INTERRA RESOURCES LIMITED AND ITS SUBSIDIARIES

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

Annual Report for the Financial Year Ended 31 December 2010

Associated With
Smith & Williamson

Nexia TS Public Accounting Corporation
UEN: 200507237N
Incorporated with limited liability
Nexia TS Public Accounting Corporation is a member of Nexia International, an international network of independent accounting and consulting firms.

5 Shenton Way, #16-00 UIC Building, Singapore 068808 Tel: (65) 6534 5700 Fax: (65) 6534 5766 Website: www.nexiats.com.sg

Singapore Shanghai

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

Directorate

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

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

Arrangements for Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed under "Share Options" on pages 3 and 4 of this report.

Directors' Interests in Shares or Debentures

(a) According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the interests of directors holding office at the end of the financial year in shares or debentures of the Company and of related corporations other than wholly-owned subsidiaries were as follows:

	Number of ordinary shares in the name of director or nominee		Number of ordinary shares in which the director is deemed to have an interest	
	At end of the financial year	At beginning of the financial year	At end of the financial year	At beginning of the financial year
<u>The Company</u>				
Edwin Soeryadjaya	-	-	39,948,000	39,948,000
Sandiaga Salahuddin Uno	-	-	39,948,000	39,948,000
Subianto Arpan Sumodikoro	-	-	30,000,000	30,000,000
Allan Charles Buckler	3,945,600	3,945,600	-	-

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company or not related corporations either at the beginning of the financial year or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company or related corporations between the end of the financial year and 21 January 2011.

Directors' Contractual Benefits

Except as disclosed in the accompanying financial statements and in this report, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than as disclosed as directors' remuneration and fees in the accompanying financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share Options

(a) Interra Share Option Plan

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

The Plan provides a means of rewarding, retaining and giving recognition to employees who have contributed to the success and development of the Group. The Plan is 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	(Appointed on 18 February 2011)
Sandiaga Salahuddin Uno	

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to key management personnel after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium to the market price, the quantum of such premium to be determined by the Remuneration Committee in its absolute discretion (amended and approved by SGX-ST on 26 December 2007). The vesting of the options is conditional on the participant completing a further two years of service to the Group. Once the options are vested, they are exercisable for a period of three years. The options may be exercised, in whole or in part of 1,000 shares or any multiple thereof, on the payment of the aggregate exercise price. There are no restrictions on the eligibility of the participant to participate in any other share option plan or share incentive plan implemented by any other companies within the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Plan, shall not exceed 5% of the issued share capital of the Company on the day preceding that date.

The Plan became operative upon the Company granting options to subscribe for 1,200,000 ordinary shares of the Company on 3 March 2008 ("2008 Options"). The 2008 Options are exercisable from 4 March 2010 and expires on 2 March 2013. The total fair value of the 2008 Options granted and still valid is estimated to be S$20,603 (US$14,776) using the Binomial Option Pricing Model.

Share Options (Cont'd)

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

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

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

No options have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of the SGX-ST).

No participant under the Plan has received 5% or more of the total number of shares under option available under the Plan.

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

(b) Share Options Outstanding

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

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

Audit Committee

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

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

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

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

Independent Auditors

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

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Ng Soon Kai
Director

Singapore

23 March 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 9 to 61 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors

Marcel Han Liong Tjia
Director

Ng Soon Kai
Director

Singapore

23 March 2011

Independent Auditor's Report to the Members of Interra Resources Limited

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 9 to 61, which comprise the balance sheet of the Company and the consolidated balance sheet of the Group as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Independent Auditor's Report to the Members of Interra Resources Limited (Cont'd)

Opinion

In our opinion, the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS

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

Singapore

23 March 2011

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

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

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

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

		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 2010		**40,108,575**	**(1,303,308)**	**(16,544,140)**	**13,502**	**13,037,641**	**35,312,270**
Employee share option plan - value of employee services	20(b)(ii)	**-**	**-**	**-**	**1,273**	**-**	**1,273**
Total comprehensive income for the financial year		**-**	**(386,868)**	**-**	**-**	**1,709,999**	**1,323,131**
At 31 December 2010		**40,108,575**	**(1,690,176)**	**(16,544,140)**	**14,775**	**14,747,640**	**36,636,674**
At 1 January 2009		40,108,575	(1,128,345)	(16,544,140)	14,707	11,559,687	34,010,484
Employee share option plan - value of employee services	20(b)(ii)	-	-	-	(1,205)	-	(1,205)
Total comprehensive income for the financial year		-	(174,963)	-	-	1,477,954	1,302,991
At 31 December 2009		40,108,575	(1,303,308)	(16,544,140)	13,502	13,037,641	35,312,270

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

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

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

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

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

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

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas which involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2010

On 1 January 2010, the Group adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2. Summary of Significant Accounting Policies (Cont'd)

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

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

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

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

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

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

(b) Group Accounting

(i) Subsidiaries

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

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

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

(ii) Joint Ventures

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

2. Summary of Significant Accounting Policies (Cont'd)

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

(iii) Acquisition of Business

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(iv) Disposal of Subsidiaries or Businesses

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

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

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")

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 70% interest in the TAC TMT. Participating rights are amortised on a straight line basis from the date of initial recognition over the remaining period of TAC TMT of 12.75 years from 1 April 2004 to 31 December 2016.

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

Participating rights represent the excess of the fair value of the identifiable assets acquired and the liabilities assumed over the cost of acquisition of the 50% interests in the PCAs in Thailand and PEP in Australia. Participating rights are amortised on a straight line basis over the remaining life of PCAs and PEP upon commencement of production.

(iv) Concession Rights

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

(v) Computer Software

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

(d) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. When assets are sold or retired, their costs and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

2. Summary of Significant Accounting Policies (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

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

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

(e) Exploration, Evaluation and Development Costs

(i) Exploration and Evaluation Phase

Exploration and evaluation costs are accumulated in respect of each area of interest. Exploration and evaluation costs include the cost of acquisition, drilling, seismic, technical evaluation and feasibility studies, and include manpower and associated overhead charges incurred during the initial study period.

Exploration, evaluation and development costs are carried forward to where the right to tenure of the area of interest is current and they are expected to be recouped through successful development and exploitation of the area of interest, or where activities in the area of interest have not yet reached a stage that allows reasonable assessment of the existence of economically recoverable reserves.

Costs of evaluation and unsuccessful exploration in areas of interest where economically recoverable reserves do not currently exist (or is held under Retention Lease or equivalent) are expensed as incurred even if facilities in this area of interest are continuing. When an area of interest is abandoned or decided by the directors that it is not commercially viable, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of a financial period and its accumulated costs are written off to the extent that they will not be recoverable. Each potential or recognised area of interest is evaluated as and when management deems there are indications of significant change in the oil reserves.

(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.

2. Summary of Significant Accounting Policies (Cont'd)

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

(iii) Amortisation

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(f) Impairment of Non-Financial Assets

(i) Goodwill

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

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

Impairment loss on goodwill is not reversed in subsequent periods.

(ii) Non-Financial Assets Other Than Goodwill

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

For the purpose of impairment testing of these assets, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If that is the case, the recoverable amount is determined for the CGU to which the asset belongs. When estimating these future cash flows, the management makes reasonable and supportable assumptions based on a range of economic conditions that will exist over the remaining useful life of the asset. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

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

2. Summary of Significant Accounting Policies (Cont'd)

An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) as if no impairment loss had been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

(g) Payables

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

(h) Provisions

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

A provision for onerous contracts is recognised when the expected benefits from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

(i) Income Taxes

(i) Current Income Tax

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

(ii) Deferred Income Tax

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

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

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

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

2. Summary of Significant Accounting Policies (Cont'd)

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

(j) Borrowings and Finance Costs

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

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

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

(k) Environmental and Restoration Expenditure

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

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

(l) Employee Benefits

(i) Post Employment Benefits

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

Defined Contribution Plans

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

Defined Benefit Plans

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive upon or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

2. Summary of Significant Accounting Policies (Cont'd)

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is estimated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yield of high quality corporate bond that is denominated in the currency and the country in which the benefit will be paid and has tenure approximating to that of the defined benefit obligation.

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

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

(ii) Employee Leave Entitlements

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

(iii) Share-Based Compensation

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

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

(m) Financial Assets

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

2. Summary of Significant Accounting Policies (Cont'd)

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets.

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

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

(ii) Financial Assets, Available-For-Sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

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

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the security is impaired. The impairment amount charged to the statement of comprehensive income is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment losses previously recognised in the statement of comprehensive income. This impairment losses recognised as an expense on equity security are not reversed through the statement of comprehensive income.

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

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

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

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

2. Summary of Significant Accounting Policies (Cont'd)

(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, bank balances, restricted cash, fixed deposits and fixed deposits as collateral for bankers' guarantees which are subject to an insignificant risk of change in value. For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdrafts (if any) which are repayable on demand and which form an integral part of the Group's cash management.

(o) Inventories

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

(p) Revenue Recognition

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

(i) Revenue

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

(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.

2. Summary of Significant Accounting Policies (Cont'd)

(ii) Transactions and Balances

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

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

(iii) Translation of Group Entities' Financial Statements

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

(1) Assets and liabilities for each balance sheet presented are translated at the rates of exchange approximating those ruling at the balance sheet date;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the date of transactions); and

(3) All resulting foreign currency translation differences are taken in the shareholders' equity as foreign currency translation reserve.

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

(r) Operating Leases

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

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

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

2. Summary of Significant Accounting Policies (Cont'd)

(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.

(v) Government Grants

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

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

3. Critical Accounting Estimates, Assumptions and Judgements

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

Key Sources of Estimating Uncertainty

(a) Petroleum Reserves

There are numerous uncertainties inherent in the estimation of reserves and cash flows, including many factors beyond the Group's control. Evaluation of reserves and cash flows includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future petroleum prices, future operating costs and government levies that may be imposed over the producing life of the reserves. Many of these assumptions are subject to change and are beyond the Group's control. The determination of petroleum reserves has a significant impact on future cash flows which may affect the production level and hence future sales. Petroleum reserves also affect future amortisation rates of certain capitalised costs, such as exploration, evaluation and development costs. It also affects future provision rates for environmental and restoration costs.

(b) Amortisation of Exploration, Evaluation and Development Costs

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

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

The Group performs assessment of the carrying value of its assets on a regular basis. The recoverable amounts of CGU are determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions, *inter alia*, petroleum reserves, future crude oil prices, operating costs, capital expenditure and number of payment of invoices received by the Group in a year. Management has used the 2011 budgets reviewed by the respective joint ventures' owner committees and also past experiences as a guide. The period beyond 2011 until the contracts expire assumes some drilling activities undertaken to further develop the existing fields. Future cash flows are discounted using a weighted average cost of capital of 10% per annum (a comparable rate used by other companies in the region and in the similar nature of business sector).

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

3. Critical Accounting Estimates, Assumptions and Judgements

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

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

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

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

(d) Provision for Environmental and Restoration Costs

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

(e) Income Taxes

The Group's profit is subject to income tax mainly in Indonesia, Myanmar and Singapore. Significant judgement is required in determining the Group-wide provisions for income taxes including capital allowances and deductibility of certain expenses. The Group has made the necessary tax provisions under the respective petroleum contracts. The Group has not paid income tax in respect of the Indonesia operations as there is unrecovered cost pool. As for the Myanmar operations, tax assessments have been finalised and paid up to 2004. If the final tax outcome allows deduction of unrecovered cost pools against profit oil, the actual tax expenses may be lower than the current tax provision. If such over-provision occurs, it will be reversed upon determination. Please refer to Note 27(b) for contingent liabilities for possible capital gain tax in Myanmar.

4. Property, Plant and Equipment

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

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

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

5. Exploration, Evaluation and Development Costs

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

5. Exploration, Evaluation and Development Costs (Cont'd)

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

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

6. Intangible Assets

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

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

Company

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

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

6. Intangible Assets (Cont'd)

Goodwill on Reverse Acquisition

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

The deemed cost of acquisition is derived from the total percentage of shareholdings held by the shareholders of the former Van der Horst Limited (now known as "Interra Resources Limited") as at the reverse acquisition date and Shantex Holdings Pte Ltd multiplied by the net assets of Goldwater as at the reverse acquisition date. As a result of applying the above, goodwill on reverse acquisition amounting to US$1,488,902 is recognised in the consolidated financial statements. The Group has previously amortised this cost over the remaining periods of the IPRCs of approximately 14 years from 10 July 2003 to 31 March 2017.

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

The Group performs assessment of the carrying value of its assets on a regular basis. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions that are disclosed under Note 3(c).

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

7. Investments in Subsidiaries

	Company	
	2010	2009
	US$	US$
Unquoted equity shares at cost		
Goldwater Company Limited	**19,062,000**	19,062,000
Goldwater TMT Pte. Ltd.	**1**	1
Goldwater Eagle Limited	**1**	1
Goldwater Indonesia Inc.	**1**	1
Goldwater Energy Limited	**1**	1
Interra Resources (Thailand) Limited	**76,325**	76,325
Interra Resources (Australia) Pte. Ltd.	**100**	100
	19,138,429	19,138,429
Advances made to/(from) subsidiaries		
Goldwater Company Limited	**11,196**	3,872,287
Goldwater TMT Pte. Ltd.	**6,450,232**	6,106,024
Goldwater Eagle Limited	**(255,462)**	(245,169)
Interra Resources (Thailand) Limited	**6,665,175**	5,994,225
Interra Resources (Australia) Pte. Ltd.	**2,116,013**	479,453
	14,987,154	16,206,820
Net investment in subsidiaries	**34,125,583**	35,345,249
Allowance for impairment:		
Opening balance	**15,105,093**	17,615,160
Allowance for impairment	**6,741,500**	-
Write-back of allowance for impairment	**(7,941,283)**	(2,510,067)
Closing balance	**13,905,310**	15,105,093
Investments in subsidiaries	**20,220,273**	20,240,156

Advances made to/(from) subsidiaries

The advances made to/(from) subsidiaries form part of the Company's net investment in the subsidiaries. Advances made to/(from) subsidiaries are interest free advances for the purpose of operating and development activities in their respective fields. These advances are not expected to be repaid within the next 12 months.

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

7. Investments in Subsidiaries (Cont'd)

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

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

[(a)] Audited by Nexia TS Public Accounting Corporation, for consolidation purposes
[(b)] Audited by Nexia TS Public Accounting Corporation
[(c)] Not required to be audited under the laws of the country of incorporation
[(d)] Audited by V.A.T Accounting, a member firm of Nexia International

8. Financial Assets, at Fair Value through Profit or Loss

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

8. Financial Assets, at Fair Value through Profit or Loss (Cont'd)

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

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

9. Inventories

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

10. Trade and Other Receivables

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

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

11. Other Current Assets

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

12. Cash and Cash Equivalents

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

Restricted Cash

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

Cash Collateral

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

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

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

13. Trade and Other Payables

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

14. Current Income Tax Liabilities

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

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

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

15. Income Tax Expense

Tax expense attributable to profit is made up of:

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

15. Income Tax Expense (Cont'd)

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

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

16. Provision for Environmental and Restoration Costs

The Group has made provision for environmental and restoration costs for its TAC TMT operations. Provision is made based on units of production basis. The Group has not made any provision for environmental and restoration costs for its Myanmar operations as the Group believes that there are no significant costs involved in meeting the legal and regulatory requirements laid down at the current time (Note 27(a)).

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

17. Retirement Benefit Obligations

The Group's joint venture, TAC TMT, has a funded defined benefit plan for its employees. This plan is a final salary retirement and severance benefit. The assets of the plan are held independently of the Group's assets in an insurance fund managed by PT Panin Life Tbk in Indonesia.

The amounts recognised on the balance sheet are as follows:

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

17. Retirement Benefit Obligations (Cont'd)

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

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

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

The movements in the defined benefit obligations are as follows:

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

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

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

The principal actuarial assumptions used are as follows:

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

18. Share Capital

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

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

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

19. Share Options

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

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

Under the Plan, options to subscribe for the ordinary shares of the Company are granted to key management personnel after taking into account criteria such as the rank, job performance, years of service, potential for future development, contribution to the success and development of the Group and the prevailing market and economic conditions. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange Securities Trading Limited ("SGX-ST") for five consecutive market days immediately preceding the date of the grant or a price which is set at a premium to the market price, the quantum of such premium to be determined by the Remuneration Committee in its absolute discretion (amended and approved by SGX-ST on 26 December 2007). The vesting of the options is conditional on the participant completing a further two years of service to the Group. Once the options are vested, they are exercisable for a period of three years. The options may be exercised, in whole or in part of 1,000 shares or any multiple thereof, on the payment of the aggregate exercise price. There are no restrictions on the eligibility of the participant to participate in any other share option plan or share incentive plan implemented by any other companies within the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Plan, shall not exceed 5% of the issued share capital of the Company on the day preceding that date.

The Plan became operative upon the Company granting options to subscribe for 1,200,000 ordinary shares of the Company on 3 March 2008 ("2008 Options"). The 2008 Options are exercisable from 4 March 2010 and expires on 2 March 2013. The total fair value of the 2008 Options granted and still valid is estimated to be S$20,603 (US$14,776) using the Binomial Option Pricing Model.

19. Share Options (Cont'd)

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

Number of unissued ordinary shares of the Company under option

Granted during the financial year	Aggregate granted since commencement of Plan to end of the financial year	Aggregate exercised since commencement of Plan to end of the financial year	Aggregate outstanding at the end of the financial year
-	500,000	-	500,000

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

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

20. Reserves

(a) Composition:

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

(b) Movements:

(i) Special Reserve

As a result of applying the reverse acquisition accounting set out in Note 2b(i), the Group's consolidated financial statements reflect the continuation of the financial statements of its legal subsidiary, Goldwater. As such, the cost of investment to acquire Goldwater and the reserves of the Company immediately prior to the reverse acquisition were transferred to special reserves during the consolidation of the financial statements. These reserves include share premium immediately before the debt restructuring on 10 July 2003 and accumulated losses immediately before the reverse acquisition on 10 July 2003.

20. Reserves (Cont'd)

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

(ii) Share Option Reserve

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

(iii) Foreign Currency Translation Reserve

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

21. Revenue

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

22. Other Gain, Net

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

23. Expenses by Nature

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

24. Employee Compensation

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

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

25. Earnings per Share

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

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

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

26. Commitments

(a) Operating Lease Commitments

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

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

26. Commitments (Cont'd)

(b) Capital Commitments

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

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

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

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

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

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

27. Contingent Liabilities

(a) The operations and earnings of the Group have been, and in the future may be, affected from time to time in varying degrees by the political developments in Myanmar, and laws and regulations in Myanmar and in countries influenced by developments in Myanmar. These may include sanctions by other countries on trade with Myanmar, forced divestment of assets, expropriation of property, cancellation of contracts, restrictions on production, changes in tax rules and environmental regulations. The likelihood of such occurrences and the overall effect upon the Group are not predictable.

The Myanmar Investment Commission ("'MIC") resolved at its meeting in August 1994 that all projects established with the permission of the MIC shall be responsible for the preservation of the environment at and around the area of the project sites. The enterprises are entirely responsible for controlling pollution of air, water and land, and other environmental aspects and keeping the project site environmentally friendly. To meet the requirements of the MIC, the Group may incur the costs in restoring the project sites. These potential costs are not estimated as the Group does not foresee any circumstances which require it to make provisions for such compliance with the MIC's requirements.

27. Contingent Liabilities (Cont'd)

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

28. Financial Risk Management

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

(a) Market Risk

(i) Price Risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified in the consolidated balance sheet as financial assets, at fair value through profit or loss. These securities are listed in Indonesia and quoted in Indonesian Rupiah. However, any significant movement in the prices of the equity securities is likely to be immaterial to the Group, in view of the Group's reserves.

In addition, the Group is also exposed to crude oil price risk. The price of crude oil, which is a global commodity is not set by the Group and is subject to fluctuations. The Group does not hedge against fluctuation in crude oil price. The Group will monitor the situation and manage the risk accordingly.

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

(ii) Interest Rate Risk

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

28. Financial Risk Management (Cont'd)

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

(iii) Country Risk

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

(iv) Foreign Currency Risk

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

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

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

28. Financial Risk Management (Cont'd)

The Group's currency exposure is as follows:

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

28. Financial Risk Management (Cont'd)

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

28. Financial Risk Management (Cont'd)

The Company's currency exposure is as follows:

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

If foreign currencies strengthen/(weaken) by 5% (2009: 5%) against the USD with all other variables including tax rate being held constant, the impact on the equity and net profit of the Group and the Company arising from currency translation gain/(loss) to the remaining USD denominated financial instruments will not be significant.

28. Financial Risk Management (Cont'd)

(b) Credit Risk

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

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

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

As the Group currently sells all the crude oil produced to MOGE and PT Pertamina EP, the Group has a significant concentration of credit risk. The Group does not foresee its exposure to PT Pertamina EP to be significant as payments have been regular. Since payments from MOGE has been regular in 2010, the Group wrote back the allowances for impairment in respect of the trade receivables from MOGE. The maximum exposure to financial assets risk in the event of a full default by MOGE as at 31 December 2010 is US$5,086,136 (2009: US$3,566,428). The Group regularly meets with MOGE to assess the collectability of payments and manages the cash flow accordingly. The amount due from MOGE as at financial year end was US$5,086,136 (2009: US$5,564,182).

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

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

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

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

28. Financial Risk Management (Cont'd)

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

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

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

(c) Capital Risk

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

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

(d) Liquidity Risk

The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group's surplus funds are also managed centrally by placing them on short-term deposits with reputable financial institutions. All financial liabilities of the Group mature within one year.

(e) Fair Value Measurements

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

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28. Financial Risk Management (Cont'd)

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

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

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

29. Investment in Joint Ventures

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

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

29. Investment in Joint Ventures (Cont'd)

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

Name of Entity	Principal Activities	Country of Incorporation/ Operation	Group's Effective Interest 2010 %	Group's Effective Interest 2009 %
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	70	70

[a] Audited by Nexia TS Public Accounting Corporation, for consolidation purposes

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

30. Segment Information

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

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

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

30. Segment Information (Cont'd)

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

Group	Indonesia 2010 US$	Myanmar 2010 US$	Thailand 2010 US$	Australia 2010 US$	All Other Segments 2010 US$	Total Reporting Segment 2010 US$
Revenue						
Sales to external customers	**4,632,271**	**10,221,657**	**-**	**-**	**-**	**14,853,928**
Adjusted EBITDA	**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**	**10,861,505**	**42,952,870**
Total assets includes:						
Capital expenditure (tangible and intangible assets)	**492,561**	**2,026,561**	**137,595**	**789,050**	**100,654**	**3,546,421**
Total liabilities	**(1,856,358)**	**(1,488,125)**	**(27,726)**	**(34,962)**	**(572,070)**	**(3,979,241)**

Group	Indonesia 2009 US$	Myanmar 2009 US$	Thailand 2009 US$	Australia 2009 US$	All Other Segments 2009 US$	Total Reporting Segment 2009 US$
Revenue						
Sales to external customers	5,844,352	6,772,731	-	-	-	12,617,083
Adjusted EBITDA	1,240,998	2,865,077	(144,029)	(3,141)	(634,441)	3,324,464
Depreciation and amortisation	1,287,838	790,885	5,629	-	39,321	2,123,673
Impairment and allowances	-	-	2,040,904	-	-	2,040,904
Write-back impairment and allowances	-	(3,000,000)	-	-	-	(3,000,000)
Total assets	13,253,340	12,186,901	4,318,924	1,248,389	2,566,995	33,574,549
Total assets includes:						
Capital expenditure (tangible and intangible assets)	1,353,518	528,690	1,695,047	407,404	8,304	3,992,963
Total liabilities	(1,859,390)	(1,271,339)	(828,780)	(751,936)	(522,952)	(5,234,397)

There is no inter-segment revenue.

30. Segment Information (Cont'd)

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

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

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

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

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

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

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

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

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

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

31. Related Parties and Significant Related Parties Transactions

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

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

Key Management's Remuneration

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

32. Subsequent Events

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

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

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

33. New or Revised FRS and Interpretations

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

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

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

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

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

34. Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the board of directors of the Company on 23 March 2011.