BUILDING ON MOMENTUM

INTERRA RESOURCES LIMITED ANNUAL REPORT 2011

BUILDING ON MOMENTUM

Interra believes that growth means capitalising on the competencies we have sharpened throughout the years. With a strong business model, strong production capabilities and strong determination for expansion, we look to build on our positive momentum. Our continued focus is to identify, establish and deliver opportunities that can generate long-term value.

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OUR GROWING REGIONAL PRESENCE

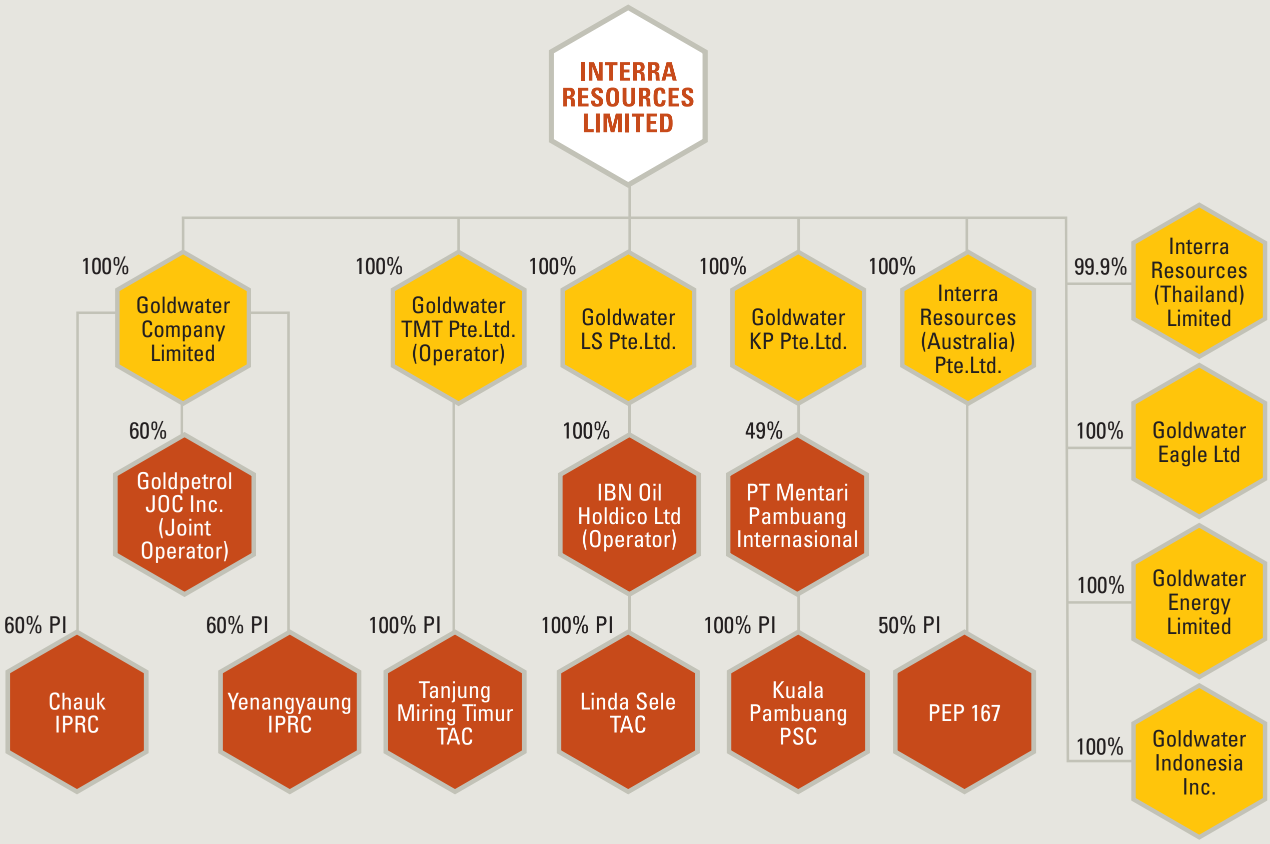
We are fully focused on exploring yield opportunities across our expansive network.

WHO WE ARE

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

Since our inception, we have grown both organically by developing our existing assets and through disciplined acquisitions by seeking attractive targets across Southeast Asia. Our portfolio of production, development and exploration assets comprises five contract areas in Indonesia and Myanmar.

GROUP STRUCTURE



OUR OPERATIONS

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 Myanma Oil and Gas Enterprise (MOGE) 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. The two Myanmar concessions extend over a total area of approximately 1,800 square kilometres and are located along the Ayeyarwaddy River, approximately 580 kilometres north of Yangon. During 2011, the combined gross production for both fields was 801,998 barrels of oil.

Onshore South Sumatra, we own a 100% 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 and we are the operator of the field. The TMT TAC 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 2011, the gross production of the field was 99,620 barrels of oil.

In the province of West Papua, we have a 100% participating interest in the Linda Sele (LS) 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. The LS TAC covers an area of approximately 15 square kilometres in the Salawati Basin and is situated about 60 kilometres south of Sorong. During 2011, the gross production of the field was 44,490 barrels of oil.

Onshore Central Kalimantan, we own a 49% participating interest in an exploration block, namely the Kuala Pambuang (KP) Production Sharing Contract (PSC). The PSC was recently granted by Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi (BPMIGAS) on 19 December 2011 and the initial exploration term is 6 years with an option to extend up to 4 years. The KP PSC spans an area of approximately 8,150 square kilometres and is located around 180 kilometres southwest of Palangkaraya. This exploration block was acquired recently in 2012.

FINANCIAL HIGHLIGHTS

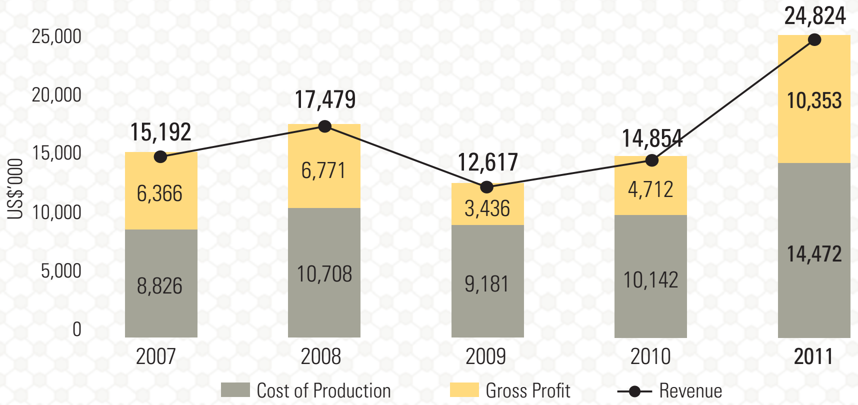
GROUP	2007	2008	2009	2010	2011
Financial Performance (US$'000)					
Revenue	15,192	17,479	12,617	14,854	**24,824**
Cost of production	8,826	10,708	9,181	10,142	**14,472**
Gross profit	6,366	6,771	3,436	4,712	**10,353**
Net profit before tax	3,398	3,358	2,256	2,907	**10,882**
Net profit after tax	2,264	1,696	1,478	1,710	**8,890**
Financial Strength (US$'000)					
Cash and cash equivalents	24,993	17,257	17,341	18,748	**13,676**
Debt and borrowings	4,292	-	-	-	**-**
Net current assets	18,436	16,779	15,521	17,659	**10,112**
Shareholders' equity	33,238	34,010	35,312	36,637	**49,279**
Cash Flow (US$'000)					
Operating cash flow	3,505	2,014	3,371	2,623	**7,758**
Investing cash flow	(6,928)	(3,199)	(3,140)	(615)	**(16,574)**
Financing cash flow	-	(5,325)	-	-	**3,760**
Per Share Data (US cents)					
Basic earnings per share	0.881	0.660	0.575	0.666	**3.113**
Net asset value per share	12.937	13.238	13.744	14.260	**16.681**

COMPANY	2007	2008	2009	2010	2011
SGX Share Price Information (S$)					
Year-end closing price	0.280	0.095	0.200	0.140	**0.097**
Average closing price	0.311	0.190	0.166	0.157	**0.130**
Highest traded price	0.405	0.295	0.260	0.215	**0.180**
Lowest traded price	0.210	0.070	0.055	0.130	**0.088**
Year-end market capitalisation	71,937,667	24,407,423	51,384,048	35,968,833	**28,655,763**
Average market capitalisation	79,953,578	48,917,613	42,743,575	40,211,600	**36,892,626**

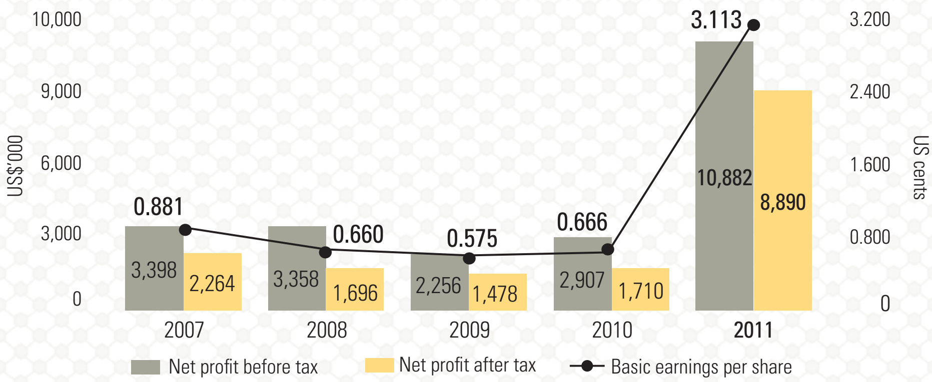
Source: SGX Data Services

FINANCIAL HIGHLIGHTS

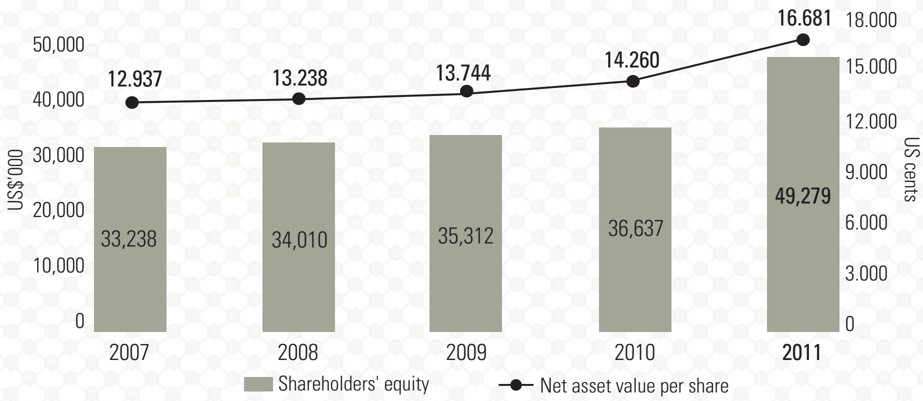
Revenue, Cost of Production, Gross Profit



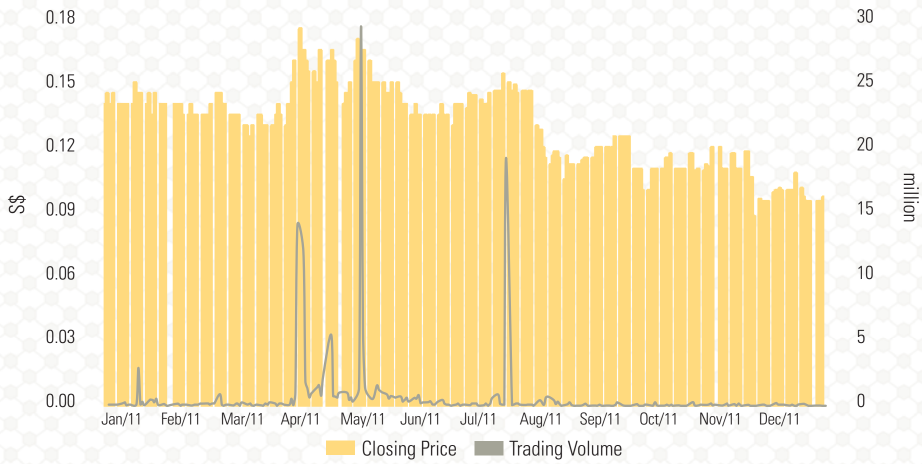
Net Profit Before & After Tax, Basic Earnings Per Share



Shareholder's Equity & Net Asset Value Per Share



SGX Share Price Performance for 2011



67% YEAR-ON-YEAR GROWTH IN REVENUE

420% YEAR-ON-YEAR GROWTH IN NET PROFIT

ATTENTIVE TO THE BIG PICTURE

WE SEEK TO DELIVER VALUE TO OUR SHAREHOLDERS BY LEVERAGING ON OUR UNDERSTANDING OF THE INDUSTRY AND MAXIMISING OPPORTUNITIES.

CHAIRMAN'S STATEMENT

Dear Shareholders

I am pleased to present the audited financial statements of Interra Resources Limited (the "Company" or Interra") and our subsidiaries (the "Group") for the financial year ended 31 December 2011 ("FY2011"). The Group enjoyed a banner year and earned a record net profit after tax of US$8.89 million in FY2011, significantly higher than the earnings of US$1.71 million in the financial year ended 31 December 2010 ("FY2010"). Revenue grew 67.1% from US$14.85 million in FY2010 to US$24.82 million in FY2011, fuelled by strong crude oil prices and an overall increase in shareable production. The weighted average transacted price for the Sumatran Light Crude ("SLC") in FY2011 was US$113.72 per barrel, 39.6% higher than US$81.49 per barrel in FY2010. The Group's total shareable production increased by 19.4% to 299,736 barrels in FY2011 compared to 250,978 barrels in FY2010.

Production at both Chauk and Yenangyaung fields in Myanmar continued to perform well in FY2011, with combined shareable production increasing by 11.5% to 194,424 barrels from 174,372 barrels in FY2010. All 7 shallow-to-intermediate depth development wells drilled during the year were successfully completed as oil producers, one of which was then regarded as the highest oil producer in onshore Myanmar. The Group's revenue from Myanmar in FY2011 was US$15.91 million, surpassing last year's revenue of US$10.22 million by 55.7%.

Given the recent political and economical reforms in Myanmar, Interra plans to build on the current momentum and fortify its investments in Myanmar. Our work programme for the fields in 2012 includes drilling 9 intermediate depth wells and 1 deep well. Furthermore, we strive to maintain our close business ties and good rapport with the local community and government. The payment of trade receivables by the Myanma Oil and Gas Enterprise (MOGE) has been consistently regular. The Board has therefore decided to write back US$1.60 million of the impairment made in the past on the carrying value of the Myanmar assets in FY2011 and reduce the total said impairment to US$1.00 million.

The strong growth in revenue was also attributable to contributions from the Linda Sele Technical Assistance Contract ("TAC"), acquired at the beginning of 2011, which added US$3.10 million to the total revenue with a shareable production of 36,468 barrels of oil. The crude oil produced at the fields is sold at the price of Walio Mix Crude ("WMC"), of which the weighted average price transacted in FY2011 was US$111.41 per barrel. In the 11 months since the Group assumed operatorship of the Linda Sele fields, we have been actively reorganising the field infrastructure, enhancing the facilities, replacing or repairing the equipment, as well as reviewing the work plans and implementing workover and reopening of existing wells. In the year ahead, we will continue to improve the production level through reservoir engineering and geological studies. We also plan to drill 2 development wells and conduct a 3D seismic survey over the fields.

The increase in net profit was partially due to the accounting standards requirement to revalue the Group's existing investment of 70% participating rights in the Tanjung Miring Timur ("TMT") TAC after our acquisition of the remaining 30% on 25 November 2011, which resulted in the recognition of a revaluation gain of US$7.70 million in FY2011. This acquisition, which cost US$6.90 million and was partially funded by the entire placement proceeds raised in April 2011, was a milestone in Interra's expansion in Indonesia. It not only gave the Group the entire share of the production of TMT, but also full operatorship of the field. With complete control over the TMT operations, we are now in a position to impart our technical expertise and bring our operating capabilities into the production. The work plan this year is to drill 4 development wells based upon the seismic data which was acquired in early 2011. Hence, despite a further impairment of US$0.50 million made in respect of the carrying value of TMT earlier in the year due to the weak performance, the Group is confident that it is able to revitalise and restore the production level of the TMT field.

Further to our efforts in strengthening our roots in Indonesia, I am delighted to report that Interra has on 3 February 2012 entered into a sale and purchase agreement to acquire 49% share capital of PT Mentari Pambuang Internasional, which owns 100% participating interest in the Kuala Pambuang Production Sharing Contract. This onshore exploration block of 7,946 square kilometres is located in Central Kalimantan and the purchase price of US$0.31 million includes an option to acquire a further 18.5% stake after 3 years. In the near future, we hope to consolidate our operations in Indonesia and manage the above three operatorships with optimal efficiency and economies of scale.

CHAIRMAN'S STATEMENT

As for the two Thailand exploration blocks of which the carrying costs were fully impaired in FY2010, the Group had received notice from the local government agency acknowledging the relinquishment of Block L17/48 and had assigned all the concession rights in Block L9/48 to our joint venture partner.

In Australia, the results of exploration well of PEP 167 drilled in December 2011 were not encouraging. Consequently, the Group made a provision of US$3.50 million for the impairment of all the carrying value in respect of PEP 167 in FY2011. Interra's net profit for the year was thus reduced by the same quantum. The Board is currently assessing the economic viability of renewing the exploration permit which is expiring at the end of June 2012.

On 21 December 2011, the Company was delisted from the Australian Securities Exchange ("ASX"). As announced previously, the originally envisaged benefits of the ASX listing have not materialised. The low level of trading and additional compliance obligations rendered it no longer cost effective to maintain the secondary listing. The Company remains listed on the Singapore Exchange ("SGX") and the Board endeavours to be committed towards upholding the principles of corporate governance embraced by SGX. Our corporate governance efforts practised during the year are described in the Corporate Governance Report section of this Annual Report. The Group has also endeavoured to maintain good health and safety standards and to run the operations in ways that are socially and environmentally responsible. Our operations are required to comply with the various environmental and restoration laws and regulations administered by the relevant local government agencies.

Going forward, Interra's growth strategy remains unchanged. We will continue to focus on developing existing assets through implementation of appropriate work programmes, necessary investments in facilities, equipment and technology, and essential training in field practices and technical knowledge. The Group is looking forward to embark on an aggressive programme to extract maximum value of its assets. We hope that these drillings and seismic surveys, which are aimed at increasing production and enhancing reserves, will enable us to capture the momentum of the crude oil prices and add more value for shareholders of the Company. It is anticipated that the Company will be raising new capital in the coming months to support the proposed asset development agenda.

Moreover, Interra will continue to be on the lookout for new assets that complement and enhance our balanced portfolio, so as to expand production capacity and reserve base. We hope to achieve this objective in a disciplined manner through business investments or strategic alliances. Meanwhile, we will endeavour to preserve our strong financial position against the backdrop creating long-term value for shareholders. As at 31 December 2011, the Group had US$11.54 million (excluding restricted cash) in cash and cash equivalents and no debts, with sufficient cash on hand to meet its operating costs for the foreseeable future.

On behalf of the Board, I would like to thank our employees for their diligence and our shareholders for their continual support all these years. In 2012, it is envisaged that crude oil prices will maintain its current base line, supported by geopolitical tension and demand from emerging markets. Further, it has been reported that the Myanmar government has committed to continue its economic and political reforms. We hope to capitalise on these favourable circumstances and translate into sustainable growth for Interra.

Yours sincerely

EDWIN SOERYADJAYA
Chairman

20 March 2012

100% INTEREST IN LINDA SELE TAC (WEST PAPUA, INDONESIA)

THROUGH ACQUISITION OF THE ENTIRE IBN OIL HOLDICO

FOCUS ON PERFORMANCE

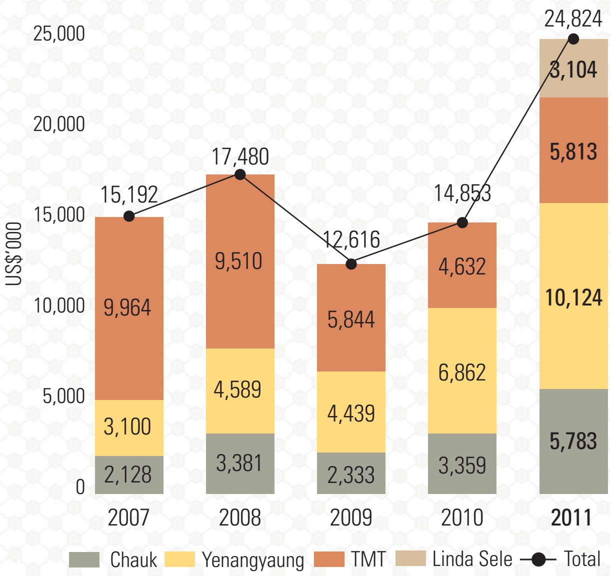
OUR RESULTS IN FY2011 REFLECT OUR STRENGTH IN BUILDING ON OUR CORE COMPETENCIES AND IMPROVING OUR OPERATIONS TO GENERATE HEALTHY PROFITS AND FURTHER EXPAND OUR PRESENCE.

OPERATING AND FINANCIAL REVIEW

FINANCIAL PERFORMANCE

The Group's revenue in FY2011 rose substantially by US$9.97 million to US$24.82 million compared to FY2010. The 67.1% growth was driven by higher crude oil prices which resulted in increased crude oil sales from all four producing fields. The weighted average transacted price for Sumatran Light Crude in FY2011 was US$113.72 per barrel, significantly higher than US$81.49 per barrel in FY2010. Sales of shareable oil of the two Myanmar concessions surged 55.7% to US$15.91 million in FY2011. Meanwhile, the newly acquired Linda Sele TAC contributed US$3.10 million to the Group's revenue in FY2011. In the year ahead, the Group is confident that it will be able to improve on its level of production. The Group's revenue breakdown by concession for FY2011 is charted below.

Revenue Breakdown



With additional production capacity and increased drilling activities, the overall cost of production also went up from US$10.14 million in FY2010 to US$14.47 million in FY2011. Nevertheless, the Group's gross profit margin remained healthy at 41.7%. Moving forward, the Group intends to embark on an aggressive development programme for its Indonesia and Myanmar concessions. A total of 15 new wells, 14 development and 1 deep exploration, and a 3D seismic survey have been planned for 2012. Hence, higher production expenses and exploration, evaluation and development costs are expected in 2012. The Group had wound down its operations in Thailand since early 2011 and future expenses relating to its Thai subsidiary will be minimal.

The Group booked a revaluation gain of US$7.70 million due to an accounting standards requirement to revalue its existing 70% investment in TMT TAC following the acquisition of the remaining 30% on 25 November 2011. The Group also recognised an impairment write-back of US$1.60 million in respect of the carrying value of the Myanmar assets in FY2011. These gains were partially offset by an impairment of US$0.50 million of the carrying value of TMT TAC before the 30% acquisition and a provision for impairment of US$3.50 million in respect of all the carrying value of PEP 167 in Australia. With regular payment of Myanmar trade receivables, improving production level and the takeover of operatorship of TMT operations, and barring any unforeseen circumstances, the Group does not foresee any need for further impairment of its existing assets in the near future.

Interest income in the year remained fairly constant at US$0.04 million amidst the unchanged low interest rate environment. With reduced exposure to the Thai Baht, exchange differences resulting from intercompany translation were not significant and are not expected to vary from current levels in the foreseeable future. Income tax expense for FY2011 increased in tandem with the increase in revenue.

In FY2011, the Group recorded a net profit after tax of US$8.89 million, a significant jump from US$1.71 million earned in FY2010. It has been solidly profitable for the past 5 years, which is a testimony to its disciplined growth strategy and solid management team.

FINANCIAL STRENGTH

With the acquisitions of Linda Sele TAC and TMT TAC, the Group registered an overall increase in its assets and liabilities on the balance sheet as at the end of FY2011. The major items adopted, which are typical of oil and gas exploration and production business, were intangibles assets (including exploration, evaluation and development costs), inventories, trade and other receivables, provision for environmental and restoration costs, trade and other payables, and income tax liabilities. In addition, there was a deferred revenue of US$0.65 million relating to the crude oil produced by Linda Sele fields which were stored at the stock points pending uplift. The sales of these barrels of crude oil on hand are recognised upon uplifting which is currently about twice every quarter.

The Group enjoyed a strong net cash inflow from operations, which generated US$7.76 million in FY2011 compared to US$2.63 million in FY2010. The

OPERATING AND FINANCIAL REVIEW

bulk of the Group's cash flows were provided by the Myanmar operations which contributed US$9.48 million in FY2011.

During the year, the Group utilised US$5.79 million to purchase 100% participating rights in Linda Sele TAC and US$6.14 million to acquire the remaining 30% interest in TMT TAC. The capital expenditures for the year amounted to US$5.36 million, of which US$2.32 million was spent on the 3D seismic programme at TMT and US$1.50 million was expended in drilling the exploration well of PEP 167 in Australia.

As at the end of FY2011, the Group continued to be financially healthy with no gearing, and had US$11.54 million of unrestricted cash and cash equivalents. The Company raised US$3.76 million of net proceeds through a private placement in April 2011. Total shareholders' equity increased US$12.64 million to US$49.28 million as at 31 December 2011. The Group has sufficient cash on hand to meet its current operating expenses and intends to raise funds to finance the various field development work plans in 2012 and future acquisitions.

SHARE CAPITAL

On 4 April 2011, the Company issued 38,500,000 new ordinary shares at S$0.126 per share pursuant to a private placement of which the entire net proceeds were utilised to partially fund the acquisition of the remaining 30% interest in TMT TAC.

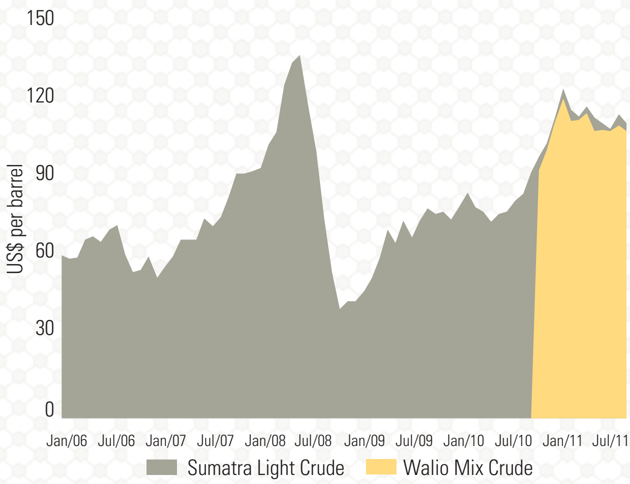
On 20 January 2012, the Company granted options in respect of 10,050,000 shares to Directors and employees of the Company under the Interra Share Option Plan. These options carry an exercise price of S$0.148 per share and are exercisable after 20 January 2013 but before 20 January 2017.

Up to the end of FY2011, none of the share options granted by the Company have been exercised and no share buy-backs have been made under the share purchase mandate approved annually by shareholders at the annual general meetings.

CRUDE OIL PRICES AND HEDGING

The crude oil produced at the Myanmar and TMT fields are sold at the prevailing Sumatran Light Crude prices whereas those produced at the Linda Sele fields are sold at the prevailing Walio Mix Crude prices. In 2011, the average of these crude oil prices were around US$110 per barrel. The historical transacted crude oil prices of the concessions are charted below.

Crude Oil Prices



In line with the Group's internal policy, no hedging instruments were utilised to hedge against crude 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 to monitor the situation in light of the prevailing circumstances.

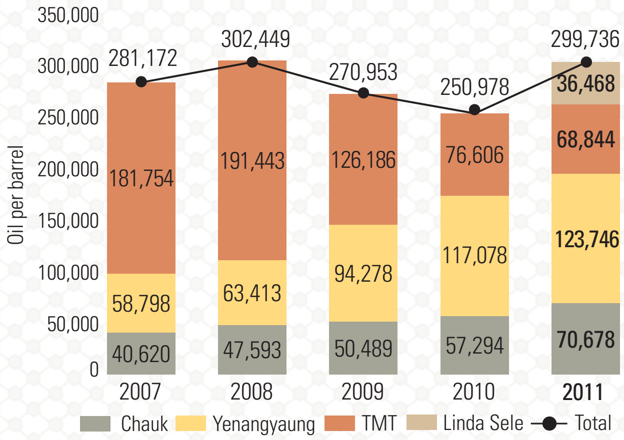
OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

Production

The Group's total shareable crude oil production increased 19.4% from 250,978 barrels in FY2010 to 299,736 barrels in FY2011. The annual shareable production by concession before application of contractual arrangement with the respective host government for the past 5 years is charted below.

Annual Shareable Production



The two fields in Myanmar performed considerably better in FY2011, with shareable production at Chauk increasing by 23.4% to 70,678 barrels and Yenangyaung increasing by 5.7% to 123,746 barrels as compared to FY2010. The increase was mainly due to the continued success of the shallow-to-intermediate depth development drilling programme and the optimised reactivation of old wells. All 7 development wells drilled during the year were completed as oil producers and one of the wells at Yenangyaung field was then the highest oil producer in onshore Myanmar. The Group has been employing the aforesaid strategy for several years to enhance production while keeping costs low. In 2012, it intends to embark on an aggressive work programme to develop the two Myanmar fields with the aim of maximising the extraction of crude oil.

The production at TMT field continued to decline during the year. The shareable production in FY2011 fell 10.1% to 68,844 barrels compared to the previous year. Following the acquisition of the remaining 30% interest in TMT TAC, the Group took over the operatorship in late 2011 and production has since improved. It will endeavour to speed up the interpretation of the 3D seismic data acquired in late 2010 and commence development drillings by the third quarter of 2012. The Group is confident that, with improvements in management and practices through our operatorship, the production level of TMT field will continue to improve.

The Linda Sele TAC acquired in January 2011 added 36,468 barrels of crude oil to the Group's shareable production in FY2011. Since taking over the field, the Group has been conducting various field improvements to raise the production level of existing wells and has also commenced preparation works for a 3D seismic survey in 2012. It is optimistic that Linda Sele fields will contribute positively in the year ahead.

FIELD ACTIVITIES

- **Myanmar – Chauk and Yenangyaung Fields**

The two adjacent fields generated a combined gross production of 801,998 barrels of crude oil in 2011 compared to 788,887 barrels in 2010. Chauk field produced 197,858 barrels, 9.1% higher than the 181,420 barrels in the previous year. The output at Yenangyaung field was 604,140 barrels, slightly lower by 0.5% from 607,457 barrels the year before.

Throughout the year, the Group continued to conduct production enhancements and scheduled maintenance aimed at maintaining or increasing production levels. The Group also continued with the strategy of drilling shallow to intermediate depth wells using its own rig to develop producing reservoirs that are not currently drained by existing wells and reactivating old wells with new zones that have been identified from geologic and reservoir engineering studies. The 2 development wells drilled at Chauk were completed as oil producers and one of the wells, CHK 1162, became the second highest producer in the Chauk field. The 5 development wells drilled in Yenangyaung field were all successful and the well of note was YNG 3240, which was then regarded as the highest oil producer in onshore Myanmar.

Interpretation of the approximately 278-kilometre 2D seismic data acquired in 2010 over Chauk field was completed in April 2011 and the data was subsequently incorporated into the existing subsurface interpretation. One of the primary reasons for the seismic data acquisition was to evaluate the deep subthrust strata that have not produced in the field and a deep drill site location has been delineated based on the seismic interpretation along with other subsurface geologic information. Preliminary approval to drill this deep subthrust well in Chauk has been obtained from the authority, and technical and logistics planning is in process.

INVESTING FOR SUSTAINABILITY

OUR INVESTMENT STRATEGY FOCUSES ON LONG-TERM AND SUSTAINABLE GROWTH AND OUR STRATEGIC ACQUISITIONS SERVE AS KEY TO OPENING NEW DOORS TO OPPORTUNITIES AND UNLOCKING OUR GROWTH POTENTIAL.

IMPROVE PRODUCTION OF THE CONCESSIONS IN WHICH WE HOLD OPERATORSHIP

WORK CLOSELY WITH PARTNERS IN OTHER CONCESSIONS TO IMPROVE THE PERFORMANCE

ACHIEVE SUSTAINABILITY VIA NEW CONCESSIONS AND STRONGER MARKET PRESENCE

OPERATING AND FINANCIAL REVIEW

In the year ahead, the work plan includes drilling 6 intermediate depth development wells in Yenangyaung field, and 1 deep and 3 intermediate depth development wells in Chauk field. A pilot water flood project is also scheduled to determine if formation pressure support is feasible through water injection.

- **Indonesia – TMT Field**

The gross production of TMT field in 2011 declined 15.9% to 99,620 barrels of oil from 118,402 barrels in 2010. This is due to the suspension of new drillings until the conclusion of the 3D seismic data interpretation.

The approximately 40-square-kilometre 3D seismic data acquisition, which commenced in 2010, was completed during the first quarter of 2011 without any health, safety or environmental issues. Processing of the data was completed in early 2012 and interpretation is nearing completion, after which 4 new locations will be picked for drilling commencing in the third quarter of 2012. The data is currently being interpreted with the objective of yielding a better understanding of the subsurface structural geometry and reservoir characteristics.

Towards the end of 2011, the Group took over the operatorship of the TMT field following the completion of its acquisition of the remaining 30% interest in TMT TAC. The Group has begun to reorganise the field operations with the aim of enhancing production from existing wells. With this reorganisation, combined with the 4 new wells based on the seismic results planned for 2012, the Group believes that it can reverse the declining production of the field.

- **Indonesia – Linda Sele Fields**

After completing the acquisition of Linda Sele TAC in January 2011, the Group took charge of the operations and proceeded to reorganise field infrastructure, improve technical capabilities and upgrade facilities. These efforts included replacing or repairing equipment, establishing best practices, reviewing work plans, implementing workover and reopening of existing wells, and conducting reservoir engineering and geological studies. The gross production of the fields totalled 44,490 barrels of oil in 2011 and is continuing to show improvement since the beginning of 2012. With the completion of equipment repair and facilities upgrading, the Group expects the production level to improve in 2012.

During the first quarter of 2011, due to the repair works at the refinery centre to which the crude oil produced was to be sold, uplifting of the crude oil produced was infrequent. Subsequently, the Group made arrangements for uplifting to be executed via tanker. As a result, uplifting was more regular, about twice every quarter. The Group will continue to monitor the uplifting frequency and endeavour to maximise uplifting frequency.

In 2012, the work plan includes drilling at least 1 new development well and conducting a 3D seismic survey over the fields. Preliminary design and tendering process for the 3D seismic programme has concluded and data acquisition is expected to commence in second half of the year.

- **Indonesia – Kuala Pambuang Block**

The Group entered into a sale and purchase agreement to acquire a 49% participating and operating interest in the Kuala Pambuang block in Indonesia on 3 February 2012. The production sharing contract granted by the host government commenced on 19 December 2011 and the initial exploration term is 6 years with an option to extend up to 4 years. The exploration block, which is located around 180 kilometres southwest of Palangkaraya, covers an area of approximately 8,150 square kilometres in onshore Central Kalimantan, over a larger portion of the Pambuang Basin. While the acquisition procedures are being completed, the Group is currently in the process of planning with respect to defining potential prospective areas over which detailed work will be performed (to potentially delineate drillable prospects).

- **Australia – PEP 167**

During the first half of 2011, the operator, who is also the Group's joint venture partner, completed most of the preparation works for the appraisal drilling in respect of the Windermere oil discovery made in 1987. These included 3D seismic data interpretation, drill site location selection, well design, material procurement, service engagement and logistics planning. However, the drilling operation scheduled for the second quarter for 2011 did not begin until December 2011 due to wet conditions attributable to unseasonable weather as well as the need to avoid the adverse weather during winter in the Otway Basin.

The drilling results of Windermere-3, which was a direct offset to the 1987 exploration well that tested

OPERATING AND FINANCIAL REVIEW

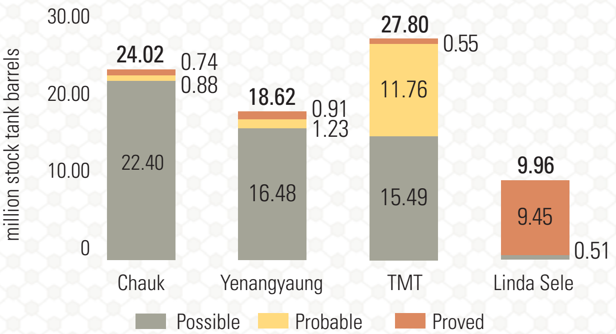
oil from the Heathfield Sandstone Member of the Eumeralla Formation, were not encouraging. The well was drilled to a total depth of 1,840 metres and the targeted formation was intersected by the borehole at approximately 1,698 metres. Wireline electric logs were then run over the entire open borehole and formation testing was completed over the primary targeted reservoir section. Electric logs and formation evaluation testing indicated overall tight reservoir rocks within the sandstone and no hydrocarbons were recovered. The well was eventually plugged and abandoned.

The Group is currently weighing economic viability of renewing the exploration permit, which expires at the end of June 2012.

Reserves

The Group's gross reserves by concession is charted below.

Gross Reserves



Notes:
1. Gross reserves refer to the estimated petroleum reserves in the ground before application of contractual arrangement with the respective host government for the hydrocarbons produced.
2. The gross reserves are internal estimations based upon the following sources:

Field	Source of Data
Chauk & Yenangyaung Myanmar	Certificate of Oil Reserves as of April 2002* By Lemigas dated September 2002
TMT Indonesia	Reserves Certification of Tanjung Miring Timur as of 1 August 2005* By Gaffney, Cline & Associates (Consultants) Pte Ltd dated March 2006
Linda Sele Indonesia	Oil Reserves Certification Report of Linda Sele Fields as of March 2007* By Lemigas dated March 2007
** Actual production since the cut-off date has been deducted from the quantum of proved reserves.*	

There were no external reserves certifications done in 2011. The Group's share of gross reserves as of 31 December 2011 was derived by deducting the actual production from the last reserves certifications compiled by external industry experts.

Factors Affecting Performance of the Business

The key factors affecting the Group's business including financial and operating conditions are set out below.

- **Crude Oil Prices**

  As the Group currently 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 and hence its profitability is unpredictable.

- **Operating Costs**

  Although high crude oil prices may give rise to higher revenue, it may also result in higher operating costs due to greater demand for materials, oil rigs, and oilfield related equipment and services. This may in turn affect the bottom line of the business.

OPERATING AND FINANCIAL REVIEW

- **Concession Terms**

  The petroleum contractual agreement with the respective host government grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. The final shareable production, to be translated into revenue and split with the host government, is derived after deducting the various capital and operational expenditure, royalties and taxes, etc. Due to the intrinsic complexity of the formulae used in the calculation of shareable production, revenue is not proportionately dependent on gross production and crude oil prices. In addition, there is no guarantee that contract renewal or extension will be granted upon expiration, failing which may result in substantial losses and significant reduction in investment value.

- **Reserve Replacement and Drilling**

  The Group strives to replace reserves and sustain or increase production through development of existing assets and acquisition of new concessions. However, it is not certain that development drillings will ultimately yield commercially recoverable hydrocarbons or profitable production. Besides, there is always a risk of the drillings being unsuccessful and thus affecting the bottom line of the business. Even if the drillings are successful, it may not be able to lift the overall production due to the simultaneous decline of mature wells.

- **Exploration Risk**

  Exploration activity involves a significant inherent risk of not discovering any accumulation of hydrocarbons, or that the discovery of hydrocarbons is not commercially recoverable or viable. In the event that an exploration programme proves to be unsuccessful, it may lead to hefty losses, considerable reduction in cash reserves, significant diminution in asset values and possible relinquishment of concessions.

- **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). Continuous disregard for industry standard production practices can lead to reduction in production volumes, and in extreme cases, actual total loss of production. 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 and evaluation of reserves. The calculation involves a number of variable factors, economics, estimations and assumptions that, when combined, give rise to indefinite uncertainties in the reserves estimates. In addition, the estimation of future net cash flows and fair values of assets are based upon reserves estimates. Reserves certification conducted by different estimators may vary considerably depending on the methodology and standard employed in the assessment.

For more information on the factors impacting the financial and operating performance of the Group, please see the following sections of the Notes to the Financial Statements of this Annual Report:

- Critical Accounting Estimates, Assumptions and Judgements
- Contingent Liabilities
- Financial Risk Management

BOARD OF DIRECTORS

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 28 April 2011.

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 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.

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 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 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.

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 Uno 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 Uno is the President Director of PT Saratoga Investama Sedaya, a private equity and direct investment company in Indonesia. He is also a member of the National Economic Council appointed by the President of Republic of Indonesia since June 2010.

He sits on the board of directors of PT Adaro Energy Tbk, Fleur Enterprises Limited and Attica Finance Limited. He also serves on the board of commissioners of PT Tower Bersama Infrastructure Tbk.

Mr Uno 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.

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. and Triple AR Holdings Pte. Ltd. In addition, he is the President Commissioner of PT Persada Capital, PT Kirana Megatara, PT Triputra Agro Persada (formerly PT Alam Permata Indah), PT Agro Multi Persada and the Chairman of Multi-Corporation (S) Pte Ltd. He also sits

BOARD OF DIRECTORS

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.

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 28 April 2011. 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 and was elected on 28 April 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, Wing Lung Opportunities Fund Ltd and Wing Lung Opportunities Master Fund 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.

KEY MANAGEMENT

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.

SUGI HANDOKO

Vice President, Operations

Mr Sugi Handoko was appointed the Vice President, Operations of Interra in January 2012. He has overall responsibility of managing the petroleum exploration and production operations of the Group.

Prior to the current appointment, Mr Sugi was the Country Manager of Goldpetrol JOC Inc. He has more than 23 years of experience in oil and gas exploration and production management and operations, which includes engineering, production, finance, procurement, logistic, human resources, and government liaison.

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

CORPORATE GOVERNANCE REPORT

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 2011 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 a management of high integrity are in place for the Company to meet its objectives;
(c) reviewing risk management framework and controls;
(d) reviewing the performance of the management of the Group ("**Management**") 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 Board 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.

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/ 28-Apr-2011	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

CORPORATE GOVERNANCE REPORT

Name	Date of First Appointment/ Last Re-election	Board	AC	NC	RC
Ng Soon Kai	01-Nov-2005/ 28-Apr-2011	Non-Executive, Independent	-	Member	Chairman
Low Siew Sie Bob	18-Feb-2011/ 28-Apr-2011	Non-Executive, Independent	Chairman	Member	Member
Pepen Handianto Danuatmadja	18-Feb-2011/ -	Alternate Director to Subianto Arpan Sumodikoro	-	-	-

The Company has ensured that the roles and responsibilities of the Board and the Management are clearly defined in order to facilitate better understanding of the respective accountabilities and contributions of the Board and the Management. The Management provides the Board with regular financial and operational updates while decisions on all key matters such as significant acquisitions and disposals or undertakings, funding proposals, and the releases of the Group's results and other significant announcements are made by the Board. All Directors objectively take decisions in the interests of the Company and if necessary, abstain from voting to avoid any conflict of interests. 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, the Board is kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings.

No new Director was appointed since the last annual general meeting. If there is an appointment of a new Director, the Company would provide a formal letter to the Director, setting out the Director's duties and obligations. For first-time Directors, the Company would offer to provide training appropriate to the level of their previous experience in areas such as accounting, legal and industry knowledge. Further, the Company has in place an orientation program to ensure that the incoming Directors become familiar with the Group's businesses and corporate governance practices.

During the year, the Board met on three (3) occasions to review and approve various matters relating to business strategies, corporate governance practices and performance of the Group. Whenever possible, Board meetings were scheduled to coincide with quarterly financial results reporting in order to facilitate the review of financial results announcements. Ad-hoc Board discussions via electronic means to 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.

CORPORATE GOVERNANCE REPORT

The attendance of every member at Board meetings and Board Committee meetings expressed as a ratio of the total number of meetings held during each member's period of appointment in 2011, is set out below.

Name	Board	AC	NC	RC
Edwin Soeryadjaya	1/3	-	-	-
Sandiaga Salahuddin Uno	3/3	3/3	1/1	1/1
Marcel Han Liong Tjia	3/3	-	-	-
Subianto Arpan Sumodikoro	1/3	-	-	-
Allan Charles Buckler	2/3	2/3	0/1	1/1
Low Siew Sie Bob	3/3	3/3	1/1	1/1
Ng Soon Kai	3/3	1/1	1/1	1/1
Pepen Handianto Danuatmadja (Alternate Director to Subianto Arpan Sumodikoro)	2/3	-	-	-

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.

Currently, the Board comprises seven (7) Directors and one (1) alternate Director. 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. Their independence is reviewed from time to time by the NC based on the guidelines set forth in the Code.

The Board is of the view that its current size is appropriate, taking into account the size, scope and nature of operations of the Company. The 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 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. The Chairman and the CEO are not related to each other within the meaning of the Code.

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.

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, as defined within the Code, of three (3) Independent Directors, Mr Allan Charles Buckler, Mr Ng Soon Kai and Mr Low Siew Sie Bob.

CORPORATE GOVERNANCE REPORT

For Directors with multiple board representations, they are committed to ensure sufficient time and attention is given to the affairs of the Company, including through the appointment of deputy or alternate director. The NC is of the view that they are able to adequately carry out their duties as Directors of the Company.

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

There was no new appointment of Director since the last annual general meeting. If there is a need to appoint a new Director, the NC would first evaluate the range of skills, experience and expertise of the Board and identify the competence that would best increase board effectiveness, and then search for suitable candidates who are highly regarded in the relevant industry. When considering a new Board member, the NC would review the curriculum vitae of the potential candidate and consider his/her experience and likely contribution to the Board. Interviews would subsequently be conducted before the NC makes its recommendation to the Board. The Board would make the final determination for the appointment.

The profiles of the current Directors are set out in the Board of Directors section of this Annual Report.

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 range of performance criteria used for the evaluation is proposed by the NC and approved by the Board, and does not change from year to year unless circumstances deem it necessary for any of the criteria to be changed.

The assessment parameters for effectiveness of the Board as a whole include working relationship with the Management, independent element, size and composition, mix of competency, conduct and frequency of meetings, decision-making processes and accountability, effectiveness of strategies and directions of the Company in enhancing long-term shareholders' value, and effectiveness of risk management and internal control systems in safeguarding Company's assets and shareholders' investment. The assessment parameters for performance of individual Directors include attendance at meetings, adequacy of preparation for meetings, participation in discussions, response to circulating resolutions and matters that require prompt attention and decision, core competency contribution, maintenance of independence, and disclosure of related party transactions.

The assessment is conducted annually by the NC and the results are submitted to the Board together with its recommendations for the Board's deliberation and decision.

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, project progress and development, and future prospects of the Group through quarterly board papers and ad hoc email correspondences. Comprehensive quarterly financial and activity reports are submitted to the Board for review and approval for release to the public. These updates and reports are supported with background or explanatory information, disclosure documents, proposals, workplans and budgets, forecasts and valuations, and monthly management accounts. In addition, the Board has separate and independent access to the senior executives of the Group if it needs to make further enquiries.

The Directors have direct and independent access to the Company Secretary, whose appointment and removal is a matter for the Board as a whole. The responsibilities of the Company Secretary include:
(a) attending all Board meetings and preparing minutes of these meetings;
(b) ensuring compliance with applicable laws and regulations;
(c) ensuring compliance with internal procedures and guidelines of the Company;
(d) maintaining and updating all statutory books and records;
(e) ensuring that good information flows within the Board and the Board Committees and between the Management and the Non-Executive Directors; and
(f) facilitating orientation and assisting with professional development as required.

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.

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;

CORPORATE GOVERNANCE REPORT

(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.

The RC has in place a remuneration scheme for Non-Executive Directors, which takes into account individual level of contribution and responsibilities. In setting remuneration package of the Executive Director, the RC takes into consideration the remuneration and employment conditions within the same industry and comparable companies as well as the Group's size and scope of operations. The performance-related element of the Directors' remuneration are linked to the Group's performance and aligned with shareholders' interests through the use of long-term incentive scheme, namely the Interra Share Option Plan ("**ISOP**"). The remuneration scheme and package are reviewed annually to ensure that the level of compensation is optimal for attracting, retaining and motivating the Directors.

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. No Director was involved in deciding his own remuneration other than the framework of remuneration for the Board as a whole.

The RC also reviewed the remuneration of the Management during the course of the year and made recommendation to the Board on the remuneration package of Mr Sugi Handoko, the Vice President of Operations of the Company, who was appointed on 3 January 2012.

Early in the year of 2011, the RC recommended some changes to the ISOP so as to widen the scope of eligible participants and to give the RC wider powers and discretion in the administration of the ISOP. These amendments to the rules of the ISOP were approved by shareholders at the extraordinary general meeting held on 28 April 2011. On 20 January 2012, the RC granted share options to Directors and employees of the Company under the ISOP. Details of the share options 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 the Chairman, a copy of the confirmed minutes was duly circulated to all members and reported to the Board.

The Company has endeavoured to provide adequate disclosure of the remuneration of its Directors and key executives so as to enhance transparency between the Company and shareholders.

The remuneration of Directors for the financial year ended 31 December 2011 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	-	85%	12%	3%
Below S$250,000				
Edwin Soeryadjaya	100%	-	-	-
Sandiaga Salahuddin Uno	100%	-	-	-
Subianto Arpan Sumodikoro	100%	-	-	-
Allan Charles Buckler	100%	-	-	-
Low Siew Sie Bob	100%	-	-	-
Ng Soon Kai	100%	-	-	-
Pepen Handianto Danuatmadja	-	-	-	-

The total Directors' fees for the year, which will be put to shareholders for approval at the annual general meeting, amounted to S$324,917 (2010: S$281,000).

The remuneration of key executives for the financial year ended 31 December 2011 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	89%	3%	8%
Foo Say Tain	86%	13%	1%

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 and operating activities as well as ad hoc updates so as to provide shareholders with up-to-date, 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 its obligations of continuing disclosure under the Rules of Catalist. The Company has endeavoured to circulate timely, adequate and non-selective disclosures of material information.

CORPORATE GOVERNANCE REPORT

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 Ng Soon Kai ceased to be a member of the AC when he resigned as an AC member 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 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;
(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; and
(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 auditor on three (3) occasions. These meetings included, amongst other things, review of the Group's financial statements, accounting and internal control procedures, scope and findings of internal and external audit, and objectivity and independence of the external auditor. The AC also had one separate session with the external auditor without the presence of the Management.

The Company has engaged Nexia TS Public Accounting Corporation ("**Nexia TS**") as its external auditor, to audit the accounts of the Company and all its subsidiaries, except for its Thailand subsidiary (which is audited by V.A.T. Accounting, an auditing firm belonging to the same affiliation as Nexia TS). The Indonesia ventures of the Company's subsidiaries are audited by Johan Malonda Mustika & Rekan, a reputable auditing firm based in Indonesia. The report of Nexia TS is set out in the Independent Auditor's Report section of this Annual Report.

Nexia TS is a public accounting firm registered with and regulated by the Accounting and Corporate Regulatory Authority in Singapore. The fees paid or payable by the Group to Nexia TS for their audit services of the financial year 2011 amounted to US$111,513. During the year, the Group engaged Nexia TS to provide financial due diligence services on a project basis and the fees for such non-audit services amounted to US$11,787. The AC considers such ad hoc engagement of Nexia TS to be cost effective and is satisfied with their objectivity. After considering the experience and resources provided by the current external auditor as well as the terms and remuneration of engagement and regulatory requirements, the AC has recommended to the Board the re-appointment of Nexia TS as the external auditor for the Company's audit obligations for the financial year 2012.

In relation to its auditing firm, the Company has complied with Rule 712 and 715 of the Rules of Catalist.

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 the Chairman, a copy of the confirmed minutes was duly circulated to all members and tabled at Board meetings.

Principle 12 – Internal Controls

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

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 of the Group, 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 independent auditing firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, 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 on an annual basis.

The Board is of the opinion, with the concurrence of the AC based on its discussions with the external and internal auditors, that the Management maintains a sound system of internal controls with respect to the Group's financial, operational and compliance risks and is assured of its adequacy to safeguard the shareholders' investments and the Company's assets. The Board however notes that no system of internal controls can provide absolute assurance against failure to meet business objectives, poor business judgement, human fallibility, material errors or losses, frauds, breaches of laws or regulations, or other unforeseeable occurrences.

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 and activity reports, project updates, media releases on significant developments and other pertinent information are first announced on the website of the SGX-ST via SGXNET and then posted on the Company's website at www.interraresources.com.

The Company encourages active shareholder participation at its general meetings. Notices of general 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 their proxy forms are duly lodged with the Company in advance.

Resolutions proposed 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 auditor is also present to assist the Directors in addressing relevant queries by shareholders.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company does not have any general mandate pursuant to Rule 920 of the Rules of Catalist and during the financial year ended 31 December 2011, there were no transactions with interested persons (excluding transactions less than S$100,000) pursuant to the Rules of Catalist on interested person transactions.

DEALING IN SECURITIES

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

(a) to observe insider trading laws and avoid potential conflicts of interest at all times when dealing in securities;
(b) not to deal in the Company's shares while in possession of unpublished material price sensitive information;
(c) not to deal in the Company's shares for short-term considerations; and
(d) not to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full year financial statements.

Hence, the Company has complied with the best practices on dealing in securities set out in Rule 1204(19) of the Rules of Catalist.

SPONSORSHIP

The continuing sponsor of the Company in respect of its listing on the SGX Catalist is Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) (the "Sponsor"). For the purpose of Rule 1204(21) of the Rules of Catalist, the non-sponsor fees paid to the Sponsor in the financial year ended 31 December 2011 amounted to S$67,914, which was in relation to placement commission in respect of the placement of the Company completed on 4 April 2011.

USE OF PROCEEDS

The Company had issued and allotted 38,500,000 new ordinary shares in the capital of the Company at the issue price of S$0.126 each by way of a private placement which was completed on 4 April 2011. The net proceeds, after deducting expenses of S$109,826, have been fully utilised on 28 November 2011 as stated below.

Purpose	**Amount Utilised (S$)**
Acquisition of 30% participating interest in TAC TMT as announced on 22 June 2011 and 25 November 2011	
- Initial payment of US$590,000 upon signing of agreement	729,399
- Final payment of US$6,310,000 upon completion, of which US$3,057,849 was funded by the net proceeds of the placement (the balance was funded by existing funds on hand)	4,011,775
Total Net Proceeds	**4,741,174**

DIRECTORS' REPORT

For the financial year ended 31 December 2011

The directors present their report to the members together with the balance sheet of the Company as at 31 December 2011 and financial statements of the Group for the financial year ended 31 December 2011.

DIRECTORS

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

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)

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 72 and 73 of this report.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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 and 21 January 2012	At beginning of the financial year	At end of the financial year and 21 January 2012	At beginning of the financial year
The Company				
Edwin Soeryadjaya	-	-	51,349,000	39,948,000
Sandiaga Salahuddin Uno	-	-	51,349,000	39,948,000
Subianto Arpan Sumodikoro	-	-	35,000,000	30,000,000
Allan Charles Buckler	3,945,600	3,945,600	-	-

	Options to subscribe for ordinary shares held in the name of director		
	At end of the financial year	At beginning of the financial year	As at 21 January 2012
The Company			
Allan Charles Buckler	-	-	1,350,000
Low Siew Sie Bob	-	-	1,350,000
Ng Soon Kai	-	-	1,350,000
Marcel Han Liong Tjia	-	-	4,000,000

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (Cont'd)

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 its related corporations either at the beginning of the financial year or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the accompanying financial statements and in this 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") provides a means of rewarding, retaining and giving recognition to directors and employees of the Group who have contributed to the success and development of the Group. The Plan is administrated 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
Sandiaga Salahuddin Uno

The Plan was approved by members of the Company at an Extraordinary General Meeting on 30 April 2007 and amended on 28 April 2011. The amendments to the rules of the Plan are to widen the eligible participants and to give wider powers and discretion to the Remuneration Committee in the administration of the Plan. The amendments allow the participation of non-executive directors, employees who are not key executives and controlling shareholders. The amended rules also allow the Remuneration Committee to grant option at a discount of up to 20% of the market price and change the exercise period for options granted without discount from two to one year from the date of grant.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) to be determined by the Remuneration Committee in its absolute discretion. Option granted at market price or premium may be vested after one year from the date of grant and are exercisable for a period of four years, while option granted at discount may be vested after two years from the date of grant and 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. 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 (including treasury shares, if any) on the day preceding that date.

DIRECTORS' REPORT

For the financial year ended 31 December 2011

SHARE OPTIONS (Cont'd)

(a) Interra Share Option Plan (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

No options have been 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) during the financial year.

No options have been granted to directors or employees of the subsidiaries of the Company during the financial year.

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			
	At beginning of the financial year	At end of the financial year	Exercise price	Exercise period
Options granted in 2008	250,000	250,000	S$0.45	4 March 2010 to 2 March 2013
Options granted in 2008	250,000	250,000	S$0.55	4 March 2010 to 2 March 2013

The total fair value of the outstanding options is estimated to be S$20,603 (US$14,775) using the Binomial Option Pricing Model.

DIRECTORS' REPORT

For the financial year ended 31 December 2011

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)
Allan Charles Buckler
Sandiaga Salahuddin Uno

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

- the scope and the results of internal audit procedures with the internal auditor;

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

- the assistance given by the Company's management to the independent auditor; and

- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2011 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

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

INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Low Siew Sie Bob
Director

20 March 2012

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2011

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 39 to 91 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 2011 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

Low Siew Sie Bob
Director

20 March 2012

INDEPENDENT AUDITOR'S REPORT

To the Members of Interra Resources Limited

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 39 to 91, which comprise the balance sheet of the Company and the consolidated balance sheet of the Group as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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 (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; and 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 Responsibility

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 audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Interra Resources Limited

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 2011, 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: Chin Chee Choon
Appointed since financial year ended 31 December 2011

Singapore
20 March 2012

BALANCE SHEETS

As at 31 December 2011

	Note	Company 2011 US$	Company 2010 US$	Group 2011 US$	Group 2010 US$
ASSETS					
Non-current assets					
Property, plant and equipment	4	**57,204**	99,702	**1,198,213**	1,184,032
Exploration, evaluation and development costs	5	**-**	-	**34,358,522**	14,871,004
Intangible assets	6	**-**	1,942	**5,853,437**	3,735,860
Investments in subsidiaries	7	**36,267,031**	20,220,273	**-**	-
		36,324,235	20,321,917	**41,410,172**	19,790,896
Current assets					
Inventories	9	**-**	-	**3,127,213**	1,662,855
Trade and other receivables	10	**1,341**	5,466	**6,904,973**	6,162,367
Other current assets	11	**99,531**	71,484	**628,892**	164,416
Cash and cash equivalents	12	**5,451,950**	12,055,638	**13,675,782**	18,747,919
		5,552,822	12,132,588	**24,336,860**	26,737,557
Total Assets		**41,877,057**	32,454,505	**65,747,032**	46,528,453
LIABILITIES					
Current liabilities					
Trade and other payables	13	**639,048**	580,560	**5,623,805**	3,166,367
Deferred revenue	9	**-**	-	**646,730**	-
Current income tax liabilities	14	**30**	6,385	**7,954,730**	5,912,538
		639,078	586,945	**14,225,265**	9,078,905
Non-current liabilities					
Provision for environmental and restoration costs	16	**-**	-	**2,243,107**	812,874
Total Liabilities		**639,078**	586,945	**16,468,372**	9,891,779
NET ASSETS		**41,237,979**	31,867,560	**49,278,660**	36,636,674
EQUITY					
Share capital	18	**43,868,660**	40,108,575	**43,868,660**	40,108,575
(Accumulated losses)/ Retained profits		**(2,645,456)**	(8,255,790)	**23,638,011**	14,747,640
Other reserves	20	**14,775**	14,775	**(18,228,011)**	(18,219,541)
TOTAL EQUITY		**41,237,979**	31,867,560	**49,278,660**	36,636,674

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

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2011

	Note	2011 US$	2010 US$
Revenue	21	**24,824,232**	14,853,928
Cost of production		**(14,471,527)**	(10,142,227)
Gross profit		**10,352,705**	4,711,701
Other income, net	22	**9,484,426**	6,226,870
Administrative expenses		**(8,955,417)**	(8,031,605)
Profit before income tax		**10,881,714**	2,906,966
Income tax expense	15	**(1,991,343)**	(1,196,967)
Net profit		**8,890,371**	1,709,999
Other comprehensive income:			
Currency translation differences arising from consolidation		**(8,470)**	(386,868)
Total comprehensive income		**8,881,901**	1,323,131
Profit attributable to:			
Equity holders of the Company		**8,890,371**	1,709,999
Total comprehensive income attributable to:			
Equity holders of the Company		**8,881,901**	1,323,131
Earnings per share attributable to equity holders of the Company (cents per share)			
- Basic	25	**3.113**	0.666
- Diluted	25	**3.113**	0.666

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2011

		Attributable to equity holders of the Company					
Group	Note	Share Capital US$	Foreign Currency Translation Reserve US$	Special Reserve US$	Share Option Reserve US$	Retained Profits US$	Total Equity US$
At 1 January 2011		**40,108,575**	**(1,690,176)**	**(16,544,140)**	**14,775**	**14,747,640**	**36,636,674**
Issue of new ordinary shares pursuant to placement	18	**3,847,086**	**-**	**-**	**-**	**-**	**3,847,086**
Share placement expenses	18	**(87,001)**	**-**	**-**	**-**	**-**	**(87,001)**
Total comprehensive income		**-**	**(8,470)**	**-**	**-**	**8,890,371**	**8,881,901**
At 31 December 2011		**43,868,660**	**(1,698,646)**	**(16,544,140)**	**14,775**	**23,638,011**	**49,278,660**
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		-	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	Note	2011 US$	2010 US$
Cash flows from operating activities			
Profit before income tax		**10,881,714**	2,906,966
Adjustments for non-cash items			
Depreciation of property, plant and equipment	4	**664,667**	854,935
Amortisation of:			
- Exploration, evaluation and development costs	5	**2,308,506**	1,793,010
- Concession rights	6	**9,920**	8,188
- Computer software	6	**33,311**	36,072
- Participating rights	6	**424,589**	169,200
Impairment of exploration, evaluation and development costs	5	**2,847,088**	2,224,266
Impairment of participating rights	6	**1,152,167**	2,291,327
Impairment of property, plant and equipment	4	**-**	8,801
Interest income	22	**(41,317)**	(36,099)
Net gain on disposal of financial assets, at fair value through profit or loss	22	**-**	(29,170)
Net gain on disposal of property, plant and equipment	22	**(2,784)**	(272)
Property, plant and equipment write-off	23	**-**	681
Write-back of impairment of exploration, evaluation and development costs	5	**(1,484,484)**	(3,002,246)
Write-back of impairment of concession rights	6	**(110,886)**	-
Write-back of impairment of trade receivables	10	**-**	(1,997,754)
Fair value gain on financial assets, at fair value through profit or loss	22	**-**	(156,942)
Loss arising from the transfer of concession rights from partner	23	**-**	40,975
Dividend income	22	**-**	(14,393)
Currency translation gain, net	22	**(80,051)**	(563,953)
Gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT	22	**(7,700,149)**	-
Operating profit before working capital changes		**8,902,291**	4,533,592
Changes in working capital, net of effects from acquisition of a subsidiary and 30% participating rights of joint venture			
Inventories		**(530,327)**	313,100
Trade and other receivables and other current assets		**(174,570)**	575,611
Trade and other payables and deferred revenue		**618,384**	(1,455,983)
Provision for environmental and restoration costs		**116,747**	128,768
Restricted cash		**(655,594)**	(1,484,036)
Cash generated from operations		**8,276,931**	2,611,052
Income tax (paid)/refund	14	**(519,280)**	12,411
Net cash provided by operating activities		**7,757,651**	2,623,463

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2011

	Note	2011 US$	2010 US$
Cash flows from investing activities			
Interest income received		**42,465**	39,489
Fixed deposit released from collateral for bankers' guarantees, net		**670,000**	2,140,000
Net proceeds from disposal of property, plant and equipment		**1,544**	530
Net proceeds from disposal of financial assets, at fair value through profit or loss	8	**-**	737,290
Acquisition cost for exploration concession rights in Australia		**-**	(7,640)
Acquisition cost of subsidiary, net of cash acquired	32(i)(b)	**(5,788,793)**	-
Acquisition of remaining 30% participating rights in TAC TMT, net of cash acquired	32(ii)(j)	**(6,138,989)**	-
Capital expenditure			
- Additions to property, plant and equipment	4	**(499,370)**	(346,395)
- Additions to well drillings and improvements		**(972,159)**	(546,156)
- Additions to geological and geophysical studies		**(3,889,013)**	(2,646,230)
Dividend income		**-**	14,393
Net cash used in investing activities		**(16,574,315)**	(614,719)
Cash flows from financing activities			
Proceeds from issuance of shares		**3,847,086**	-
Share issue expenses		**(87,001)**	-
Net cash provided by financing activities		**3,760,085**	-
Net (decrease)/increase in cash and cash equivalents		**(5,056,579)**	2,008,744
Cash and cash equivalents			
Beginning of the financial year	12	**16,593,883**	14,531,138
Effects of currency translation on cash and cash equivalents		**(1,152)**	54,001
End of the financial year	12	**11,536,152**	16,593,883

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

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. On 21 December 2011, the Company is officially removed from the official list of the ASX. 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. During the year, the new subsidiaries, Goldwater LS Pte. Ltd. and Goldwater KP Pte. Ltd. are incorporated on 21 January 2011 and 15 December 2011 respectively. The principal activities of both subsidiaries are the exploration and operation of oil fields for crude petroleum production.

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 2011

On 1 January 2011, the Group adopted the new and 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.

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

(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.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency of the policies adopted by the Group.

(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 Subsidiary or 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.

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.

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

(b) Group Accounting (Cont'd)

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 profits 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 profit or loss.

(v) Reverse Acquisition

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

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

- the assets and liabilities of the legal subsidiary (the accounting acquirer) recognised and measured at their pre-combination carrying amounts.

- the assets and liabilities of the legal parent (the accounting acquire) are recognised at fair value and measured in accordance with FRS 103.

- the retained profits and other equity balances of the legal subsidiary (the accounting acquirer) before the business combination.

- the amount recognised as issued equity interests in the consolidated financial statements is determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to cost of reverse acquisition determined in accordance with FRS 103. However, the equity structure (i.e. the number and type of equity interests issued) reflects the equity structure of the legal parent (the accounting acquire), including the equity interests the legal parent issued to effect the combination. Accordingly, the equity structure of the legal subsidiary (the accounting acquirer) is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of the legal parent (the accounting acquire) issued in the reverse acquisition.

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

(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") and Linda Sele ("TAC LS")

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% participating interest in the TAC TMT and 100% participating interest in the TAC LS. On 25 November 2011, the Group acquired the remaining 30% participating interest and assume 100% participating 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 TACs. The remaining period of TAC TMT is 12.75 years from 1 April 2004 to 31 December 2016. Due to the subsequent acquisition, the remaining period of TAC TMT is adjusted to 5.10 years from 25 November 2011 to 31 December 2016 accordingly. The remaining period of TAC LS is 7.90 years from 24 January 2011 to 16 November 2018.

(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% participating 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.

(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 profit or loss.

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

(d) Property, Plant and Equipment (Cont'd)

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

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

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 profit or loss when incurred.

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

(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)

(e) Exploration, Evaluation and Development Costs (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 profit or loss 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 recognised as an expense and 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.

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

(f) Impairment of Non-Financial Assets (Cont'd)

(ii) Non-Financial Assets Other Than Goodwill (Cont'd)

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

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

An impairment loss for an asset 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 profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

(g) Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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 Tax

(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.

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

(i) Income Tax (Cont'd)

(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 profit or loss 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 in the profit or loss over the period of borrowings using effective interest method.

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 profit or loss 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 profit or loss 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.

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

(l) Employee Benefits

(i) Post Employment Benefits

The Group 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 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 profit or loss, 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.

(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 profit or loss with a corresponding increase in the share option reserve over the vesting period. The fair value is measured at grant date 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 profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

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

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

(m) Financial Assets

The Group classifies its financial assets in the following categories: loans and receivables 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, 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 profit or loss.

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 profit or loss 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 statement of cash flows, cash and cash equivalents are presented net of bank overdrafts (if any) which are repayable on demand and which form an integral part of the Group's cash management.

(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. Crude oil inventory is the crude oil stored at the stock points and not uplifted.

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

(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 profit or loss 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.

(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 profit or loss, 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.

All other foreign exchange gains and losses impacting profit or loss are presented in the profit or loss within "Other income, net".

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

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

(q) Foreign Currency Translation (Cont'd)

(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 at the balance sheet date;

(2) Income and expenses 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.

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 profit or loss on a straight-line basis over the period of the leases.

Contingent rents are recognised as expenses in the profit or loss 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

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

(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.

(w) Share Capital

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

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) Amortisation of Exploration, Evaluation and Development ("EED") Costs

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

The Group currently amortises exploration, evaluation and development costs using the units of production method against management's estimates of petroleum recoverable reserves. Changes in the petroleum recoverable reserves could impact future amortisation charges. Accordingly, there may be material adjustments made to the carrying amount of the respective assets. As at 31 December 2011, the carrying amount of the exploration, evaluation and development costs is US$34,358,522 (2010: US$14,871,004) (Note 5). The amortisation charge for the financial year ended 31 December 2011 is US$2,308,506 (2010: US$1,793,010) (Note 5).

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

(b) 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 recoverable 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 2012 budgets reviewed by the respective joint ventures' owner committees and also past experiences as a guide. The period beyond 2012 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 13% 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.

In addition, the Company wrote back the impairment made on its investment in Goldwater of US$7,163,810 (2010: US$7,941,283) and made an additional impairment on its investment in Interra Resources (Thailand) Limited of US$89,751 (2010: US$6,741,500) (Note 7) in 2011. However, these write back and impairment do not have any impact on the Group's consolidated profit or loss 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 2011 are raised by 5%, the carrying amount of exploration, evaluation and development costs and trade receivables as above notes (a) and (b) for each operation would have been reduced in aggregate by approximately US$2,464,000 and US$2,426,000 respectively.

(c) 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 recoverable reserves could impact future provision charges. The carrying amount of the provision for environmental and restoration costs as at 31 December 2011 is US$2,243,107 (2010: US$812,874) (Note 16).

(d) 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 up to 2004. During the financial year, the current year income tax paid is US$512,067 but is subject to the final tax assessments from the tax authority. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than 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.

4. PROPERTY, PLANT AND EQUIPMENT

Company	Computers US$	Office Equipment US$	Renovations, Furniture and Fittings US$	Total US$
2011				
Cost				
Opening balance	**111,015**	**6,331**	**98,666**	**216,012**
Additions	2,336	-	-	2,336
Closing balance	**113,351**	**6,331**	**98,666**	**218,348**
Accumulated depreciation and impairment losses				
Opening balance	**93,193**	**4,016**	**19,101**	**116,310**
Depreciation charge	12,094	994	31,746	44,834
Closing balance	**105,287**	**5,010**	**50,847**	**161,144**
Net book value as at 31 December 2011	**8,064**	**1,321**	**47,819**	**57,204**
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**
Depreciation charge	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**

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$
<u>2011</u>							
Cost							
Opening balance		**194,974**	**33,294**	**195,384**	**2,773,471**	**2,170,452**	**5,367,575**
Additions		3,481	10,021	63,785	327,245	99,925	504,457
Reclassification		-	(2,348)	-	-	(2,739)	(5,087)
Acquisition of subsidiary	32(i)(c)	-	-	-	19,390	36,960	56,350
Acquisition of 30% participating rights in TAC TMT	32(ii)(k)	14	-	10,036	81,660	31,418	123,128
Closing balance		**198,469**	**40,967**	**269,205**	**3,201,766**	**2,336,016**	**6,046,423**
Accumulated depreciation and impairment losses							
Opening balance		**164,930**	**29,153**	**69,884**	**2,116,307**	**1,803,269**	**4,183,543**
Depreciation charge	23	24,164	2,067	62,316	369,635	206,485	664,667
Reclassification		-	(1,956)	-	-	1,956	-
Closing balance		**189,094**	**29,264**	**132,200**	**2,485,942**	**2,011,710**	**4,848,210**
Net book value as at 31 December 2011		**9,375**	**11,703**	**137,005**	**715,824**	**324,306**	**1,198,213**

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**
Depreciation charge	23	39,866	3,016	43,803	560,000	208,250	854,935
Disposals		(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**

5. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Group	Note	Exploration and Evaluation			Development and Production			
		Initial Joint Study Cost US$	Contractual Bonus US$	Exploration, Geological and Geophysical Cost US$	Asset under Construction US$	Completed Assets US$	Cost Recovery US$	Total US$
2011								
Cost								
Opening balance		**1,890,616**	**606,253**	**5,595,774**	**1,162**	**16,760,779**	**4,249,173**	**29,103,757**
Additions		-	-	3,889,013	-	972,159	-	4,861,172
Acquisition of subsidiary	32(i)(c)	-	-	-	-	6,263,279	-	6,263,279
Acquisition of 30% participating rights in TAC TMT		-	-	1,097,792	-	10,940,814	-	12,038,606
Transfer to completed assets		-	-	-	(1,162)	1,162	-	-
Currency translation differences		-	-	(4,429)	-	-	-	(4,429)
Closing balance		**1,890,616**	**606,253**	**10,578,150**	**-**	**34,938,193**	**4,249,173**	**52,262,385**
Accumulated amortisation and impairment losses								
Opening balance		**1,474,372**	**174,825**	**2,790,017**	**-**	**7,097,091**	**2,696,448**	**14,232,753**
Amortisation charge	23	74,075	70,744	311,785	-	1,568,804	283,098	2,308,506
Impairment losses	23	-	-	2,347,088	-	500,000	-	2,847,088
Write-back of impairment losses	22	(614,834)	-	-	-	-	(869,650)	(1,484,484)
Closing balance		**933,613**	**245,569**	**5,448,890**	**-**	**9,165,895**	**2,109,896**	**17,903,863**
Net book value as at 31 December 2011		**957,003**	**360,684**	**5,129,260**	**-**	**25,772,298**	**2,139,277**	**34,358,522**

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

Group	Note	Exploration and Evaluation: Initial Joint Study Cost US$	Exploration and Evaluation: Contractual Bonus US$	Exploration and Evaluation: Exploration, Geological and Geophysical Cost US$	Development and Production: Asset under Construction US$	Development and Production: Completed Assets US$	Development and Production: Cost Recovery US$	Total 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 EED 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**
Amortisation charge	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**

The impairment losses arose from the PEP operations in Australia of US$2,347,088 following a decision from the management to plug and abandon the exploration well. In addition, there was an impairment loss from the TAC TMT, Indonesia operations of US$500,000 (2010: US$500,000).

During the year, there was wrote back of impairment of exploration, evaluation and developments of US$1,484,484 (2010: US$3,002,246) from Myanmar operations.

6. INTANGIBLE ASSETS

Group	Note	Goodwill on Reverse Acquisition US$	Participating Rights US$	Concession Rights US$	Computer Software US$	Total US$
2011						
Cost						
Opening balance		**1,488,902**	**5,857,403**	**600,000**	**146,552**	**8,092,857**
Acquisition of subsidiary	32(i)(c)	-	1,699,029	-	-	1,699,029
Acquisition of 30% participating rights in TAC TMT		-	1,927,649	-	-	1,927,649
Closing balance		**1,488,902**	**9,484,081**	**600,000**	**146,552**	**11,719,535**
Accumulated amortisation and impairment losses						
Opening balance		**-**	**3,704,225**	**548,828**	**103,944**	**4,356,997**
Amortisation charge	23	-	424,589	9,920	33,311	467,820
Impairment losses/ (write-back)	23 & 22	-	1,152,167	(110,886)	-	1,041,281
Closing balance		**-**	**5,280,981**	**447,862**	**137,255**	**5,866,098**
Net book value as at 31 December 2011		**1,488,902**	**4,203,100**	**152,138**	**9,297**	**5,853,437**
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**
Amortisation charge	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**

The impairment losses arose from the PEP operations in Australia of US$1,152,167 following a decision from the management to plug and abandon the exploration well. In addition, there was wrote back of impairment of concession rights of US$110,886 (2010: US$nil) from Myanmar operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

6. INTANGIBLE ASSETS (Cont'd)

Company

Intangible assets include computer software with a net book value of US$nil (2010: US$1,942).

There is no addition and disposal of computer software during the financial years ended 31 December 2011 and 2010.

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)(v)).

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(b).

Based on the above assessment, management is of the view that no impairment is required as at 31 December 2011 and 31 December 2010 as its investment in Goldwater Company's generated positive return from its business operations in Myanmar.

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	**2010**
	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
Interra Resources (Australia) Pte. Ltd.	**100**	100
Goldwater LS Pte. Ltd.	**100**	-
Goldwater KP Pte. Ltd.	**100**	-
	19,062,304	19,138,429

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

	Company 2011 US$	Company 2010 US$
Advances made to/(from) subsidiaries		
Goldwater Company Limited	**221,336**	11,196
Goldwater TMT Pte. Ltd.	**6,856,519**	6,450,232
Goldwater Eagle Limited	**(1,002,197)**	(255,462)
Interra Resources (Thailand) Limited	**6,831,251**	6,665,175
Interra Resources (Australia) Pte. Ltd.	**3,369,171**	2,116,013
Goldwater LS Pte. Ltd.	**7,759,998**	-
Goldwater KP Pte. Ltd.	**(100)**	-
	24,035,978	14,987,154
Net investments in subsidiaries	**43,098,282**	34,125,583
Allowance for impairment:		
Opening balance	**13,905,310**	15,105,093
Allowance for impairment	**89,751**	6,741,500
Write-back of allowance for impairment	**(7,163,810)**	(7,941,283)
Closing balance	**6,831,251**	13,905,310
Investments in subsidiaries	**36,267,031**	20,220,273

Advances made to/(from) subsidiaries

The advances made to/(from) subsidiaries form part of the Company's net investments 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 advances.

The details of the subsidiaries as at 31 December 2011 are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2011 %	Group's Effective Interest 2010 %
Goldwater Company Limited [(b)]	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
Goldwater Eagle Limited [(c)]	Investment holding	British Virgin Islands	100	100

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of Company	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2011 %	2010 %
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]	Dormant	Thailand/ Thailand	100	100
Interra Resources (Australia) Pte. Ltd.[b]	Exploration and operation of oil fields for crude petroleum production	Singapore/ Australia	100	100
Goldwater LS Pte. Ltd.[b]	Exploration and operation of oil fields for crude petroleum production	Singapore/ Indonesia	100	-
Goldwater KP Pte. Ltd.[e]	Exploration and operation of oil fields for crude petroleum production	Singapore/ Indonesia	100	-
Held by a subsidiary, Goldwater LS Pte. Ltd.				
IBN Oil Holdico Ltd [a]	Exploration and operation of oil fields for crude petroleum production	British Virgin Islands/ Indonesia	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
[e] Not audited, first year of incorporation

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

	Group 2011 US$	Group 2010 US$
Opening balance	-	551,178
Fair value gain recognised in the profit or loss (Note 22)	-	156,942
Proceeds from disposal	-	(737,290)
Net gain recognised in the profit or loss upon disposal (Note 22)	-	29,170
Closing balance	-	-

In 2010, the Company disposed of the remaining 3,000,000 shares in PT Adaro Energy Tbk for a cash consideration of US$737,290, resulting in a gain on disposal of US$29,170 (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

9. INVENTORIES

Inventories comprise consumables including tubing, casing, well heads, chemicals, tools and spare parts required for drilling, oil wells and field maintenance. Crude oil inventory is the crude oil stored at the stock points and not uplifted. The corresponding deferred revenue of US$646,730 was recognised under "Current liabilities".

	Group	
	2011	**2010**
	US$	**US$**
Consumable stock	**2,480,483**	1,662,855
Crude oil inventory	**646,730**	-
	3,127,213	1,662,855

10. TRADE AND OTHER RECEIVABLES

Trade receivables are receivables from the Myanma Oil and Gas Enterprise ("MOGE") and PT Pertamina EP in respect of the sales of the Group's share of petroleum entitlement. The Group wrote back the impairment of trade receivables as at 31 December 2011 of US$nil (2010: US$1,997,754).

	Company		Group	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Trade receivables				
– non-related parties	**-**	-	**6,241,946**	5,832,453
Other receivables	**1,341**	5,466	**663,027**	329,914
	1,341	5,466	**6,904,973**	6,162,367

11. OTHER CURRENT ASSETS

	Company		Group	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Deposits	**44,116**	39,265	**157,093**	112,420
Prepayments	**55,415**	32,219	**153,039**	48,952
Advances to suppliers	**-**	-	**318,760**	3,044
	99,531	71,484	**628,892**	164,416

12. CASH AND CASH EQUIVALENTS

	Company		Group	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Cash at bank and on hand	**3,231,780**	9,202,012	**9,308,330**	11,046,807
Short-term bank deposits	**2,220,170**	2,853,626	**2,227,822**	6,217,076
Restricted cash	**-**	-	**2,139,630**	1,484,036
Cash and bank balances	**5,451,950**	12,055,638	**13,675,782**	18,747,919
Cash collateral			**-**	(670,000)
Restricted cash			**(2,139,630)**	(1,484,036)
Cash and cash equivalents per consolidated statement of cash flows			**11,536,152**	16,593,883

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 short-term bank 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 18 February 2011, the bankers' guarantee of US$670,000 was discharged.

13. TRADE AND OTHER PAYABLES

	Company		Group	
	2011 US$	2010 US$	2011 US$	2010 US$
Trade payables – non-related parties	**-**	-	**1,958,394**	720,863
Accrued expenses	**532,545**	508,500	**1,361,946**	907,978
Other payables	**106,503**	72,060	**2,303,465**	1,537,526
	639,048	580,560	**5,623,805**	3,166,367

14. CURRENT INCOME TAX LIABILITIES

	Company		Group	
	2011 US$	2010 US$	2011 US$	2010 US$
Opening balance	**6,385**	(11,428)	**5,912,538**	4,702,979
Current income tax expense	**-**	3,029	**1,990,632**	1,194,775
Under provision in prior financial years	**711**	2,192	**711**	2,192
Income tax (paid)/refund	**(7,213)**	12,411	**(519,280)**	12,411
Acquisition of subsidiary (Note 32(i)(c))	**-**	-	**569,982**	-
Currency translation differences	**147**	181	**147**	181
Closing balance	**30**	6,385	**7,954,730**	5,912,538

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 2011, 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, the current year income tax paid is US$512,067 but is subject to the final tax assessments from the tax authority.

15. INCOME TAX EXPENSE

Tax expense attributable to profit is made up of:

	Group	
	2011	**2010**
	US$	**US$**
Current income tax		
- Singapore	**-**	3,029
- Foreign	**1,990,632**	1,191,746
	1,990,632	1,194,775
Under provision in prior financial years		
- Singapore	**711**	2,192
	1,991,343	1,196,967

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

	Group	
	2011	**2010**
	US$	**US$**
Profit before income tax	**10,881,714**	2,906,966
Tax calculated at tax rate of 17% (2010: 17%)	**1,849,891**	494,184
Effects of:		
- Different tax rates in other countries	**941,425**	563,026
- Income not subject to tax	**(2,276,058)**	(620,272)
- Expenses not deductible for tax purposes	**1,475,374**	754,808
- Other	**-**	3,029
	1,990,632	1,194,775

16. PROVISION FOR ENVIRONMENTAL AND RESTORATION COSTS

The Group has made provision for environmental and restoration costs for its TAC TMT and TAC LS 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	
	2011	**2010**
	US$	**US$**
Opening balance	**812,874**	684,106
Allowance for the financial year	**116,747**	128,768
Acquisition of subsidiary (Note 32(i)(c))	**947,440**	-
Acquisition of 30% participating rights in TAC TMT (Note 32(ii)(k))	**366,046**	-
Closing balance	**2,243,107**	812,874

17. RETIREMENT BENEFIT OBLIGATIONS

The Group's subsidiaries have 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 for TAC TMT and PT AJ Manulife Indonesia for TAC LS in Indonesia.

The amounts recognised on the balance sheet are as follows:

	Group	
	2011	**2010**
	US$	**US$**
Present value of funded obligations	**270,865**	60,026
Fair value of plan assets	**(794,994)**	(444,790)
	(524,129)	(384,764)
Present value of unfunded obligations	**56,124**	-
Unrecognised past service costs	**95,166**	-
Assets not recognised on balance sheet	**524,129**	384,764
Net liabilities recognised on balance sheet	**151,290**	-

The amounts recognised in the profit or loss are as follows:

	Group	
	2011	**2010**
	US$	**US$**
Interest cost	**3,037**	1,765
Current service costs	**151,399**	59,692
Past service costs	**1,180**	(61,457)
Total included in employee compensation (Note 24)	**155,616**	-

Retirement benefit costs included in Administrative expenses was US$155,616 (2010: US$nil). The actual return on plan assets was US$36,566 (2010: US$21,808).

The movements in the defined benefit obligations are as follows:

	Group	
	2011	**2010**
	US$	**US$**
Opening balance	**60,026**	49,836
Acquisition of subsidiary	**191,570**	-
Acquisition of 30% participating rights in TAC TMT	**25,726**	-
Interest cost	**3,037**	1,765
Current service costs	**151,399**	59,692
Past service costs	**1,180**	(61,457)
Benefits paid	**(46,242)**	(10,669)
Actuarial (losses)/gains	**(59,451)**	19,075
Currency translation differences	**(256)**	1,784
Closing balance	**326,989**	60,026

17. RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

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

	Group	
	2011	2010
	US$	US$
Opening balance	**444,790**	418,990
Acquisition of subsidiary	**150,633**	-
Acquisition of 30% participating rights in TAC TMT	**190,624**	-
Contributions	**26,599**	-
Net return on plan assets	**36,566**	21,808
Withdrawn for settlement	**(46,242)**	(10,669)
Currency translation differences	**(7,976)**	14,661
Closing balance	**794,994**	444,790

The principal actuarial assumptions used are as follows:

	Group	
	2011	2010
	%	%
Discount rate	**7.0**	7.0
Expected return on plan assets	**5.0**	7.0
Future salary increases	**10.0**	10.0

18. SHARE CAPITAL

Company and Group	2011 Number of ordinary shares	2010	2011 US$	2010 US$
Opening balance	**256,920,238**	256,920,238	**40,108,575**	40,108,575
Issue of new ordinary shares pursuant to placement	**38,500,000**	-	**3,847,086**	-
Share placement expenses	**-**	-	**(87,001)**	-
Closing balance	**295,420,238**	256,920,238	**43,868,660**	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.

On 4 April 2011, the Company issued 38,500,000 new ordinary shares at S$0.126 per share pursuant to a placement. The newly issued shares rank pari passu in all respects with the previously issued shares.

19. SHARE OPTIONS

The Interra Share Option Plan (the "Plan") provides a means of rewarding, retaining and giving recognition to directors and employees of the Group who have contributed to the success and development of the Group.

The Plan was approved by members of the Company at an Extraordinary General Meeting on 30 April 2007 and amended on 28 April 2011. The amendments to the rules of the Plan are to widen the eligible participants and to give wider powers and discretion to the Remuneration Committee in the administration of the Plan. The amendments allow the participation of non-executive directors, employees who are not key executives and controlling shareholders. The amended rules also allow the Remuneration Committee to grant option at a discount of up to 20% of the market price and change the exercise period for options granted without discount from two to one year from the date of grant.

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to directors and employees of the Group after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium or discount to the market price, the quantum of such premium or discount (up to 20%) to be determined by the Remuneration Committee in its absolute discretion. Option granted at market price or premium may be vested after one year from the date of grant and are exercisable for a period of four years, while option granted at discount may be vested after two years from the date of grant and 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. 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 (including treasury shares, if any) on the day preceding that date.

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

19. SHARE OPTIONS (Cont'd)

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			
	At beginning of the financial year	**At end of the financial year**	**Exercise price**	**Exercise period**
2011 and 2010				
Options granted in 2008	250,000	250,000	S$0.45	4 March 2010 to 2 March 2013
Options granted in 2008	250,000	250,000	S$0.55	4 March 2010 to 2 March 2013

The total fair value of the outstanding options is estimated to be S$20,603 (US$14,775) using the Binomial Option Pricing Model.

20. OTHER RESERVES

(a) Composition:

	Company		Group	
	2011 US$	**2010 US$**	**2011 US$**	**2010 US$**
Special reserve	**-**	-	**(16,544,140)**	(16,544,140)
Share option reserve	**14,775**	14,775	**14,775**	14,775
Foreign currency translation reserve	**-**	-	**(1,698,646)**	(1,690,176)
	14,775	14,775	**(18,228,011)**	(18,219,541)

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting set out in Note 2(b)(v), 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.

	Group	
	2011 US$	**2010 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
	(16,544,140)	(16,544,140)

20. OTHER RESERVES (Cont'd)

(ii) Share Option Reserve

	Company		Group	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Opening balance	**14,775**	13,502	**14,775**	13,502
Employee share option plan				
- value of employee services (Note 24)	**-**	1,273	**-**	1,273
Closing balance	**14,775**	14,775	**14,775**	14,775

(iii) Foreign Currency Translation Reserve

	Group	
	2011	**2010**
	US$	**US$**
Opening balance	**(1,690,176)**	(1,303,308)
Net currency translation differences of financial statement of foreign subsidiaries	**(8,470)**	(386,868)
Closing balance	**(1,698,646)**	(1,690,176)

21. REVENUE

	Group	
	2011	**2010**
	US$	**US$**
Sales of crude oil	**24,824,232**	14,853,928

22. OTHER INCOME, NET

	Group	
	2011	**2010**
	US$	**US$**
Bank interest income	**41,317**	36,099
Petroleum service fees	**57,370**	77,715
Other income	**7,385**	348,326
Write-back of impairment of trade receivables (Note 10)	**-**	1,997,754
Write-back of impairment of exploration, evaluation and development costs (Note 5)	**1,484,484**	3,002,246
Write-back of impairment of concession rights (Note 6)	**110,886**	-
Currency translation gain, net	**80,051**	563,953
Fair value gain on financial assets, at fair value through profit or loss (Note 8)	**-**	156,942
Net gain on disposal of financial assets, at fair value through profit or loss (Note 8)	**-**	29,170
Net gain on disposal of property, plant and equipment	**2,784**	272
Dividend income	**-**	14,393
Gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT (Note 32(ii))	**7,700,149**	-
	9,484,426	6,226,870

23. EXPENSES BY NATURE

	Group 2011 US$	Group 2010 US$
Royalties	**2,211,243**	1,420,908
Repair and maintenance expenses	**3,453,797**	1,969,342
Well servicing and workover expenses	**857,697**	513,319
Direct labour costs and related expenses	**608,733**	668,387
Geology and geophysical study	**34,272**	102,062
Other production expenses	**822,875**	1,053,540
Depreciation of property, plant and equipment (Note 4)	**664,667**	854,935
Amortisation of exploration, evaluation and development costs (Note 5)	**2,308,506**	1,793,010
Amortisation of computer software (Note 6)	**33,311**	36,072
Amortisation of concession rights (Note 6)	**9,920**	8,188
Amortisation of participation rights (Note 6)	**424,589**	169,200
Impairment of exploration, evaluation and development costs (Note 5)	**2,847,088**	2,224,266
Impairment of property, plant and equipment (Note 4)	**-**	8,801
Impairment of participating rights (Note 6)	**1,152,167**	2,291,327
Total amortisation, depreciation and impairment	**7,440,248**	7,385,799
Employee compensation (Note 24)	**3,175,072**	2,129,773
Director's fees	**265,218**	205,229
Rental expenses on operating leases	**2,370,944**	1,404,731
Property, plant and equipment write-off	**-**	681
Loss arising from the transfer of concession rights from partner	**-**	40,975
Professional, legal and compliance expenses	**1,036,690**	679,512
Other expenses	**1,002,070**	473,514
Auditor's fees:		
Fees on audit services paid/payable to:		
- Auditor of the Company	**111,513**	91,325
- Other auditors	**20,515**	15,748
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**11,787**	18,987
- Other auditors	**4,270**	-
Total cost of production and administrative expenses	**23,426,944**	18,173,832

24. EMPLOYEE COMPENSATION

	Group 2011 US$	Group 2010 US$
Wages and salaries	**2,775,955**	1,954,548
Government grant – Jobs credit scheme	**-**	(3,798)
Defined contribution plan	**85,708**	83,038
Defined benefit plan (Note 17)	**155,616**	-
Short-term other benefits	**157,793**	94,712
Share option expenses, net (Note 20(b)(ii))	**-**	1,273
Total employee compensation (Note 23)	**3,175,072**	2,129,773

The Job credit scheme is a cash grant introduced in the Singapore Budget 2009 to help business 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	
	2011	**2010**
Net profit (US$)	**8,890,371**	1,709,999
Weighted average number of ordinary shares outstanding	**285,583,700**	256,920,238
Basic earnings per share (US cents)	**3.113**	0.666
Fully diluted earnings per share (US cents)	**3.113**	0.666

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	
	2011	**2010**	**2011**	**2010**
	US$	**US$**	**US$**	**US$**
Not later than 1 year	**182,954**	151,944	**3,229,920**	2,446,243
Between 1 and 5 years	**93,476**	277,202	**1,104,448**	2,598,268
	276,430	429,146	**4,334,368**	5,044,511

(b) Capital Commitments

The Group's capital commitments are in respect of the investments in the PEP 167 in Australia, IPRCs in Myanmar, TAC TMT and TAC LS in Indonesia.

The capital expenditure for 2012 is based on the approved work program and budgets by the local authority. These include the development and deep well drilling and seismic acquisition in Myanmar and Indonesia.

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

	Group	
	2011	**2010**
	US$	**US$**
Not later than 1 year	**20,763,400**	3,618,029

27. CONTINGENT LIABILITIES

(a) 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 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 monitors the situation and manage the risk accordingly.

If crude oil price strengthen/weaken by 5% (2010: 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$1,241,000 (2010: US$743,000 higher/lower).

28. FINANCIAL RISK MANAGEMENT (Cont'd)

(ii) Interest Rate Risk

The Group's interest rate risk is primarily from interest income from short-term bank deposits. As short-term bank deposits are placed in short-term money market with tenures mostly within the range of 7 days to 3 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 bank deposits ranged from 0.08% to 0.45% per annum in financial year 2011 (2010: 0.07% to 0.85% 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.

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$
2011							
Financial assets							
Cash and cash equivalents	**10,897,099**	**2,326,732**	**274,584**	**157,611**	**1,453**	**18,303**	**13,675,782**
Trade and other receivables	**6,510,885**	**720**	**299,214**	**68,787**	**25,367**	**-**	**6,904,973**
Other financial assets	**95,043**	**44,116**	**17,767**	**-**	**167**	**-**	**157,093**
	17,503,027	**2,371,568**	**591,565**	**226,398**	**26,987**	**18,303**	**20,737,848**
Financial liabilities							
Other financial liabilities	**(4,396,563)**	**(599,187)**	**(526,271)**	**(737,698)**	**(4,108)**	**(6,708)**	**(6,270,535)**
Net financial assets/(liabilities)	**13,106,464**	**1,772,381**	**65,294**	**(511,300)**	**22,879**	**11,595**	**14,467,313**
Add: Net non-financial assets	**34,625,842**	**101,655**	**75,597**	**-**	**1,368**	**6,885**	**34,811,347**
Currency profile including non-financial assets/(liabilities)	**47,732,306**	**1,874,036**	**140,891**	**(511,300)**	**24,247**	**18,480**	**49,278,660**
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	**293**	**1,772,381**	**65,294**	**21,787**	**-**	**11,595**	**1,871,350**

28. FINANCIAL RISK MANAGEMENT (Cont'd)

Group	USD US$	SGD US$	IDR US$	AUD US$	THB US$	Others US$	Total US$
2010							
Financial assets							
Cash and cash equivalents	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
Other financial assets	67,359	40,526	-	-	4,342	193	112,420
	24,028,017	110,568	780,979	61,164	36,055	5,923	25,022,706
Financial liabilities							
Other financial liabilities	(2,237,618)	(570,126)	(300,007)	(32,772)	(22,030)	(3,814)	(3,166,367)
Net financial assets/(liabilities)	21,790,399	(459,558)	480,972	28,392	14,025	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)	34,560,329	(331,858)	480,972	1,904,913	17,730	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	78,255	-	2,109	106,592

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$
2011					
Financial assets					
Cash and cash equivalents	**3,134,798**	**2,311,330**	**-**	**5,822**	**5,451,950**
Trade and other receivables	**-**	**720**	**621**	**-**	**1,341**
Other financial assets	**-**	**44,116**	**-**	**-**	**44,116**
	3,134,798	**2,356,166**	**621**	**5,822**	**5,497,407**
Financial liabilities					
Other financial liabilities	**(59,823)**	**(566,764)**	**-**	**(12,461)**	**(639,048)**
Net financial assets/(liabilities)	**3,074,975**	**1,789,402**	**621**	**(6,639)**	**4,858,359**
Add: Net non-financial assets	**36,267,031**	**112,589**	**-**	**-**	**36,379,620**
Currency profile including non-financial assets and liabilities	**39,342,006**	**1,901,991**	**621**	**(6,639)**	**41,237,979**
Currency exposure of financial assets/(liabilities) net of those denominated in the functional currencies	**-**	**1,789,402**	**621**	**(6,639)**	**1,783,384**
2010					
Financial assets					
Cash and cash equivalents	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 (liabilities)/assets net of those denominated in the functional currencies	-	(426,655)	7,078	49,864	(369,713)

As at 31 December 2011, if USD has strengthened/weakened by 5% (2010: 5%) against SGD with other variables including tax rate being held constant, the Group's and Company's profit after tax would have been US$89,240 and US$90,571 higher/lower (2010: US$15,803 and US$14,289 higher/lower) respectively, as a result of currency translation gains/(losses).

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 MOGE and PT Pertamina EP to be significant as payments have been regular.

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

	Group	
	2011	**2010**
	US$	**US$**
By geographical areas		
Indonesia	**2,586,154**	746,317
Myanmar	**3,655,792**	5,086,136
	6,241,946	5,832,453
By types of customers		
Non-related parties – Government bodies	**6,241,946**	5,832,453

(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.

(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:

	Group	
	2011	**2010**
	US$	**US$**
Past due 1 to 3 months	**1,698,519**	2,110,154
Past due 4 to 6 months	**-**	1,375,295
	1,698,519	3,485,449
Less: Allowances for impairment	**-**	-
	1,698,519	3,485,449
Allowances for impairment		
Opening balance	**-**	1,997,754
Write-back of allowances for impairment	**-**	(1,997,754)
Closing balance	**-**	-

28. FINANCIAL RISK MANAGEMENT (Cont'd)

(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 2011 and 2010.

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

29. INVESTMENTS 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 profit or loss using the line-by-line method of proportionate consolidation and making the necessary adjustments to comply with the FRS.

	2011 US$	2010 US$
Balance sheet		
Non-current assets	**2,031,963**	10,365,027
Current assets	**5,725,367**	9,840,469
Current liabilities	**(6,215,205)**	(6,572,792)
Net assets	**1,542,125**	13,632,704
Profit or loss		
Revenue	**20,944,690**	14,853,928
Expenses	**(12,485,220)**	(11,643,934)
Profit before income tax	**8,459,470**	3,209,994
Income tax expense	**(1,741,408)**	(1,191,746)
Profit after income tax	**6,718,062**	2,018,248
Group's share of operating lease commitments of joint ventures	**174,966**	4,665,364
Group's share of capital commitments of joint ventures	**7,678,435**	3,618,029

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

29. INVESTMENTS IN JOINT VENTURES (Cont'd)

The details of the joint ventures as at 31 December 2011 are as follows:

Name of Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2011 %	2010 %
Joint Venture of Goldwater Company Limited				
Goldpetrol Joint Operating Company Inc. [(a)]	Exploration and operation of oil fields for crude petroleum production	Republic of Panama/ Myanmar	60	60
Joint Venture of Goldwater TMT Pte. Ltd.				
TAC Tanjung Miring Timur [(b)]	Exploration and operation of oil fields for crude petroleum production	Indonesia/ Indonesia	-[(1)]	70
Joint Venture of Interra Resources (Thailand) Limited				
Blocks L17/48, L9/48 and L3/48 [(c)]	Exploration and operation of oil fields for crude petroleum production	Thailand/ Thailand	50[(2)]	50
Joint Venture of Interra Resources (Australia) Pte. Ltd.				
PEP 167 [(a)]	Exploration and operation of oil fields for crude petroleum production	Australia/ Australia	50	50

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

(1) The Group's acquired the remaining 30% participating rights in TAC TMT on 25 November 2011, hence the joint venture was dissolved accordingly (Note 32(ii)).
(2) During the financial year 2011, the Group has received the approval letter from Ministry of Energy of Thailand for the relinquishment of Blocks L17/48 and L3/48.

30. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors ("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 and 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".

30. SEGMENT INFORMATION (Cont'd)

The segment information provided to the BOD for the reportable segments for the financial years ended 31 December 2011 and 2010 are as follows:

Group	Indonesia 2011 US$	Myanmar 2011 US$	Thailand 2011 US$	Australia 2011 US$	All Other Segments 2011 US$	Total Reporting Segment 2011 US$
Revenue						
Sales to external customers	**8,917,100**	**15,907,132**	**-**	**-**	**-**	**24,824,232**
Adjusted EBITDA	**1,938,209**	**9,881,266**	**(93,394)**	**(141,862)**	**(2,390,138)**	**9,194,081**
Depreciation and amortisation	**1,301,654**	**2,092,563**	**-**	**-**	**46,776**	**3,440,993**
Impairment and allowances	**500,000**	**-**	**-**	**3,499,255**	**-**	**3,999,255**
Write-back impairment and allowances	**-**	**(1,595,370)**	**-**	**-**	**-**	**(1,595,370)**
Total assets	**38,033,011**	**20,298,971**	**103,283**	**222,264**	**4,869,333**	**63,526,862**
Total assets includes:						
Capital expenditure (tangible and intangible assets)	**2,507,766**	**1,349,841**	**-**	**1,500,599**	**2,336**	**5,360,542**
Total liabilities	**(5,953,525)**	**(1,194,656)**	**(4,505)**	**(729,495)**	**(631,461)**	**(8,513,642)**

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	921,543	5,383,661	(128,785)	(122,700)	(797,053)	5,256,666
Depreciation and amortisation	1,163,860	1,645,295	10,408	-	41,842	2,861,405
Impairment and allowances	500,000	-	4,024,394	-	-	4,524,394
Write-back impairment and allowances	-	(5,000,000)	-	-	-	(5,000,000)
Total assets	12,532,780	17,418,353	128,936	2,011,296	10,861,506	42,952,871
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)

There is no inter-segment revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

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:

	2011 US$	2010 US$
Adjusted EBITDA for reportable segments	**11,584,219**	6,053,719
Other segments EBITDA	**(2,599,093)**	(797,053)
Depreciation and amortisation	**(3,440,993)**	(2,861,405)
Write-back of impairment of exploration, evaluation and developments costs, trade receivables and concession rights	**1,595,370**	5,000,000
Impairment of exploration, evaluation and development costs, intangible assets and property, plant and equipment	**(3,999,255)**	(4,524,394)
Interest income	**41,317**	36,099
Gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT	**7,700,149**	–
Profit before income tax	**10,881,714**	2,906,966

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 and financial assets at fair value through profit or loss.

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

	2011 US$	2010 US$
Segment assets for reportable segments	**58,657,529**	32,091,365
Other segment assets	**4,869,333**	10,861,506
Unallocated:		
Short-term bank deposits	**2,220,170**	3,575,582
	65,747,032	46,528,453

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.

30. SEGMENT INFORMATION (Cont'd)

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

	2011 US$	2010 US$
Segment liabilities for reportable segments	**7,882,181**	3,407,171
Other segment liabilities	**631,461**	572,070
Unallocated:		
Current income tax liabilities	**7,954,730**	5,912,538
	16,468,372	9,891,779

All revenues are derived from two external customers for the financial years ended 31 December 2011 and 2010.

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 Group and the Company, and where the Group or the Company did not incur any costs, the value of the benefits. The key management's remuneration is as follows:

	Group	
	2011 US$	2010 US$
Director's fees	**265,218**	205,229
Short-term employee benefits	**839,495**	778,303
Post employment benefits including Central Provident Fund	**17,222**	19,329
Share option expenses, net (Note 20(b)(ii))	**-**	1,273
Total costs incurred by the Group	**1,121,935**	1,004,134
Cost incurred for the following categories of key management are:		
- Directors of the Company	**613,423**	588,205
- Other key management personnel	**508,512**	415,929
Total costs incurred by the Group	**1,121,935**	1,004,134

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2011

32. BUSINESS COMBINATIONS

(i) Acquisition of Subsidiary

On 24 January 2011, the Group acquired 100% equity interest in IBN Oil Holdico Ltd ("IBN"), which owns 100% participating rights in TAC LS dated 16 November 1998. The principal activity of IBN is exploration and operation of oil fields for crude petroleum production.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase Consideration

	US$
Total consideration	6,250,000
Consideration transferred for the business	**6,250,000**

(b) Effects on cash flows of the Group

	US$
Cash paid	6,000,000
Less: Cash and cash equivalents in subsidiary acquired	(211,207)
Cash outflow on acquisition	**5,788,793**

(c) Identifiable assets acquired and liabilities assumed

	At fair value US$
Cash and cash equivalents	211,207
Property, plant and equipment (Note 4)	56,350
Exploration, evaluation and development costs (Note 5)	6,263,279
Inventories	729,839
Trade and other receivables (Note (e) below)	490,974
Total assets	7,751,649
Trade and other payables	(1,683,256)
Provision for environmental and restoration costs (Note 16)	(947,440)
Current income tax liabilities (Note 14)	(569,982)
Total liabilities	(3,200,678)
Total identifiable net assets	**4,550,971**
Add: Participating rights (Note (g) below)	1,699,029
Consideration transferred for the business	**6,250,000**

(d) Acquisition-related costs

Acquisition-related costs of US$136,683 (2010: US$17,888) are included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

The fair value of trade and other receivables is US$490,974 and includes trade receivables with fair value of US$349,569. The gross contractual amount for trade receivables due is US$349,569, and expected to be collectible.

32. BUSINESS COMBINATIONS (Cont'd)

(i) Acquisition of Subsidiary (Cont'd)

(f) Intangible development costs

The Group has assessed and recognised the intangible development costs at its fair value of US$6,263,279 (Exploration, evaluation and development costs). 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 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 discount rate of 12.8% per annum.

(g) Participating rights

The participating rights of US$1,699,029 arising from the acquisition is attributable to the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the acquisition of the 100% participating rights in TAC LS.

(h) Revenue and profit contribution

The acquired business contributed revenue of US$3,103,850 and the net loss after tax of US$446,066 to the Group from the period from 24 January 2011 to 31 December 2011.

Had IBN been consolidated from 1 January 2011, consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been US$24,824,232 and US$8,884,155 respectively.

(ii) Acquisition of 30% participating rights in TAC TMT

On 25 November 2011, the Group acquired the remaining 30% participating rights in TAC TMT through its wholly owned subsidiary, Goldwater TMT Pte. Ltd. and assume the role of sole operator. Previously, the Group has accounted the 70% participating rights as "Investment in Joint Ventures" using proportionate consolidation. After the acquisition, the Group has established control and the acquisition is accounted under FRS 103 Business Combinations. In accordance to FRS 103, the Group had re-measured its existing 70% participating rights as of acquisition date at fair value of US$8,399,851 and deemed sale proceeds of US$16,100,000. As a result, the Group recognised a gain on revaluation of investment in fair value of the existing 70% participating rights in TAC TMT of US$7,700,149 (Note 22).

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(i) Purchase Consideration

	US$
Total consideration	6,900,000
Consideration transferred for the business	**6,900,000**

(j) Effects on cash flows of the Group

	US$
Cash paid (as above)	6,900,000
Less: Cash and cash equivalents acquired	(761,011)
Cash outflow on acquisition	**6,138,989**

32. BUSINESS COMBINATIONS (Cont'd)

(ii) Acquisition of 30% participating rights in TAC TMT (Cont'd)

(k) Identifiable assets acquired and liabilities assumed

	At fair value US$
Cash and cash equivalents	761,011
Property, plant and equipment (Note 4)	123,128
Exploration, evaluation and development costs (Note (n) below)	5,230,253
Inventories	204,192
Trade and other receivables (Note (m) below)	542,688
Total assets	6,861,272
Trade and other payables	(630,928)
Provision for environmental and restoration costs (Note 16)	(366,046)
Total liabilities	(996,974)
Total identifiable net assets	**5,864,298**
Add: Participating rights (Note (o) below)	1,035,702
Consideration transferred for the business	**6,900,000**

(l) Acquisition-related costs

Acquisition-related costs of US$59,550 are included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(m) Acquired receivables

The fair value of trade and other receivables is US$542,688 and includes trade receivables with fair value of US$339,640. The gross contractual amount for trade receivables due is US$339,640 and expected to be collectible.

(n) Intangible development costs

The Group has assessed and recognised the intangible development costs at its fair value of US$5,230,253 (Exploration, evaluation and development costs). 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 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 discount rate of 12.8% per annum.

(o) Participating rights

The participating rights of US$1,035,702 arising from the acquisition is attributable to the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the acquisition of the remaining 30% participating right in TAC TMT.

(p) Revenue and profit contribution

The acquired business contributed revenue of US$232,708 and the net profit after tax of US$28,163 to the Group from the period from 25 November 2011 to 31 December 2011.

Had TAC TMT been consolidated from 1 January 2011, consolidated revenue and consolidated profit for the year ended 31 December 2011 would have been US$26,983,185 and US$9,195,754 respectively.

33. SUBSEQUENT EVENTS

(a) On 20 January 2012, the Company granted options to directors and employees to subscribe for 10,050,000 ordinary shares of the Company at an exercise price of S$0.148 per share. The options are exercisable from 21 January 2013 to 19 January 2017 (both dates inclusive).

(b) On 3 February 2012, the Group through its wholly-owned subsidiary, Goldwater KP Pte. Ltd. ("GKP") entered into a sale and purchase agreement with PT Mentari Abdi Nusa ("MAN"), a company incorporated in the Republic of Indonesia, to acquire 49% of the total issued and paid-up share capital of PT Mentari Pambuang Internasional ("MPI"). MPI is a limited liability company incorporated in the Republic of Indonesia, which owns 100% participating interest in a production sharing contract dated 19 December 2011 with Badan Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi ("BPMIGAS") for the exploration and exploitation of the Kuala Pambuang Block. The Kuala Pambuang production sharing contract (the "KP PSC") covers an area of 7,946 square kilometres and is located onshore Central Kalimantan, Indonesia. Pursuant to the sale and purchase agreement, GKP agreed to pay a purchase consideration of US$312,000 in cash and MAN agreed to grant GKP a call option which allows GKP to acquire from MAN a further 18.5% of the total issued and paid-up share capital of MPI for a consideration of US$1.00. The call option may be exercised at any time after the end of the 3 year exploratory period, which commenced on 19 December 2011, as provided for under the KP PSC.

34. 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 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 107 Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)
- Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- Amendments to FRS 12 – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
- FRS 19 (revised 2011) – Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (revised 2011) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- FRS 110 – Consolidated Financial Statements (effective for annual report on or after 1 January 2013)
- FRS 111 – Joint Arrangements (effective for annual report on or after 1 January 2013)
- FRS 112 – Disclosure of Interest in Other Entities (effective for annual report on or after 1 January 2013)
- FRS 113 – Fair Value Measurement (effective for annual report on or after 1 January 2013)

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.

35. 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 20 March 2012.

SHAREHOLDER INFORMATION

As at 13 March 2012

ORDINARY SHARES

The Company has one class of ordinary shares. Every holder of ordinary shares, who is entitled to attend and vote at a general meeting of the Company, 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 ordinary share held or represented.

Distribution of Shareholders
(As per the Register of Members and Depository Register)

Range of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Shares
1 - 999	5,580	51.00	1,793,194	0.61
1,000 - 10,000	3,414	31.21	14,141,856	4.79
10,001 - 1,000,000	1,928	17.62	100,248,139	33.93
1,000,001 and above	19	0.17	179,237,049	60.67
Total	**10,941**	**100.00**	**295,420,238**	**100.00**

Twenty Largest Shareholders
(As per the Register of Members and Depository Register)

Name of Shareholder	No. of Shares	% of Issued Shares
Raffles Nominees (Pte) Ltd	53,013,624	17.94
Citibank Nominees Singapore Pte Ltd	44,014,870	14.90
UOB Kay Hian Pte Ltd	31,447,363	10.64
HSBC (Singapore) Nominees Pte Ltd	8,471,468	2.87
United Overseas Bank Nominees (Pte) Ltd	8,345,092	2.82
Kwan Benny Ahadi	5,000,000	1.69
Maybank Kim Eng Securities Pte Ltd	4,312,440	1.46
OCBC Securities Private Ltd	3,265,026	1.11
Lam Chee Cheong Gary	3,100,000	1.05
Representations International (HK) Ltd	3,000,000	1.02
DBS Nominees Pte Ltd	2,659,926	0.90
Lin Ting Yie @ Lam Tin Yie	2,480,000	0.84
Hong Leong Finance Nominees Pte Ltd	2,131,000	0.72
Andreas Tjahjadi	2,085,000	0.71
Phillip Securities Pte Ltd	1,631,948	0.55
Goh Cheng Miang	1,267,000	0.43
OCBC Nominees Singapore Private Limited	1,006,932	0.34
Lim Him	1,005,000	0.34
DB Nominees (S) Pte Ltd	1,000,360	0.34
Koh Kin Siah @ Tan Kin Siah	951,000	0.32
Total	**180,188,049**	**60.99**

SHAREHOLDER INFORMATION

As at 13 March 2012

Substantial Shareholders
(As per the Register of Substantial Shareholders)

Substantial Shareholder	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %
Edwin Soeryadjaya[(1)]	-	-	52,909,000	17.91
Sandiaga Salahuddin Uno[(2)]	-	-	52,909,000	17.91
Attica Finance Ltd.[(2)]	-	-	51,349,000	17.38
Fleur Enterprises Limited	51,349,000	17.38	-	-
Subianto Arpan Sumodikoro[(3)]	-	-	35,000,000	11.85
Shining Persada Investments Pte. Ltd.	35,000,000	11.85	-	-

Notes:
(1) Edwin Soeryadjaya is deemed to have interests in the 51,349,000 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 interests in the 51,349,000 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 35,000,000 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 13 March 2012, approximately 68.9% of the issued ordinary shares of the Company is held by the public. This is in compliance with Rule 723 of the SGX-ST Listing Manual – Section B: Rules of Catalist.

SHARE PURCHASE MANDATE

At the annual general meeting of the Company held on 28 April 2011, shareholders approved the renewal of a general mandate (the "Share Purchase Mandate") authorising the Directors to purchase or otherwise acquire up to 10% of the issued ordinary share capital of the Company as at 28 April 2011. As at 13 March 2012, no share buy-back has been made pursuant to the Share Purchase Mandate.

NOTICE OF ANNUAL GENERAL MEETING

INTERRA RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 197300166Z)
(Australian 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 24 April 2012 at 10:00 a.m. at Tanglin 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 2011 together with the reports of the Directors and the Auditor thereon. **Resolution 1**

2. To approve the sum of S$324,917 as Directors' fees for the financial year ended 31 December 2011 (2010: S$281,000). **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 Subianto Arpan Sumodikoro **Resolution 3(a)**

   (b) Mr Allan Charles Buckler **Resolution 3(b)**

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

SPECIAL BUSINESS

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

5. That pursuant to Section 161 of the Companies Act, Chapter 50 (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:

NOTICE OF ANNUAL GENERAL MEETING

(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 existing shareholders (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 5**

6. 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 "**ISOP**"), provided always that the aggregate number of shares to be issued pursuant to the ISOP 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 6**

7. That the participation of Mr Edwin Soeryadjaya, a controlling shareholder of the Company, in the ISOP be and is hereby approved. **Resolution 7**

8. That the participation of Mr Sandiaga Salahuddin Uno, a controlling shareholder of the Company, in the ISOP be and is hereby approved. **Resolution 8**

9. Contingent upon the passing of Resolution 7 in this Notice, that the proposed offer and grant of an option under the ISOP to Mr Edwin Soeryadjaya, a controlling shareholder of the Company, pursuant to and in accordance with the rules of the ISOP on the following terms, be and is hereby approved, and the Directors be and are hereby authorised to allot and issue and/or transfer shares upon the exercise of such option granted:

(a) Proposed date of grant of the option ("**Date of Grant**"): Any time within 30 days from the date of this AGM
(b) Number of shares comprised in the proposed grant of option: 1,350,000 shares (representing approximately 0.46% of the total issued shares as at the Latest Practicable Date)
(c) Exercise Price: The average of the last dealt prices for the shares on the Official List of the SGX-ST for the five (5) consecutive Market Days immediately preceding the relevant Date of Grant for which there was trading in the shares (the "**Market Price**")
(d) Exercise Period: After the first (1st) anniversary but before the fifth (5th) anniversary of the relevant Date of Grant **Resolution 9**

NOTICE OF ANNUAL GENERAL MEETING

10. Contingent upon the passing of Resolution 8 in this Notice, that the proposed offer and grant of an option under the ISOP to Mr Sandiaga Salahuddin Uno, a controlling shareholder of the Company, pursuant to and in accordance with the rules of the ISOP on the following terms, be and is hereby approved, and the Directors be and are hereby authorised to allot and issue and/or transfer shares upon the exercise of such options granted:

    (a) Proposed Date of Grant: Any time within 30 days from the date of this AGM
    (b) Number of shares comprised in the proposed grant of option: 1,350,000 shares (representing approximately 0.46% of the total issued shares as at the Latest Practicable Date)
    (c) Exercise Price: Market Price
    (d) Exercise Period: After the first (1st) anniversary but before the fifth (5th) anniversary of the relevant Date of Grant **Resolution 10**

11. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Adrian Chan Pengee
Company Secretary

Singapore
9 April 2012

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. Where a shareholder appoints two (2) proxies, he must specify the proportion of his shareholdings to be represented by each proxy. 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.

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON BUSINESS TO BE TRANSACTED

Resolution 3(a)

Mr Subianto Arpan Sumodikoro, if re-elected, will remain as an Non-Executive Director of the Company.

Resolution 3(b)

Mr Allan Charles Buckler, if re-elected, will remain as an Independent Director of the Company, the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

Resolution 5

The proposed Ordinary Resolution 5, if passed, will empower the Directors, from the date of this AGM until the next AGM, to issue shares in the capital of the Company, 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 6

The proposed Ordinary Resolution 6, if passed, will authorise the Directors, from time to time, to allot and issue shares pursuant to the exercise of options under the ISOP not exceeding five per cent (5%) of the total number of issued shares including treasury shares at any time.

Resolutions 7, 8, 9 and 10

Information relating to the proposed grants of options under the ISOP to Mr Edwin Soeryadjaya and Mr Sandiaga Salahuddin Uno is set out in the addendum to shareholders dated 9 April 2012, being an addendum to the Annual Report of the Company for the financial year ended 31 December 2011.

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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 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 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 of the Company ("**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 to be held on 24 April 2012 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	Abstain	Against
	Ordinary Business			
1	Adoption of audited accounts			
2	Approval of Directors' fees			
3(a)	Re-election of Mr Subianto Arpan Sumodikoro			
3(b)	Re-election of Mr Allan Charles Buckler			
4	Re-appointment of Nexia TS Public Accounting Corporation			
	Special Business			
5	Authority to issue shares pursuant to share issue mandate			
6	Authority to allot and issue shares under the Interra Share Option Plan (the "**ISOP**")			
7	Participation of Mr Edwin Soeryadjaya in the ISOP			
8	Participation of Mr Sandiaga Salahuddin Uno in the ISOP			
9	Grant of Option to Mr Edwin Soeryadjaya (contingent upon the passing of Resolution 7)			
10	Grant of Option to Mr Sandiaga Salahuddin Uno (contingent upon the passing of Resolution 8)			

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

Dated this ________ day of April 2012

Total Number of Shares Held

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

IMPORTANT: Please read notes overleaf

NOTES

1. A shareholder 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 also be a shareholder. Where a shareholder appoints two (2) proxies, he must specify the proportion of his shareholdings to be represented by each proxy.

2. The Proxy Form must be executed under the hand of the shareholder or his attorney duly authorised in writing. Where the shareholder is a corporation, the Proxy Form must be executed under its common seal or under the hand of its attorney duly authorised in writing. The power of attorney or other authority, if any, under which the Proxy Form is executed on behalf of the shareholder or a duly certified copy of that power or authority (failing previous registration with the Company), must be attached to the Proxy Form to be lodged with the Company.

3. The Proxy Form, duly executed, 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.

4. A corporation may by resolution of its directors or other governing body authorise 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. A certificate under the seal of the corporation shall be prima facie evidence of the appointment or of the revocation of the appointment, as the case may be, of its representative.

GENERAL

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 (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), the Company may reject any instrument of proxy lodged if the shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register forty-eight (48) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Edwin Soeryadjaya
Chairman (Non-Executive)

Sandiaga Salahuddin Uno
Deputy Chairman (Non-Executive)

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 AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Partner-in-charge: Chin Chee Choon
(Appointed on 28 April 2011 with effect from FY2011)

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 LISTING

Singapore Exchange – Catalist
SGX Code: Interra Res (5GI)

SPONSOR

Canaccord Genuity Singapore Pte. Ltd.
(formerly known as Collins Stewart Pte. Limited)
77 Robinson Road #21-02
Singapore 068896
Contact Person: Alex Tan
Tel : +65 6854 6150
Fax : +65 6854 6151

SHARE REGISTRAR

M & C Services Private Limited
138 Robinson Road
#17-00 The Corporate Office
Singapore 068906
Tel : +65 6227 6660
Fax : +65 6225 1452

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

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

9 April 2012

To: The Shareholders of Interra Resources Limited

Dear Sir/Madam

ADDENDUM RELATING TO THE PROPOSED GRANTS OF OPTIONS UNDER THE INTERRA SHARE OPTION PLAN TO MR EDWIN SOERYADJAYA AND MR SANDIAGA SALAHUDDIN UNO

1. INTRODUCTION

1.1 Interra Resources Limited (the "**Company**" or "**Interra**") has on 9 April 2012 issued a notice convening the annual general meeting of the shareholders of the Company (the "**Shareholders**") to be held on 24 April 2012 (the "**AGM**") (the "**Notice of AGM**").

1.2 The proposed Ordinary Resolutions 7 and 8 set out in the Notice of AGM relate to the participations by Mr Edwin Soeryadjaya (Non-Executive Chairman) ("**Mr Soeryadjaya**") and Mr Sandiaga Salahuddin Uno (Non-Executive Deputy Chairman) ("**Mr Uno**") respectively in the Interra Share Option Plan (the "**ISOP**").

The proposed Ordinary Resolutions 9 and 10 set out in the Notice of AGM relate to the grants of options under the ISOP to Mr Soeryadjaya and Mr Uno, on such terms as stated in the ISOP and in fulfilment of the objectives therein.

1.3 The ISOP was originally approved by Shareholders at an extraordinary general meeting ("**EGM**") held on 30 April 2007. The rules of the ISOP were subsequently amended and approved at an EGM on 28 April 2011 to include, *inter alia*, the participation of controlling shareholders and non-executive Directors of the Company in the ISOP.

Under the ISOP, deserving and eligible controlling shareholders of the Company and directors and employees of the Company, its subsidiaries and its associated companies (collectively, the "**Group**") may be granted the right to subscribe for ordinary shares in the capital of the Company (the "**Shares**"). For the purposes of this addendum (the "**Addendum**"), the right to subscribe for Shares of the Company granted under the ISOP shall be known as the "**Option**".

1.4 The purpose of the Addendum is to explain the rationale for and provide information relating to the following:

(a) The proposed participation by and grant of an Option under the ISOP to Mr Soeryadjaya, a controlling shareholder and non-executive Director of the Company; and

(b) The proposed participation by and grant of an Option under the ISOP to Mr Uno, a controlling shareholder and non-executive Director of the Company.

1.5 The Addendum is prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) (the "**Sponsor**"), for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**"). The Sponsor has not independently verified the contents of the Addendum. The Addendum has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST and the Sponsor assume no responsibility for the correctness of any statements made or opinions expressed in the 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. PROPOSED PARTICIPATIONS BY AND GRANTS OF OPTIONS UNDER THE ISOP TO MR SOERYADJAYA AND MR UNO

2.1 The ISOP

The ISOP is a share incentive plan to provide controlling shareholders of the Company and directors and employees of the Group (the "**Participants**") who have contributed to the success and development of the Group with an opportunity to participate in the equity of the Company and to motivate them to better performance through increased dedication and loyalty. The ISOP is administered by the Remuneration Committee of the Company.

The ISOP is targeted primarily at directors and employees of the Group who are able to drive the growth and profitability of the Group through innovation, creativity and superior performance with the primary objective of creating Shareholders' value through increases in the Company's earnings and share price. The Company recognises that their services are important to the success and continued well-being of the Group and seeks to inculcate in them a stronger and more lasting sense of identification with the Group.

2.2 Participations by the controlling shareholders

It is proposed that Mr Soeryadjaya and Mr Uno (together, the **"Controlling Shareholders**") be entitled to participate in the ISOP.

Mr Soeryadjaya is the Non-Executive Chairman and a controlling shareholder of the Company holding an aggregate interest (both direct and deemed) of 17.91% in the Company. He is a director and controlling shareholder of Fleur Enterprises Limited which holds approximately 17.38% of the total issued Shares of the Company. Mr Soeryadjaya is also deemed interested in 0.53% of the total issued Shares of the Company held through Saratoga Equity Partners I Limited.

Mr Uno is the Non-Executive Deputy Chairman and a controlling shareholder of the Company holding an aggregate interest (both direct and deemed) of 17.91% in the Company. He is also a director and a controlling shareholder of Fleur Enterprises Limited (through Attica Finance Ltd.). Mr

Uno is also deemed interested in 0.53% of the total issued Shares of the Company held through Saratoga Equity Partners I Limited.

The shareholding interests of the Controlling Shareholders in the issued share capital of the Company as at 26 March 2012, being the latest practicable date prior to the printing of the Addendum (the "**Latest Practicable Date**"), are set out in paragraph 3 of the Addendum.

As at the Latest Practicable Date, save as aforementioned, there are no other controlling shareholders of the Company or their associates who are eligible to participate in the ISOP.

2.3 Proposed grant of an Option to Mr Soeryadjaya

2.3.1 Rationale for the proposed grant of an Option to Mr Soeryadjaya

Mr Soeryadjaya is the Non-Executive Chairman of the Company. Although not involved in the day-to-day running of the Group, he plays a vital role in leading and managing the Board of Directors in decision-making as well as providing invaluable guidance in relation to strategic issues and development.

2.3.2 Terms of grant of the Option

For the reasons set out above, it is proposed that approval be given to the Remuneration Committee to grant an Option to Mr Soeryadjaya on the following terms:

(a) Date of grant of the Option (**"Date of Grant"**): Any time within 30 days from the date of the AGM.

(b) Number of Shares comprised in the proposed grant of the Option: 1,350,000 Shares (representing approximately 0.46% of the total issued Shares as at the Latest Practicable Date).

(c) Exercise Price: The average of the last dealt prices for the Shares on the Official List of the SGX-ST for the five (5) consecutive Market Days immediately preceding the relevant Date of Grant for which there was trading in the Shares (the "**Market Price**").

(d) Exercise Period: After the first (1^{st}) anniversary but before the fifth (5^{th}) anniversary of the relevant Date of Grant.

Assuming that all the outstanding Options granted under the ISOP, which comprise Options in respect of an aggregate of 10,550,000 Shares as at the Latest Practicable Date (the "**Outstanding Options**") are not exercised, Mr Soeryadjaya will have an interest (both direct and deemed) in 54,259,000 Shares (representing approximately 18.28% of the total issued Shares) after exercising the Option according to the terms as set out above.

Before the exercise of the abovementioned Option and the full payment of the applicable Exercise Price, Mr Soeryadjaya will not receive any accrued benefits (such as voting rights, dividends, etc.) from the Shares comprised in the said Option.

The Remuneration Committee is of the view that the proposed grant of the Option to Mr Soeryadjaya is fair and reasonable given the contributions he has made to the Company. The grant of the Option on the terms as set out above (including the size of the Option) is consistent with the purposes of the ISOP. The proposed grant of the Option to Mr Soeryadjaya constitutes part of the Company's overall plan for the remuneration of all Participants under the framework for allocation of Options under the ISOP as described in the Addendum.

2.4 Proposed grant of an Option to Mr Uno

2.4.1 Rationale for the proposed grant of an Option to Mr Uno

Mr Uno is the Non-Executive Deputy Chairman of the Company. Although not involved in the day-to-day running of the Group, Mr Uno plays an extensive and invaluable role in the decision-making by the Board of Members by drawing on his knowledge and expertise in the industry. Mr Uno is also actively involved as a member of the Audit Committee, Nominating Committee as well as the Remuneration Committee of the Company.

2.4.2 Terms of grant of the Option

For the reasons set out above, it is proposed that approval be given to the Remuneration Committee to grant an Option to Mr Uno on the following terms:

(a) Date of Grant: Any time within 30 days from the date of the AGM.

(b) Number of Shares comprised in the proposed grant of the Option: 1,350,000 Shares (representing approximately 0.46% of the total issued Shares as at the Latest Practicable Date).

(c) Exercise Price: Market Price.

(d) Exercise Period: After the first (1st) anniversary but before the fifth (5th) anniversary of the relevant Date of Grant.

Assuming that all the Outstanding Options granted under the ISOP are not exercised, Mr Uno will have an interest (both direct and deemed) in 54,259,000 Shares (representing approximately 18.28% of the total issued Shares) after exercising the Option according to the terms as set out above.

Before the exercise of the abovementioned Option and the full payment of the applicable Exercise Price, Mr Uno will not receive any accrued benefits (such as voting rights, dividends, etc.) from the Shares comprised in the said Option.

The Remuneration Committee is of the view that the proposed grant of the Option to Mr Uno is fair and reasonable given the contributions he has made to the Company. The grant of the Option on the terms as set out above (including the size of the Option) is consistent with the purposes of the ISOP. The proposed grant of the Option to Mr Uno constitutes part of the Company's overall plan for the remuneration of all Participants under the framework for allocation of Options under the ISOP as described in the Addendum.

2.5 Limits on grant of Options

As at the Latest Practicable Date, the number of issued Shares is 295,420,238. Under the ISOP, the maximum number of Shares over which Options may be granted is 5% of the total number of issued Shares (including treasury shares) on the day immediately preceding the relevant Date of Grant. The proposed grants of Options to the Controlling Shareholders are in respect of an aggregate of 2,700,000 Shares. The total number of Shares comprised in the Outstanding Options and the proposed grants of Options to the Controlling Shareholders amounts to 13,250,000 Shares, representing 89.70% of the maximum number of Shares (including treasury shares) over which Options may be granted pursuant to the ISOP as at the Latest Practicable Date. The proposed grants of Options to the Controlling Shareholders are therefore within the limits of the ISOP.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 The Directors' interests 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.

	Direct Interest		Deemed Interest		Number of Shares comprised in Outstanding Options
Name of Director	**No. of Shares**	**%**	**No. of Shares**	**%**	
Edwin Soeryadjaya	—	—	52,909,000	17.91	—
Sandiaga Salahuddin Uno	—	—	52,909,000	17.91	—
Subianto Arpan Sumodikoro	—	—	35,000,000	11.85	—
Allan Charles Buckler	3,945,600	1.34	—	—	1,350,000
Low Siew Sie Bob	—	—	—	—	1,350,000
Ng Soon Kai	—	—	—	—	1,350,000
Tjia Marcel Han Liong	—	—	—	—	4,000,000

3.2 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.

	Direct Interest		Deemed Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**
Edwin Soeryadjaya(1)	—	—	52,909,000	17.91
Sandiaga Salahuddin Uno(2)	—	—	52,909,000	17.91
Attica Finance Ltd.(2)	—	—	51,349,000	17.38
Fleur Enterprises Limited	51,349,000	17.38	—	—
Subianto Arpan Sumodikoro(3)	—	—	35,000,000	11.85
Shining Persada Investments Pte. Ltd.(3)	35,000,000	11.85	—	—

Notes:

(1) Edwin Soeryadjaya is deemed to have interests in the 51,349,000 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 interests in the 51,349,000 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 35,000,000 shares held by Shining Persada Investments Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50.

4. DIRECTORS' RECOMMENDATION AND ABSTENTION FROM VOTING

The Directors (save for the Controlling Shareholders who shall abstain from making any recommendation in respect of the resolutions relating to their respective participation in and grant of the Option under the ISOP) are of the view that the proposed participations by and proposed grants of Options to the Controlling Shareholders under the ISOP are in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolutions 7, 8, 9 and 10 to be proposed at the AGM, being the resolutions relating to the above.

Mr Soeryadjaya shall abstain from making any recommendations to Shareholders in respect of the Ordinary Resolutions 7 and 9 relating to his participation in and grant of an Option under the ISOP as set out in the Notice of AGM.

Mr Uno shall abstain from making any recommendations to Shareholders in respect of the Ordinary Resolutions 8 and 10 relating to his participation in and grant of an Option under the ISOP as set out in the Notice of AGM.

The Controlling Shareholders and their respective associates shall also decline to accept any appointment as proxy for any Shareholder to vote in respect of the said ordinary resolutions unless the Shareholder concerned has given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the said ordinary resolution.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this letter constitutes full and true disclosure of all material facts about the proposed participations by and grants of Options to the Controlling Shareholders, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this letter misleading. Where information in the letter has been extracted from published or other publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this letter in its proper form and context.

6. 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;

(b) the circular to Shareholders dated 5 April 2007, containing the rules of the original ISOP;

(c) the announcement dated 26 December 2007, containing amendments to the rules of the ISOP as approved by the SGX-ST;

(d) the announcement dated 28 October 2008, containing amendments to the rules of the ISOP as approved by the SGX-ST ;

(e) the circular to Shareholders dated 12 April 2011, containing the amendments to the rules of the ISOP; and

(f) the Annual Report of the Company for the financial year ended 31 December 2011.

Yours faithfully

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

Edwin Soeryadjaya
Chairman