010. Moreover, on 8 March 2011, the Company announced that it had undertaken a private placement exercise for an issuance of up to 38,500,000 new ordinary shares at S\$0.126 each. The placement is expected to be completed within a month and the Company intends to utilise the entire net proceeds to fund the Group's future acquisitions of petroleum concessions.

During 2010, the Board continued to be committed towards upholding the values of corporate governance. Our corporate governance efforts practised during the year are disclosed in the Corporate Governance Report section of this Annual Report. In addition, in line with the Australian listing requirements, we have issued a securities trading policy at the end of 2010, a copy of which is available on our company website. We have also endeavoured to maintain good health and safety standards

“Interra took a step forward in our growth with the acquisition of the entire share capital of IBN Oil Holdico Ltd., which owns and operates 100% participating interest in the onshore Linda Sele Technical Assistance Contract in West Papua, Indonesia.”



and to run our operations in ways that are socially and environmentally responsible.

On behalf of the Board, I would like to welcome Mr Low Siew Sie Bob and Mr Pepen Handianto Danuatmadja, who have joined us as Independent Director and Alternate Director respectively on 18 February 2011. Mr Pepen acts as an alternate director for Mr Subianto Arpan Sumodikoro. Mr Low brings with him a wealth of corporate advisory and financial experience which will be of significant benefit to Interra. I would also like to extend the Board's gratitude to our employees for their dedication and to express

our appreciation to our shareholders for the continued support throughout the year.

In the year ahead, it is envisaged that we will face uncertainties in global political outlook and many economic challenges. Nevertheless, I am confident that Interra will work hard to mitigate these effects and bring value to shareholders.

EDWIN SOERYADJAYA

Chairman

23 March 2011

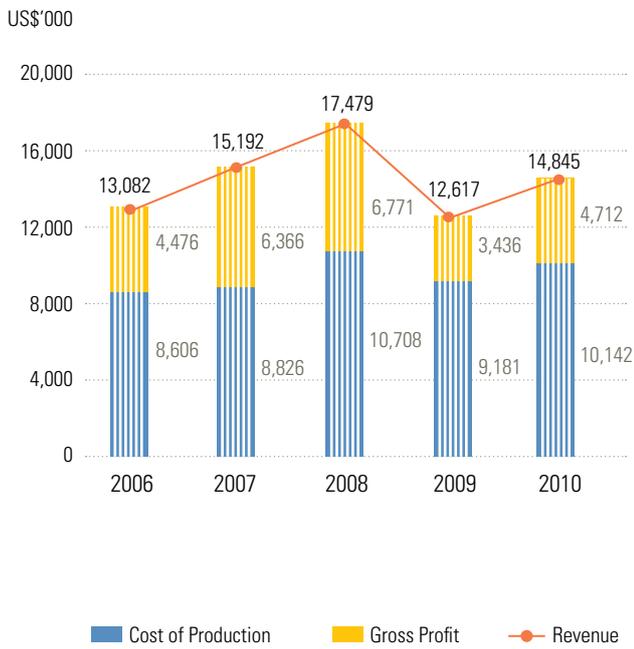
FINANCIAL HIGHLIGHTS



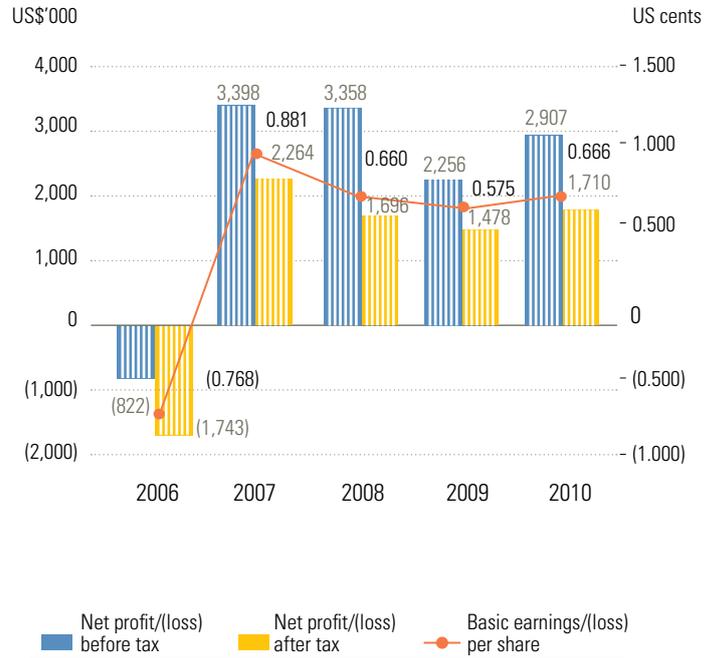
Group	2006	2007	2008	2009	2010
Financial Performance (US\$'000)					
Revenue	13,082	15,192	17,479	12,617	14,854
Cost of production	8,606	8,826	10,708	9,181	10,142
Gross profit	4,476	6,366	6,771	3,436	4,712
Net profit/(loss) before tax	(822)	3,398	3,358	2,256	2,907
Net profit/(loss) after tax	(1,743)	2,264	1,696	1,478	1,710
Financial Strength (US\$'000)					
Cash and cash equivalents	24,229	24,993	17,257	17,341	18,748
Debt and borrowings	4,041	4,292	–	–	–
Net current assets	23,822	18,436	16,779	15,521	17,659
Shareholders' equity	30,921	33,238	34,010	35,312	36,637
Cash Flow (US\$'000)					
Operating cash flow	748	3,505	2,014	3,371	2,623
Investing cash flow	20,061	(6,928)	(3,199)	(3,140)	(615)
Financing cash flow	(1,409)	–	(5,325)	–	–
Per Share Data (US cents)					
Basic earnings/(loss) per share	(0.768)	0.881	0.660	0.575	0.666
Net asset value per share	12.035	12.937	13.238	13.744	14.260
Company	2006	2007	2008	2009	2010
SGX Share Price Information (S\$)					
Year-end closing price	0.290	0.280	0.095	0.200	0.140
Average closing price	0.349	0.311	0.190	0.166	0.157
Highest traded price	0.640	0.405	0.295	0.260	0.215
Lowest traded price	0.220	0.210	0.070	0.055	0.130
Year-end market capitalisation	74,506,869	71,937,667	24,407,423	51,384,048	35,968,833
Average market capitalisation	79,886,449	79,953,578	48,917,613	42,743,575	40,211,600

FINANCIAL HIGHLIGHTS

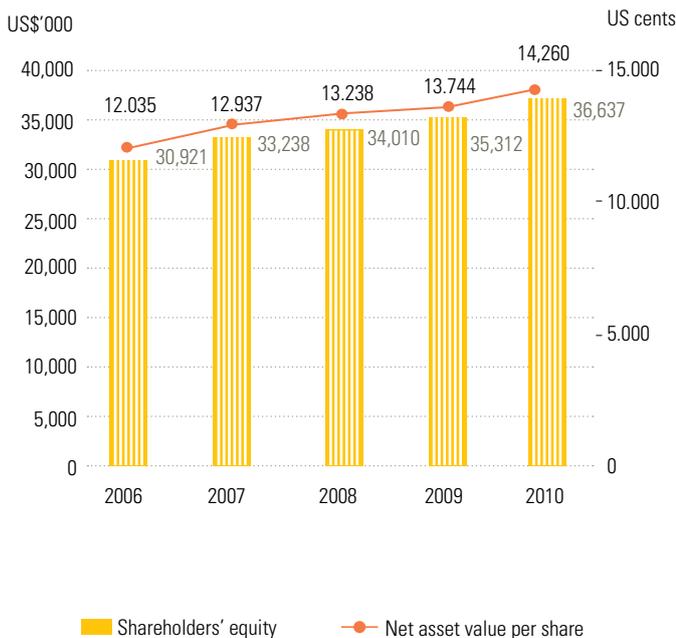
Revenue, Cost of Production, Gross Profit



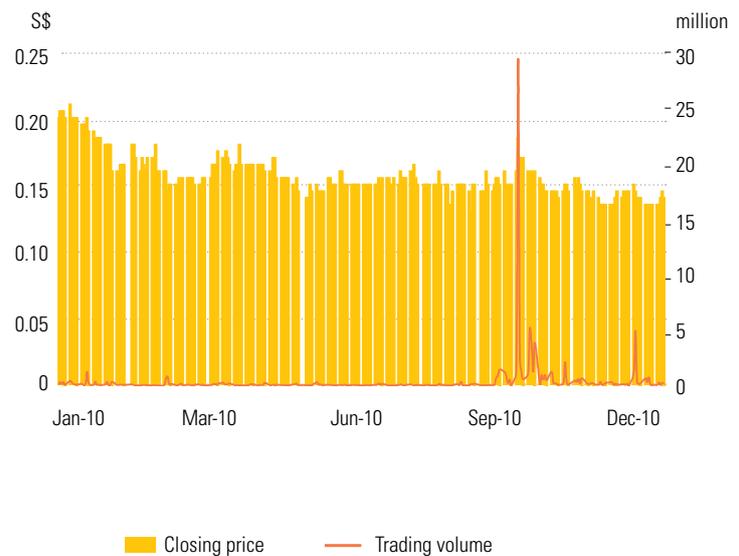
Net Profit/(Loss) Before & After Tax, Basic Earnings/(Loss) Per Share



Shareholder's Equity & Net Asset Value Per Share



SGX Share Price Performance for 2010



FINANCIAL REVIEW

Financial Performance

The Group's revenue for FY2010 was US\$14.85 million compared to US\$12.62 million for FY2009. The increase in revenue was due to higher oil prices which outweighed the lower shareable production. The weighted average transacted oil price of US\$81.49 per barrel for FY2010 was substantially higher than that of US\$65.03 per barrel for FY2009. Revenue from the operations in Myanmar, which contributed 68.8% to the total turnover, grew significantly by 50.9% over the previous year's contributions. However, TMT continued to be hampered by a weak performance and its revenue declined by 20.7%.

The overall cost of production increased by 10.5% from US\$9.18 million for FY2009 to US\$10.14 million for FY2010. The lower level of activities at TMT, of which the Group is not the operator, saw its year-on-year cost of production reduced by 14.8% to US\$4.19 million. On the other hand, the cost of production in Myanmar increased by 39.7% to US\$5.95 million due to the increased level of drilling and re-opening activities.

During FY2010, the Group received 16 invoice payments from Myanmar Oil and Gas Enterprise, an improvement from 13 invoice payments in FY2009. Coupled with the increase in production, the Board decided to write back US\$3.00 million of the impairment on exploration, evaluation and development costs and US\$2.00 million of the impairment on trade receivables in respect of the Myanmar assets.

The decline in production at TMT led to the Board's decision to write down US\$0.50 million of impairment on the carrying value of the TMT asset in FY2010. In view of the relinquishments of Blocks L9/48 and L17/48 in Thailand, the Group also recognised a total of US\$4.02 million of impairment on the carrying value of the two blocks in FY2010.

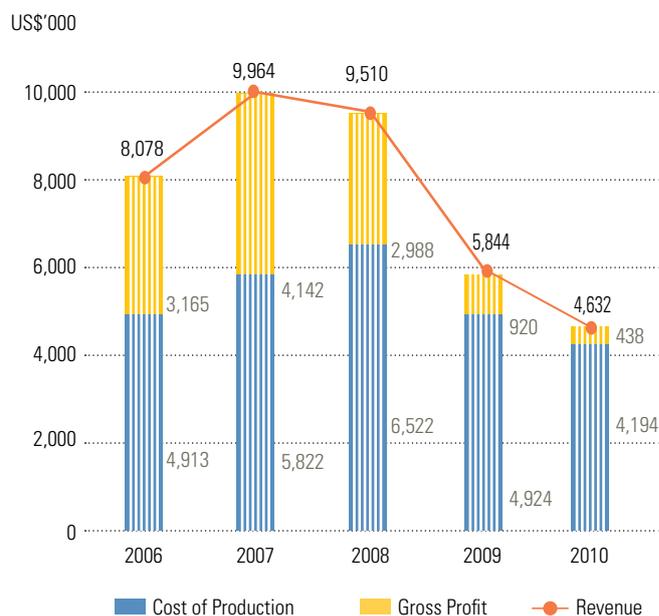
During the year, the Group disposed of the remaining 3 million shares in PT Adaro Energy Tbk for total sale proceeds of US\$0.74 million. Including the fair value gain recognised during the year, the total net gain for the disposal was US\$0.19 million. Interest income for FY2010 fell to US\$0.04 million compared to US\$0.10 million earned in the previous year, due to the continued downtrend in US dollar deposit interest rates. The further weakening of US dollar against Thai Baht in FY2010 resulted in an unrealised exchange gain in the intercompany balance of US\$0.56 million, as compared to US\$0.33 million in FY2009. The lower income tax expense for FY2009 of US\$0.78 million, compared with the current year's US\$1.20 million, was due to a one-time reversal in FY2009 of the over-provision of US\$0.21 million made in previous years.

On the whole, the Group recorded an increase of 15.5% in net profit after tax, up from US\$1.48 million for FY2009 to US\$1.71 million for FY2010.

Revenue, Cost of Production & Gross Profit for Myanmar



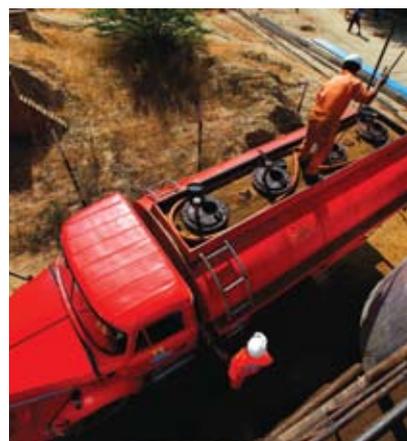
Revenue, Cost of Production & Gross Profit for TMT



EMPLOYING A DISCIPLINED STRATEGY

We continue to adopt a focused approach in seeking new ventures with suitable criteria and reasonable valuation.





Financial Position

As at the end of FY2010, the Group's financial position remained sound, with no debt and with sufficient cash on hand to meet its operating costs for the foreseeable future. Total cash and bank balances as at 31 December 2010 was US\$18.75 million, of which US\$0.67 million was pledged as collateral in respect of banker's guarantee in favour of the Thai Customs Department. This banker's guarantee was subsequently discharged on 18 February 2011, after which the Group has no more outstanding bank guarantees. Total shareholders' equity as at 31 December 2010 was US\$36.64 million, an increase of US\$1.32 million over the year.

Cash Flow

The Group's cash position at the end of FY2010 increased by US\$2.06 million to US\$16.59 million compared with the previous year end of US\$14.53 million.

The operations in Myanmar generated a strong net cash inflow of US\$4.50 million for FY2010 and incurred capital expenditure of US\$2.03 million of which US\$1.27 million was spent on the 2D seismic program at the Chauk field.

TMT contributed a net cash inflow of US\$0.77 million in FY2010 and the bulk of its capital expenditure of US\$0.49 million went towards committing the 3D seismic program, which commenced in late 2010.

Total cash outflow for the Australian project in FY2010 was US\$1.66 million, including the cost of the 3D seismic program in Australia which was completed at year-end.

The Group foresees that it will be able to fund its share of operating expenses and capital commitments for the work programs of its existing operations planned for 2011.

Capital

There were no new shares issued during FY2010. Although the share purchase mandate approved by shareholders at the extraordinary general meeting held on 21 November 2008 was renewed at the last annual general meeting, no share buy-back has taken place thus far.

On 8 March 2011, the Company undertook a private placement exercise for an issuance of up to 38,500,000 new ordinary shares at S\$0.126 each. The placement is expected to complete within a month and the Company intends to utilise the entire net proceeds to fund possible future acquisitions.

No share options were issued or exercised during the year and hence the number of share options outstanding as at the end of FY2010 remained at 500,000.

Myanmar

The Group's earnings for FY2010 were largely generated from its operations in Myanmar. Although a substantial portion of the impairment charged previously in respect of the Myanmar assets has been reversed, the Group will continue to closely monitor the economic and political developments in Myanmar and perform prudent impairment tests accordingly. 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 information regarding this matter, please refer to the Contingent Liabilities section of the Notes to the Financial Statements of this Annual Report.

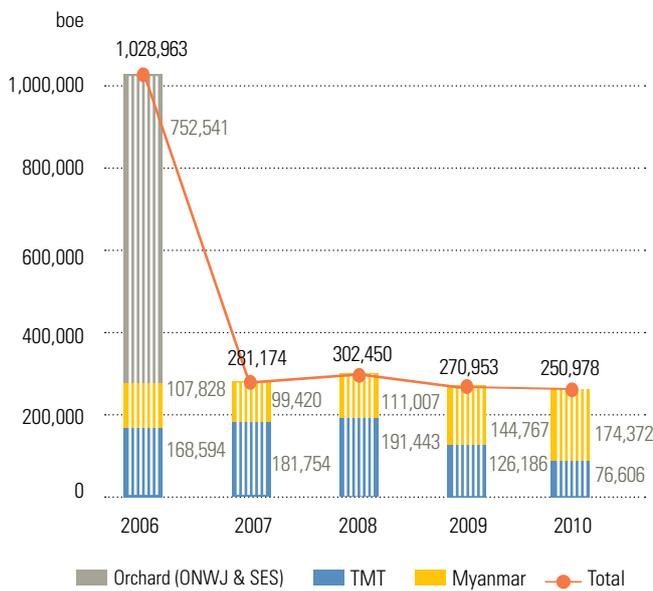


OPERATING REVIEW

Production

The Group's annual shareable production by field before application of the contractual arrangements with the relevant host governments 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".

“Extracting value through our activities, we are actively exploring strategic investments and looking into forging business alliances.”

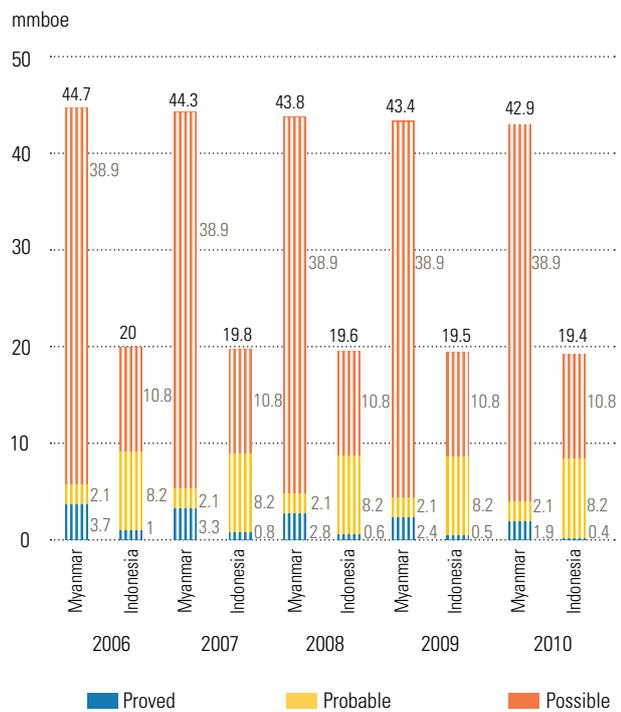
The operations in Myanmar achieved a 20.5% increase in shareable production from 144,767 barrels in FY2009 to 174,372 barrels in FY2010. This was mainly due to the success of shallow development well drillings and re-openings of old shut-in wells. Despite the record high performance in Myanmar, the total annual shareable production for FY2010 of 250,978 barrels of oil was 7.4% less than the previous year's 270,953 barrels. This overall decrease was attributable to the poor production at TMT, where the year-on-year shareable production dropped 39.3% from 126,186 barrels of oil to 76,606 barrels. The Group is hopeful that the 3D seismic program that has commenced in end 2010 will yield a far greater technical understanding of the field, and hence lead to successful development drilling and production optimisation which will significantly increase production.

With the sale of the ONWJ and SES assets in August 2006, the Group no longer commercially produces gas.

Reserves

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

Gross Reserves



Notes:

- 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.
- "mmboe" means "million barrels of oil equivalent".
- 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 is used.
- The gross reserves are internal estimations based upon the following sources:

Field	Source of Data
Myanmar Chauk & Yenangaung	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.

No external reserves certifications were commissioned in 2010. The Group's share of gross reserves as of 31 December 2010 was derived by deducting the actual production from the last reserves certifications compiled by external industry experts.

There were no reserves being assigned to the asset in Australia given that the drilling of the potential well to appraise the possible oil accumulation is only expected to commence in 2011.

After careful technical evaluation and other significant considerations, the Group has determined to relinquish all the exploration blocks in Thailand.

Note:

The above information regarding 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.

Crude Oil Prices and Hedging

During 2010, crude oil prices continued to rise to above US\$90 per barrel at year-end. The Sumatran Light Crude prices (the oil price at which all of the Group's crude oil is sold) for the past 5 years are as follows:

Sumatran Light Crude Price



In line with the Group's internal policy, no hedging instruments were utilised to hedge against the oil prices during the year. Hence, the Group remains exposed to fluctuations in the prevailing crude oil prices. It is likely that the Group would only enter into hedging agreements when they are considered essential as part of acquisitions. It will continue monitoring the situation in light of the prevailing circumstances.

AIMING FOR A WIDER PRESENCE

We endeavour to strengthen our presence while enhancing our operational capabilities.



Factors Affecting Performance of the Business

The key factors affecting the Group's business, financial conditions or operations are set out below.

• Crude Oil Prices

As mentioned above, the Group does not have any hedging or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the crude oil it produces. Its revenue is exposed to fluctuations in the prevailing crude oil prices.

• Operating Costs

High crude oil prices may cause operating costs to rise along with the return in demand for materials, oil rigs, and oilfield related equipment and services.

• Reserve Replacement and Drilling

The Group aims to replace reserves and sustain or increase production through development of existing assets and acquisition of new concessions.

In Myanmar, where the fields are jointly operated by the Group and its joint venture partner, focus was placed on drilling new development wells, reactivating and deepening old wells, and enhancing existing production through improved production techniques and maintenance programs. During 2010, four low-cost development wells of intermediate depth were drilled using the in-house rig and completed as oil producers, which modestly lifted the overall production. As part of the continued emphasis on increasing production and reserve additions, a 278-kilometre 2D seismic acquisition program was commissioned over the Chauk field in 2010, with the primary focus of evaluating under-developed areas with sparse seismic coverage and undrilled areas with new pool or exploration potential.

At TMT, which is operated by the Group's joint venture partner, drilling of new wells has been postponed until after the 3D seismic data acquisition, which commenced in late 2010 and is expected to complete in mid 2011. The 3D seismic survey is anticipated to lead to a far greater understanding of the subsurface structure and stratigraphy of the field, and hence more confidence in picking new drill sites.

Although the planned drilling program in Myanmar and TMT is development in nature, there is always a risk of the drilling being unsuccessful and thus affecting the bottom line of the business. The Group is continuously seeking to acquire suitable new acreages and producing fields so as to grow and expand its reserve base and production.

In Australia, the 3D seismic survey over the prospective area surrounding the Windermere oil discovery of PEP 167 has provided a high resolution delineation of the appraisal

well location, and drilling of the offset well is expected to commence later in the year of 2011.

• Exploration Risk

Exploration activity involves a significant inherent risk of not discovering any accumulation of oil or gas, or that the discovery of oil or gas is not commercially recoverable or viable. In the event the exploration program proves to be unsuccessful, it may lead to a reduction in cash reserves due to such cost incurred and possible relinquishment of concession, and a diminution in asset value.

In Thailand, the exploration well drilled at Block L17/48 towards the end of 2009 was not successful and therefore, the drilling cost was charged against the Group's earnings as impairment. At the end of 2010, the Group informed the relevant Thai government agency of its intention to relinquish Blocks L17/48 and L9/48, and subject to the official acceptance, the Group will no longer hold any exploration concessions in Thailand.

The Australian PEP 167 in which the Group acquired a 50% interest in late 2009 is also exploration in nature. A 3D seismic survey was completed in 2010 and based on the interpretation results of these data, plans are underway to drill an exploration well later in the year of 2011 offsetting a well that tested oil.

• Production Risk

There are inherent risks involved in the production of hydrocarbons that, in addition to impacting the actual volumes produced, may ultimately affect the reserves (recovered). Disregard for continuous industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. Hence, the Group strives to put utmost emphasis on production and operation practices, and rigorous repetitive maintenance regimes which include continuous equipment repair and replacement. There are also events that can affect the production but are beyond the control of the operator, such as electrical shut down, weather, and political or social situations.

• Reserve Calculation Risk

Shareholders should be aware that there are numerous inherent uncertainties in respect of the estimation of reserves. The calculation involves a number of variable factors and assumptions that, when combined, give rise to uncertainties in the reserves estimates. Normally, reserves are certified by reputable technically competent auditors. In addition, the estimation of future net cash flows and fair values of assets are based upon reserves estimates. For more information regarding this matter, please refer to the Petroleum Reserves section of the Notes to the Financial Statements of this Annual Report.



Review of Assets

• Myanmar –Yenangyaung and Chauk Fields

Total gross production of the two fields in Myanmar was 788,877 barrels of oil in 2010, an increase of 3.7% from 760,791 barrels in 2009. The Yenangyaung field produced 607,457 barrels, an increase of 3.9% from 584,414 barrels, whereas Chauk's output increased 2.9% to 181,420 barrels from 176,377 barrels.

At Yenangyaung, four infill development wells were drilled during the year and all were completed as oil producers. In addition, several old shut-in wells were re-entered and re-completed as oil producers. These successes were the results of the operator's continuing strategy to focus on low-risk, low-cost, shallow-to-intermediate-depth wells drilled using its own drilling rig, as well as optimised reactivations and opening of new zones in old wells identified from geologic and reservoir engineering studies.

At Chauk, the operator employed the same strategy as Yenangyaung during the year with respect to identifying potential new drilling locations and reactivation candidates. A 278-kilometres 2D seismic survey was acquired over the field in 2010 to evaluate further field development opportunities and possible deeper potential. Interpretation of the seismic data is nearing completion and this will augment existing data to yield a better understanding of the structural architecture of the field, and is anticipated to lead to new development locations within the producing area as well as possible new pool locations.

Throughout the year, ongoing production enhancements and scheduled maintenance continued in both fields with the objective of maintaining or increasing production from current producing wells. This will continue to be the focus going forward through 2011, with an added emphasis on the incorporation of the Chauk seismic interpretation results into the work plan.

• Indonesia – TMT

TMT's gross production for 2010 fell considerably by 37.9% to 118,402 barrels of oil from 190,784 barrels the year before. Technical review of the declining oil production is ongoing. This includes geologic and reservoir engineering studies as well as critical review of field surface and well bore production hardware and practices, with the aim of optimising production.

The approximately 40-square-kilometre 3D seismic survey over the field began in the fourth quarter of 2010 but due to delays with respect to social issues, completion is not expected until mid 2011. After acquisition completion, the data will be processed and a detailed interpretation will be done. The results are anticipated to lead to a far greater understanding of the subsurface structure and stratigraphy of the field, and hence more confidence in picking future drill sites. All new drillings have been postponed until after the 3D seismic interpretation results are completed.

• Australia – PEP 167

The 3D seismic acquisition over the Windermere prospect area was completed in April 2010. Interpretation of the data and selection of a drill site were completed in early 2011. The well design has been completed by the operator, with procurement and contracting of rig and other third party services awaiting approval by relevant local government agencies. Commencement of drilling operations is anticipated to be later in the year of 2011.

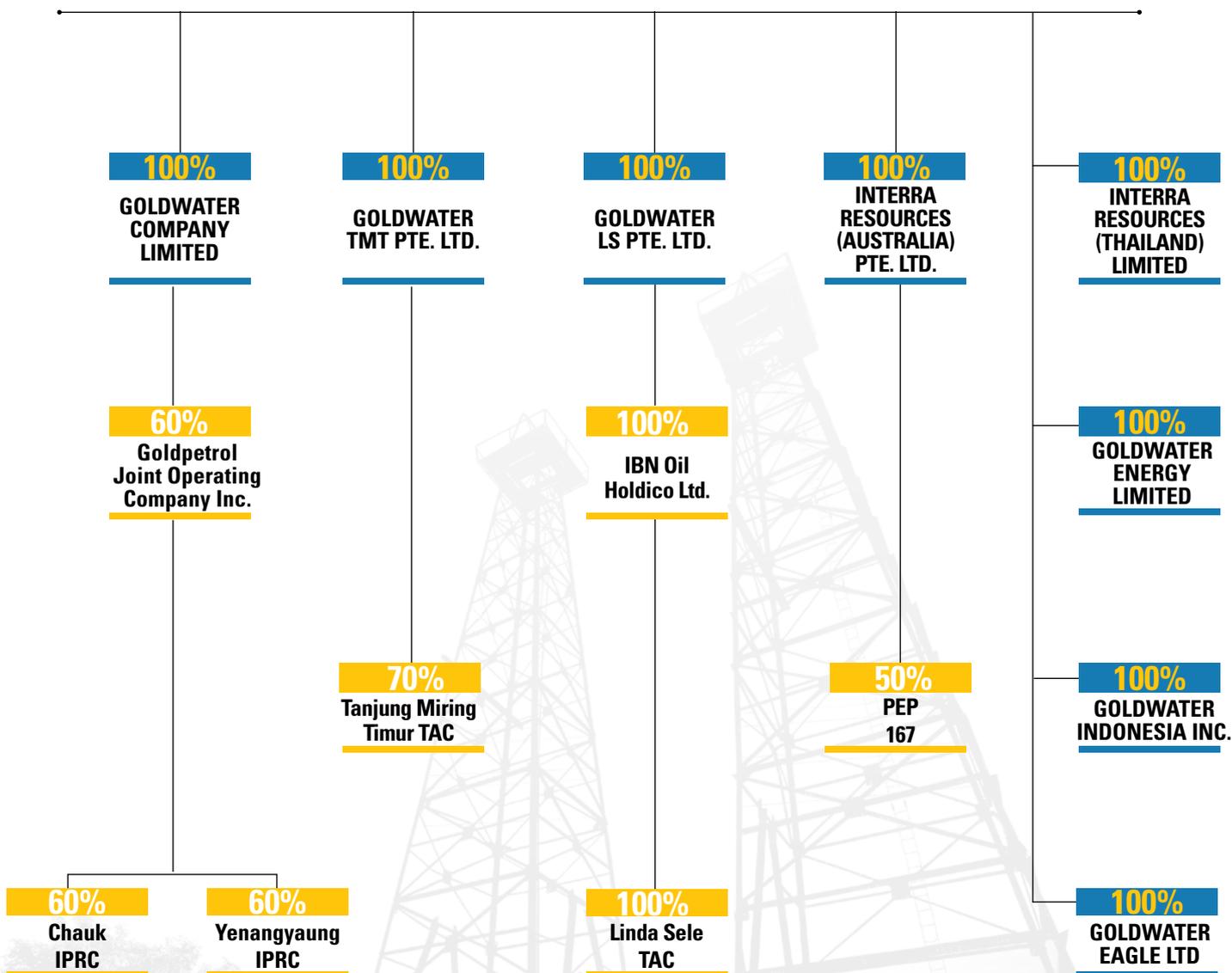
• Thailand – Blocks L17/48, L9/48, L3/48

Block L3/48 was relinquished at the end of the first obligation period in April 2010. After thorough study and careful evaluation of all geologic and geophysical data during 2010, it was decided not to proceed forward with additional work in both Blocks L17/48 and L9/48 and to relinquish both blocks before the beginning of the second year of the respective second obligation periods. The Group is currently awaiting official acceptance of the relinquishments from the relevant Thai government agency and will no longer hold any concessions in Thailand thereafter.

• Indonesia – Linda Sele

The Group acquired a 100% participating and operating interest in Linda Sele on 24 January 2011. The technical assistance contract with Pertamina commenced on 16 November 1998 for a term of 20 years. The onshore field covers an area of approximately 15 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong City in West Papua. The Group is currently in the midst of reviewing and organising the operations.

INTERRA RESOURCES LIMITED



Edwin Soeryadjaya
Chairman

Mr Edwin Soeryadjaya is a non-executive and non-independent Director of Interra. He was appointed a Director on 14 December 2004 and Chairman on 1 July 2005. Mr Soeryadjaya was last re-elected as a Director on 25 April 2008.

Mr Soeryadjaya is one of the Founding Partners and the Chairman of PT Saratoga Investama Sedaya, a private equity and direct investment company in Indonesia and has deep insight into the Indonesian economy. 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 Jaya. He also serves on the board of commissioners of PT Lintas Marga Sedaya and sits on the board of directors of Seroja Investments Limited and Fleur Enterprises Limited.

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

Subianto Arpan Sumodikoro
Non-Executive Director

Mr Subianto Arpan Sumodikoro is a non-executive and non-independent Director of Interra. He was appointed a Director on 14 December 2004 and was last re-elected on 29 April 2009.

Mr Subianto 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 Investama and Shining Persada Investments Pte. Ltd. In addition, he is the President Commissioner of PT Persada Capital, PT Kirana Megatara and the Chairman of Multi-Corporation (S) Pte Ltd. He also sits on the board of commissioners of PT Adaro Indonesia and PT Adaro Energy Tbk.

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

Sandiaga Salahuddin Uno
Deputy Chairman

Mr Sandiaga Salahuddin Uno is a non-executive and non-independent Director of Interra. He was appointed a Director on 1 July 2003 and Deputy Chairman on 1 July 2005. Mr Sandiaga was last re-elected as a Director on 28 April 2010. He also serves as member of the Audit Committee, the Nominating Committee and 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.

Marcel Han Liong Tjia
Executive Director & Chief Executive Officer

Mr Marcel Han Liong Tjia is an executive and non-independent Director of Interra. He was appointed Executive Director and Chief Executive Officer on 20 June 2009 and was last re-elected on 28 April 2010. Mr Tjia also sits on various boards and management committees of Interra's subsidiary companies and joint venture entities.

Prior to joining Interra, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. Over the past 25 years, Mr Tjia has gained extensive experience in mergers and acquisitions as well as corporate finance in Hong Kong, Indonesia, Singapore and Canada. He is currently an Independent Director of Pacific Healthcare Holdings Ltd and also a partner in an investment company with holdings in real estate and the automotive industry.

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

Allan Charles Buckler
Independent Director

Mr Allan Charles Buckler is a non-executive and independent Director of Interra. He was appointed a Director on 14 December 2004 and was last re-elected on 28 April 2010. Mr Buckler also serves as Chairman of the Nominating Committee and member of the Audit Committee and the Remuneration Committee.

Mr Buckler sits on the board of directors of Altura Mining 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.

Ng Soon Kai
Independent Director

Mr Ng Soon Kai is a non-executive and independent Director of Interra. He was appointed a Director on 1 November 2005 and was last re-elected on 29 April 2009. Mr Ng also serves as Chairman of the Remuneration Committee and member of the Nominating Committee.

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

Low Siew Sie Bob
Independent Director

Mr Low Siew Sie Bob is a non-executive and independent Director of Interra. He was appointed a Director on 18 February 2011. Mr Low also serves as Chairman of the Audit Committee and member of the Nominating Committee and the Remuneration Committee.

Mr Low is currently the Principal Consultant of Bob Low & Co. CPA and his area of expertise includes corporate assurance, corporate recovery and restructuring, judicial management, acting as receiver and manager, acting as scheme manager, due diligence, liquidation and project evaluation. He is also an Independent Director of Liang Huat Aluminium Limited, China Hongcheng Holdings Limited, Sino Construction Limited and The Lexicon Group Limited.

Mr Low qualified as a UK Chartered Certified Accountant in 1974 and subsequently obtained a Bachelor of Laws with Second Class Lower Division Honours from the University of London in 1985. He is a fellow member of the Association of Chartered Certified Accountants, UK, Institute of Certified Public Accountants of Singapore, Certified Public Accountants, Australia, and Insolvency Practitioners Association of Singapore Limited, and a member of the Chartered Institute of Arbitrators of Hong Kong and UK, and Singapore Academy of Law.

Pepen Handianto Danuatmadja
Alternate Director to Subianto Arpan Sumodikoro

Mr Pepen Handianto Danuatmadja is the Alternate Director to Mr Subianto Arpan Sumodikoro. He was appointed as an Alternate Director on 18 February 2011.

Mr Pepen is currently the Executive Director of Multico Infracore Holdings Pte Ltd, Multi-Corporation (S) Pte Ltd and Shining Persada Investments Pte. Ltd.

Mr Pepen graduated with a Diplom-Ingenieur in Mechanical Engineering from the Technische Universitaet Darmstadt, Germany in 1982.

Frank Overall Hollinger
Chief Technical Officer

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

Before 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 35 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.

Foo Say Tain
Chief Financial Officer

Mr Foo Say Tain joined Interra as Chief Financial Officer in November 2007. He has overall responsibility for the Group's financial and management accounting, treasury, taxation and other corporate compliance matters. He has more than 20 years of experience in accounting, finance and administration, both in listed companies and foreign MNCs.

Mr Foo is a fellow 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.

The Company is required under the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual – Section B: Rules of Catalist (the “**Rules of Catalist**”) to describe its corporate governance practices with specific reference to the principles of the Code of Corporate Governance issued by the Committee on Corporate Governance, as from time to time amended, modified or supplemented (the “**Code**”).

The following report discloses the Company’s corporate governance policies and practices in 2010 and explains any deviation from any guideline of the 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’s performance and providing oversight in the proper conduct of the Group’s business; and
- (e) setting the Company’s values and standards, and 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 Company has ensured that the roles and responsibilities of the Board and Management are clearly defined in order to facilitate better understanding of the respective accountabilities and contributions of the Board and Management.

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, the releases of the Group’s results and other significant announcements are made by the Board.

During the year, the Board met on three (3) occasions to review and approve various matters relating to business strategies, corporate governance practices and the 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 results announcements. 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.

During the process of selecting candidates for new Director, the NC would evaluate the range of skills, experience and expertise of the Board and identify the particular skills that would best increase board effectiveness. Upon the appointment of a new Director, the Company provides a formal letter to the Director, setting out the Director's duties and obligations. For first-time Directors, the Company offers 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.

Changes to the various applicable 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 circulation of the relevant changes which are also tabled during Board meetings.

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 in 2010, is set out below.

Name	Board Meeting Attendance	AC Meeting Attendance	NC Meeting Attendance	RC Meeting Attendance
Edwin Soeryadjaya	2/3	–	–	–
Sandiaga Salahuddin Uno	3/3	3/3	1/1	1/1
Marcel Han Liong Tjia	3/3	–	–	–
Subianto Arpan Sumodikoro	0/3	–	–	–
Allan Charles Buckler	2/3	2/3	1/1	1/1
Ng Soon Kai	3/3	2/3	0/1	1/1
Crescento Hermawan (Alternate Director to Subianto Arpan Sumodikoro)	0/3	–	–	–

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 currently 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.

Mr Low Siew Sie Bob was appointed as an Independent Director, the Chairman of the AC, a member of the NC and a member of the RC on 18 February 2011. Following Mr Low Siew Sie Bob's appointment as the Chairman of the AC, Mr Allan Charles Buckler was re-designated as a member of the AC on 18 February 2011 and Mr Ng Soon Kai resigned as a member of the AC on 25 February 2011.

Mr Crescento Hermawan ceased to be the Alternate Director to Mr Subianto Arpan Sumodikoro on 18 February 2011 and Mr Pepen Handianto Danuatmadja was appointed to be the Alternate Director to Mr Subianto Arpan Sumodikoro forthwith.

The compositions of the Board and Board Committees as at the date of this Annual Report are set out below.

Name	Date of First Appointment/ Last Re-election	Board	AC	NC	RC
Edwin Soeryadjaya	14-Dec-2004/ 25-Apr-2008	Non-Executive, Chairman	–	–	–
Sandiaga Salahuddin Uno	01-Jul-2003/ 28-Apr-2010	Non-Executive, Deputy Chairman	Member	Member	Member
Marcel Han Liong Tjia	20-Jun-2009/ 28-Apr-2010	Executive, CEO	–	–	–
Subianto Arpan Sumodikoro	14-Dec-2004/ 29-Apr-2009	Non-Executive	–	–	–
Allan Charles Buckler	14-Dec-2004/ 28-Apr-2010	Non-Executive, Independent	Member	Chairman	Member
Ng Soon Kai	01-Nov-2005/ 29-Apr-2009	Non-Executive, Independent	–	Member	Chairman
Low Siew Sie Bob	18-Feb-2011/ –	Non-Executive, Independent	Chairman	Member	Member
Pepen Handianto Danuatmadja	18-Feb-2011/ –	Alternate Director to Subianto Arpan Sumodikoro	–	–	–

Currently, there are three (3) Independent Directors appointed on the Board thereby fulfilling the 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 Code, and the NC is satisfied of their independence.

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 (“CEO”)

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 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 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.

As at the date of this Annual Report, the members of the NC are:

- (a) Mr Allan Charles Buckler (Chairman);
- (b) Mr Low Siew Sie Bob;
- (c) Mr Ng Soon Kai; and
- (d) Mr Sandiaga Salahuddin Uno.

Note: Mr Low Siew Sie Bob was appointed as a member of the NC on 18 February 2011.

The NC comprises four (4) Non-Executive Directors, the majority of whom, including the Chairman are Independent Directors. The Chairman of the NC is not directly associated with a substantial shareholder of the Company within the meaning of the 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 would fit in the overall competency of the Board;
- (b) reviewing all nominations for the re-appointment of Board members at annual general meetings 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 Code;
- (e) recommending to the Board as to whether a Director is to be considered independent, based on the returns submitted by the Director 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.

During the year, 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 Code.

The NC also reviewed and determined that there was no change in the independent status of two (2) Independent Directors, Mr Allan Charles Buckler and Mr Ng Soon Kai, and recommended to the Board the appointment of Mr Low Siew Sie Bob as an Independent Director, the Chairman of the AC, a member of the NC, and a member of the RC.

When considering a new Board member, the NC reviews the curriculum vitae of the potential candidate and considers his/her experience and likely contribution to the Board. Interviews are subsequently conducted before the NC makes its recommendation to the Board. The Board makes the final determination for the appointment.

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

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 policies of the Company;
- (d) maintaining and updating all statutory books and records;
- (e) ensuring that good information flows within the Board and its Committees and between the 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 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.

As at the date of this Annual Report, the members of the RC are:

- (a) Mr Ng Soon Kai (Chairman);
- (b) Mr Allan Charles Buckler;
- (c) Mr Low Siew Sie Bob; and
- (d) Mr Sandiaga Salahuddin Uno.

Note: Mr Low Siew Sie Bob was appointed as a member of the RC on 18 February 2011.

The RC comprises four (4) Non-Executive Directors, the majority of whom, including the Chairman, are Independent Directors.

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 Executive Directors and the CEO, if the CEO is not an Executive Director;
- (c) reviewing the remuneration of the 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;
- (f) reviewing whether Directors should be eligible for benefits under long-term incentive schemes and evaluating the costs and benefits of long-term incentive schemes;
- (g) making remuneration recommendations in consultation with the CEO 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.

The RC also reviewed the remuneration of the Management during the course of the year. There were no share options granted for the financial year ended 31 December 2010. Details of the share option plan are set out in the Directors' Report section of this Annual Report.

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

The Company has endeavoured to ensure that there is adequate disclosure of its remuneration 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 2010 is summarised below.

Name	Directors' Fees	Base/Fixed Salary	Variable Component or Bonuses	Benefits-in-kind Allowances and Other Incentives
S\$250,000 – S\$500,000				
Marcel Han Liong Tjia	–	77%	20%	2%
Below S\$250,000				
Edwin Soeryadjaya	100%	–	–	–
Sandiaga Salahuddin Uno	100%	–	–	–
Subianto Arpan Sumodikoro	100%	–	–	–
Allan Charles Buckler	100%	–	–	–
Ng Soon Kai	100%	–	–	–
Crescento Hermawan	–	–	–	–

The total Directors' fees for the year, which will be put to shareholders for approval at the annual general meeting, amounted to S\$281,000 (FY2009: S\$328,000).

The remuneration of key executives for the financial year ended 31 December 2010 is summarised below.

Name	Base/Fixed Salary	Variable Component or Bonuses	Benefits-in-kind Allowances and Other Incentives
S\$250,000 – S\$500,000			
Frank Overall Hollinger	74%	17%	9%
Below S\$250,000			
Foo Say Tain	77%	20%	3%

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 financial 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 Code, the Company also observes obligations of continuing disclosure under the Rules of Catalist. 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.

As at the date of this Annual Report, the members of the AC are:

- (a) Mr Low Siew Sie Bob (Chairman);
- (b) Mr Allan Charles Buckler; and
- (c) Mr Sandiaga Salahuddin Uno.

Note: Mr Low Siew Sie Bob was appointed as the Chairman of the AC and Mr Allan Charles Buckler was re-designated as a member of the AC on 18 February 2011. Mr Ng Soon Kai resigned as a AC member of the AC on 25 February 2011.

The AC comprises three (3) Non-Executive Directors, the majority of whom, including the Chairman, are Independent Directors.

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 their independence 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;
- (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 the 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 Rules of Catalist, 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 to review the co-operation given by the Management to them;

- (i) reviewing the 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 Rules of Catalist 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) retaining such professional consultancy firm as it may deem necessary to enable it to discharge its duties hereunder satisfactorily; and
- (m) considering the various disclosure requirements for financial reporting, particularly those required by regulatory bodies such as the SGX-ST so as to ensure that there is adequate disclosure in the financial statements.
- (n) 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;
- (o) undertaking generally such other functions and duties as may be required by law, the Rules of Catalist or the Securities and Futures Act, Chapter 289 and by such amendments made thereto from time to time;

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 three (3) occasions, of which once is without the presence of the Management. These meetings included, amongst other things, a review of the Group's financial statements, accounting and internal control procedures, prospects and independence of the external auditors. The AC also met with the internal auditors twice to discuss their internal audit plan, and findings and recommendations.

The AC confirms that the appointment of different external auditors for the various subsidiaries and joint venture companies would not compromise the standard and effectiveness of the audit of the Company. The AC also confirms that the ad hoc engagement of the external auditors for their financial due diligence services would be cost effective and would not affect their objectivity. The total non-audit fees payable to the external auditors for FY2010 amounted to S\$25,000.

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 violation of business ethics and regulations to the Chairman of the AC 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 its Chairman, a copy of the confirmed minutes was duly circulated to all its 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.

Principle 13 – Internal Audit

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

The AC is responsible for reviewing the adequacy of the Company's internal financial, operational and compliance controls, and the risk management policies and systems established by the Management. The external auditors conduct annual compliance check of the accounting records and financial statements of the Group, review of the principal management and internal accounting controls, and report their findings and recommendations to the AC. The internal auditors perform annual evaluation of the accounting and internal control system, and report their findings and recommendations to the AC. Besides identifying the key risks of the Group, which are outlined in the Financial Risk Management section of

the Notes to the Financial Statements of this Annual Report, the Management responds and follows up on the audit recommendations so as to improve any accounting and internal control weaknesses. This three-dimensional approach facilitates the AC in assessing the adequacy of internal controls and in advising the Board the effectiveness of the internal control framework.

The internal audit function is outsourced to a reputable audit firm which is independent of the external audit firm and is therefore expected to meet or exceed the standards set by the relevant professional bodies in Singapore. The internal auditors report functionally to the AC and administratively to the Management. The AC reviews the adequacy of the internal audit function and approves the internal audit plans on an annual basis.

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.

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. Releases of quarterly financial results, project updates, press releases on significant developments and all other information are first announced on the website of the SGX-ST and then posted on the Company's website at www.interraresources.com.

The Company encourages active shareholder participation at its general meetings. Notices of meetings are published in 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.

The Company endeavours to arrange at least one chairperson of the AC, NC or RC to be present and available to address questions at general meetings. The external auditors are also present at the general meetings to assist the Directors in addressing any relevant queries by shareholders.

INTERESTED PERSON TRANSACTIONS – Rule 1204(16) of the Rules of Catalyst

There were no interested person transactions entered into during the financial year ended 31 December 2010.

DEALING IN SECURITIES – Rule 1204(18) of the Rules of Catalyst

The Company has complied with Rule 1204(18) of the Rules of Catalyst 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.

In addition, the Company has adopted a Securities Trading Policy on 30 December 2010, to formalise its policy and guidelines on the trading of its shares.

CORPORATE GOVERNANCE STATEMENT

The Company is required under the Australian Securities Exchange Limited (the “**ASX**”) Listing Rules to disclose the extent to which it has complied with the Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition (the “**ASX Code**”) which took effect from 1 January 2011.

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

ASX Code Recommendation	Complied	Note	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
2.2 The chair should be an independent director.	–	B	2, 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
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"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	–	C	6, 10, 11

ASX Code Recommendation	Complied	Note	Code Principle
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	No	G	Not applicable
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No	G	Not applicable
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	No	G	Not applicable
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	No	G	Not applicable
4.1 The board should establish an audit committee.	Yes	–	1, 11
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consist of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	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	–	1, 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

ASX Code Recommendation	Complied	Note	Code Principle
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
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent director; • has at least three members. 	Yes	–	7
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	–	8, 9
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	F	1, 7, 8, 9

Notes to Corporate Governance Statement

- A. The Board comprises three (3) Independent Directors, three (3) Non-Executive Directors and one (1) Executive Director, in compliance with the 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 three (3) Board Committees namely, the AC, the NC and the 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 violation of business ethics and regulations to the Chairman of the AC 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 Rule 1204(18) of the Rules of Catalist, and a Securities Trading Policy was adopted and announced on the ASX on 30 December 2010.
- E. As the Company is a listed entity on both the SGX Catalist and the ASX, for the purposes of compliance with the ASX Listing Rules, the Management gives careful consideration to the views expressed by its Australia-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, operational and compliance controls, and the risk management policies and systems established by the Management. The internal auditors conduct annual evaluation 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.
- G. The Company recognises the benefits of a Diversity Policy and for this reason is committed to the implementation of such a policy. The Company is presently developing such a policy to be presented to the Board for approval in due course.

The Company's corporate governance policies and practices can be found under the Corporate Governance section of its website at www.interraresources.com.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

The directors present their report to the members together with the audited balance sheet of the Company and financial statements of the Group for the financial year ended 31 December 2010.

DIRECTORATE

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

Edwin Soeryadjaya	(Chairman)
Sandiaga Salahuddin Uno	(Deputy Chairman)
Marcel Han Liong Tjia	
Subianto Arpan Sumodikoro	
Allan Charles Buckler	
Low Siew Sie Bob	(Appointed on 18 February 2011)
Ng Soon Kai	
Pepen Handianto Danuatmadja	(Alternate to Subianto Arpan Sumodikoro, appointed on 18 February 2011)
Crescento Hermawan	(Alternate to Subianto Arpan Sumodikoro, resigned on 18 February 2011)

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 was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed under "Share Options" on pages 35 and 36 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 interests of directors holding 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	—	—	39,948,000	39,948,000
Sandiaga Salahuddin Uno	—	—	39,948,000	39,948,000
Subianto Arpan Sumodikoro	—	—	30,000,000	30,000,000
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 not related corporations either at the beginning of the financial year or at the end of the financial year.

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 2011.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the accompanying financial statements and in this report, since the end of the previous financial year, no director of the Company has 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 of rewarding, retaining and giving recognition to employees who have contributed to the success and development of the Group. The Plan is administered by the Remuneration Committee, of which the members as the date of this report are as follows:

Ng Soon Kai	(Chairman)
Allan Charles Buckler	
Low Siew Sie Bob	(Appointed on 18 February 2011)
Sandiaga Salahuddin Uno	

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to key management personnel after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium 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-ST on 26 December 2007). The vesting of the options is conditional on the participant completing a further 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 whole or in part of 1,000 shares or any multiple thereof, on the payment of the aggregate exercise price. There are no restrictions on the eligibility of the 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"). The 2008 Options are exercisable from 4 March 2010 and expires on 2 March 2013. The total fair value of the 2008 Options granted and still valid is estimated to be S\$20,603 (US\$14,776) using the Binomial Option Pricing Model.

SHARE OPTIONS (Cont'd)

Details of the options granted to key management personnel of the Company are as follows:

Number of unissued ordinary shares of the Company under option				
Granted during the financial year	Aggregate granted since commencement of Plan to end of the financial year	Aggregate exercised since commencement of Plan to end of the financial year	Aggregate outstanding at the end of the financial year	
–	500,000	–	500,000	

There were no options granted to directors of the Company during the financial year and no directors of the Company have outstanding options at the end of the financial year.

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.

No options have been granted at a discount during the financial year.

(b) Share Options Outstanding

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

	Number of unissued ordinary shares under option		Exercise price	Exercise period
	At beginning of the financial year	At end of the financial year		
Frank Overall Hollinger	250,000	250,000	S\$0.45	4 March 2010 to 2 March 2013
	250,000	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 set out as follows:

Low Siew Sie Bob	(Chairman, appointed on 18 February 2011)
Allan Charles Buckler	(Re-designated as member on 18 February 2011)
Sandiaga Salahuddin Uno	
Ng Soon Kai	(Resigned on 25 February 2011)

The Audit Committee carried out its function in accordance with Section 201B(5) of the 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 independent auditors of the Company at the forthcoming Annual General Meeting.

INDEPENDENT AUDITORS

The independent auditors, Nexia TS Public Accounting Corporation, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Marcel Han Liong Tjia
Director

Singapore
23 March 2011



Ng Soon Kai
Director

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 40 to 88 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 2010 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors



Marcel Han Liong Tjia

Director



Ng Soon Kai

Director

Singapore
23 March 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INTERRA RESOURCES LIMITED

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Interra Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 88, which comprise the balance sheet of the Company and the consolidated balance sheet of the Group as at 31 December 2010, the consolidated statement of comprehensive income, 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 of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 of financial statements that give a true and fair view 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.

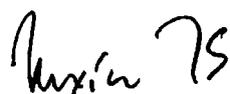
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the balance sheet 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 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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
23 March 2011

BALANCE SHEETS

AS AT 31 DECEMBER 2010

	Note	Company		Group	
		2010 US\$	2009 US\$	2010 US\$	2009 US\$
ASSETS					
Non-current assets					
Property, plant and equipment	4	99,702	39,063	1,184,032	1,700,596
Exploration, evaluation and development costs	5	–	–	14,871,004	12,650,624
Intangible assets	6	1,942	4,060	3,735,860	6,124,208
Investments in subsidiaries	7	20,220,273	20,240,156	–	–
		20,321,917	20,283,279	19,790,896	20,475,428
Current assets					
Financial assets, at fair value through profit or loss	8	–	–	–	551,178
Inventories	9	–	–	1,662,855	1,975,955
Trade and other receivables	10	5,466	19,152	6,162,367	4,653,510
Other current assets	11	71,484	57,421	164,416	252,437
Cash and cash equivalents	12	12,055,638	12,142,663	18,747,919	17,341,138
		12,132,588	12,219,236	26,737,557	24,774,218
Total Assets		32,454,505	32,502,515	46,528,453	45,249,646
LIABILITIES					
Current liabilities					
Trade and other payables	13	580,560	533,524	3,166,367	4,550,291
Current income tax liabilities	14	6,385	(11,428)	5,912,538	4,702,979
		586,945	522,096	9,078,905	9,253,270
Non-current liabilities					
Provision for environmental and restoration costs	16	–	–	812,874	684,106
Total Liabilities		586,945	522,096	9,891,779	9,937,376
NET ASSETS		31,867,560	31,980,419	36,636,674	35,312,270
EQUITY					
Share capital	18	40,108,575	40,108,575	40,108,575	40,108,575
(Accumulated losses)/ Retained profits		(8,255,790)	(8,141,658)	14,747,640	13,037,641
Reserves	20	14,775	13,502	(18,219,541)	(17,833,946)
TOTAL EQUITY		31,867,560	31,980,419	36,636,674	35,312,270

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Revenue	21	14,853,928	12,617,083
Cost of production	23	(10,142,227)	(9,181,711)
Gross profit		4,711,701	3,435,372
Other gain, net	22	6,226,870	4,263,011
Administrative expenses	23	(8,031,605)	(5,442,702)
Profit before income tax		2,906,966	2,255,681
Income tax expense	15	(1,196,967)	(777,727)
Net profit		1,709,999	1,477,954
Other comprehensive income			
Currency translation differences arising from consolidation		(386,868)	(174,963)
Total comprehensive income for the financial year		1,323,131	1,302,991
Profit attributable to:			
Equity holders of the Company		1,709,999	1,477,954
Total comprehensive income attributable to:			
Equity holders of the Company		1,323,131	1,302,991
Earnings per share (cents)			
- Basic	25	0.666	0.575
- Diluted	25	0.666	0.575

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Group	Note	Attributable to equity holders of the Company						Total Equity US\$
		Share Capital US\$	Foreign Currency Translation Reserve US\$	Special Reserve US\$	Share Option Reserve US\$	Retained Profits US\$		
At 1 January 2010		40,108,575	(1,303,308)	(16,544,140)	13,502	13,037,641		35,312,270
Employee share option plan - value of employee services	20(b)(ii)	-	-	-	1,273	-	-	1,273
Total comprehensive income for the financial year		-	(386,868)	-	-	1,709,999		1,323,131
At 31 December 2010		40,108,575	(1,690,176)	(16,544,140)	14,775	14,747,640		36,636,674
At 1 January 2009		40,108,575	(1,128,345)	(16,544,140)	14,707	11,559,687		34,010,484
Employee share option plan - value of employee services	20(b)(ii)	-	-	-	(1,205)	-	-	(1,205)
Total comprehensive income for the financial year		-	(174,963)	-	-	1,477,954		1,302,991
At 31 December 2009		40,108,575	(1,303,308)	(16,544,140)	13,502	13,037,641		35,312,270

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Cash flows from operating activities			
Profit before income tax		2,906,966	2,255,681
Adjustments for non-cash items			
Depreciation of property, plant and equipment	4	854,935	874,175
Amortisation of:			
- Exploration, evaluation and development costs	5	1,793,010	1,031,318
- Concession rights	6	8,188	8,187
- Computer software	6	36,072	40,793
- Participating rights	6	169,200	169,200
Impairment of exploration, evaluation and development costs	5	2,224,266	1,798,744
Impairment of concession rights	6	2,291,327	242,160
Impairment of property, plant and equipment	4	8,801	–
Interest income	22	(36,099)	(95,794)
Net gain on disposal of financial assets, at fair value through profit or loss	22	(29,170)	(90,284)
Net gain on disposal of club membership	22	–	(95)
Net gain on disposal of property, plant and equipment	22	(272)	(874)
Property, plant and equipment write-off		681	165
Write-back of impairment of exploration, evaluation and development costs	5	(3,002,246)	(2,081,000)
Write-back of impairment of trade receivables	10	(1,997,754)	(919,000)
Fair value gain on financial assets, at fair value through profit or loss	22	(156,942)	(596,613)
Loss arising from the transfer of concession rights from partner		40,975	–
Dividend income	22	(14,393)	–
Unrealised currency translation gain		(563,953)	(330,618)
Operating profit before working capital changes		4,533,592	2,306,145
Changes in working capital:			
Inventories		313,100	(229,600)
Trade and other receivables		575,611	2,741,236
Trade and other payables		(797,078)	(1,327,919)
Accrued operating expenses		(658,905)	47,470
Provision for environmental and restoration costs		128,768	166,117
Restricted cash		(1,484,036)	–
Cash generated from operations		2,611,052	3,703,449
Income tax refund/(paid)	14	12,411	(332,087)
Net cash provided by operating activities		2,623,463	3,371,362

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

	Note	2010 US\$	2009 US\$
Cash flows from investing activities			
Interest income received		39,489	104,110
Fixed deposit released from collateral for bankers' guarantees, net		2,140,000	150,000
Net proceeds from disposal of property, plant and equipment		530	966
Net proceeds from disposal of club membership		–	5,085
Net proceeds from disposal of financial assets, at fair value through profit or loss	8	737,290	571,733
Acquisition cost for exploration concession rights in Australia		(7,640)	(342,324)
Capital expenditure			
- Additions to property, plant and equipment	4	(346,395)	(409,009)
- Additions to computer software	6	–	(26,250)
- Additions to well drillings and improvements	5	(546,156)	(1,442,629)
- Additions to geological and geophysical studies	5	(2,646,230)	(1,751,811)
Dividend income	22	14,393	–
Net cash used in investing activities		(614,719)	(3,140,129)
Net increase in cash and cash equivalents		2,008,744	231,233
Cash and cash equivalents			
Beginning of the financial year	12	14,531,138	14,296,829
Effects of currency translation on cash and cash equivalents		54,001	3,076
End of the financial year	12	16,593,883	14,531,138

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

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 Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") being the primary exchange and the Australian Securities Exchange Limited ("ASX") being the secondary exchange. The address of its registered office is at 1 Grange Road #05-04 Orchard Building Singapore 239693. Its Singapore company registration number is 197300166Z and the Australian business number is 37 129 575 275.

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

The principal activities, country of incorporation and place of operation of the subsidiaries and joint ventures of the Company are set out in Note 7 and Note 29 respectively to the financial statements.

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. The areas which involve 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 2010

On 1 January 2010, the Group adopted the following 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 adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

- (i) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

The revisions to FRS 27 principally change the accounting for transactions with non-controlling interests.

No adjustments were necessary to any of the amounts previously recognised in the financial statements as there was non-controlling interests. Accordingly, these changes do not have any impact on the financial statements for the current financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

- (ii) Amendment to FRS 7 Cash Flow Statements (effective for annual periods beginning on or after 1 January 2010)

Under the amendment, only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the cash flow statement. Previously, such expenditure could be classified as investing activities in the cash flow statement.

This change has been applied retrospectively. It had no material effect on the amounts presented in the consolidated cash flow statement for current or prior year.

(b) Group Accounting**(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 is an impairment loss.

(iii) Acquisition of Business

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

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

(iv) Disposal of Subsidiaries or Businesses

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

Any retained interest in the entity is re-measured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in the statement of comprehensive income.

(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 may be impaired.

(ii) Participating Rights for Technical Assistance Contract for Tanjung Miring Timur ("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 TAC TMT. Participating rights are amortised on a straight line basis from the date of initial recognition over the remaining period of TAC TMT of 12.75 years from 1 April 2004 to 31 December 2016.

(iii) Participating Rights for Petroleum Concession Agreements ("PCAs") and Petroleum Exploration Permit ("PEP")

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% interests in the PCAs in Thailand and PEP in Australia. Participating rights are amortised on a straight line basis over the remaining life of PCAs and PEP upon commencement of production.

(iv) Concession Rights

Concession rights refer to the amount paid to acquire the interest in Improved Petroleum Recovery Contracts ("IPRCs"). Concession rights are capitalised and amortised on a straight line basis over the remaining life of IPRCs of approximately 14 years from 1 March 2003 to 31 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(v) 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 statement of comprehensive income.

Depreciation

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

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

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

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in the statement of comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(ii) Development and Production Phase**

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

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 of the 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 when 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 are amortised on a units of production basis over the life of the economically recoverable 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 and 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 the synergies of the business combinations. An impairment loss is recognised in the statement of comprehensive income 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 subsequent periods.

(ii) Non-Financial Assets Other Than Goodwill

Intangible assets, exploration, evaluation and development costs, property, plant and equipment, and investments in subsidiaries 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 management makes reasonable and supportable assumptions based on a range of economic conditions that will exist over the remaining useful life of the asset. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset or its CGU exceeds its recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset 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) as if no impairment loss had been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

(g) Payables

Trade and other payables 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 differences except when the deferred income tax arising from the initial recognition of an asset or liability affects neither accounting nor taxable profit or loss at the time of the transaction.

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

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

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 statement of comprehensive income for the period, except to the extent that the tax arising from a business combination or a transaction is recognised directly in equity.

Deferred income tax is also measured based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

(j) Borrowings and Finance Costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Interest expense and similar charges are expensed in the statement of comprehensive income in the period in which they are incurred, except to the extent that the expense is being capitalised as part of a cost that is directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. All borrowing costs are recognised in the statement of comprehensive income 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 change in estimates and are accounted for on a prospective basis.

(l) Employee Benefits**(i) Post Employment Benefits**

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

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 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 statement of financial position in respect of defined benefit 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 yield of high quality corporate bond that is denominated in the currency and the country in which the benefit will be paid and has tenure approximating to that of the defined benefit obligation.

Actuarial gains and losses are recognised in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(ii) Employee Leave Entitlements**

Employees' entitlements to annual leave are recognised when they are accrued to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(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 statement of comprehensive income 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 employee become unconditionally entitled to the options. At each balance sheet date, the Company revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the estimates in the statement of comprehensive income, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

(m) Financial Assets

The Group classifies its financial assets 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 nature of the asset and the purpose for which the asset was acquired. Financial assets are recognised on the balance sheet only when the Group becomes a party to the contractual provision of the financial instrument. The Group determines the classification of the financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are presented as current assets, except for those maturing later than 12 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 the amounts due in accordance 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. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 changes in the fair value of the financial assets, available-for-sale are recognised in the fair value reserve within equity. When financial assets, available-for-sale are sold, the accumulated fair value adjustments recognised in the fair value reserve within equity are reversed to the statement of comprehensive income.

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 as an indicator that the security is impaired. The impairment amount charged to the statement of comprehensive income is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment losses previously recognised in the statement of comprehensive income. This impairment losses recognised as an expense on equity security are not reversed through the statement of comprehensive income.

(iii) Financial Assets, at Fair Value through Profit or Loss

Financial assets designated as at fair value through profit or loss on inception are those that are managed and whose performance is evaluated on a fair value basis in accordance to a documented Group investment strategy. Assets in this category are presented as current assets.

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 statement of comprehensive income.

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

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances, restricted cash, 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 statement of comprehensive as follows:

(i) Revenue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(ii) Interest Income**

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

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement for such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in the statement of comprehensive income, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to the statement comprehensive income as part of the gain or loss on disposal of the foreign operation.

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

(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 rates of exchange approximating those ruling at the balance sheet date;
- (2) Income and expenses for each statement of comprehensive income 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 date of transactions); and
- (3) All resulting foreign currency translation differences are taken in the shareholders' equity as foreign currency translation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill and fair value adjustments arising from the acquisitions of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates on the reporting dates. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisitions are used.

(r) Operating Leases

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

Contingent rents are recognised as expenses in the statement of comprehensive income in the financial period in which they are incurred.

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

(s) Segment Reporting

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

(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 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 and the appropriate quoted market prices used for financial liabilities are the current asking prices.

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

(v) Government Grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements concerning the future 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 the disclosures made. They are assessed on an on-going basis and are based on experience, relevant factors and conditions, including current and expected 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 the estimation of reserves and cash flows, including many factors beyond the Group's control. Evaluation of reserves and cash flows includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future petroleum prices, future operating costs and government levies that may be imposed over the producing life of the reserves. Many of these assumptions are subject to change and are beyond the Group's control. The determination of petroleum reserves has a significant impact on future cash flows which may affect the production level and hence future sales. Petroleum reserves also affect future amortisation rates of certain capitalised costs, such as exploration, evaluation and development costs. It also affects future provision rates for environmental and restoration costs.

(b) Amortisation of Exploration, Evaluation and Development Costs

The amounts recorded for amortisation and 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 made to the carrying amount of the respective assets.

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

The Group performs assessment of the carrying value of its assets on a regular basis. The recoverable amounts of CGU are 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 payment of invoices received by the Group in a year. Management has used the 2011 budgets reviewed by the respective joint ventures' owner committees and also past experiences as a guide. The period beyond 2011 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using a weighted average cost of capital of 10% per annum (a comparable rate used by other companies in the region and in the similar nature of business sector).

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 has increased during 2010 compared to the previous year. Due to the consistently higher payment frequency in Myanmar, management wrote back the impairment of exploration, evaluation and development costs of US\$3,002,246 (2009: US\$2,081,000) (Note 5) and allowances for impairment of trade receivables of US\$1,997,754 (2009: US\$919,000) (Note 10) to the consolidated balance sheet at 31 December 2010.

During the financial year, the Group also made an impairment of exploration, evaluation and development costs of US\$500,000 (Note 5) on the Indonesia operations.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (Cont'd)

In addition, the Company wrote back the impairment made on its investment in Goldwater of US\$7,941,283 (2009: US\$2,510,067) and made an impairment on its investment in Interra Resources (Thailand) Limited of US\$6,741,500 (Note 7) in 2010. However, these wrote back and impairment do not have any impact on the Group's consolidated statement of comprehensive income as they have been eliminated on consolidation.

If management's estimated pre-tax discount rates applied to the discounted cash flows for the Myanmar and Indonesia's operations at 31 December 2010 are raised by 5%, the carrying amount of exploration, evaluation and development costs and trade receivables for each operation would have been reduced in aggregate by approximately US\$2,295,000 and US\$997,000 respectively.

(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 an 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 wells), and the expected useful life of the areas of interest and the wells. The ultimate environmental and restoration cost are uncertain and may 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's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, tax assessments have been finalised and paid up to 2004. If the final tax outcome allows 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 upon determination. Please refer to Note 27(b) for contingent liabilities for possible capital gain tax in Myanmar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US\$	Office Equipment US\$	Renovations, Furniture and Fittings US\$	Total US\$
2010				
Cost				
Opening balance	108,689	3,861	42,362	154,912
Additions	5,300	2,470	92,884	100,654
Disposals	(2,974)	–	(36,580)	(39,554)
Closing balance	111,015	6,331	98,666	216,012
Accumulated depreciation and impairment losses				
Opening balance	77,728	3,433	34,688	115,849
Charges	18,327	583	20,814	39,724
Disposals	(2,862)	–	(36,401)	(39,263)
Closing balance	93,193	4,016	19,101	116,310
Net book value as at 31 December 2010	17,822	2,315	79,565	99,702
2009				
Cost				
Opening balance	124,225	4,426	80,824	209,475
Additions	18,586	513	2,356	21,455
Disposals	(34,122)	(1,078)	(40,818)	(76,018)
Closing balance	108,689	3,861	42,362	154,912
Accumulated depreciation and impairment losses				
Opening balance	68,290	4,426	60,130	132,846
Charges	21,465	85	15,118	36,668
Disposals	(12,027)	(1,078)	(40,560)	(53,665)
Closing balance	77,728	3,433	34,688	115,849
Net book value as at 31 December 2009	30,961	428	7,674	39,063

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Note	Computers US\$	Office Equipment US\$	Renovations, Furniture and Fittings US\$	Pumping Tools US\$	Drilling and Field Equipment US\$	Total US\$
2010							
Cost							
Opening balance		191,565	30,151	137,596	2,565,254	2,134,071	5,058,637
Additions		5,300	3,160	93,337	208,217	36,381	346,395
Disposals		(3,627)	(475)	(36,580)	—	—	(40,682)
Currency translation differences		1,736	458	1,031	—	—	3,225
Closing balance		194,974	33,294	195,384	2,773,471	2,170,452	5,367,575
Accumulated depreciation and impairment losses							
Opening balance		121,907	25,096	59,712	1,556,307	1,595,019	3,358,041
Charges	23	39,866	3,016	43,803	560,000	208,250	854,935
Disposal		(3,381)	(352)	(36,401)	—	—	(40,134)
Impairment losses	23	5,599	1,130	2,072	—	—	8,801
Currency translation differences		939	263	698	—	—	1,900
Closing balance		164,930	29,153	69,884	2,116,307	1,803,269	4,183,543
Net book value as at 31 December 2010		30,044	4,141	125,500	657,164	367,183	1,184,032

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Note	Computers	Office	Renovations,	Pumping	Drilling	Total
		US\$	Equipment US\$	Furniture and Fittings US\$	Tools US\$	and Field Equipment US\$	
2009							
Cost							
Opening balance		202,009	34,060	172,336	2,063,944	1,858,726	4,331,075
Additions		35,261	1,065	14,727	501,310	20,222	572,585
Transfer from asset under construction	5	—	—	—	—	375,664	375,664
Adjustment		—	—	—	—	(120,541)	(120,541)
Disposals		(46,169)	(5,029)	(49,580)	—	—	(100,778)
Currency translation differences		464	55	113	—	—	632
Closing balance		191,565	30,151	137,596	2,565,254	2,134,071	5,058,637
Accumulated depreciation and impairment losses							
Opening balance		95,550	24,113	74,988	1,041,111	1,305,270	2,541,032
Charges	23	42,048	2,011	25,171	515,196	289,749	874,175
Disposals		(15,847)	(1,078)	(40,560)	—	—	(57,485)
Currency translation differences		156	50	113	—	—	319
Closing balance		121,907	25,096	59,712	1,556,307	1,595,019	3,358,041
Net book value as at 31 December 2009		69,658	5,055	77,884	1,008,947	539,052	1,700,596

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Group	Note	Exploration and Evaluation			Development and Production				Total US\$
		Initial Joint Study Cost US\$	Contractual Bonus US\$	Exploration, Geological and Geophysical Cost US\$	Asset under Construction US\$	Completed Assets US\$	Cost Recovery US\$	Cost US\$	
2010									
Cost									
Opening balance		1,890,616	599,788	3,547,961	291,982	16,137,094	4,249,173	26,716,614	
Additions		–	–	2,646,230	4,371	541,785	–	3,192,386	
Transfer to profit or loss		–	–	–	(119,431)	–	–	(119,431)	
Transfer to exploration, geological and geophysical cost/completed assets		–	–	93,860	(175,760)	81,900	–	–	
Currency translation differences		–	6,465	(692,277)	–	–	–	(685,812)	
Closing balance		1,890,616	606,253	5,595,774	1,162	16,760,779	4,249,173	29,103,757	
Accumulated amortisation and impairment losses									
Opening balance		1,350,443	554,947	1,829,403	–	6,546,222	3,784,975	14,065,990	
Charges	23	123,929	5,307	135,921	–	1,396,997	130,856	1,793,010	
Impairment losses	23	–	49,628	1,674,638	–	500,000	–	2,224,266	
Write-back of impairment losses	22	–	(436,735)	–	–	(1,346,128)	(1,219,383)	(3,002,246)	
Currency translation differences		–	1,678	(849,945)	–	–	–	(848,267)	
Closing balance		1,474,372	174,825	2,790,017	–	7,097,091	2,696,448	14,232,753	
Net book value as at 31 December 2010		416,244	431,428	2,805,757	1,162	9,663,688	1,552,725	14,871,004	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS (Cont'd)

Group	Note	Exploration and Evaluation			Development and Production			Total US\$
		Initial Joint Study Cost US\$	Contractual Bonus US\$	Exploration, Geological and Geophysical Cost US\$	Asset under Construction US\$	Completed Assets US\$	Cost Recovery US\$	
2009 Cost								
Opening balance		1,890,616	598,298	1,756,741	147,931	15,214,180	4,249,173	23,856,939
Additions		–	–	1,751,811	1,059,934	382,695	–	3,194,440
Transfer to property, plant and equipment	4	–	–	–	(375,664)	–	–	(375,664)
Transfer to completed assets		–	–	–	(540,219)	540,219	–	–
Currency translation differences		–	1,490	39,409	–	–	–	40,899
Closing balance		1,890,616	599,788	3,547,961	291,982	16,137,094	4,249,173	26,716,614
Accumulated amortisation and impairment losses								
Opening balance		1,271,100	540,000	153,390	–	7,639,877	3,712,497	13,316,864
Charges	23	79,343	–	9,025	–	870,472	72,478	1,031,318
Impairment losses	23	–	14,883	1,783,861	–	–	–	1,798,744
Write-back of impairment losses	22	–	–	(116,873)	–	(1,964,127)	–	(2,081,000)
Currency translation differences		–	64	–	–	–	–	64
Closing balance		1,350,443	554,947	1,829,403	–	6,546,222	3,784,975	14,065,990
Net book value as at 31 December 2009		540,173	44,841	1,718,558	291,982	9,590,872	464,198	12,650,624

The impairment charges recognised during the financial year ended 31 December 2010 arose from the Indonesia operations of US\$500,000 and the relinquishment of Blocks L17/48 and L9/48 of the Thailand operations of US\$1,724,266.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

6. INTANGIBLE ASSETS

Group	Note	Goodwill on Reverse Acquisition US\$	Participating Rights US\$	Concession Rights US\$	Computer Software US\$	Total US\$
2010						
Cost						
Opening balance		1,488,902	5,711,797	600,000	146,552	7,947,251
Additions		–	7,640	–	–	7,640
Currency translation differences		–	137,966	–	–	137,966
Closing balance		1,488,902	5,857,403	600,000	146,552	8,092,857
Accumulated amortisation and impairment losses						
Opening balance		–	1,214,531	540,640	67,872	1,823,043
Charges	23	–	169,200	8,188	36,072	213,460
Impairment losses	23	–	2,291,327	–	–	2,291,327
Currency translation differences		–	29,167	–	–	29,167
Closing balance		–	3,704,225	548,828	103,944	4,356,997
Net book value as at 31 December 2010		1,488,902	2,153,178	51,172	42,608	3,735,860
2009						
Cost						
Opening balance		1,488,902	4,567,271	600,000	120,302	6,776,475
Additions		–	1,144,526	–	26,250	1,170,776
Closing balance		1,488,902	5,711,797	600,000	146,552	7,947,251
Accumulated amortisation and impairment losses						
Opening balance		–	802,125	532,453	27,079	1,361,657
Charges	23	–	169,200	8,187	40,793	218,180
Impairment losses	23	–	242,160	–	–	242,160
Currency translation differences		–	1,046	–	–	1,046
Closing balance		–	1,214,531	540,640	67,872	1,823,043
Net book value as at 31 December 2009		1,488,902	4,497,266	59,360	78,680	6,124,208

The impairment losses recognised during the financial year ended 31 December 2010 arose from the relinquishment of Blocks L17/48 and L9/48 in Thailand.

Company

Intangible assets include computer software with net book value of US\$1,942 (2009: US\$4,060).

There is no addition and disposal of computer software during the financial years ended 31 December 2010 and 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

6. INTANGIBLE ASSETS (Cont'd)

Goodwill on Reverse Acquisition

Goodwill on reverse acquisition represents the goodwill that arose 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 assets acquired and liabilities of the Company on the reverse acquisition date (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 periods 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 onwards.

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 that are disclosed under Note 3(c).

Based on the above assessment, management is of the view that no impairment is required as at 31 December 2010 and 31 December 2009 as its investment in Goldwater Company's generated positive return from its business operations in Myanmar.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	US\$	US\$
Unquoted equity shares at cost		
Goldwater Company Limited	19,062,000	19,062,000
Goldwater TMT Pte. Ltd.	1	1
Goldwater Eagle Limited	1	1
Goldwater Indonesia Inc.	1	1
Goldwater Energy Limited	1	1
Interra Resources (Thailand) Limited	76,325	76,325
Interra Resources (Australia) Pte. Ltd.	100	100
	19,138,429	19,138,429

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

	Company	
	2010 US\$	2009 US\$
Advances made to/(from) subsidiaries		
Goldwater Company Limited	11,196	3,872,287
Goldwater TMT Pte. Ltd.	6,450,232	6,106,024
Goldwater Eagle Limited	(255,462)	(245,169)
Interra Resources (Thailand) Limited	6,665,175	5,994,225
Interra Resources (Australia) Pte. Ltd	2,116,013	479,453
	14,987,154	16,206,820
Net investment in subsidiaries	34,125,583	35,345,249
Allowance for impairment:		
Opening balance	15,105,093	17,615,160
Allowance for impairment	6,741,500	–
Write-back of allowance for impairment	(7,941,283)	(2,510,067)
Closing balance	13,905,310	15,105,093
Investments in subsidiaries	20,220,273	20,240,156

Advances made to/(from) subsidiaries

The advances made to/(from) subsidiaries form part of the Company's net investment in the subsidiaries. Advances made to/(from) 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 12 months.

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

The details of the subsidiaries as at 31 December 2010 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest	
			2010 %	2009 %
Goldwater Company Limited ^(a)	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands / Myanmar	100	100
Goldwater TMT Pte. Ltd. ^(b)	Exploration and operation of oil fields for crude petroleum production	Singapore/ Indonesia	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest	
			2010 %	2009 %
Goldwater Eagle Limited ^(c)	Investment holding	British Virgin Islands	100	100
Goldwater Indonesia Inc ^(c)	Dormant	British Virgin Islands	100	100
Goldwater Energy Limited ^(c)	Dormant	British Virgin Islands	100	100
Interra Resources (Thailand) Limited ^(d)	Exploration and operation of oil fields for crude petroleum production	Thailand/ Thailand	100	100
Interra Resources (Australia) Pte. Ltd. ^(b)	Exploration and operation of oil fields for crude petroleum production	Singapore/ Australia	100	100

(a) Audited by Nexia TS Public Accounting Corporation, for consolidation purposes

(b) Audited by Nexia TS Public Accounting Corporation

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

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

8. FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010 US\$	2009 US\$
Opening balance	551,178	436,014
Fair value gain recognised in the statement of comprehensive income (Note 22)	156,942	596,613
Proceeds from disposal	(737,290)	(571,733)
Net gain recognised in the statement of comprehensive income upon disposal (Note 22)	29,170	90,284
Closing balance	–	551,178

	Group	
	2010 US\$	2009 US\$
At fair value		
Listed securities:		
- Equity securities – PT Adaro Energy Tbk, listed on Jakarta Stock Exchange	–	551,178

During the financial year, the Company disposed of the remaining 3,000,000 (2009: 7,000,000) shares in PT Adaro Energy Tbk for a cash consideration of US\$737,290 (2009: US\$571,733), resulting in a gain on disposal of US\$29,170 (2009: US\$90,284) (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

9. INVENTORIES

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

10. TRADE AND OTHER RECEIVABLES

Trade receivables are receivables from the Myanmar Oil and Gas Enterprise ("MOGE") and PT Pertamina EP in respect of the sales of the Group's share of petroleum entitlement. Allowances for impairment of trade receivables are in respect of the Group's crude oil sales to MOGE in Myanmar. The Group wrote back the impairment of trade receivables as at 31 December 2010 of US\$1,997,754 (2009: US\$919,000) (Note 3(c)).

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Trade receivables				
– non-related parties	–	–	5,832,453	6,454,440
Less: Allowances for impairment of trade receivables	–	–	–	(1,997,754)
Trade receivables - net	–	–	5,832,453	4,456,686
Other receivables	5,466	19,152	329,914	196,824
	5,466	19,152	6,162,367	4,653,510

11. OTHER CURRENT ASSETS

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Deposits	39,265	26,953	112,420	89,577
Prepayments	32,219	30,468	48,952	73,328
Advances to suppliers	–	–	3,044	89,532
	71,484	57,421	164,416	252,437

12. CASH AND CASH EQUIVALENTS

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Cash at bank and on hand	9,202,012	1,018,744	11,046,807	3,613,145
Short-term fixed deposits	2,853,626	11,123,919	6,217,076	13,727,993
Restricted cash	–	–	1,484,036	–
Cash and bank balances	12,055,638	12,142,663	18,747,919	17,341,138
Cash collateral			(670,000)	(2,810,000)
Restricted cash			(1,484,036)	–
Cash and cash equivalents (as per consolidated cash flow statement)			16,593,883	14,531,138

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

12. CASH AND CASH EQUIVALENTS (Cont'd)

Restricted Cash

On 22 July 2010, TAC TMT entered into a joint account agreement with PT Pertamina EP to place the fund that has been provided for abandonment and site restoration costs in a joint bank account. This joint bank account is interest-bearing and is to be operated jointly by the operator and PT Pertamina EP. The amount in the bank will be utilised for the purpose of abandonment and site restoration at the end of the TAC.

Cash Collateral

Cash collateral represents fixed deposits pledged as security for the issuance of bankers' guarantee in favour of the Department of Customs in Thailand to facilitate the importation of goods into Thailand.

On 19 March 2010 and 10 August 2010, banker's guarantees of US\$2,140,000 issued in favour of the Ministry of Energy in Thailand were discharged. As at 31 December 2010, the outstanding banker's guarantee was US\$670,000.

On 18 February 2011, the Group obtained confirmation from the bank that the bankers' guarantee of US\$670,000 was discharged.

13. TRADE AND OTHER PAYABLES

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Trade payables – non-related parties	–	–	720,863	1,392,830
Accrued expenses	508,500	474,024	907,978	1,534,557
Other payables	72,060	59,500	1,537,526	921,880
Amounts due to joint venture partners – non-trade	–	–	–	701,024
	580,560	533,524	3,166,367	4,550,291

14. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Opening balance	(11,428)	40,564	4,702,979	4,258,452
Current income tax expense	3,029	–	1,194,775	944,578
Under/(over) provision in prior financial years	2,192	42,776	2,192	(166,851)
Income tax refund/(paid)	12,411	(94,926)	12,411	(332,087)
Currency translation differences	181	158	181	(1,113)
Closing balance	6,385	(11,428)	5,912,538	4,702,979

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. These 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 respective petroleum contracts domiciled. The subsidiaries and joint ventures of the Company have made the necessary tax provisions under their respective petroleum contracts. During 2010, the Group did not pay income tax in respect of the Indonesia operations as there was available unrecovered cost pool. As for the Myanmar operations, tax assessments have been finalised and paid up to 2004.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

15. INCOME TAX EXPENSE

Tax expense attributable to profit is made up of:

	Group	
	2010 US\$	2009 US\$
Current year income tax		
- Singapore	3,029	–
- Foreign	1,191,746	944,578
	1,194,775	944,578
Under/(over) provision in prior financial years		
- Singapore	2,192	42,776
- Foreign	–	(209,627)
	2,192	(166,851)
	1,196,967	777,727

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

	Group	
	2010 US\$	2009 US\$
Profit before income tax	2,906,966	2,255,681
Tax calculated at tax rate of 17% (2009: 17%)	494,184	383,465
Effects of:		
- Different tax rates in other countries	563,026	467,575
- Income not subject to tax	(620,272)	(339,802)
- Expenses not deductible for tax purposes	754,808	433,340
- Other	3,029	–
	1,194,775	944,578

16. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group has made provision for environmental and restoration costs for its TAC TMT operations. Provision is made based on units 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 (Note 27(a)).

	Group	
	2010 US\$	2009 US\$
Opening balance	684,106	517,989
Allowance for the financial year	128,768	166,117
Closing balance	812,874	684,106

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

17. RETIREMENT BENEFIT OBLIGATIONS

The Group's joint venture, TAC TMT, has a funded defined benefit plan for 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 PT Panin Life Tbk in Indonesia.

The amounts recognised on the balance sheet are as follows:

	Group	
	2010	2009
	US\$	US\$
Net present value of funded obligations	60,026	49,836
Fair value of plan assets	(444,790)	(418,990)
Assets not recognised on balance sheet	384,764	369,154
Net liabilities recognised on balance sheet	–	–

The amounts recognised in the statement of comprehensive income are as follows:

	Group	
	2010	2009
	US\$	US\$
Interest cost	1,765	3,083
Current service costs	59,692	44,905
Past service costs	(61,457)	32,656
Total included in employee compensation (Note 24)	–	80,644

Retirement benefit costs included in Administrative expenses was nil (2009: US\$80,644). The actual return on plan assets was US\$21,808 (2009: US\$19,206).

The movements in the defined benefit obligations are as follows:

	Group	
	2010	2009
	US\$	US\$
Opening balance	49,836	85,051
Interest cost	1,765	3,083
Current service costs	59,692	44,905
Past service costs	(61,457)	32,656
Benefits paid	(10,669)	(22,959)
Actuarial gains/(losses)	19,075	(104,333)
Currency translation differences	1,784	11,433
Closing balance	60,026	49,836

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

	Group	
	2010	2009
	US\$	US\$
Opening balance	418,990	282,351
Employer contributions	–	81,660
Net return on plan assets	21,808	19,206
Withdrawn for settlement	(10,669)	(23,896)
Currency translation differences	14,661	59,669
Closing balance	444,790	418,990

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

17. RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

The principal actuarial assumptions used are as follows:

	2010 %	Group 2009 %
Discount rate	7.0	7.0
Expected return on plan assets	7.0	7.0
Future salary increases	10.0	10.0

18. SHARE CAPITAL

Company and Group	2010 Number of ordinary shares	2009 256,920,238	2010 US\$	2009 US\$
Opening and closing balance	256,920,238	256,920,238	40,108,575	40,108,575

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

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

19. SHARE OPTIONS

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 of rewarding, retaining and giving recognition to employees who have contributed to the success and development of the Group. The Plan is administrated by the Remuneration Committee.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to key management personnel after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium 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-ST on 26 December 2007). The vesting of the options is conditional on the participant completing a further 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 whole or in part of 1,000 shares or any multiple thereof, on the payment of the aggregate exercise price. There are no restrictions on the eligibility of the 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"). The 2008 Options are exercisable from 4 March 2010 and expires on 2 March 2013. The total fair value of the 2008 Options granted and still valid is estimated to be S\$20,603 (US\$14,776) using the Binomial Option Pricing Model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

19. SHARE OPTIONS (Cont'd)

Details of the options granted to key management personnel of the Company are as follows:

Number of unissued ordinary shares of the Company under option			
Granted during the financial year	Aggregate granted since commencement of Plan to end of the financial year	Aggregate exercised since commencement of Plan to end of the financial year	Aggregate outstanding at the end of the financial year
–	500,000	–	500,000

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

	Number of unissued ordinary shares under option		Exercise price	Exercise period
	At beginning of the financial year	At end of the financial year		
2010 and 2009				
Frank Overall Hollinger	250,000	250,000	S\$0.45	4 March 2010 to 2 March 2013
	250,000	250,000	S\$0.55	4 March 2010 to 2 March 2013

20. RESERVES

(a) Composition:

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Special reserve	–	–	(16,544,140)	(16,544,140)
Share option reserve	14,775	13,502	14,775	13,502
Foreign currency translation reserve	–	–	(1,690,176)	(1,303,308)
	14,775	13,502	(18,219,541)	(17,833,946)

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting 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 during the consolidation of the financial statements. These reserves include share premium immediately before the debt restructuring on 10 July 2003 and accumulated losses immediately before the reverse acquisition on 10 July 2003.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

20. RESERVES (Cont'd)

	Group	
	2010 US\$	2009 US\$
Cost of investment	(18,319,492)	(18,319,492)
Share capital of Goldwater	200,000	200,000
Goodwill on reverse acquisition	1,575,352	1,575,352
	<u>(16,544,140)</u>	<u>(16,544,140)</u>

(ii) Share Option Reserve

	Company		Group	
	2010 US\$	2009 US\$	2010 US\$	2009 US\$
Opening balance	13,502	14,707	13,502	14,707
Employee share option plan				
- value of employee services (Note 24)	1,273	11,642	1,273	11,642
- reverse from equity to the statement of comprehensive income (Note 24)	-	(12,847)	-	(12,847)
Closing balance	14,775	13,502	14,775	13,502

(iii) Foreign Currency Translation Reserve

	Group	
	2010 US\$	2009 US\$
Opening balance	(1,303,308)	(1,128,345)
Net currency translation differences of foreign subsidiaries	(386,868)	(174,963)
Closing balance	(1,690,176)	(1,303,308)

21. REVENUE

	Group	
	2010 US\$	2009 US\$
Sales of crude oil	14,853,928	12,617,083

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

22. OTHER GAIN, NET

	Group	
	2010 US\$	2009 US\$
Bank interest income	36,099	95,794
Petroleum service fees	77,715	145,968
Other income	348,326	2,766
Write-back of impairment of trade receivables (Note 10)	1,997,754	919,000
Write-back of impairment of exploration, evaluation and development costs (Note 5)	3,002,246	2,081,000
Foreign exchange gain, net	563,953	330,617
Fair value gain on financial assets, at fair value through profit or loss (Note 8)	156,942	596,613
Net gain on disposal of financial assets, at fair value through profit or loss (Note 8)	29,170	90,284
Net gain on disposal of property, plant and equipment	272	874
Net gain on disposal of club membership	–	95
Dividend income	14,393	–
	6,226,870	4,263,011

23. EXPENSES BY NATURE

	Group	
	2010 US\$	2009 US\$
Royalties	1,420,908	941,474
Production expenses	5,931,309	6,160,262
Depreciation of property, plant and equipment (Note 4)	854,935	874,175
Amortisation of exploration, evaluation and development costs (Note 5)	1,793,010	1,031,318
Amortisation of computer software (Note 6)	36,072	40,793
Amortisation of concession rights (Note 6)	8,188	8,187
Amortisation of participation rights (Note 6)	169,200	169,200
Impairment of exploration, evaluation and development costs (Note 5)	2,224,266	1,798,744
Impairment of property, plant and equipment (Note 4)	8,801	–
Impairment of concession rights (Note 6)	2,291,327	242,160
Total amortisation, depreciation and impairment	7,385,799	4,164,577
Employee compensation (Note 24)	2,129,773	2,002,119
Rental expenses on operating leases	458,192	493,935
Administrative expenses	847,851	862,046
Total cost of production and administrative expenses	18,173,832	14,624,413

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

24. EMPLOYEE COMPENSATION

	Group	
	2010	2009
	US\$	US\$
Wages and salaries	1,954,548	1,768,216
Government grant – Jobs credit scheme	(3,798)	(15,558)
Defined contribution plan	83,038	57,746
Defined benefit plan (Note 17)	–	80,644
Short-term other benefits	94,712	112,276
Share option expenses, net (Note 20(b)(ii))	1,273	(1,205)
Total employee compensation (Note 23)	2,129,773	2,002,119

The Job credit scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The amount an employer can receive depends on the fulfillment of certain conditions under the scheme. The scheme ceased in June 2010.

25. 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:

	Group	
	2010	2009
Net profit (US\$)	1,709,999	1,477,954
Weighted average number of ordinary shares outstanding	256,920,238	256,920,238
Basic earnings per share (US cents)	0.666	0.575
Fully diluted earnings per share (US cents)	0.666	0.575

The Group's dilutive potential ordinary shares are the share options. However, there is no impact on the Group's earnings per share as the exercise of the dilutive share options will result in anti-dilution of earnings per share.

26. COMMITMENTS

(a) Operating Lease Commitments

The Group has non-cancellable operating lease commitments from non-related parties in respect of rental of office premises, supply of contract labour, vehicles and equipment in Singapore, Myanmar, Indonesia and Thailand.

	Company		Group	
	2010	2009	2010	2009
	US\$	US\$	US\$	US\$
Not later than 1 year	151,944	58,372	2,446,243	1,480,742
Between 1 and 5 years	277,202	–	2,598,268	1,240,937
	429,146	58,372	5,044,511	2,721,679

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

26. COMMITMENTS (Cont'd)

(b) Capital Commitments

The Group has capital commitments in respect of the investment in the PCAs in Thailand, PEP in Australia, IPRCs in Myanmar and TAC TMT in Indonesia.

As per the terms of the PCAs, the Group is required to expend a minimum expenditure of US\$3,015,000 for Block L17/48 within the Second Obligation Period ("SOP") from 8 December 2009 to 7 December 2012. For Block L9/48, the Group is required to expend a minimum expenditure of US\$627,500 within the SOP from 20 April 2010 to 19 April 2013. On 30 November 2010 and 31 December 2010, the Group has written to the Ministry of Energy of Thailand on the relinquishment of the participating rights for both blocks L17/48 and L9/48 respectively, the Group is not expected to fulfill such obligations.

As per the terms of PEP in Australia, the Group is required to drill an exploration well of approximately US\$1,587,997 in 2011.

During the financial year, the Group has signed agreement with overseas consultant for Seismic Data Processing in Myanmar for Chauk field and TAC TMT in Indonesia.

Capital expenditure contracted for at the balance sheet but not recognised in the financial statements are as follows:

	Group	
	2010	2009
	US\$	US\$
Not later than 1 year	3,618,029	1,005,000
Between 1 and 5 years	–	2,010,000
	3,618,029	3,015,000

27. 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 the political developments in Myanmar, and laws and regulations in Myanmar and in countries influenced by 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 the 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 MIC shall be responsible for the preservation of the environment at and around the area of the project sites. The enterprises are entirely responsible for controlling pollution of air, water and land, and other environmental aspects and keeping the project site environmentally friendly. To meet the requirements of the MIC, the Group may incur the costs in restoring the project sites. These potential costs are not estimated as the Group does not foresee any circumstances which require it to make provisions for such compliance with the MIC's requirements.

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

28. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk (including foreign currency risk, country 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 management of the Group constantly assesses the potential impacts to the Group when necessary. The Group implements measures and strategies to minimise risk exposures. The Group does not hold or issue any derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in oil prices, interest and foreign exchange rates.

(a) Market Risk**(i) Price Risk**

The Group is exposed to equity securities price 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 Indonesian Rupiah. However, any significant movement in the prices 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 crude oil, which is a global commodity is not set by the Group and is subject to fluctuations. The Group does not hedge against fluctuation in crude oil price. The Group will monitor the situation and manage the risk accordingly.

If crude oil price strengthen/weaken by 5% (2009: 5%) with all other variables including tax rate being held constant, the impact to the revenue and net profit of the Group would have been higher/lower by US\$743,000 (2009: US\$631,000).

(ii) Interest Rate Risk

The Group's interest rate risk is primarily from interest income from fixed deposits. As fixed deposits are placed in short-term money market with tenures mostly within the range of 7 days to 12 months, the Group's interest income is subject to fluctuation in interest rates. These fixed deposits are placed on a short-term basis accordingly to the Group's cash flow requirements, and hence the Group does not hedge against long-term interest rate fluctuations.

The effective interest rates for short-term fixed deposits ranged from 0.07% to 0.85% per annum during 2010 (2009: 0.01% to 4.73% per annum). These deposits are staggered in varying periods and amounts in accordance with the cash requirements of the Group. Any significant movement in the interest rates is not likely to be material to the Group.

(iii) Country Risk

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

(iv) Foreign Currency Risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT (Cont'd)

The Group's currency exposure is as follows:

Group	USD US\$	SGD US\$	IDR US\$	AUD US\$	THB US\$	Others US\$	Total US\$
2010							
Financial assets							
Cash and cash equivalents and financial assets, at fair value through profit or loss	17,824,893	67,086	780,200	60,063	9,947	5,730	18,747,919
Trade and other receivables	6,135,765	2,956	779	1,101	21,766	—	6,162,367
Inter-company balances	14,987,154	—	—	—	—	—	14,987,154
Other financial assets	67,359	40,526	—	—	4,342	193	112,420
	39,015,171	110,568	780,979	61,164	36,055	5,923	40,009,860
Financial liabilities							
Inter-company balances	(6,205,966)	—	—	(2,116,013)	(6,665,175)	—	(14,987,154)
Other financial liabilities	(2,237,618)	(570,126)	(300,007)	(32,772)	(22,030)	(3,814)	(3,166,367)
	(8,443,584)	(570,126)	(300,007)	(2,148,785)	(6,687,205)	(3,814)	(18,153,521)
Net financial assets/(liabilities)	30,571,587	(459,558)	480,972	(2,087,621)	(6,651,150)	2,109	21,856,339
Add: Net non-financial assets	12,769,930	127,700	—	1,876,521	3,705	2,479	14,780,335
Currency profile including non-financial assets/(liabilities)	43,341,517	(331,858)	480,972	(211,100)	(6,647,445)	4,588	36,636,674
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	4,814	(459,558)	480,972	(2,037,758)	(6,665,175)	2,109	(8,674,596)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

28. FINANCIAL RISK MANAGEMENT (Cont'd)

Group	USD US\$	SGD US\$	IDR US\$	AUD US\$	THB US\$	Others US\$	Total US\$
2009							
Financial assets							
Cash and cash equivalents and financial assets, at fair value through profit or loss	16,401,125	369,914	569,609	61,257	490,120	291	17,892,316
Trade and other receivables	4,586,121	14,199	—	2,124	51,066	—	4,653,510
Inter-company balances	16,206,820	—	—	—	—	—	16,206,820
Other financial assets	57,252	28,407	—	—	3,918	—	89,577
	37,251,318	412,520	569,609	63,381	545,104	291	38,842,223
Financial liabilities							
Inter-company balances	(9,733,142)	—	—	(479,453)	(5,994,225)	—	(16,206,820)
Other financial liabilities	(2,635,300)	(500,260)	(240,186)	(754,747)	(379,488)	(40,310)	(4,550,291)
	(12,368,442)	(500,260)	(240,186)	(1,234,200)	(6,373,713)	(40,310)	(20,757,111)
Net financial assets/(liabilities)	24,882,876	(87,740)	329,423	(1,170,819)	(5,828,609)	(40,019)	18,085,112
Add: Net non-financial assets	12,310,943	85,019	—	1,030,031	3,800,307	858	17,227,158
Currency profile including non-financial assets/(liabilities)	37,193,819	(2,721)	329,423	(140,788)	(2,028,302)	(39,161)	35,312,270
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	(440,012)	(87,740)	329,423	(457,666)	(5,994,225)	(40,019)	(6,690,239)

NOTES TO THE FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT (Cont'd)

The Company's currency exposure is as follows:

Company	USD US\$	SGD US\$	IDR US\$	AUD US\$	Total US\$
2010					
Financial assets					
Cash and cash equivalents and financial assets, at fair value through profit or loss	11,939,881	59,254	6,299	50,204	12,055,638
Trade and other receivables	1,731	2,956	779	–	5,466
Other financial assets	–	39,072	–	193	39,265
	11,941,612	101,282	7,078	50,397	12,100,369
Financial liabilities					
Other financial liabilities	(52,090)	(527,937)	–	(533)	(580,560)
Net financial assets/(liabilities)	11,889,522	(426,655)	7,078	49,864	11,519,809
Add: Net non-financial assets	20,220,273	126,585	893	–	20,347,751
Currency profile including non-financial assets and liabilities					
	32,109,795	(300,070)	7,971	49,864	31,867,560
Currency exposure of financial assets/(liabilities) net of those denominated in the functional currencies					
	–	(426,655)	7,078	49,864	(369,713)
2009					
Financial assets					
Cash and cash equivalents and financial assets, at fair value through profit or loss	11,753,746	362,781	1,538	24,598	12,142,663
Trade and other receivables	4,953	14,199	–	–	19,152
Other financial assets	–	26,953	–	–	26,953
	11,758,699	403,933	1,538	24,598	12,188,768
Financial liabilities					
Other financial liabilities	(57,980)	(472,733)	–	(2,811)	(533,524)
Net financial assets/(liabilities)	11,700,719	(68,800)	1,538	21,787	11,655,244
Add: Net non-financial assets	20,240,156	85,019	–	–	20,325,175
Currency profile including non-financial assets and liabilities					
	31,940,875	(16,219)	1,538	21,787	31,980,419
Currency exposure of financial assets/(liabilities) net of those denominated in the functional currencies					
	–	(68,800)	1,538	21,787	(45,475)

If foreign currencies strengthen/(weaken) by 5% (2009: 5%) against the USD with all other variables including tax rate being held constant, the impact on 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.

28. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Credit Risk

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

Surplus funds are placed with reputable financial institutions and interest income earned is subject to the fluctuation of interest rates. These surplus funds are placed on short-term deposits (usually one month term), according to the fund. 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.

As the Group currently sells all the crude oil produced to MOGE and PT Pertamina EP, the Group has a significant concentration of credit risk. The Group does not foresee its exposure to PT Pertamina EP to be significant as payments have been regular. Since payments from MOGE has been regular in 2010, the Group wrote back the 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 2010 is US\$5,086,136 (2009: US\$3,566,428). The Group regularly meets with MOGE to assess the collectability of payments and manages the cash flow accordingly. The amount due from MOGE as at financial year end was US\$5,086,136 (2009: US\$5,564,182).

The credit risk for trade receivable based on the information disclosed to key management is as follows:

	Group	
	2010	2009
	US\$	US\$
<u>By geographical areas</u>		
Indonesia	746,317	890,258
Myanmar	5,086,136	3,566,428
	5,832,453	4,456,686
<u>By types of customers</u>		
Non-related parties – Government bodies	5,832,453	4,456,686

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group. The Group has no trade receivables past due or impaired that were re-negotiated during the financial year.

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28. FINANCIAL RISK MANAGEMENT (Cont'd)

(ii) Financial assets that are past due and/or impaired

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowances for impairment are as follows:

	2010 US\$	Group 2009 US\$
Past due 1 to 3 months	2,110,154	1,778,302
Past due 4 to 6 months	1,375,295	2,510,756
	3,485,449	4,289,058
Less: Allowances for impairment	–	(1,997,754)
	3,485,449	2,291,304
Allowances for impairment		
Opening balance	1,997,754	2,916,754
Write-back of allowances for impairment	(1,997,754)	(919,000)
Closing balance	–	1,997,754

(c) Capital Risk

The Group's objectives in managing capital are to safeguard the its 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 fund will be based on the objective of maintaining an optimal capital structure.

The Group and the Company have no externally imposed capital requirements for the financial years ended 31 December 2010 and 2009.

(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 on short-term deposits with reputable financial institutions. All financial liabilities of the Group mature within one year.

(e) Fair Value Measurements

The following table presents the assets and liabilities measured at fair value and classified by the following fair value measurement:

- (i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

28. FINANCIAL RISK MANAGEMENT (Cont'd)

Group	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
2010				
Assets				
Financial assets at fair value through profit or loss - trading securities	–	–	–	–
2009				
Assets				
Financial assets at fair value through profit or loss - trading securities	551,178	–	–	551,178

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group are the current bid prices. These instruments are included in Level 1.

The carrying value less impairment of trade receivables and payables are assumed to approximate their fair values.

29. INVESTMENT IN JOINT VENTURES

The following amounts represent the Group's share of results and assets and liabilities of its joint ventures. These items are included in the consolidated balance sheet and statement of comprehensive income using the line-by-line method of proportionate consolidation and making the necessary adjustments to comply with the FRS.

	2010 US\$	2009 US\$
Balance sheet		
Non-current assets	9,479,204	12,243,437
Current assets	9,813,406	11,158,103
Current liabilities	(6,536,618)	(5,821,801)
Net assets	12,755,992	17,579,739
Statement of comprehensive income		
Revenue	14,853,928	12,617,083
Expenses	(9,599,235)	(11,334,690)
Profit before income tax	5,254,693	1,282,393
Income tax expense	(1,191,746)	(944,578)
Profit after income tax	4,062,947	337,815
Group's share of operating lease commitments of joint ventures	4,657,954	2,649,463
Group's share of capital commitments of joint ventures	3,618,029	3,015,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

29. INVESTMENT IN JOINT VENTURES (Cont'd)

The details of the joint ventures as at 31 December 2010 are as follows:

Name of Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest	
			2010 %	2009 %
<u>Joint Venture of Goldwater Company Limited</u>				
Goldpetrol Joint Operating Company Inc. ^(a)	Exploration and operation of oil fields for crude petroleum production	Republic of Panama/ Myanmar	60	60
<u>Joint Venture of Goldwater TMT Pte. Ltd.</u>				
TAC Tanjung Miring Timur ^(b)	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	70	70

^(a) Audited by Nexia TS Public Accounting Corporation, for consolidation purposes

^(b) Audited by Johan Malonda Mustika & Rekan (formerly known as Johan Malonda Astika & Rekan), Indonesia

30. Segment Information

Management has determined the operating segments based on the reports reviewed by BOD for the purpose of making strategic decisions.

The Group operates primarily in four geographical areas, namely Indonesia, Myanmar, Thailand and Australia. The Group operates in one business segment, namely the exploration for and the operation of oil fields for crude petroleum production, and derives its revenue solely from the sale of crude petroleum.

Other services within Singapore include investment holding and the provision of management services; but these are not included within the reportable operating segments, as they are not included in the segment reports provided to the BOD. The results of these operations are included under "All Other Segments".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

30. SEGMENT INFORMATION (Cont'd)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2010 and 2009 are as follows:

Group	Indonesia 2010 US\$	Myanmar 2010 US\$	Thailand 2010 US\$	Australia 2010 US\$	All Other Segments 2010 US\$	Total Reporting Segment 2010 US\$
Revenue						
Sales to external customers	4,632,271	10,221,657	–	–	–	14,853,928
Adjusted EBITDA						
Depreciation and amortisation	921,543	5,383,661	(128,785)	(122,700)	(797,053)	5,256,666
Impairment and allowances	1,163,860	1,645,295	10,408	–	41,842	2,861,405
Write-back impairment and allowances	500,000	–	4,024,394	–	–	4,524,394
	–	(5,000,000)	–	–	–	(5,000,000)
Total assets	12,532,780	17,418,353	128,936	2,011,296	10,861,505	42,952,870
Total assets includes:						
Capital expenditure (tangible and intangible assets)	492,561	2,026,561	137,595	789,050	100,654	3,546,421
Total liabilities	(1,856,358)	(1,488,125)	(27,726)	(34,962)	(572,070)	(3,979,241)
Group	Indonesia 2009 US\$	Myanmar 2009 US\$	Thailand 2009 US\$	Australia 2009 US\$	All Other Segments 2009 US\$	Total Reporting Segment 2009 US\$
Revenue						
Sales to external customers	5,844,352	6,772,731	–	–	–	12,617,083
Adjusted EBITDA						
Depreciation and amortisation	1,240,998	2,865,077	(144,029)	(3,141)	(634,441)	3,324,464
Impairment and allowances	1,287,838	790,885	5,629	–	39,321	2,123,673
Write-back impairment and allowances	–	–	2,040,904	–	–	2,040,904
	–	(3,000,000)	–	–	–	(3,000,000)
Total assets	13,253,340	12,186,901	4,318,924	1,248,389	2,566,995	33,574,549
Total assets includes:						
Capital expenditure (tangible and intangible assets)	1,353,518	528,690	1,695,047	407,404	8,304	3,992,963
Total liabilities	(1,859,390)	(1,271,339)	(828,780)	(751,936)	(522,952)	(5,234,397)

There is no inter-segment revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

30. SEGMENT INFORMATION (Cont'd)

The BOD assesses the performance of the operating segments based on a measure of Earnings before interest income, tax, depreciation and amortisation ("adjusted EBITDA"). This measurement basis excludes the effects of expenditure from the operating segments such as impairment and write-back of impairment, which are not expected to recur regularly in every period. Interest income and finance expenses are not allocated to the segments.

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2010	2009
	US\$	US\$
Adjusted EBITDA for reportable segments	6,053,719	3,958,905
Other segments EBITDA	(797,053)	(634,441)
Depreciation and amortisation	(2,861,405)	(2,123,673)
Write-back of impairment of exploration, evaluation and developments costs and trade receivables	5,000,000	3,000,000
Impairment of exploration, evaluation and development costs, intangible assets and property, plant and equipment	(4,524,394)	(2,040,904)
Interest income	36,099	95,794
Profit before income tax	2,906,966	2,255,681

The amounts provided to the BOD with respect to the total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the BOD monitors the property, plant and equipment, exploration, evaluation and development costs, intangible assets, inventories, receivables, deposits and prepayments and operating cash attributable to each segment. All assets are allocated to the reportable segments other than short-term bank deposits, financial assets at fair value through profit or loss and club memberships.

Reportable segments' assets are reconciled to total assets as follows:

	2010	2009
	US\$	US\$
Segment assets for reportable segments	32,091,365	31,007,554
Other segment assets	10,861,506	2,566,995
Unallocated:		
Short-term bank deposits	3,575,582	11,123,919
Financial assets, at fair value through profit or loss	–	551,178
	46,528,453	45,249,646

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

30. SEGMENT INFORMATION (Cont'd)

The amounts provided to the BOD with respect to the total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2010	2009
	US\$	US\$
Segment liabilities for reportable segments	3,407,171	4,711,445
Other segment liabilities	572,070	522,952
Unallocated:		
Current income tax liabilities	5,912,538	4,702,979
	9,891,779	9,937,376

All revenues are derived from two external customers for the financial years ended 31 December 2010 and 2009.

31. RELATED PARTIES AND SIGNIFICANT RELATED PARTIES TRANSACTIONS

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.

Related parties comprise mainly companies that are controlled or significantly influenced by the Group's key management personnel and their close family members.

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 Company and the Group, and where the Company or the Group did not incur any costs, the value of the benefits.

The key management's remuneration is as follows:

	Group	
	2010	2009
	US\$	US\$
Director's fees	205,229	225,203
Short-term employee benefits	778,303	754,156
Post employment benefits including Central Provident Fund	19,329	8,585
Share option expenses, net (Note 20(b)(ii))	1,273	(1,205)
Total costs incurred by the Group	1,004,134	986,739
Cost incurred for the following categories of key management are:		
- Directors of the Company	588,205	621,111
- Other key management personnel	415,929	365,628
Total costs incurred by the Group	1,004,134	986,739

32. SUBSEQUENT EVENTS

On 21 January 2011, the Company incorporated a new wholly owned subsidiary, Goldwater LS Pte. Ltd., to hold the company's investment in IBN Oil Holdico Ltd, whose principal activity is exploration and operation of oil fields for crude petroleum production. On 24 January 2011, the Group completed the acquisition of the entire share capital of IBN Oil Holdico Ltd, which owns 100% participating interest in the Linda Sele TAC dated 16 November 1998.

On 18 February 2011, the Group obtained confirmation from the bank that the banker's guarantee of US\$670,000 was discharged.

On 8 March 2011, the Company signed a placement agreement with Collins Stewart Pte Limited to procure the subscription of 38,500,000 new shares in the capital of the Company at S\$0.126 per share.

33. NEW OR REVISED FRS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 32 Financial instruments: Presentation – classification of rights issues (effective for annual periods on or after 1 February 2010)
- Amendments to INT FRS 114 – Prepayments of a minimum funding requirement (effective for annual periods commencing on or after 1 January 2011)
- INT FRS 119 Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the amendments to FRS 24 – Related party disclosures.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosures.

Management is current the revised definition to determine whether any additional disclosures will be required and has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

34. 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 23 March 2011.

SHAREHOLDER INFORMATION

AS AT 18 MARCH 2011

ISSUED SHARES*

Class of Shares	No. of Holders	% of Holders	No. of Shares	% of Issued Shares
Ordinary shares, fully paid	11,130	99.89	250,712,158	97.58
CDIs, fully paid	12	0.11	6,208,080	2.42
Total	11,142	100.00	256,920,238	100.00

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

At any general meeting of the Company, every shareholder, who is entitled to attend and vote, 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 Shares
1 - 999	5,616	50.46	1,814,588	0.71
1,000 - 5,000	2,522	22.66	6,043,171	2.35
5,001 - 10,000	1,051	9.44	8,589,604	3.34
10,001 - 100,000	1,740	15.63	57,006,166	22.19
100,001 - 1,000,000	185	1.66	40,928,752	15.93
1,000,001 and above	16	0.15	136,329,877	53.06
Total	11,130	100.00	250,712,158	97.58

DISTRIBUTION OF CDI HOLDERS*

Range of CDI Holdings	No. of CDI Holders	% of CDI Holders	No. of CDIs	% of Issued Shares
1 - 999	2	16.67	720	0.0003
1,000 - 5,000	3	25.00	4,920	0.0019
5,001 - 10,000	2	16.67	20,000	0.0078
10,001 - 100,000	2	16.67	44,440	0.0173
100,001 - 1,000,000	2	16.67	1,150,000	0.4476
1,000,001 and above	1	8.32	4,988,000	1.9415
Total	12	100.00	6,208,080	2.4164

There are 5 CDI holders holding less than a marketable parcel[^] of CDIs.

[^] 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 tables are compiled on the basis that each CDI holding is a separate holding and accordingly, the holding of shares by Chess Depository Nominees Pty Limited is ignored.

SHAREHOLDER INFORMATION

AS AT 18 MARCH 2011

TWENTY LARGEST REGISTERED SHAREHOLDERS

Name of Shareholder	No. of Shares	% of Issued Shares
Citibank Nominees Singapore Pte Ltd	37,455,870	14.58
Raffles Nominees (Pte) Ltd	34,994,344	13.62
DB Nominees (S) Pte Ltd	22,859,360	8.90
UOB Kay Hian Pte Ltd	12,334,163	4.80
Chess Depository Nominees Pty Limited [#]	6,208,080	2.42
Ong Meng Huat	4,635,000	1.80
United Overseas Bank Nominees Pte Ltd	3,464,228	1.35
Kim Eng Securities Pte. Ltd.	3,457,440	1.35
OCBC Securities Private Ltd	3,011,146	1.17
Lui Kwong Keong	2,478,000	0.96
DBS Nominees Pte Ltd	2,463,326	0.96
Phillip Securities Pte Ltd	2,182,268	0.85
Andreas Tjahjadi	2,085,000	0.81
Lim & Tan Securities Pte Ltd	1,707,000	0.66
Poh Seng Kui	1,100,000	0.43
OCBC Nominees Singapore Pte Ltd	1,092,732	0.43
Wang Jung Hsin	1,010,000	0.39
Lim Chin Boon	970,000	0.38
Tan Chung King	880,000	0.34
Lie Tjoei Tjoe	720,000	0.28
Total	145,107,957	56.48

[#] The shares held by Chess Depository 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 Shares
HSBC Custody Nominees (Australia) Limited-GSCO ECA	4,988,000	1.9415
Lin Ting Yie & Lam Tin Yie	1,000,000	0.3892
Phillip Securities Pte Ltd <Client Account>	150,000	0.0584
Chong Chai Leeh & Chong Chai Leck	24,440	0.0095
Kung Chung Ming	20,000	0.0078
Ng Ling Cheow	10,000	0.0039
Dr David Easton	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	6,208,080	2.4164

SHAREHOLDER INFORMATION

AS AT 18 MARCH 2011

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Edwin Soeryadjaya ⁽¹⁾	–	–	39,948,000	15.55
Sandiaga Salahuddin Uno ⁽²⁾	–	–	39,948,000	15.55
ADM Galleus Fund I Limited	22,761,000	8.86	–	–
Attica Finance Ltd. ⁽²⁾	–	–	38,388,000	14.94
Fleur Enterprises Limited	38,388,000	14.94	–	–
Subianto Arpan Sumodikoro ⁽³⁾	–	–	30,000,000	11.68
Shining Persada Investments Pte. Ltd.	30,000,000	11.68	–	–

Notes:

- (1) Edwin Soeryadjaya is deemed to be interested in the 38,388,000 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.
- (2) Sandiaga Salahuddin Uno is deemed to have an interest in the 38,388,000 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.
- (3) Subianto Arpan Sumodikoro is deemed to have an interest in the 30,000,000 shares held by Shining Persada Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

PUBLIC SHAREHOLDINGS

Based on the information available to the Company as at 18 March 2011, approximately 62% of the issued 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 – Section B: Rules of Catalyst.

SHARE PURCHASE MANDATE

At the annual general meeting of the Company held on 28 April 2010 (“**AGM 2010**”), shareholders approved the renewal of 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 AGM 2010. As at 18 March 2011, there is no current on-market buy-back of shares pursuant to the Share Purchase Mandate.

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)
(Australian Business No. 37 129 575 275)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of Interra Resources Limited (the “**Company**”) will be held on 28 April 2011 at 10:00 a.m. at Tanglin Room 1, Level 1, 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 audited accounts for the financial year ended 31 December 2010 together with the reports of the Directors and the Auditors thereon. **Resolution 1**
2. To approve the sum of S\$281,000 as Directors’ fees for the financial year ended 31 December 2010 (FY 2009: S\$328,000). **Resolution 2**
3. To re-elect the following Directors who will retire by rotation under Article 89 of the Articles of Association of the Company and who, being eligible, offer themselves for re-election:
 - (a) Mr Edwin Soeryadjaya **Resolution 3(a)**
 - (b) Mr Ng Soon Kai **Resolution 3(b)**
4. To re-elect Mr Low Siew Sie Bob who will cease to hold office under Article 95 of the Articles of Association of the Company, who, being eligible, offers himself for re-election. **Resolution 4**
5. To re-appoint Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

6. That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**CA**”) and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors to issue:
 - (a) shares in the capital of the Company; or
 - (b) convertible securities; or
 - (c) additional convertible securities issued pursuant to adjustments; or
 - (d) shares arising from the conversion of the securities in (b) and (c) 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 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**”), of which 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 fifty per cent (50%) of the total number of Issued Shares;

- (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 SGX-ST Listing Manual – Section B: Rules of Catalist (the “**Rules of Catalist**”); 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 6**

7. That pursuant to Section 161 of the CA, authority be and is hereby given to the Directors, 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 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 12 April 2011 to shareholders of the Company, being an addendum to the Annual Report of the Company for the year ended 31 December 2010), 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 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 that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Adrian Chan Pengee
Company Secretary

Singapore
12 April 2011

NOTE:

A member of the Company entitled to attend and vote at the AGM may appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company. The instrument of proxy must be lodged at the registered office of the Company at 1 Grange Road, #05-04 Orchard Building, Singapore 239693 not less than forty-eight (48) hours before the time appointed for holding the AGM.

EXPLANATORY NOTES ON BUSINESS TO BE TRANSACTED

Resolution 3(a)

Mr Edwin Soeryadjaya, if re-elected, will remain as the Chairman of the Company.

Resolution 3(b)

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

Resolution 4

Mr Low Siew Sie Bob, if re-elected, will remain as an Independent Director of the Company, Chairman of the Audit Committee and a member of the Nominating Committee and a member of the Remuneration Committee.

Resolution 6

The proposed Ordinary Resolution 6, if passed, will empower the Directors, 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 in general meeting, up to a number not exceeding one hundred per cent (100%) of the total number of Issued Shares, of which up to fifty per cent (50%) of the total number of Issued Shares may be issued other than on a pro rata basis to shareholders.

Resolution 7

The proposed Ordinary Resolution 7, if passed, will authorise the Directors, 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 proposed Ordinary Resolution 8, if passed, renews the Share Purchase Mandate and will authorise the Directors, from time to time, to purchase shares subject to and in accordance with the Articles of Association of the Company, the Rules of Catalist, 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 2010 is set out in Section 5 of the Addendum.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Collins Stewart Pte. Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Collins Stewart Pte. Limited has not independently verified the contents of this notice. This notice has not been examined or reviewed by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited, at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

PROXY FORM

Annual General Meeting

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)
(Australian Business No. 37 129 575 275)

IMPORTANT:

1. For investors who have used their CPF monies to buy shares 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 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 Shareholdings to be Represented by Proxy
and/or (delete as appropriate)			

or failing him/them, the Chairman of the Annual General Meeting ("AGM") as my/our proxy/proxies to attend and to vote on my/our behalf and, if necessary, to demand a poll, at the AGM of the Company to be held on 28 April 2011 at 10:00 a.m. at Tanglin Room 1, Level 1, 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 audited accounts		
2 Approval of Directors' fees		
3(a) Re-election of Mr Edwin Soeryadjaya		
3(b) Re-election of Mr Ng Soon Kai		
4 Re-election of Mr Low Siew Sie Bob		
5 Re-appointment of Nexia TS Public Accounting Corporation		
Special Business		
6 Authority to issue shares pursuant to share issue mandate		
7 Authority to allot and issue shares under the Interra Share Option Plan		
8 Renewal of Share Purchase Mandate		

(Please indicate the number of votes as appropriate in the space provided.)

Dated this _____ day of April 2011

Total Number Of Shares Held

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

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 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 1 Grange Road, #05-04 Orchard Building, Singapore 239693 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.

Please fold along this line

*Please
affix
postage
stamp*

INTERRA RESOURCES LIMITED

1 Grange Road
#05-04 Orchard Building
Singapore 239693

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

Marcel Han Liong Tjia
Executive Director & Chief Executive Officer

Subianto Arpan Sumodikoro
Director (Non-Executive)

Allan Charles Buckler
Independent Director (Non-Executive)

Low Siew Sie Bob
Independent Director (Non-Executive)

Ng Soon Kai
Independent Director (Non-Executive)

Pepen Handianto Danuatmadja
Alternate Director to Subianto Arpan Sumodikoro

AUDIT COMMITTEE

Low Siew Sie Bob (*Chairman*)
Allan Charles Buckler
Sandiaga Salahuddin Uno

NOMINATING COMMITTEE

Allan Charles Buckler (*Chairman*)
Low Siew Sie Bob
Ng Soon Kai
Sandiaga Salahuddin Uno

REMUNERATION COMMITTEE

Ng Soon Kai (*Chairman*)
Allan Charles Buckler
Low Siew Sie Bob
Sandiaga Salahuddin Uno

COMPANY SECRETARIES

Adrian Chan Pengee
Loo Hwee Fang

INDEPENDENT AUDITORS

Nexia TS Public Accounting Corporation
5 Shenton Way
#16-00 UIC Building
Singapore 068808
Partner-in-Charge: Kristin Kim Yoon Sook
(Appointed since financial year 2006)

REGISTERED OFFICES**Singapore – Principal Administrative Office**

1 Grange Road
#05-04 Orchard Building
Singapore 239693
CRN: 197300166Z
Tel: +65 6732 1711
Fax: +65 6738 1170
Email: interra@interraresources.com
Website: www.interraresources.com

Australia – Local Agent Office

307 Queen Street Level 3
Brisbane QLD 4000 Australia
ABN: 37 129 575 275
Tel: +61 7 3221 0922
Fax: +61 7 3221 5529

STOCK EXCHANGE LISTINGS**Primary Listing**

Singapore Exchange Securities Trading Limited – Catalyst
SGX Code: Interra Res (5GI)

Secondary Listing

Australian Securities Exchange Limited – in the form of CHES
S Depository Interests
ASX Code: ITR

Continuing Sponsor for Catalyst

Collins Stewart Pte. Limited
77 Robinson Road #21-02
Singapore 068896
Tel: +65 6854 6150
Fax: +65 6854 6151

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

Australia – CHES Depository Interest Registry Services

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067 Australia
Tel: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)
Fax: 1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)
Website: www.computershare.com.au



INTERRA RESOURCES LIMITED

Company Registration No. 197300166Z

Australian Business No. 37 129 575 275

1 Grange Road #05-04 Orchard Building
Singapore 239693

Tel (65) 6732 1711

Fax (65) 6738 1170

Email interra@interraresources.com

Website www.interraresources.com

PROXY FORM
Annual General Meeting

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
 (Company Registration No. 197300166Z)
 (Australian Business No. 37 129 575 275)

IMPORTANT:

Holders of CHESS Depository Interests (“CDIs”) relating to shares in Interra Resources Limited (the “Company”) do not have an automatic right to attend and vote at this Annual General Meeting (“AGM”) of the Company. If a CDI holder wishes to personally attend and vote at the AGM, the CDI holder MUST sign/execute Part VI and lodge this Proxy Form in accordance with the instructions in the Notes to this Proxy Form. If the CDI holder wishes to appoint a proxy/proxies to attend and vote at the AGM on his/its behalf, the CDI holder MUST complete Part III and Part IV (in each case where relevant), sign/execute Part VI, and lodge this Proxy Form in accordance with the instructions in the Notes to this Proxy Form. One CDI represents one ordinary share in the capital of the Company.

I CHESS Depository Nominees Pty Ltd (“CDN”) of 20 Bridge Street, Sydney NSW 2000, Australia, a holder of shares in Interra Resources Limited, hereby appoints:

Name of CDI Holder	Address	Securityholder Reference Number (SRN)

Total Number of CDIs Held	
----------------------------------	--

OR failing him/it, the person whose details are given in Part III below provided that such details have been verified in Part VI below by 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 shown in Part III below or if no proportion or number is so shown, in respect of the whole of the said CDIs:

Name	Proportion of CDIs (%) OR Number of CDIs to be Represented by Proxy		
	%	OR	

OR failing the person referred to in this Part III OR if no person is appointed in this Part III, the Chairman of the AGM 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 and vote on our behalf and, if necessary, to demand poll, at the AGM of the Company to be held on 28 April 2011 at 10:00 a.m. at Tanglin Room 1, Level 1, RELC International Hotel, 30 Orange Grove Road, Singapore 258352, and at any adjournment thereof. If no specific direction as to voting is given, the 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.

IF A CDI HOLDER IS APPOINTING A SECOND PROXY, PLEASE MARK AN ‘X’ IN THIS BOX.

The appointment 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 APPOINTED BY HIM/THEM HOW TO VOTE, PLEASE MARK AN 'X' IN THIS BOX.

The Chairman of the AGM intends to vote undirected proxies held by him in favour of all the resolutions.

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 (PLEASE SEE ALSO THE INSTRUCTIONS IN PART IV OF THE NOTES ATTACHED)

Ordinary Resolutions		For	Against	Abstain
	Ordinary Business			
1	Adoption of audited accounts			
2	Approval of Directors' fees			
3(a)	Re-election of Mr Edwin Soeryadjaya			
3(b)	Re-election of Mr Ng Soon Kai			
4	Re-election of Mr Low Siew Sie Bob			
5	Re-appointment of Nexia TS Public Accounting Corporation			
	Special Business			
6	Authority to issue shares pursuant to share issue mandate			
7	Authority to allot and issue shares under Interra Share Option Plan			
8	Renewal of Share Purchase Mandate			

V **CHESS DEPOSITARY NOMINEES PTY LTD**

Adrian Chan Pengee
 Company Secretary
 Interra Resources Limited
 For CHESS Depository Nominees Pty Ltd

(Please also see Part V of the Notes attached)

VI **TO BE COMPLETED BY A CDI HOLDER IF HE/IT WISHES TO PERSONALLY ATTEND AND VOTE AT THE AGM, OR WISHES TO APPOINT 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 & Sole Secretary

Individual 2

Signature of Director

Individual 3

Signature of Director/
 Secretary

Dated this _____ day of April 2011

 Daytime contact number

NOTES – How to Complete the Proxy Form

- III** 1. A CDI holder may appoint not more than two (2) proxies (including the Chairman of the AGM) to attend and vote at the AGM in his/its place as proxy for CDN in respect of his/its CDIs. A proxy need not be a member of the Company.
2. If a CDI holder leaves Part III of the Proxy Form blank or the proxy/proxies appointed by the CDI holder in Part III does/do not attend the AGM, the Chairman of the AGM 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 AGM in person.
3. If a CDI holder wishes to appoint 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 (within Australia) or 61 3 9415 4000 (outside Australia), or the CDI holder may copy this form.

To appoint a second proxy a CDI holder must:

- (a) indicate that he/it wishes to appoint 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) lodge both Proxy Forms together in the same envelope.

A CDI holder who wishes to appoint more than one proxy to attend the AGM 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% of the CDIs of his appointor and the proxy named in the second Proxy Form shall be deemed to be appointed as the alternate.

- IV** A CDI holder who wishes to appoint a proxy/proxies to attend and vote at the AGM 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 lodged 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** **CDI HOLDERS DO NOT HAVE AN AUTOMATIC RIGHT TO ATTEND AND VOTE AT THE AGM. A CDI HOLDER WHO WISHES TO ATTEND AND VOTE AT THE AGM IN PERSON OR BY PROXY MUST COMPLETE (WHERE RELEVANT), SIGN/EXECUTE AND LODGE THE PROXY FORM IN ACCORDANCE WITH THE INSTRUCTIONS IN THESE NOTES.**

The Proxy Form, duly executed, must be lodged by the CDI holder not later than forty-eight (48) hours before the time appointed for the AGM 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 1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia).

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

- VI** If a CDI holder wishes to attend and vote at the AGM, or wishes to appoint 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. In addition, the Company shall be entitled to reject the Proxy Form if the person first named in the Proxy Form, being the CDI holder, is not shown to have any CDIs credited to a CDN account in the records of CDN forty-eight (48) hours before the time appointed for the AGM, as supplied by CDN to the Company.

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

Interra Resources Limited

c/o Computershare Investor Services Pty Limited

Posting: GPO Box 242, Melbourne VIC 3001, Australia

Delivery: Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067, Australia

Facsimile: 1800 783 447 (within Australia) or 61 3 9473 2555 (outside Australia)

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 (within Australia) or 61 3 9415 4000 (outside Australia).



INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)
(Australian Business No. 37 129 575 275)

ADDENDUM TO SHAREHOLDERS

Directors:

Edwin Soeryadjaya (*Non-Executive Chairman*)
Sandiaga Salahuddin Uno (*Non-Executive Deputy Chairman*)
Marcel Han Liong Tjia (*Executive Director and Chief Executive Officer*)
Subianto Arpan Sumodikoro (*Non-Executive Director*)
Allan Charles Buckler (*Independent Director*)
Low Siew Sie Bob (*Independent Director*)
Ng Soon Kai (*Independent Director*)
Pepen Handianto Danuatmadja
(*Alternate Director to Subianto Arpan Sumodikoro*)

Registered Office:

1 Grange Road
#05-04 Orchard Building
Singapore 239693

12 April 2011

To: The Shareholders 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 12 April 2011 issued a Notice convening the Annual General Meeting (“**AGM**”) of the shareholders of the Company (the “**Shareholders**”) to be held on 28 April 2011. 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 Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual – Section B: Rules of Catalist (the “**Rules of Catalist**”), 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 was last renewed during the AGM held on 28 April 2010. It is set to expire on the date of the forthcoming AGM to be held on 28 April 2011. If the proposed resolution for the renewal of the Share Purchase Mandate is approved at the forthcoming 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 (the “**Addendum**”) is to explain the rationale for and provide information relating to the proposed renewal of the Share Purchase Mandate.
- 1.4** This Addendum is prepared by the Company and its contents have been reviewed by the Company’s Sponsor, Collins Stewart Pte. Limited (the “**Sponsor**”), for compliance with the Rules of Catalist. The Sponsor has not independently verified the contents of this Addendum. This Addendum has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume 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 Share Purchase Mandate will 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 CHESS Depository Interests 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 on the financial position of the Company or its subsidiaries (the “**Group**”), or result in the Company being delisted from the Catalist Board of the SGX-ST (the “**SGX Catalist**”).

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 Rules of Catalist, 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 29 March 2011, 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 500,000 outstanding options granted pursuant to the Interra Share Option Plan. The options are exercisable from 4 March 2010 and are set to expire on 2 March 2013, 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 shall, unless varied or revoked by the Company in general meeting, continue in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier.

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 Catalist 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 effected pursuant to an equal access scheme as defined in Section 76C of the Companies Act (“**Off-Market Purchase**”). The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Articles, the Rules of Catalist and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any Off-Market Purchase 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 Rule 870 of the Rules of Catalist, 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 Singapore Code on Take-overs and Mergers (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 Catalist; 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 or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for the purchases or acquisitions.

3.1.4 Purchase Price

The purchase price (excluding ancillary expenses such as related 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, provided that such price must not exceed 105 per cent (105%) of the Average Closing Price (as defined below) (“**Maximum Price**”).

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, together with the attached rights and privileges, are 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 revoked. 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 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 its share registrar (the "**Registrar**") within thirty (30) days of a purchase or acquisition of Shares on the SGX Catalist 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 Share Purchase Mandate and after the purchase or acquisition of Shares, and the amount of consideration paid by the Company for the purchase or acquisition, and whether the Shares were purchased out of the profits or the capital of the Company.

Rule 871(1) of the Rules of Catalist states that a listed company shall announce via the SGXNET 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 announcement via the SGXNET of such purchases or acquisitions of Shares 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 announcement via the SGXNET.

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 on the financial position and/or the working capital 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**") of the Company 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 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 (as defined in Section 76F(4) of the Companies Act). Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding ancillary expenses such as related 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 financial position and/or 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 2010, 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 or 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\$0.13755 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 ancillary expenses such as related brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$3,533,938 (equivalent to US\$2,749,504 based on the exchange rate of US\$/S\$ of 1.2853 as at 31 December 2010).

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a) and (b) above and assuming that such purchase or acquisition of Shares is financed solely by internal funding, the financial effects of 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 on the audited financial statements of the Company and the Group for the financial year ended 31 December 2010 are set out below.

Market Purchases or Off-Market Purchases made out of capital and/or profits and held as treasury shares

	Group		Company	
	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)	Before Share Purchase (US\$'000)	After Share Purchase (US\$'000)
As at 31 December 2010				
Profit/(Loss) after Tax	1,710	1,710	(114)	(114)
Share Capital	40,109	40,109	40,109	40,109
Reserves	(18,220)	(18,220)	15	15
Accumulated Profits	13,038	13,038	(8,142)	(8,142)
Treasury Shares	—	(2,750)	—	(2,750)
Shareholders' Funds	36,637	33,887	31,868	29,118
NAV	36,637	33,887	31,868	29,118
Current Assets	26,737	23,987	12,133	9,383
Current Liabilities	9,078	9,078	587	587
Number of Shares ('000)	256,920	231,228	256,920	231,228
Treasury Shares ('000)	—	25,692	—	25,692
Financial Ratios				
NAV per Share (US cents)	14.26	14.66	12.40	12.59
Gearing (times)	N.A.	N.A.	N.A.	N.A.
Current Ratio (times)	2.9453	2.6424	20.6695	15.9855
Earnings/(Loss) Per Share (US cents)	0.6656	0.7395	(0.0444)	(0.0493)

Shareholders 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.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase or acquisition before execution.

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

6.1 Take-over 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 percentage of voting rights in the Company held by 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 a mandatory 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) and persons acting in concert with them respectively, will incur an obligation to make a mandatory 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 mandatory 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 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 pursuant to the Share Purchase Mandate should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

7. LISTING STATUS ON SGX CATALIST & ASX

7.1 Rules of Catalist

While the Rules of Catalist do 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 of Directors until such time as the price-sensitive information has been publicly announced. In particular, in line with the best practices on dealing with securities under Rule 1204(18)(c) of the Rules of Catalist, the Company will not purchase or acquire any Shares through Market Purchases during the period of (i) one (1) month immediately preceding the announcement of the Company’s annual or half-yearly results; and (ii) 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 Rules of Catalist 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 Rules of Catalist, 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 Rules of Catalist.

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 160,265,638 Shares, representing 62.4% 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 134,573,614 Shares, representing 58.2% 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 SGX Catalist, 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 Catalist, 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 30 March 2011 that it has no objection to the proposed Share Purchase Mandate. The Company will comply with the relevant ASX Listing Rules, in particular Rule 3.8A of the 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	—	—	39,948,000	15.55
Sandiaga Salahuddin Uno	—	—	39,948,000	15.55
Subianto Arpan Sumodikoro	—	—	30,000,000	11.68
Allan Charles Buckler	3,945,600	1.54	—	—

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	—	—	39,948,000	15.55
Sandiaga Salahuddin Uno	—	—	39,948,000	15.55
ADM Galleus Fund I Limited	22,761,000	8.86	—	—
Attica Finance Ltd.	—	—	38,388,000	14.94
Fleur Enterprises Limited	38,388,000	14.94	—	—
Subianto Arpan Sumodikoro	—	—	30,000,000	11.68
Shining Persada Investments Pte. 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 28 April 2011 as set out in the Notice of AGM dated 12 April 2011.

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, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement herein misleading.

12. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 1 Grange Road, #05-04 Orchard Building, Singapore 239693 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 year ended 31 December 2010.

Yours faithfully

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

Edwin Soeryadjaya
Chairman