interra resources

INTERRA RESOURCES LIMITED
Company Registration No. 197300166Z

13 November 2006

Dear Shareholders

UNAUDITED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 2006

Main Events in 3Q 2006

- Net loss for the quarter of US$2.4 million due to a net impairment write-down of US$8.8 million of Myanmar assets as a result of ongoing arrears of payment of accounts receivable
- Completion of the sale of stake in Orchard Energy Holding Java & Sumatra B.V. ("Orchard") with a realised gain of US$5.8 million
- Change in functional currency of the Company and reporting currency of the Group from Singapore Dollars ("SGD") to United States Dollars ("USD")

The Board of Directors of Interra Resources Limited (the "Company" or "Interra") wishes to announce that for the third quarter ("3Q") of 2006, the Group recorded a net loss after tax of US$2.4 million compared to a profit of US$0.7 million in 3Q 2005. On a year on year basis, the net loss was US$1.5 million for the nine months ("9M") ended 30 September 2006 compared to a net profit of US$1.4 million for 9M 2005. Two major factors influencing the results are as follows:-

(1) Impairment of Myanmar Assets

The payment of the accounts receivable in Myanmar continues to be irregular and the amount outstanding in terms of unpaid invoices continues to increase. As at 30 September 2006, the amount due to Goldpetrol JOC Inc. (the operator of the Myanmar fields) by the Myanma Oil and Gas Enterprise ("MOGE") was US$6.7 million representing eleven months' invoices. Interra's 60% share of the amount outstanding is US$4.0 million.

Assessments of the carrying value of Interra's assets are conducted on a regular basis. In view of the prevailing circumstances and based upon the assessment of the current conditions, the Board is of the opinion that it is only prudent that a write-down of the carrying value of assets relating to the Myanmar project be recognised. The net amount of this impairment write-down is US$8.8 million. This comprises US$7.1 million of evaluation, exploration and development costs, US$0.2 million of concession rights and US$1.5 million of additional allowance for doubtful debts.

If the payment of outstanding accounts receivable improves and circumstances warrant, the Board may write back all or part of the impairment in the future. However, any write-back would be subject to the prevailing Financial Reporting Standards.

(2) Completion of Sale of Orchard

The sale of Interra's entire stake in Orchard was completed on 22 August 2006 and its share of the operating profit generated by Orchard was recognised in the Group's profit and loss statement up to and including 21 August 2006. Interra recognised a profit on the sale in 3Q 2006 of US$5.8 million.

Revenue and Shareable Production

Operating revenue increased by 17% to US$3.7 million in 3Q 2006 from US$3.1 million in 3Q 2005. On a year to year basis, revenue climbed 29% to US$10.9 million in 9M 2006. The rise was due to higher oil prices. The weighted average oil price transacted during 3Q 2006 was US$69.53 per barrel whereas during 3Q 2005 it was US$58.88 per barrel. The weighted average oil price transacted in 9M 2006 was US$69.50 per barrel as compared with US$52.85 per barrel in 9M 2005.

Shareable production for 3Q 2006 has remained flat as compared with 3Q 2005 whereas on a year on year basis, shareable production increased by almost 10,000 barrels (5%) in 9M 2006 as compared with 9M 2005.

Change of Functional Currency and Reporting Currency

From 1 September 2006 onwards, the Company changed its functional currency and reporting currency from SGD to USD. The Company is of the opinion that USD is the currency of the primary economic environment in which it operates.

In accordance with FRS 21, the Company shall apply the new functional currency prospectively from 1 September 2006. The Group's financial statements will be presented in USD from 3Q 2006 onwards. The figures for the respective periods in FY 2005 have been translated into USD for comparison purposes.

Subsequent Events

Status of Capital Reduction

The Company completed the capital reduction exercise on 11 October 2006. The reduced amount will be reflected in the next quarterly results. Shareholders are advised that the capital reduction is an accounting and legal exercise which will not have any impact on the number of shares or shareholders' equity.

Suspension of Proposed Drilling Program in Myanmar

On 3 November 2006, the Company announced that it had suspended the proposed deep drilling program in Myanmar due to ongoing uncertainty regarding the payment of accounts receivable.

Notwithstanding the difficulties faced in Myanmar, the Group's financial position has strengthened during 9M 2006. As at 30 September 2006, the Group has cash on hand of US$23.8 million and no interest bearing debt.

Yours sincerely,

The Board of Directors
Interra Resources Limited

interraresources

INTERRA RESOURCES LIMITED
UNAUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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From 1 Sep 2006 onwards, the Company's functional currency and Group's reporting currency changed from SGD to USD. The figures for the respective periods in FY 2005 have been translated into USD for comparison purposes. (See Item 5 for further details).

1(a)(i) PROFIT AND LOSS STATEMENT

Group	Note	3Q 2006 US$'000	3Q 2005 Restated US$'000	Change %	9M 2006 US$'000	9M 2005 Restated US$'000	Change %
Revenue	A1	3,669	3,139	↑ 17	10,282	7,994	↑ 29
Cost of production	A2	(2,298)	(1,780)	↑ 29	(6,328)	(4,894)	↑ 29
Gross profit		**1,371**	**1,359**	↑ 1	**3,954**	**3,100**	↑ 28
Other income	A3	241	167	↑ 44	841	448	↑ 88
Administrative expenses		(968)	(515)	↑ 88	(2,093)	(1,420)	↑ 47
Allowance for doubtful debts	A4	(1,465)	-	NM	(2,563)	-	NM
Impairment of exploration, evaluation and development costs	A4	(7,124)	-	NM	(7,124)	-	NM
Impairment of concession rights	A4	(222)	-	NM	(222)	-	NM
Impairment of intangible benefits	A4	(4,473)	-	NM	(4,473)	-	NM
Reversal of deferred income	A4	4,473	-	NM	4,473	-	NM
Other operating expenses	A5	(161)	(164)	↓ 2	(489)	(495)	↓ 1
Finance costs	A6	(73)	(325)	↓ 78	(849)	(561)	↑ 51
Share of profit after tax of associates		468	488	↓ 4	2,043	805	↑ 154
Loss from bond redemption	A7	-	-	NM	(81)	-	NM
Gain on disposal of associates	A8	5,824	-	NM	5,824	-	NM
(Loss)/Profit before tax		**(2,109)**	**1,010**	NM	**(759)**	**1,877**	NM
Taxation		(260)	(269)	↓ 3	(730)	(438)	↑ 67
(Loss)/Profit after tax		**(2,369)**	**741**	NM	**(1,489)**	**1,439**	NM

↑ means increase
↓ means decrease
NM = not meaningful

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

Group	3Q 2006 US$'000	3Q 2005 Restated US$'000	9M 2006 US$'000	9M 2005 Restated US$'000
A1 Revenue				
Sales of crude oil (See 8(iii) for production profile)	3,669	3,139	10,282	7,994
A2 Cost of production				
Production expenses	1,904	1,402	5,074	3,829
Depreciation of property, plant and equipment	97	110	314	308
Amortisation of exploration, evaluation and development costs	293	268	936	757
Amortisation of computer software	4	-	4	-
	2,298	1,780	6,328	4,894
A3 Operating income				
Interest income from deposits	153	24	228	55
Interest income from associates	25	44	135	74
Deferred income	107	107	320	320
Petroleum services fees	37	-	101	-
Other income	4	9	24	12
Foreign exchange (loss)/gain, net	(85)	(17)	33	(13)
	241	167	841	448

A4 Allowance and impairment

In view of the current irregular payment of the Myanmar project trade receivables, the Group performed an impairment assessment in accordance with FRS 36 - Impairment of Assets, taking into consideration various factors, inter alia, timing of payment of sales invoices. Following the results of this assessment, it was decided that an impairment write-down of US$8.8 mil on the carrying amount of the assets relating to the Myanmar project is necessary as at 30 Sep 2006. This write-down comprised US$7.1 mil of evaluation, exploration and development costs, US$0.2 mil of concession rights and US$1.5 mil of additional allowance for doubtful debts. In addition to the write-down, the intangible benefits and deferred income amounting to US$4.5 million each, which arose from the Farm Out of the Group's 40% interest in Myanmar project in 2003 were also fully written off and reversed.

Group	3Q 2006 US$'000	3Q 2005 Restated US$'000	9M 2006 US$'000	9M 2005 Restated US$'000
A5 Depreciation and amortization				
Property, plant and equipment	5	8	20	26
Concession rights	7	7	22	22
Participation rights	42	42	127	127
Intangible benefits	107	107	320	320
	161	164	489	495
A6 Finance costs				
Interest expense amortisation for bonds issued	-	325	613	561
Interest expense on loan from a related party	14	-	59	-
Deemed interest expense on interest free loans	59	-	177	-
	73	325	849	561

A7 Loss from bond redemption

Loss from bond redemption is an one-off accounting write-off between the carrying value of the bond as at the date of redemption and the deemed proceeds arising from the warrant exercise. (See 1(d)(ii) for further details)

Group	3Q 2006 US$'000	3Q 2005 Restated US$'000	9M 2006 US$'000	9M 2005 Restated US$'000
A8 Gain on disposal of associates				
Net gain realised from disposal of associates	9,698	-	9,698	-
Cost incurred from disposal of associates	(121)	-	(121)	-
Share of profit from associates previously recognised in the P&L	(3,753)	-	(3,753)	-
	5,824	-	5,824	-

1(b)(i) BALANCE SHEET

	Note	Group 30-Sep-06 US$'000	Group 31-Dec-05 Restated US$'000	Company 30-Sep-06 US$'000	Company 31-Dec-05 Restated US$'000
Non-Current Assets					
Property, plant and equipment		720	1,011	8	8
Exploration, evaluation and development costs	B1	6,202	14,263	-	-
Intangibles	B1	119	5,151	8	6
Interest in subsidary companies	B1	-	-	9,110	24,258
Interest in associates	B2	-	12,959	-	11,248
Goodwill on reverse acquisition		1,489	1,489	-	-
Participating rights		1,720	1,847	-	-
Other investments		4	4	4	4
		10,254	36,724	9,130	35,524
Current Assets					
Inventories		911	941	-	-
Work in progress		37	94	-	-
Trade receivables	B3	3,427	3,088	-	-
Other receivables, deposits and prepayments	B4	1,585	441	1,101	200
Amount due from associates		-	5	-	-
Cash at bank and in hand	B5	23,845	2,891	21,072	1,721
Restricted cash	B5	-	1,939	-	1,939
		29,805	9,399	22,173	3,860
Current Liabilities					
Trade payables		(564)	(539)	-	-
Amount due to related parties (trade)		(15)	(64)	-	-
Other payables and accruals		(1,829)	(2,124)	(320)	(882)
Loan from a related party (interest bearing)		-	(750)	-	-
Bond coupon payable		-	(167)	-	(167)
Interest payable		-	(8)	-	-
Provision for taxation		(2,515)	(1,799)	(5)	(3)
		(4,923)	(5,451)	(325)	(1,052)
Net Current Assets		24,882	3,948	21,848	2,808
Non-Current Liabilities					
Loan from a director	B6	(1,274)	(1,217)	-	-
Loan from a substantial shareholder	B6	(1,354)	(1,294)	-	-
Loan from a related party	B6	(1,354)	(1,294)	-	-
Secured Bond 7% due 2010	B7	-	(10,727)	-	(10,727)
Deferred income	B1	-	(4,793)	-	-
Provision for restoration costs		(33)	-	-	-
		(4,015)	(19,325)	-	(10,727)
Net Assets		31,121	21,347	30,978	27,605
Representing:					
Share capital		152,991	29,392	152,991	29,392
Reserves		(121,870)	(8,045)	(122,013)	(1,787)
		31,121	21,347	30,978	27,605

Explanatory Notes to Balance Sheet

B1 As of 30 Sep 2006, the Group has written down the carrying amount of the assets relating to the Myanmar project that comprise of exploration, evaluation and development costs, concession rights and accounts receivable of US$8.8 mil.

Intangible benefits consitituting future technical assistance to be received in respect of the Myanmar project has been fully written off. The corresponding outstanding deferred income has also been reversed. There is no effect to the Group's net assets.

In view of the impairment assessment at the Group level, the Company has also written down the cost of investment in Goldwater Company Limited by US$17.6 mil. However, the write down at the Company level does not have any impact on the Group's results as it is eliminated on consolidation.

B2 Interest in associates represents the Group's 50% interest in Orchard Energy Holding Java & Sumarta B.V. ("Orchard").

	Group	
	30-Sep-06	31-Dec-05 Restated
	US$'000	US$'000
Unquoted equity shares at cost	-	7,073
Advances made to associates	-	4,175
Group's share of changes in post acquisition reserves	-	1,711
	-	12,959

B3 The trade receivables position in Myanmar deteriorated in 3Q 2006. During the quarter, the Group received payment for two outstanding invoices. As part of the impairment assessment, the Company made an additional allowance for doubtful debts amounting to US$1.5 mil in 3Q 2006.

	Group	
	30-Sep-06	31-Dec-05 Restated
	US$'000	US$'000
Trade receivables	6,344	3,442
Allowance for doubtful debts	(2,917)	(354)
	3,427	3,088

B4 Other receivables, deposits and prepayments include an amount due from a third party (Salamander), being US$1 mil worth of shares in the proposed Salamander Initial Public Offering as part of the disposal consideration of Orchard during the period.

B5 Cash and cash equivalents as at 31 Dec 2005 include cash and bank balances and restricted cash deposits (Secured Debt Service Reserve Account) of US$1.9 mil relating to the Secured Bond 7% due 2010 issued on 25 Apr 2005. (See 1(d)(ii) for further details)

	Group	
	30-Sep-06	31-Dec-05 Restated
	US$'000	US$'000
Cash at bank and in hand	23,845	2,891
Restricted cash (Secured Debt Service Reserve Account)	-	1,939
Cash and cash equivalents	23,845	4,830

Explanatory Notes to Balance Sheet

B6 These are interest free loans from a director, a substantial shareholder and a related party which are stated at amortised cost in accordance with FRS 39 - Financial Instruments: Recognition and Measurement ("FRS 39"). The difference between the loan amount and present value of the loan is amortised as deemed interest expense over 37 months from Apr 2005 to Apr 2008. These loans will only be due for repayment on 30 Apr 2008.

	Group	
	30-Sep-06	31-Dec-05 Restated
	US$'000	US$'000
Loan from a director, a substantial shareholder and a related party	4,381	4,381
Less: Unamortised deemed interest expense	(399)	(576)
	3,982	3,805

B7 Details on the Secured Bond 7% due 2010 are as follows:-

	Group	
	30-Sep-06	31-Dec-05 Restated
	US$'000	US$'000
Principal outstanding	-	11,000
Bond accretion account	-	(273)
	-	10,727

(See 1(d)(ii) for further details)

1(b)(ii) BORROWINGS AND DEBT SECURITIES

Group	30-Sep-06		31-Dec-05	
	Secured	Unsecured Restated	Secured	Unsecured Restated
	US$'000	US$'000	US$'000	US$'000
Amount repayable in one year or less, or on demand	-	-	-	750
Amount repayable after one year	-	3,982	10,727	3,805

Details of Collateral

The secured borrowings of the Group were 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.

As a result of the bond redemption arising from the warrant exercise (see 1(d)(ii) for further details), the charges on the above collateral have been released.

1(c) CASH FLOW STATEMENT

Group	3Q 2006 US$'000	3Q 2005 Restated US$'000	9M 2006 US$'000	9M 2005 Restated US$'000
Cash Flows from Operating Activities				
(Loss)/Profit before taxation	(2,109)	1,010	(759)	1,877
Adjustments for non-cash items:				
Foreign currency translation	1	(7)	4	53
Share of profit after tax of associates	(468)	(488)	(2,043)	(805)
Depreciation and amortisation of:				
Property, plant and equipment	102	118	334	334
Exploration, evaluation and development costs	293	268	936	757
Concession rights	7	7	22	22
Intangible benefits	107	107	320	320
Computer software	4	-	4	-
Participating rights	42	42	127	127
Impairment of exploration, evaluation and development costs	7,124	-	7,124	-
Impairment of concession rights	222	-	222	-
Impairment of intangible benefits	4,473	-	4,473	-
Reversal of deferred income	(4,473)	-	(4,473)	-
Allowance for doubtful debts	1,465	-	2,563	-
Interest income	(178)	(68)	(363)	(129)
Interest expense	73	325	849	561
Deferred income	(107)	(107)	(320)	(320)
Exchange difference	85	17	(33)	13
Loss from bond redemption	-	-	81	-
Gain on disposal of associates	(5,824)	-	(5,824)	-
Other income	-	-	-	(2)
Operating profit before working capital changes	839	1,224	3,244	2,808
Changes in working capital:				
Inventories	15	105	29	311
Trade and other receivables	(1,491)	(953)	(3,042)	(1,955)
Trade and other payables	286	(143)	11	(853)
Accrued operating expenses	(98)	244	96	716
Amount due to related parties (trade)	-	(117)	(48)	(905)
Work in progress	18	-	56	-
Provision for restoration costs	33	-	33	-
Tax paid	(12)	-	(14)	-
Net cash (outflows)/inflows from operating activities	(410)	360	365	122
Cash Flows from Investing Activities				
Interest income received	264	79	340	102
Net proceeds from disposal of associates	20,253	-	20,253	-
Net proceeds from disposal of property, plant and equipment	-	-	-	4
Investment in associates	(101)	(1,157)	(453)	(11,181)
Investment in club membership	-	(4)	-	(4)
Capital expenditure:				
Purchase of property, plant and equipment	(7)	(27)	(41)	(155)
Purchase of computer software	(2)	-	(10)	-
Well drillings and improvements	-	(136)	(30)	(716)
Geological and geophysical studies	-	(82)	-	(161)
Net cash inflows/(outflows) from investing activities	20,407	(1,327)	20,059	(12,111)
Cash Flows from Financing Activities				
Interest paid	(29)	-	(658)	-
Repayment of loan from a related party	(750)	-	(750)	-
Proceeds from bond issue	-	-	-	11,000
Net cash (outflows)/inflows from financing activities	(779)	-	(1,408)	11,000
Net increase/(decrease) in cash and cash equivalents	19,218	(967)	19,016	(989)
Cash and cash equivalents at beginning of period	4,627	4,726	4,829	4,748
Cash and cash equivalents at end of period (See Note B5)	23,845	3,759	23,845	3,759

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

Group	Share Capital US$'000	Share Premium US$'000	Warrant Premium Reserves US$'000	Foreign Currency Translation Reserve US$'000	Special Reserves US$'000	Unappropriated Profits US$'000	Total US$'000
Balance as at 30 Jun 2005	29,392	66,730	546	(199)	(82,714)	6,098	19,853
Effect of change in functional currency	-	-	-	10	-	-	10
Net profit after tax for 3Q 2005	-	-	-	-	-	741	741
Balance as at 30 Sep 2005	29,392	66,730	546	(189)	(82,714)	6,839	20,604
Balance as at 30 Jun 2006	147,314	-	-	(394)	(122,344)	8,501	33,077
Effect of change in functional currency	5,677	-	-	(834)	-	(4,430)	413
Net loss after tax for 3Q 2006	-	-	-	-	-	(2,369)	(2,369)
Balance as at 30 Sep 2006	152,991	-	-	(1,228)	(122,344)	1,702	31,121

Company	Share Capital US$'000	Share Premium US$'000	Warrant Premium Reserves US$'000	Foreign Currency Translation Reserve US$'000	Accumulated Losses US$'000	Total US$'000
Balance as at 30 Jun 2005	29,392	106,360	546	(193)	(107,622)	28,483
Effect of change in functional currency	-	-		5	-	5
Net loss after tax for 3Q 2005	-	-	-	-	(496)	(496)
Balance as at 30 Sep 2005	29,392	106,360	546	(188)	(108,118)	27,992
Balance as at 30 Jun 2006	147,314	-	-	(394)	(109,276)	37,644
Effect of change in functional currency	5,677	-	-	394	(4,430)	1,641
Net loss after tax for 3Q 2006	-	-	-	-	(8,307)	(8,307)
Balance as at 30 Sep 2006	152,991	-	-	-	(122,013)	30,978

1(d)(ii) SHARE CAPITAL

In light of the abolition of the par value concept in the Companies (Amendment) Act 2005 which took effect on 30 Jan 2006, the share premium of the Company was reclassified from reserves into issued and paid up share capital of the Company in 1Q 2006. This led to an increase in the share capital of the Company during the quarter. No additional shares were issued in 1Q 2006.

In 2Q 2006, the Company received an exercise notice from the warrantholder to exercise all outstanding warrants ("Warrants") and to subscribe to 64,393,214 shares ("New Shares") in the capital of the Company. The Warrants had an aggregate nominal value of US$11 mil and an exercise price of S$0.28 per share. The New Shares were issued and alloted on 20 Jun 2006. In accordance to the terms and conditions of the Warrants, the warrantholder had elected to surrender all US$11 mil Secured Bond 7% due 2010 ("Bonds") in lieu of cash payment for the aggregate subscription price of US$11 mil payable upon the exercise of the Warrants.

As a result of the full exercise of the Warrants,
(a) the total number of issued shares in the capital of the Company increased from 192,527,024 shares to 256,920,238 shares.
(b) the issued share capital of the Company increased from US$96,121,390 to US$107,683,764.

No additional shares were issued in 3Q 2006. The capital reduction exercise proposed during the quarter was completed on 11 Oct 2006 and the effect will only be reflected in the next quarterly results.

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 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 2005, except for FRS 21 - The Effect of Changes in Foreign Exchange Rate ("FRS 21"), which is elaborated in Item 5 below.

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

From 1 Sep 2006 onwards, the Company changed its functional currency from SGD to USD. The Company is of the opinion that USD is the currency of the primary economic environment in which the Company operates. Due to the USD proceeds received from the disposal of Orchard, the Company's future income will mainly be in the form of interest income in USD. Furthermore, the future source of funds for the Company's business acquisitions and funding of subsidiaries activities will be predominantly out of the USD proceeds of the Orchard disposal. The Company's future dividend income will also be in USD.

Following the change in the Company's functional currency, the Group's reporting currency was also changed to USD. The Group primarily invests in the upstream oil and gas sector. Globally, the pricing of and sources of funds for transactions in this sector are in USD. This is also consistent with the operations and activities of the Company's subsidiary companies and jointly controlled entities which are already denominated in USD. The Group's financial statements will be presented in USD from 3Q 2006 onwards.

In accordance with FRS 21, the Company shall apply the new functional currency prospectively from 1 Sep 2006. The figures for the respective periods in FY 2005 have been translated into USD for comparison purposes.

6 EARNINGS PER SHARE

Group	3Q 2006	3Q 2005 Restated	9M 2006	9M 2005 Restated
Basic earnings per share (USD cents)	- 0.922	+ 0.004	- 0.687	+ 0.748
Weighted average number of shares for the purpose of computing basic earnings per share	256,920,238	192,527,024	216,821,900	192,527,024
Fully diluted earnings per share (USD cents)	- 0.922	+ 0.004	- 0.622	+ 0.748
Weighted average number of shares for the purpose of computing fully diluted earnings per share	256,920,238	192,527,024	239,218,913	192,527,024

In accordance with FRS 33 - Earnings per share ("EPS"), potential shares arising from the conversion of warrant instruments 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. As the warrant instrument was exercised on 19 Jun 2006, the relevant period for the purpose of computing fully diluted earnings per share for 9M 2006 is from 1 Jan 2006 to 18 Jun 2006.

The average share price of the Company for the period 1 Jul 2005 to 30 Sep 2005 was S$0.265 and for the period 26 Apr 2005 to 30 Sep 2005 was S$0.267. The warrant subscription prices in 3Q 2005 and 9M 2005 were S$0.42 per share and S$0.333 per share respectively. As such, potential shares arising from the exercise of warrants were deemed to be anti-dilutive and were disregarded from the computation of fully diluted earnings per share for the period 3Q 2005 and 9M 2005. Therefore, there was no difference between basic earnings per share and fully diluted earnings per share for 3Q 2005 and 9M 2005.

7 NET ASSET VALUE PER SHARE

	Group		Company	
	30-Sep-06	31-Dec-05 Restated	30-Sep-06	31-Dec-05 Restated
Net asset value per ordinary share based on issued share capital (USD cents)	12.113	11.088	12.057	14.338
Number of ordinary shares in issue	256,920,238	192,527,024	256,920,238	192,527,024

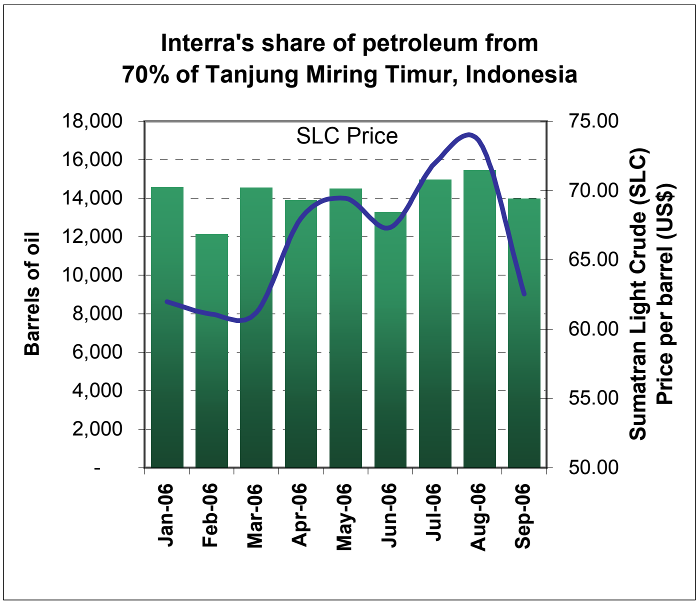
8(i) PERFORMANCE REVIEW

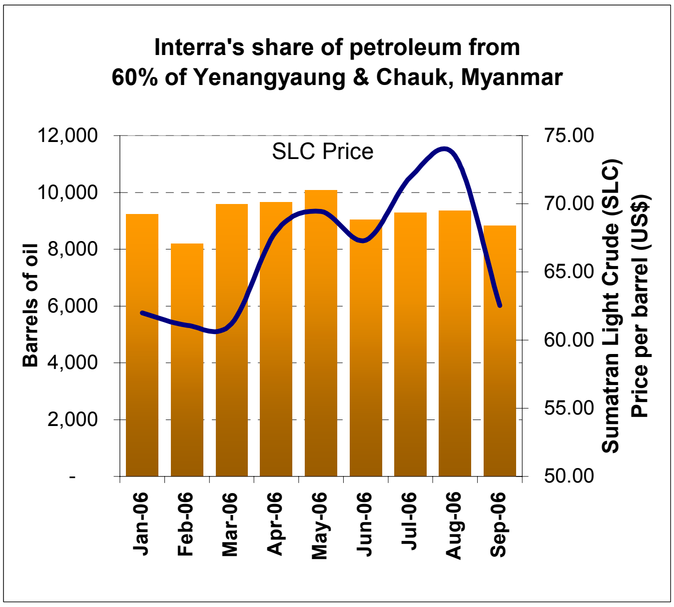
Significant factors affecting the turnover, costs and earnings of the Group

Production

The Group's share of shareable production from the Tanjung Miring Timur ("TMT") and Myanmar fields increased by approximately 1k barrels ("bbls") of oil from 71k bbls in 3Q 2005 to 72k bbls in 3Q 2006. The Group's share of production lifting from its 2.5% working interests in each of Offshore North West Java PSC ("ONWJ") and South East Sumatra PSC ("SES") up to 21 Aug 2006, which was not consolidated into the Group's top line revenue, amounted to 83k bbls of oil and 44k bbls of oil equivalent ("boe").

Combining both consolidated and unconsolidated share of production, the Group's share of shareable production in 3Q 2006 was 220k boe or 2,400 boe per day. In 3Q 2005, the Group's share of shareable production was 377k boe or 4,099 boe per day. On a year on year basis, the Group's share of shareable production for 9M 2006 was 956k boe or 3,502 boe per day as compared with 663k boe or 2,430 boe per day in 9M 2005.





Revenue

Revenue increased by US$0.6 mil (17%) from US$3.1 mil in 3Q 2005 to US$3.7 mil in 3Q 2006. This was due mainly to the increased oil prices. The weighted average transacted oil prices per bbl in 3Q 2006 and 3Q 2005 were approximately US$69.50 and US$58.70 respectively.

Cost of production

In 3Q 2006, the cost of production was US$2.3 mil compared with US$1.8 mil in 3Q 2005. In general, high oil prices led to an upward pressure on the operating costs which have increased across the board. The increase in cost of production was also due to drilling expenses amounting to US$220k incurred on the shallow infill drilling in Myanmar which was conducted using the Group's own rig.

8(i) PERFORMANCE REVIEW (con'td)

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

Net profit after tax

The Group posted a net loss after tax of US$2.4 mil in 3Q 2006 as compared with a profit of US$0.7 mil in 3Q 2005. The loss was due to the write-down of the carrying value of assets relating to Myanmar project amounting to US$8.8 mil. However, this was partially offset by the realised gain from the disposal of Orchard amounting to US$5.8 mil.

Group (3Q 2006)	Profit Before Tax US$'000	Taxation US$'000	Financing Cost US$'000	Net Contribution to Group US$'000	Net Contribution to Group %
TMT	546	(127)	-	419	47%
ONWJ & SES	1,050	(583)	-	467	53%
Myanmar	(8,434)	(120)	(14)	(8,568)	NM
Loss from operations	**(6,838)**	**(830)**	**(14)**	**(7,682)**	**100%**
Head office expenses and income				(439)	
Deemed interest expense (FRS 39)				(59)	
Gain on disposal of associates				5,824	
Taxation				(13)	
Net loss after tax				**(2,369)**	

Group (9M 2006)	Profit Before Tax US$'000	Taxation US$'000	Financing Cost US$'000	Net Contribution to Group US$'000	Net Contribution to Group %
TMT	1,979	(350)	-	1,629	53%
ONWJ & SES	4,718	(2,675)	(613)	1,430	47%
Myanmar	(8,797)	(364)	(59)	(9,220)	NM
Loss from operations	**(2,100)**	**(3,389)**	**(672)**	**(6,161)**	**100%**
Head office expenses and income				(878)	
Deemed interest expense (FRS 39)				(177)	
Loss from bond redemption				(81)	
Gain on disposal of associates				5,824	
Taxation				(16)	
Net loss after tax				**(1,489)**	

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

The increase in the Group's net assets from US$21.3 mil (as at 31 Dec 2005) to US$31.1 mil was due mainly to:

(a) the conversion of Warrants into shares on 19 Jun 2006. The warrantholder had elected to surrender all US$11 mil Bonds in lieu of a cash payment for the aggregate subscription price of US$11 mil payable upon exercise of the Warrants.

(b) the disposal of Orchard in Aug 2006 for a consideration of US$21.5 mil. As a result of this disposal, the Group's net assets increased by US$5.8 mil and net working capital by US$21.5 mil.

(c) the write-down in the carrying value of assets relating to Myanmar project amounting to US$8.8 mil.

8(ii) SEGMENTED REVENUE AND RESULTS

Geographical Segment	Indonesia 3Q 2006 US$'000	Indonesia 3Q 2005 Restated US$'000	Myanmar 3Q 2006 US$'000	Myanmar 3Q 2005 Restated US$'000	Consolidated 3Q 2006 US$'000	Consolidated 3Q 2005 Restated US$'000
Results						
EBITDA	732	966	(8,262)	561	(7,530)	1,527
EBIT	520	732	(8,413)	363	(7,893)	1,095
Sales to external customers	2,296	1,903	1,373	1,236	3,669	3,139
Segment results	539	737	(8,413)	363	(7,874)	1,100
Finance costs					(73)	(325)
Share of profit after tax from associates					468	488
Gain on disposal of associates					5,824	-
Unallocated corporate net operating results					(454)	(253)
(Loss)/Profit before tax					(2,109)	1,010
Taxation					(260)	(269)
Net (loss)/profit after tax					(2,369)	741

Geographical Segment	Indonesia 9M 2006 US$'000	Indonesia 9M 2005 Restated US$'000	Myanmar 9M 2006 US$'000	Myanmar 9M 2005 Restated US$'000	Consolidated 9M 2006 US$'000	Consolidated 9M 2005 Restated US$'000
Results						
EBITDA	2,629	2,669	(8,056)	977	(5,427)	3,646
EBIT	1,939	2,015	(8,782)	402	(6,843)	2,417
Sales to external customers	6,300	4,908	3,982	3,086	10,282	7,994
Segment results	1,972	2,023	(8,782)	402	(6,810)	2,425
Finance costs					(849)	(561)
Share of profit after tax from associates					2,043	805
Gain on disposal of associates					5,824	-
Unallocated corporate net operating results					(967)	(792)
(Loss)/Profit before tax					(759)	1,877
Taxation					(730)	(438)
Net (loss)/profit after tax					(1,489)	1,439

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		3Q 2006 barrels	3Q 2005 barrels	9M 2006 barrels	9M 2005 barrels
Average gross production per day		2,108	2,211	2,135	2,193
Gross production		193,931	203,445	582,963	598,676
Non-shareable production		(148,137)	(154,559)	(444,146)	(463,571)
Production shareable with Myanma Oil and Gas Enterprise		45,794	48,886	138,817	135,105
Group's 60% share of production		27,477	29,332	83,290	81,063
Group's average shareable production per day		299	319	305	297

Myanmar Revenue		3Q 2006	3Q 2005	9M 2006	9M 2005
Weighted average transacted oil price	US$	69.46	58.59	66.45	52.94
Revenue shareable with MOGE	US$'000	1,909	1,719	5,535	4,291
MOGE's share	US$'000	(536)	(483)	(1,553)	(1,205)
Group's net share of revenue	US$'000	1,373	1,236	3,982	3,086

Indonesia Production		3Q 2006 barrels	3Q 2005 barrels	9M 2006 barrels	9M 2005 barrels
Average gross production per day		749	721	730	710
Gross production		68,912	66,307	199,261	193,757
Non-shareable production		(5,497)	(6,940)	(17,320)	(22,636)
Production shareable with Pertamina		63,415	59,367	181,941	171,121
Group's 70% share of production		44,391	41,557	127,359	119,785
Group's average shareable production per day		483	452	467	439

Indonesia Revenue		3Q 2006	3Q 2005	9M 2006	9M 2005
Weighted average transacted oil price	US$	69.53	58.66	66.50	52.85
Revenue shareable with Pertamina	US$'000	3,087	2,438	8,469	6,331
Pertamina's share	US$'000	(791)	(535)	(2,169)	(1,423)
Group's net share of revenue	US$'000	2,296	1,903	6,300	4,908

Group Production and Revenue		3Q 2006	3Q 2005	9M 2006	9M 2005
Group's share of shareable production	barrels	71,868	70,889	210,649	200,848
Group's average shareable production per day	barrels	781	771	772	736
Group's total revenue	US$'000	3,669	3,139	10,282	7,994

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 the last unaudited results announcement for the period ended 30 Jun 2006.

10 COMMENTARY ON PROSPECTS

Notwithstanding the difficulties faced in Myanmar, the Group's financial position has strengthened in the first nine months of 2006. As at 30 Sep 2006, the Group has cash on hand of US$23.8 mil and no interest bearing debt.

Barring any unforseen circumstances, the Group expects positive contributions from its working interest in TMT at the current oil price level.

Due to the high oil prices, net oil importing countries including Myanmar have encountered financial strains. The Group continues to receive payment of outstanding invoices from MOGE on an irregular basis. Ongoing efforts are made to ensure that payments are received in a more timely manner, however, little improvement has been achieved to date.

As documented in these 3Q 2006 results and recent annoucements, the accounts receivable position in Myanmar has deteriorated. This has resulted in the suspension of the proposed deep drilling program and also the impairment provision of the carrying value of the Group's Myanmar assets. The Group will continue to take steps to make sure that payments are received in a more timely manner. The actual frequency of future payments by MOGE is a major determining factor of whether the Myanmar operations will be profitable or loss making in the future.

11 DIVIDEND

No dividend for the period ended 30 Sep 2006 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 $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 3Q 2006 US$	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) 3Q 2006 US$
Nil	Nil	Nil

13 CONFIRMATION BY THE BOARD OF DIRECTORS PURSUANT TO RULE 705(4) OF THE SGX LISTING MANUAL

The Board of Directors of the Company hereby confirms to the best of their knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the third quarter ended 30 Sep 2006 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Submitted by
Luke Christopher Targett
Executive Director

13 November 2006

14 ABBREVIATIONS

1Q 2006	means	First calendar quarter of year 2006
2Q 2006	means	Second calendar quarter of year 2006
3Q 2006	means	Third calendar quarter of year 2006
3Q 2005	means	Third calendar quarter of year 2005
9M 2006	means	Nine months ended 30 September 2006
9M 2005	means	Nine months ended 30 September 2005
bbls	means	barrels
boe	means	barrels of oil equivalent
FRS	means	Financial Reporting Standards
FY 2006	means	Full year ended 31 December 2006
FY 2005	means	Full year ended 31 December 2005
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 Petroleum 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 PSC
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
Salamander	means	Salamander Energy Limited
SES	means	South East Sumatra PSC
TAC	means	Technical Assistance Contract
TMT	means	Tanjung Miring Timur