interraresources

24 February 2006

Dear Shareholders

**UNAUDITED RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2005**

**4Q 2005 Review**

The Group's net profit for 4Q 2005 was S$1.015 million. This is a decrease of S$233,000 compared with 3Q 2005. The main reason is an allowance for doubtful debts of S$595,000 in respect of Myanmar trade receivables made in 4Q 2005. However, this was offset by an improved profit performance by the Group's net working interest of 2.5% in Offshore North West Java PSC ("ONWJ") and South East Sumatra PSC ("SES").

The Group's shareable production from Tanjung Miring Timur ("TMT") and Myanmar fields declined slightly in 4Q 2005 compared with 3Q 2005. The Group's share of production from ONWJ and SES during the quarter increased from 306,000 barrels of oil equivalent ("boe") to 343,000 boe. Total production for 4Q 2005 was 413,000 boe or 4,484 boe per day.

The weighted average oil price transacted during 3Q 2005 was US$58.50 per barrel whereas during 4Q 2005 it was US$54.40 per barrel.

**FY 2005 Review**

During 2005 the Group achieved a net profit of S$3.390 million. This compares favourably with a net loss of S$773,000 incurred during 2004.

During 2005, the Group's annual shareable production exceeded 1 million boe for the first time. The Group's total share of production was 1,076,000 boe compared with 222,000 boe in 2004. The average daily share of production for the full year 2005 was 2,948 boe per day.

The weighted average oil price transacted during 2005 was in excess of US$50 per barrel. This compares to a weighted average oil price transacted during 2004 of less than US$40 per barrel.

Yours sincerely

The Board of Directors
Interra Resources Limited

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INTERRA RESOURCES LIMITED
UNAUDITED RESULTS FOR THE PERIOD
AND YEAR ENDED 31 DECEMBER 2005

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## 1(a)(i) PROFIT AND LOSS STATEMENT

| Group | Note | 4Q 2005 S$'000 | 4Q 2004 S$'000 | Change % | FY2005 S$'000 | FY2004 S$'000 | Change % |
|---|---|---|---|---|---|---|---|
| Revenue | | 4,818 | 3,408 | + 41 | 18,092 | 10,875 | + 66 |
| Cost of production | A1 | (3,291) | (2,908) | - 13 | (11,427) | (8,413) | - 36 |
| **Gross profit** | | **1,527** | **500** | **+ 205** | **6,665** | **2,462** | **+ 171** |
| Operating income | A2 | 1,373 | 237 | + 479 | 2,116 | 952 | + 122 |
| Administrative expenses | A3 | (1,710) | (669) | - 156 | (4,073) | (2,546) | - 60 |
| Depreciation and amortization | A4 | (276) | (409) | + 33 | (1,097) | (1,080) | - 2 |
| Other operating expenses | A5 | - | (98) | + 100 | - | (140) | + 100 |
| **Profit from operations** | | **914** | **(439)** | **NM** | **3,611** | **(352)** | **NM** |
| Finance costs | A6 | (952) | - | NM | (1,894) | - | NM |
| Share of associated companies' profit after tax | | 1,527 | - | NM | 2,878 | - | NM |
| **Profit before tax** | | **1,489** | **(439)** | **NM** | **4,595** | **(352)** | **NM** |
| Taxation | | (474) | (115) | - 312 | (1,205) | (421) | - 186 |
| **Profit /(Loss) after tax** | | **1,015** | **(554)** | **NM** | **3,390** | **(773)** | **NM** |

*+ change in % means favourable change for the Group*
*- change in % means unfavourable change for the Group*
*NM means not meaningful*

### 1(a)(ii) EXPLANATORY NOTES TO PROFIT AND LOSS STATEMENT

| Group | 4Q 2005 S$'000 | 4Q 2004 S$'000 | FY2005 S$'000 | FY2004 S$'000 |
|---|---|---|---|---|
| **A1 Cost of production** | | | | |
| Production expenses | 2,624 | 2,134 | 8,992 | 7,017 |
| Depreciation of property, plant and equipment of oil operations | 226 | 129 | 738 | 402 |
| Amortization of exploration, evaluation and development cost | 440 | 645 | 1,696 | 994 |
| Amortization of intangible assets | 1 | - | 1 | - |
| | **3,291** | **2,908** | **11,427** | **8,413** |
| **A2 Operating income** | | | | |
| Management fees | - | 40 | - | 188 |
| Interest income from deposits | 56 | 20 | 149 | 42 |
| Interest income from associate company | 85 | - | 208 | - |
| Deferred income | 180 | 176 | 710 | 720 |
| Other income | 5 | 1 | 25 | 2 |
| Foreign exchange gain, net | 37 | - | 14 | - |
| Gain from adjustment in fair value of financial liabilities (See Note 4) | 1,010 | - | 1,010 | - |
| | **1,373** | **237** | **2,116** | **952** |
| **A3 Administrative expenses** include the following item: | | | | |
| Allowance for doubtful debts | **595** | **-** | **595** | **-** |
| **A4 Depreciation and amortization** | | | | |
| Property, plant and equipment | 13 | 16 | 56 | 58 |
| Concession rights | 12 | 12 | 49 | 50 |
| Goodwill on reverse acquisition | - | - | - | 47 |
| Participation rights | 71 | 205 | 282 | 205 |
| Intangible benefits | 180 | 176 | 710 | 720 |
| | **276** | **409** | **1,097** | **1,080** |
| **A5 Other operating expenses** | | | | |
| Foreign exchange loss, net | - | 98 | - | 140 |
| | **-** | **98** | **-** | **140** |
| **A6 Finance costs** | | | | |
| Interest expense amortisation for bonds issued | 557 | - | 1,499 | - |
| Interest expense from loan from a related party | 38 | - | 38 | - |
| Deemed interest expense amortisation (See Note 4) | 357 | - | 357 | - |
| | **952** | **-** | **1,894** | **-** |

## 1(b)(i) BALANCE SHEET

| | Note | Group 31-Dec-05 S$'000 | Group 31-Dec-04 S$'000 | Company 31-Dec-05 S$'000 | Company 31-Dec-04 S$'000 |
|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | | 1,685 | 1,597 | 14 | 35 |
| Exploration, evaluation and development cost | | 23,759 | 24,142 | - | - |
| Intangibles asset | | 8,580 | 9,135 | 10 | - |
| Interest in subsidiaries | | - | - | 40,155 | 41,031 |
| Interest in associates | B1 | 21,415 | - | 18,538 | - |
| Goodwill on reverse acquisition | | 2,438 | 2,438 | - | - |
| Participation rights | | 3,077 | 3,302 | - | - |
| Club membership | | 7 | - | 7 | - |
| | | **60,961** | **40,614** | **58,724** | **41,066** |
| **Current Assets** | | | | | |
| Inventories | | 1,567 | 1,881 | - | - |
| Work in progress | | 156 | - | - | - |
| Trade receivables | B2 | 5,143 | 2,282 | - | - |
| Deposit, other receivables and prepayment | | 735 | 413 | 325 | 255 |
| Cash and bank balances | B3 | 4,816 | 7,775 | 2,866 | 5,931 |
| Restricted cash (debt service reserves) | B3 | 3,229 | - | 3,229 | - |
| Amount due from associates | | 8 | - | 8 | - |
| | | **15,654** | **12,351** | **6,428** | **6,186** |
| **Current Liabilities** | | | | | |
| Trade payables | | (897) | (1,296) | - | - |
| Amount due to related parties (trade) | | (106) | (1,753) | - | - |
| Amount due to joint venture partners | | (39) | - | - | - |
| Other payables and accruals | B4 | (3,498) | (2,039) | (1,448) | (206) |
| Loan from a related party (interest bearing) | | (1,249) | - | - | - |
| Interest payable to a related party | | (13) | - | - | - |
| Coupon payable | | (278) | - | (278) | - |
| Provision for tax | | (2,998) | (1,770) | (6) | - |
| | | **(9,078)** | **(6,858)** | **(1,732)** | **(206)** |
| **Net Current Assets** | | **6,576** | **5,493** | **4,696** | **5,980** |
| **Non-Current Liabilities** | | | | | |
| Loan from a director | B5 | (2,028) | (2,296) | - | - |
| Loan from a substantial shareholder | B5 | (2,155) | (2,439) | - | - |
| Loan from a related party | B5 | (2,155) | (2,439) | - | - |
| Deferred income | | (7,984) | (8,546) | - | - |
| Secured Bond 7% due 2010 | B6 | (17,869) | - | (17,869) | - |
| | | **(32,191)** | **(15,720)** | **(17,869)** | **-** |
| **Net Assets** | | **35,346** | **30,387** | **45,551** | **47,046** |
| **Capital and Reserves** | | | | | |
| Share capital | | 48,132 | 48,132 | 48,132 | 48,132 |
| Reserves | | (12,786) | (17,745) | (2,581) | (1,086) |
| **Shareholders' Equity** | | **35,346** | **30,387** | **45,551** | **47,046** |

**Exchange Rates**

The functional currencies for the accounts of the Group's subsidiaries are in US$ and have been translated to S$ at the exchange rate prevailing at the balance sheet date. The exchange rates as at 31 Dec 2005 and 31 Dec 2004 were 1.6658 and 1.6376 respectively.

### Explanatory Notes to Balance Sheet

B1 Interest in associates represents the Group's 50% interest in Orchard Energy Holding Java & Sumarta B.V ("Orchard").

B2 Increase in trade receivables as at 31 Dec 2005 compared with 31 Dec 2004 was due to an increase in billings of crude oil sales in the last two months of the respective period. This accounted for S$1.1 mil of the increase in trade receivables. The increase was also due to the irregular payments from the Myanmar crude oil sales debtor. Consequently, the Group made an allowance for doubtful debts amounting to S$595k in 4Q 2005.

B3 Cash and cash equivalents as at 31 Dec 2005 include the cash and bank balances and restricted cash deposits (Secured Debt Service Reserve Account) of S$3.2 mil which relate to the Secured Bond 7% due 2010 issued in Apr 2005.

B4 Increase in other payables and accruals was due mainly to outstanding acquisition costs of Orchard and the accrued training levy under the Myanmar IPR contracts.

B5 These are interest free loans from a director, a substantial shareholder and a related party which have been restated to amortised cost under FRS 39 ("Financial Instruments: Recognition and Measurement") which came into effect for the financial year beginning on 1 Jan 2005. For full details, please see Note 4.

B6 Secured Bond 7% due 2010 represents the principal amount of US$11 mil (S$18.3 mil) and a debit redemption premium balance of US$273k (S$455k). Although these bonds are due for repayment in 2010, the bondholder has the option to redeem the bonds on one day being 25 Apr 2008. Detachable warrants were also issued to the bondholder. In accordance with FRS 32 ("Financial Instruments: Disclosure and Presentation") and FRS 39, a value is allocated to the warrants issued even though they were issued at no cost. This value amounts to S$900k and is recognised on the issue date as warrant premium reserves.

## 1(b)(ii) BORROWINGS AND DEBT SECURITIES

| Group | 31-Dec-05 | | 31-Dec-04 | |
|---|---|---|---|---|
| | Secured S$'000 | Unsecured S$'000 | Secured S$'000 | Unsecured S$'000 |
| Amount repayable in one year or less, or on demand | - | 1,249 | - | - |
| Amount repayable after one year | 17,869 | 6,338 | - | 7,174 |

### Details of Collateral

The secured borrowings of the Group are secured by

a) a charge over the shares held by the Company in the capital of Goldwater Company Limited;
b) a charge over the shares held by the Company in the capital of Goldwater TMT Pte. Ltd.; and
c) an assignment of all rights in respect of the Secured Debt Service Reserve Account.

## 1(c) CASH FLOW STATEMENT

| Group | 4Q 2005 S$'000 | 4Q 2004 S$'000 | FY 2005 S$'000 | FY 2004 S$'000 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| **Profit before tax** | **1,489** | **(439)** | **4,595** | **(352)** |
| Share of associated company's profit after tax | (1,527) | - | (2,878) | - |
| Adjustments for non-cash items: | | | | |
| Currency re-alignment and translation | (199) | (112) | 275 | (330) |
| Depreciation of property, plant and equipment | 239 | 145 | 794 | 460 |
| Amortization of: | | | | |
| Exploration, evaluation and development cost | 440 | 645 | 1,696 | 994 |
| Concession rights | 12 | 12 | 49 | 50 |
| Intangible benefits | 180 | 176 | 710 | 720 |
| Intangible assets | 1 | - | 1 | - |
| Goodwill on reverse acquisition | - | - | - | 47 |
| Participation rights | 71 | 205 | 282 | 205 |
| Other income | - | - | (4) | - |
| Gain from adjustment in fair value of financial liabilities | (1,010) | - | (1,010) | - |
| Interest income | (141) | (20) | (357) | (42) |
| Interest expense | 952 | - | 1,894 | - |
| Deferred income | (180) | (176) | (710) | (720) |
| Exchange difference | (37) | 98 | (14) | 140 |
| **Operating profit before working capital changes** | **290** | **534** | **5,323** | **1,172** |
| Inventories | (152) | (83) | 315 | (827) |
| Trade and other receivables | 306 | 345 | (3,222) | (1,701) |
| Trade and other payables | 582 | 93 | (624) | 2,878 |
| Accrued operating expenses | 332 | 128 | 1,543 | (3) |
| Amount due to related parties (trade) | (174) | 194 | (1,649) | (451) |
| Work in progress | (156) | - | (156) | - |
| Amount due to directors | - | - | - | (12) |
| **Net cash inflow from operating activities** | **1,028** | **1,211** | **1,530** | **1,056** |
| **Cash Flows from Investing Activities** | | | | |
| Interest income received | 185 | 20 | 357 | 42 |
| Net proceeds from disposal of property, plant and equipment | - | - | 7 | - |
| Acquisition of 70% interest in TMT | - | (18) | - | (8,614) |
| Investment in associate company | (327) | - | (11,533) | - |
| Loan extended to associate company | - | - | (7,295) | - |
| Repayment of loan from associate company | 420 | - | 420 | - |
| Investment in club membership | - | - | (7) | - |
| Additional investments in production phase properties: | | | | |
| Purchase of property, plant and equipment | (17) | (304) | (274) | (1,313) |
| Purchase of intangible assets | (43) | - | (48) | - |
| Well drillings and improvements | (30) | (1,874) | (1,223) | (4,877) |
| Geological and geophysical studies | - | (129) | (271) | (129) |
| Refund of deposit placed for possible acquisition | - | - | - | 2,511 |
| **Net cash inflow / (outflow) from investing activities** | **188** | **(2,305)** | **(19,867)** | **(12,380)** |
| **Cash Flows from Financing Activities** | | | | |
| Net proceeds from placement of shares | - | - | - | 14,977 |
| Net proceeds from issuance of bonds | - | - | 18,129 | - |
| Net proceeds from loan from a related party | 1,268 | - | 1,268 | - |
| Interest paid to a related party | (25) | - | (25) | - |
| Interest paid | (765) | - | (765) | - |
| **Net cash inflow from financing activities** | **478** | **-** | **18,607** | **14,977** |
| **Net inflow/(outflow) of cash and cash equivalents** | **1,694** | **(1,094)** | **270** | **3,653** |
| Cash and cash equivalents at beginning of period | 6,351 | 8,869 | 7,775 | 4,122 |
| **Cash and cash equivalents at end of period (See Note B3)** | **8,045** | **7,775** | **8,045** | **7,775** |

## 1(d)(i) STATEMENTS OF CHANGES IN EQUITY

| Group | Share Capital SS$'000 | Share Premium S$'000 | Currency Translation Reserves S$'000 | Special Reserves S$'000 | Warrant Premium Reserves S$'000 | Accumulated Profit / (Loss) S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **Balance as at 30 Sep 2004** | **48,132** | **109,277** | **64** | **(135,458)** | **-** | **10,136** | **32,151** |
| Translation differences | - | - | (1,210) | - | - | - | **(1,210)** |
| Net loss after tax for 4Q 2004 | - | - | - | - | - | (554) | **(554)** |
| **Balance as at 31 Dec 2004** | **48,132** | **109,277** | **(1,146)** | **(135,458)** | **-** | **9,582** | **30,387** |
| **Balance as at 30 Sep 2005** | **48,132** | **109,277** | **(451)** | **(135,458)** | **900** | **11,957** | **34,357** |
| Translation differences | - | - | (338) | - | - | - | **(338)** |
| Restatement of financial liabilities at amortised cost as at 1 Jan 2005 (See Note 4) | - | - | - | - | - | 312 | **312** |
| Net profit after tax for 4Q 2005 | - | - | - | - | - | 1,015 | **1,015** |
| **Balance as at 31 Dec 2005** | **48,132** | **109,277** | **(789)** | **(135,458)** | **900** | **13,284** | **35,346** |

| Company | Share Capital S$'000 | Share Premium S$'000 | Warrant Premium Reserves S$'000 | Accumulated Losses S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Balance as at 30 Sep 2004** | **48,132** | **174,175** | **-** | **(174,874)** | **47,433** |
| Net loss after tax for 4Q 2004 | - | - | - | (387) | **(387)** |
| **Balance as at 31 Dec 2004** | **48,132** | **174,175** | **-** | **(175,261)** | **47,046** |
| **Balance as at 30 Sep 2005** | **48,132** | **174,175** | **900** | **(177,002)** | **46,205** |
| Net loss after tax for 4Q 2005 | - | - | - | (654) | **(654)** |
| **Balance as at 31 Dec 2005** | **48,132** | **174,175** | **900** | **(177,656)** | **45,551** |

## 1(d)(ii) SHARE CAPITAL

No additional share capital was issued in 4Q 2005.

**2 WHETHER THE FIGURES HAVE BEEN AUDITED OR REVIEWED, AND IN ACCORDANCE WITH WHICH STANDARD (EG. THE STANDARD ON AUDITING 910 (ENGAGEMENTS TO REVIEW FINANCIAL STATEMENTS), OR AN EQUIVALENT STANDARD)**

The figures have not been audited or reviewed by our auditors.

**3 WHERE THE FIGURES HAVE BEEN AUDITED OR REVIEWED, THE AUDITORS' REPORT (INCLUDING ANY QUALIFICATIONS OR EMPHASIS OF A MATTER)**

Not applicable.

**4 WHETHER THE SAME ACCOUNTING POLICIES AND METHODS OF COMPUTATION AS IN THE ISSUER'S MOST RECENTLY AUDITED ANNUAL FINANCIAL STATEMENTS HAVE BEEN APPLIED**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 Dec 2004 except for the adoption of the following Financial Reporting Standards ("FRS"):

**FRS 39 Financial Instruments: Recognition and Measurement**

This FRS sets out the new requirements for the recognition, derecognition and measurement of the Group's financial assets and liabilities. The adoption of FRS 39 has resulted in the Group recognising its financial liabilities at fair value initially and subsequently at amortised cost. In accordance with the transitional provision of FRS 39, the comparative financial statements for 2004 are not restated. Instead, changes have been accounted for by restating the retained earnings as at 1 Jan 2005.

The financial impact on the Group's financial statements arising from the adoption of FRS 39 is as follows:

| | Increased / (Decreased) by (S$ '000) |
|---|---|
| **Profit and Loss Item** | |
| Operating income | 1,010 |
| Finance cost | 357 |
| **Net impact on profit after tax** | **653** |
| **Balance Sheet Item** | |
| Loan from a director | (307) |
| Loan from a substantial shareholder | (326) |
| Loan from a related party | (326) |
| Retained earnings as at 1 Jan 2005 | 312 |

The above adjustments relate to interest free loans from a director, a substantial shareholder and a related party which has been extended to 30 Apr 2008 in Apr 2005. Under FRS 39, the Group is required to recognise the financial liabilities at fair value initially and subsequently at amortised cost. As these loans are interest free, the Group is required to recognise a notional gain in the profit and loss account and subsequently amortise this gain as interest expense over the life of the loans. The gain is the difference between the loan amount and present value of the loan to be paid in 2008. The present value of the loans is discounted at the interest rates which were originally due to be charged on the loans.

**5 IF THERE ARE ANY CHANGES IN THE ACCOUNTING POLICIES AND METHODS OF COMPUTATION, INCLUDING ANY REQUIRED BY AN ACCOUNTING STANDARD, WHAT HAS CHANGED, AS WELL AS THE REASONS FOR, AND THE EFFECT OF THE CHANGE**

Please refer to item 4 above.

## 6 EARNINGS PER SHARE

| Group | 4Q 2005 | 4Q 2004 | FY 2005 | FY 2004 |
|---|---|---|---|---|
| Basic earnings/(loss) per share (cents) # | + 0.527 | - 0.288 | + 1.761 | - 0.414 |
| Fully diluted earnings/(loss) per share (cents) ~ | + 0.527 | - 0.288 | + 1.761 | - 0.414 |

\# Basic earnings per share for 4Q 2005 and FY 2005 is based on the weighted average number of 192,527,024 shares of S$0.25 each in issue in 4Q 2005 and FY 2005 (4Q 2004: 192,527,024; FY 2004: 186,712,816). For comparison purposes, the weighted average number of shares of S$0.05 each in issue in 4Q 2004 has been adjusted to reflect the 5 to 1 share consolidation which took effect on 29 Apr 2005.

~ In accordance with FRS 33: Earnings per share, potential shares arising from the conversion of warrants instrument whose subscription price is higher than the average share price of the Company for the relevant period is considered to be anti-dilutive and should be disregarded from the computation of fully diluted earnings per share. The average share price of the Company for the period 25 Apr 2005 to 31 Dec 2005 was S$0.258 and in 4Q 2005 was S$0.241. The warrants subscription price is S$0.28 per share. Accordingly, potential shares arising from the exercise of warrant are deemed to be anti-dilutive and are disregarded from the computation of fully diluted earnings per share. In 2004, there were no warrants in issue.

## 7 NET ASSET VALUE PER SHARE

| | Group | | Company | |
|---|---|---|---|---|
| | 31-Dec-05 | 31-Dec-04 | 31-Dec-05 | 31-Dec-04 |
| Net asset value per ordinary share based on issued share capital (cents) ^ | 18.359 | 15.783 | 23.659 | 24.437 |
| Number of ordinary shares in issue ^ | 192,527,024 | 192,527,024 | 192,527,024 | 192,527,024 |

^ For comparison purposes, the number of shares on issue as at 31 Dec 2004 comprising 962,635,120 shares of S$0.05 each have been adjusted to reflect the 5 to 1 share consolidation which took effect on 29 Apr 2005.

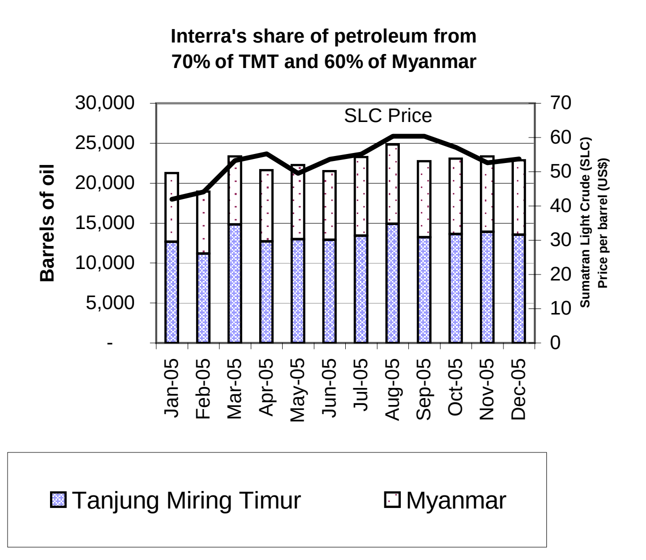
## PERFORMANCE REVIEW

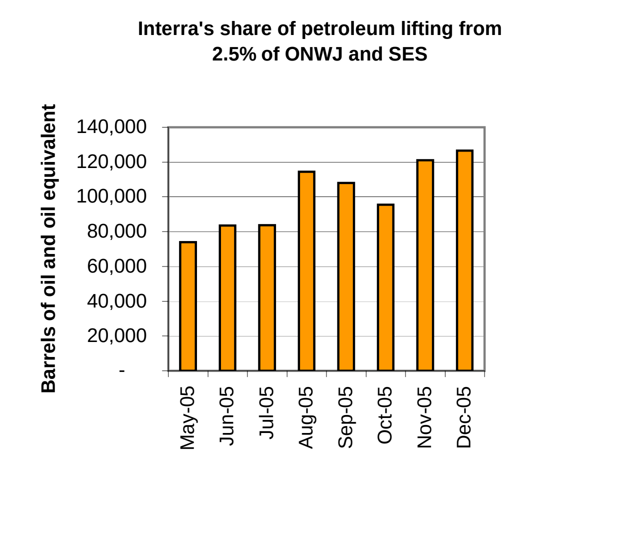
**Significant factors affecting the turnover, costs and earnings of the Group**

**Production**

The Group's shareable production from Tanjung Miring Timur ("TMT") and Myanmar fields increased by approximately 2k barrels ("bbls") (3%) of oil from 67k bbls in 4Q 2004 to 69k bbls in 4Q 2005. The Group's share of production from its net working interest of 2.5% in Offshore Northwest Java PSC ("ONWJ") and South East Sumatra PSC ("SES") which are not consolidated into the Group's top line revenue, amounted to 224k bbls of oil and 119k bbls of oil equivalent ("boe").

Combining both consolidated and non-consolidated share of production, the Group's shareable production was 413k boe in 4Q 2005 or 4,484 boe per day. On a year to date basis, the Group's consolidated and non-consolidated average share of production in 2005 was 810k bbls of oil (2,219 bbls per day) and 266k boe (729 boe per day), making the total share of production for the full year to be approximately 1.076 mil boe (2,948 boe per day). In 2004, the total share of production was 222 k bbls of oil (606 bbls per day).




**Revenue**

Revenue increased by S$1.4 mil (41%) from S$3.4 mil in 4Q 2004 to S$4.8 mil in 4Q 2005. This was due mainly to the increased oil prices. The weighted average transacted oil prices in 4Q 2005 and 4Q 2004 were approximately US$54.40 and US$40.30 respectively. The increase in shareable production in 4Q 2005 (69k bbls) compared with 4Q 2004 (67k bbls) also contributed to the increase in revenue. For the year, the Group's revenue increased by S$7.2 mil (66%) from S$10.9 mil in 2004 to S$18.1 mil in 2005 due mainly to higher oil prices, higher shareable production and the additional three months of production arising from full year consolidation of TMT's financial statements into the Group's financial statement.

**Cost of production**

In 4Q 2005, the cost of production was S$3.3 mil compared with S$2.9 mil in 4Q 2004. This was mainly due to additional seismic interpretation performed on Myanmar fields in 4Q 2005. For the year, the Group's cost of production increased by S$3.0 mil (36%) from S$8.4 mil in 2004 to S$11.4 mil in 2005. This was due mainly to the consolidation of TMT's financial statements into the Group's financial statements from Apr 2004 onwards and a one time provision of training levy required under the Myanmar IPR contracts amounting to S$807k made in 2Q 2005.

PERFORMANCE REVIEW (con'td)

**Significant factors affecting the turnover, costs and earnings of the Group (cont'd)**

**Net profit after tax**
**4Q 2005**
The Group posted a profit of S$1.0 mil in 4Q 2005 compared with a loss of S$0.6 mil in 4Q 2004. Profit contributions were mainly from the Group's 2.5% working interest in ONWJ and SES which contributed S$1.5 mil (before deducting the financing cost of the bond issue of S$0.6 mil) and TMT (S$0.4 mil). Myanmar posted a loss of S$78k in 4Q 2005 due to an allowance for doubtful debts amounting to S$0.6 mil. After deducting head office expenses and income, tax provision of S$0.5 mil and adding the one time adjustment arising from the first time adoption of FRS 39 of S$0.7 mil (see Note 4), the Group registered a net profit after tax of S$1.0 mil for the quarter.

**FY 2005**
For FY 2005, the Group posted a profit of almost S$3.4 mil compared with a loss of almost S$0.8 mil in FY 2004. The highest profit contribution came from TMT (S$3.2 mil) followed by the Group's interests in ONWJ and SES (S$1.4 mil). Myanmar posted a loss of S$0.1 mil due mainly to the one time provision of training levy of S$0.8 mil and the allowance for doubtful debts of S$0.6 mil. Head office expenses and income were maintained at approximately S$1.7 mil.

| Group (FY 2005) | Profit Before Tax S$'000 | Taxation S$'000 | Financing Cost S$'000 | Net Contribution to Group S$'000 | Net Contribution to Group % |
|---|---|---|---|---|---|
| TMT | 3,755 | (559) | - | 3,196 | 71% |
| ONWJ & SES | 6,707 | (3,829) | (1,499) | 1,379 | 31% |
| Myanmar | 582 | (640) | (38) | (96) | -2% |
| **Total contribution** | **11,044** | **(5,028)** | **(1,537)** | **4,479** | **100%** |
| Head office expenses and income | | | | (1,742) | |
| Arising from first time adoption of FRS39 (See Note 4) | | | | 653 | |
| **Group's net profit after tax** | | | | **3,390** | |

**Material factors affecting the cash flow, working capital, assets or liabilities of the Group during the current financial period**

(1) The most material factor affecting the Group was the prevailing oil price which has continued to be strong.

(2) The irregular payment of the Group's trade receivables in respect of Myanmar operation has resulted in an increase in the outstanding balance of trade receivables.

(3) The first adoption of FRS 39 has resulted in the restatement of retained earnings as at 1 Jan 2005 and the book amount of the interest free loans from a director, a substantial shareholder and a related party (see Note 4). Although, this adoption affects the carrying value of the Group's balance sheet, it does not have any impact on the cash flow and working capital of the Group.

## 8(ii) SEGMENTED REVENUE AND RESULTS

| Geographical Segment | Indonesia | | Myanmar | | Consolidated | |
|---|---|---|---|---|---|---|
| | 4Q 2005 S$'000 | 4Q 2004 S$'000 | 4Q 2005 S$'000 | 4Q 2004 S$'000 | 4Q 2005 S$'000 | 4Q 2004 S$'000 |
| **Results** | | | | | | |
| **EBITDA** | **818** | 1,168 | **293** | (36) | **1,111** | 1,132 |
| **EBIT** | **429** | 395 | **(78)** | (264) | **351** | 131 |
| **Sales to external customers** | **2,948** | 2,153 | **1,870** | 1,255 | **4,818** | 3,408 |
| **Segment results** | **398** | 446 | **(78)** | (264) | **320** | 182 |
| Unallocated head office expenses and income | | | | | 594 | (621) |
| **Profit/(Loss) from operations** | | | | | **914** | **(439)** |
| Finance costs | | | | | (952) | - |
| Share of associated companies' profit after tax | | | | | 1,527 | - |
| **Profit/(Loss) before tax** | | | | | **1,489** | **(439)** |
| Taxation | | | | | (474) | (115) |
| **Net profit/(loss) after tax** | | | | | **1,015** | (554) |

| Geographical Segment | Indonesia | | Myanmar | | Consolidated | |
|---|---|---|---|---|---|---|
| | FY 2005 S$'000 | FY 2004 S$'000 | FY 2005 S$'000 | FY 2004 S$'000 | FY 2005 S$'000 | FY 2004 S$'000 |
| **Results** | | | | | | |
| **EBITDA** | **5,247** | 1,570 | **1,906** | 1,553 | **7,153** | 3,123 |
| **EBIT** | **3,772** | 730 | **582** | 707 | **4,354** | 1,437 |
| **Sales to external customers** | **11,095** | 6,081 | **6,997** | 4,794 | **18,092** | 10,875 |
| **Segment results** | **3,755** | 807 | **582** | 707 | **4,337** | 1,514 |
| Unallocated head office expenses and income | | | | | (726) | (1,866) |
| **Profit/(Loss) from operations** | | | | | **3,611** | (352) |
| Finance costs | | | | | (1,894) | - |
| Share of associated companies' profit after tax | | | | | 2,878 | - |
| **Profit/(Loss) before tax** | | | | | **4,595** | (352) |
| Taxation | | | | | (1,205) | (421) |
| **Net profit/(loss) after tax** | | | | | **3,390** | (773) |

Notes

EBIT is the operating earnings before divestment gain, interest income, exchange difference, finance cost and tax. This is net of joint venture partner's share.

EBITDA is the operating earnings before divestment gain, interest income, exchange difference, finance cost, tax, depreciation and amortisation. This is net of joint venture partner's share.

## 8(iii) PRODUCTION PROFILE

| Myanmar Production | | 4Q 2005 barrels | 4Q 2004 barrels | FY 2005 barrels | FY 2004 barrels |
|---|---|---|---|---|---|
| Average gross production per day | | 2,174 | 2,208 | 2,188 | 2,232 |
| Gross production | | 199,995 | 203,139 | 798,671 | 816,749 |
| Non-shareable production | | (152,901) | (159,632) | (616,472) | (645,452) |
| Production shareable with Myanma Oil and Gas Enterprise | | 47,094 | 43,507 | 182,199 | 171,297 |
| Group's 60% share of production | | 28,256 | 26,104 | 109,319 | 102,778 |
| Group's average shareable production per day | | 307 | 284 | 300 | 281 |

| Myanmar Revenue | | 4Q 2005 | 4Q 2004 | FY 2005 | FY 2004 |
|---|---|---|---|---|---|
| Weighted average oil price transacted | US$ | 54.48 | 40.30 | 53.34 | 36.82 |
| Revenue shareable with MOGE | US$'000 | 1,539 | 1,052 | 5,831 | 3,784 |
| MOGE's share | US$'000 | (432) | (295) | (1,637) | (948) |
| Group's net share of revenue in US$ | US$'000 | 1,107 | 757 | 4,194 | 2,836 |
| Group's net share of revenue in S$ | S$'000 | 1,870 | 1,255 | 6,997 | 4,794 |

| Indonesia Production | | 4Q 2005 barrels | 4Q 2004 barrels | FY 2005 barrels | FY 2004 barrels |
|---|---|---|---|---|---|
| Average gross production per day | | 710 | 729 | 706 | 715 @ |
| Gross production | | 65,312 | 67,082 | 257,637 | 196,542 |
| Non-shareable production | | (6,664) | (8,350) | (29,300) | (26,761) |
| Production shareable with Pertamina | | 58,648 | 58,732 | 228,337 | 169,781 |
| Group's 70% share production | | 41,054 | 41,112 | 159,836 | 118,847 |
| Group's average shareable production per day | | 446 | 447 | 438 | 325 |

@ Indonesia operations was consolidated into the Group's financial statements from 1 Apr 2004 onwards. Average gross production per day is based on 275 days, ie from 1 Apr 2004 to 31 Dec 2004.

| Indonesia Revenue | | 4Q 2005 | 4Q 2004 | FY 2005 | FY 2004 |
|---|---|---|---|---|---|
| Weighted average oil price transacted | US$ | 54.47 | 40.45 | 53.32 | 38.81 |
| Revenue shareable with Pertamina | US$'000 | 2,236 | 1,663 | 8,523 | 4,612 |
| Pertamina's share | US$'000 | (491) | (365) | (1,871) | (1,011) |
| Group's net share of revenue in US$ | US$'000 | 1,745 | 1,298 | 6,652 | 12 |
| Group's net share of revenue in S$ | S$'000 | 2,948 | 2,153 | 11,095 | 6,081 |

| Group Production and Revenue | | 4Q 2005 | 4Q 2004 | FY 2005 | FY 2004 |
|---|---|---|---|---|---|
| **Group's shareable production** | **barrels** | **69,310** | **67,216** | **269,155** | **221,625** |
| **Group's average shareable production per day** | **barrels** | **753** | **731** | **737** | **606** |
| **Group's total revenue in S$** | **S$'000** | **4,818** | **3,408** | **18,092** | **10,875** |

## 9 WHERE A FORECAST, OR A PROSPECT STATEMENT, HAS BEEN PREVIOUSLY DISCLOSED TO SHAREHOLDERS, ANY VARIANCE BETWEEN IT AND THE ACTUAL RESULTS

No forecast was made in our last unaudited results announcement for the quarter ended 30 Sep 2005.

## 10 COMMENTARY ON PROSPECTS

Barring any unforseen circumstances, the Group expects positive contributions from all its concession interests at the current oil price level. While the Group expects oil prices to continue to be strong, there is no certainty that this will occur.

Due to the spiralling oil prices, net oil importing countries including Myanmar encountered financial strains. The Group's trade receivables in Myanmar was irregularly paid in 2005. The Group is taking the necessary steps to ensure that payments are received in a more timely manner, however the success of these actions cannot be guaranteed to improve the timing of payments.

## 11 DIVIDEND

No dividend for the period ended 31 Dec 2005 is recommended.

## 12 INTERESTED PERSON TRANSACTION

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)<br>FY 2005<br>S$ | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)<br>FY 2005<br>S$ |
|---|---|---|
| Persada Capital Limited | 204,853 | Nil |

In Oct 2005, the Group received an unsecured loan of US$750,000 from Persada Capital Limited, a company related to a director of the Company. The above amount represents the interest payable to Persada Capital Limited for the entire tenure of the loan.

## 13 ABBREVIATIONS

| | | |
|---|---|---|
| 4Q 2005 | means | Fourth calendar quarter of year 2005 |
| 4Q 2004 | means | Fourth calendar quarter of year 2004 |
| bbls | means | Barrels |
| boe | means | Barrels of oil equivalent |
| FRS | means | Financial Reporting Standards |
| FY 2005 | means | Full year ended 31 December 2005 |
| FY 2004 | means | Full year ended 31 December 2004 |
| Geopetrol | means | Geopetrol Singu Inc. |
| Goldpetrol | means | Goldpetrol Joint Operating Company Inc. |
| Goldwater | means | Goldwater Company Limited |
| Group | means | Interra Resources Limited, its subsidiary companies and joint ventures |
| GTMT | means | Goldwater TMT Pte. Ltd. |
| Interra | means | Interra Resources Limited |
| IPR | means | Improved Petroluem Recovery |
| k | means | thousand |
| mil | means | million |
| MOGE | means | Myanma Oil and Gas Enterprise |
| NA | means | Not applicable |
| NM | means | Not meaningful |
| ONWJ | means | Offshore North West Java |
| Orchard | means | Orchard Energy Holding Java & Sumatra B.V. |
| Pertamina | means | Perusahaan Pertambangan Minyak Dan Gas Bumi Negara |
| PSC | means | Production Sharing Contract |
| Retco | means | PT Retco Prima Energi |
| SES | means | South East Sumatra |
| TAC | means | Technical Assistance Contract |
| TMT | means | Tanjung Miring Timur |

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, oil price, foreign exchange rates, availability of real estate properties, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.