

MIRACH ENERGY LIMITED

Annual Report 2014

Value  
Create  
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Mirach Energy

# Contents



**01**

Corporate Information

**02**

Corporate Profile

**04**

Chairman's Statement

**06**

Financial Highlights

**08**

Operations Review

**09**

Sustainability

**10**

Board Of Directors

**12**

Management and Operations Team

**13**

Corporate Governance

**26**

Financial Contents

**96**

Statistics of Shareholdings

**98**

Notice of Annual General Meeting

Proxy Form

# Corporate Information

## BOARD OF DIRECTORS

Chan Shut Li, William  
Chairman and Chief Executive Officer

Chu Ming  
Member, Executive Director

Richard Tan Kheng Swee  
Member, Lead Independent Director

Liu Mei Ling, Rhoda  
Member, Independent Director

Lim Jun Xiong, Steven  
Member, Independent Director

## AUDIT COMMITTEE

Liu Mei Ling, Rhoda  
Chairman, Independent Director

Lim Jun Xiong, Steven  
Member, Independent Director

Richard Tan Kheng Swee  
Chairman, Lead Independent Director

## REMUNERATION COMMITTEE

Richard Tan Kheng Swee  
Chairman, Lead Independent Director

Liu Mei Ling, Rhoda  
Member, Independent Director

Lim Jun Xiong, Steven  
Member, Independent Director

## NOMINATING COMMITTEE

Lim Jun Xiong, Steven  
Chairman, Independent Director

Richard Tan Kheng Swee  
Member, Lead Independent Director

Chan Shut Li, William  
Member, Chairman and Chief Executive Officer

## COMPANY SECRETARIES

Lin Moi Heyang (ACIS)

Lee Bee Fong (ACIS)

## REGISTERED OFFICE

96 Robinson Road,  
#17-01 SIF Building,  
Singapore 068899  
Tel: (65) 6536 8033  
Fax: (65) 6536 1882

## PRINCIPAL PLACE OF BUSINESS

3901 Cosco Tower, 183 Queens Road Central,  
Hong Kong  
Tel: (852) 2850 7437  
Fax: (852) 2850 6369

## SHARE REGISTRAR

Tricor Barbinder Share Registration Services  
(A division of Tricor Singapore Pte. Ltd.)  
80 Robinson Road, #02-00,  
Singapore 068898

## AUDITOR

Ernst & Young LLP  
One Raffles Quay  
North Tower Level 18  
Singapore 048583

## PARTNER-IN-CHARGE

Chan Yew Kiang  
(appointed since financial year ended  
31 December 2014)

## BANKERS

DBS Singapore  
12 Marina Boulevard  
#43-02 DBS Asia Central  
MBFC Tower 3  
Singapore 018982

CIMB Bank Berhad  
50 Raffles Place  
#09-01 Singapore Land Tower  
Singapore 048623

# Corporate Profile

Mirach Energy Limited (“Mirach” or the “Company” or “Group”) is an energy exploration and production company with oil and gas interests in Asia. The Group operates on petroleum assets in Cambodia and South Sumatra of Indonesia. Complementary to its core exploration and production business, the Mirach Energy Group of companies also provides effective technical oilfield services and solutions, including enhanced oil recovery (“EOR”) techniques and consultancy.

With a decade of valuable experiences working on oil and gas fields in Asia, including past experiences in China, Indonesia and Cambodia, the Group also provides consultancy and related services to partners and other companies who are keen to explore or invest in the upstream oil and gas fields in Asia.

## OUR BUSINESS

### Exploration And Production (“E&P”)

Mirach holds interests in one exploration oil block and two production oil blocks. Management’s strategy is to balance the risks in its asset portfolio, by investing in production oil fields to generate income and cash flow, and developing exploration interests for asset upside potential.

### Oilfield Services

Mirach Energy recognises the demand in enhancing oil recovery rate in Asia and provides EOR and

related oilfield services through an integrated approach to achieve higher oil recovery efficiently. The Group has resourcefully harnessed a team of geoscientists and engineers who have much experience in managing exploration and production projects.

## OUR INTERESTS IN ASIA

### Cambodia

The Group owns a 48% interest in the associate company, CPHL (Cambodia) Co., Ltd (“CPHLC”), which holds the Cambodia offshore oilfield Block D Production Sharing Contract (“PSC”). Block D covers 5507 sq km in shallow water area, and Mirach Energy is the operator. It was estimated that the mean number of oil initially in place (OIIP) is 1,751 million barrels.

### Kampung Minyak, South Sumatra, Indonesia (KM Oil Field)

The Kampung Minyak Oil Block is a mature oil field located in onshore

South Sumatra, Indonesia and covers an area of approximately 45 square kilometres. The Group is working with Pertamina EP under a Joint Operations Contract (“KSO”) to re-activate and enhance production in the area. The contract period is 15 years, and expires in 2026.

In 2013, the Company acquired a 10% interest in Gunung Indah Lestari Limited which holds 100% shares of a KSO operatorship in another marginal oil field, the Sungai Taham – Batu Keras – Suban Jeriji Block (“ST-BK-SJ” Field). ST-BK-SJ has a production tenure of 15 years starting from February 2013.



# Chairman's Statement

**“WE WILL CONTINUE TO LOOK AT OPPORTUNITIES FOR ACQUISITIONS IN THE CURRENT FINANCIAL YEAR IN LIGHT OF THE CURRENT OIL PRICE ENVIRONMENT.”**

## DEAR FELLOW SHAREHOLDERS,

During the past 12 months, the Board of Directors of Mirach Energy Limited (Board) has been active in setting directions for strengthening both the financial and operational teams within the Group.

In executing its strategic direction, the Board reviewed and appointed a new external audit firm, Ernst & Young LLP (EY), who has much experience in auditing minerals, oil and gas companies. The Board has also appointed, Nexia TS Risk Advisory Services Pte Ltd to assess and identify potential risks in the entire Group's operations, to be followed this year by the appointment of an outsourced internal auditor.

While the Company is always actively looking for new assets to increase our portfolio and has assessed numerous opportunities, there was no asset that the Company deemed suitable for acquisition in the last financial year. We will continue to look at opportunities for acquisitions in the current financial year in light of the current oil price environment.

In Indonesia, the Company strengthened its operations team with the appointment of Mr Kholid Alatas, as the General Manager of Prisma Kampung Minyak Limited, who has experience in the Indonesian oil field operations and is highly capable of steering our Indonesian operations to a higher level of efficiency.

### CORPORATE DEVELOPMENTS

This year, the Board has announced the proposal to consolidate every ten shares into one ordinary shares (10-for-1 shares) in the capital of the Company, in order to ensure compliance for the new minimum trade price rule from the Singapore Exchange. I hope that with this consolidation exercise and its ratio proposed, the Company and shareholders will not have to be concerned about not meeting the minimum trade price rule and thereby be able to focus on improving the Company's operations.

In the middle of the financial year 2014, the Board had also announced the incorporation of a wholly-owned subsidiary, UniTEQ Energy Services Pte. Ltd. (UNITEQ), whose principal business includes high performance drilling services, such as directional and performance drilling, well engineering and optimization services and drilling consultancy. It has also entered into a

Cooperation Agreement with CNOOC EnerTech Drilling and Production Co. 中海油能源发展股份有限公司工程技术分公司 (ENERTECH), a subsidiary of China National Offshore Oil Corporation (CNOOC), to collaborate in securing service contracts from oil and gas field operators and fulfilling each service contract.

### Kampung Minyak Oil Field Operations

Operations wise, we announced last financial year that we were granted the drilling and operation budget from Pertamina to drill five deeper wells and that the Company will budget to drill two wells to test the deeper zones at Sudan-8 and Sudan-12. To date, the Company has drilled only one deeper well KM612 (13-A) and made an intermittent evaluation but has not started production on the well due to high water cut rate. The next step is to explore other zones in the shallower area of the wellbore. The Company will carefully study the results to decide if it is feasible to drill such deeper wells.

On the existing old wells, with more effective methods, positive results were seen as average daily production has been improving in 4Q2014. The average daily production is stabilizing at 139 barrels per day in 4Q2014, despite the fact that no newly drilled wells were added to the aggregate production.

To increase daily production volume, our team plans to open up more old wells to increase incremental oil in KM. In addition, we will be commencing hydro-injecting pilot program to optimize production at certain wells.

### Cambodia Block D

In Cambodia, we have completed and received the approval for the Initial Environmental Social Impact Assessment Report from the Ministry of Environment in Cambodia. In addition, the company is awaiting the finalization of the extension contract.

### CORPORATE RESULTS REVIEW FOR FY2014

The Group recorded total revenue of US\$1.70 million in FY2014, compared to a total revenue of US\$5.40 million in FY2013. This was due to a one-off advisory service fee of US\$4.14 million registered in FY2013. Despite lower revenue recorded in FY2014, incremental oil increased from 6,142 barrels in FY2013 to 20,740 barrels in FY2014.



This increased the Group's core oil production revenue from US\$0.30 million in FY2013 to US\$0.74 million in FY2014.

Further details of our operations are provided in the operations review section.

#### Prospects for FY2015

Although we see a stabilizing of operations at the KM Oil Field, we will continue to focus on improving operational reliability so that the asset can create value for the Company and Shareholders in the medium term. This will also be the year where we focus even more on adding new concessions or businesses to our portfolio, on the back of a stronger operational and finance team.

In addition, subject to the finalization of the extension permit from the General Department of Petroleum, we will proceed with our plans for Block D operations as soon as we get the extension for the Block.

#### STATUS REPORT FOR THE USE OF PROCEEDS FROM PLACEMENT AND CONVERTIBLE LOANS ISSUED IN 2013 AND 2014

The following table is the status report for the use of proceeds from drawdown of Loans Issue passed by resolutions on 9 October 2013. The Company has raised a total of US\$37.46 million from the placement and the loans issued by the end of December 2014.

	US\$' million
Net proceeds from placement and drawdowns of loans	37.46
Less use of proceeds:	
Repayment of senior bonds due April 2014	(17.44)
Investment in 10% stake in associate company, Gunung Indah Lestari Limited	(3.00)
Loan to associate company Gunung Indah Lestari Limited	(1.11)
Exploration, drilling and testing activities at KM Field	(2.91)
Working capital (staff/office cost, production costs)	(3.07)
<b>Balance as at 31 December 2014</b>	<b>9.93</b>

#### ACKNOWLEDGEMENT

Finally, I would like to thank Mirach employees for their dedication and hard work in assisting to steer the operations as we build a Company that will be stronger by the years.

#### William Chan

Executive Chairman and Chief Executive Officer  
1 April 2015

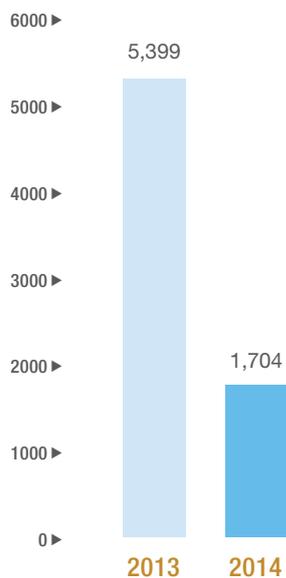
# Financial Highlights

<b>GROUP INCOME STATEMENT (US\$ '000)</b>	<b>2013 (restated)</b>	<b>2014</b>
Revenue	5,399	1,704
Loss After Tax	(4,982)	(5,019)
EBITDA	748	(3,522)
<b>GROUP BALANCE SHEET (US\$ '000)</b>	<b>2013 (restated)</b>	<b>2014</b>
Property, Plant and Equipment	130	217
Oil and Gas Properties	6,944	8,113
Intangible Assets	8,696	8,003
Amount Due from Associates	19,368	20,777
Investments in Associates	6,122	5,547
Pledged Fixed Deposit	2,501	2,501
Cash & Cash Equivalents	6,902	12,627
Other Current Assets	849	1,479
Total Assets	51,512	59,264
Shareholder's Equity	42,818	50,627
Non-Controlling Interests	(259)	(341)
Current Liabilities	8,565	8,497
Provision for decommissioning (non-current)	388	481
Total Liabilities	8,953	8,978
Total Equity & Liabilities	51,512	59,264
<b>PER SHARE DATA (US\$ CENTS)</b>	<b>2013 (restated)</b>	<b>2014</b>
Loss Per Share	(0.60)	(0.45)
Net Asset Value	4.14	4.25
Net Cash Holding	0.67	1.06
<b>FINANCIAL RATIO</b>	<b>2013 (restated)</b>	<b>2014</b>
Current Ratio (times)	1.00	1.79
Gross Gearing (%)	Net Cash	Net Cash

\* See note 2.4 for details regarding the restatement

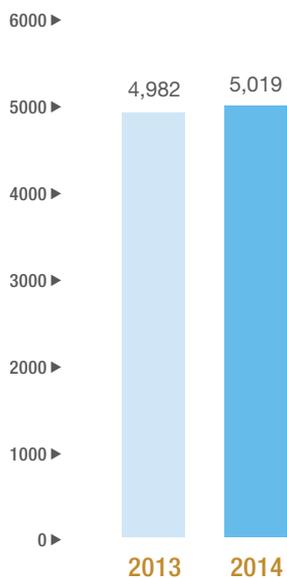
### REVENUE

(US\$ '000)



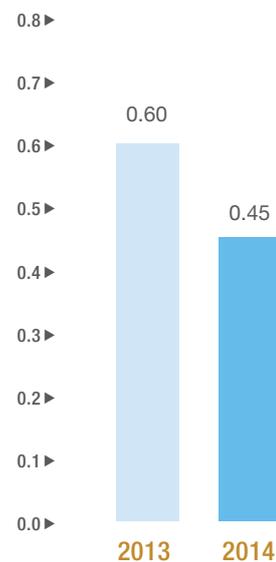
### NET LOSS

(US\$ '000)



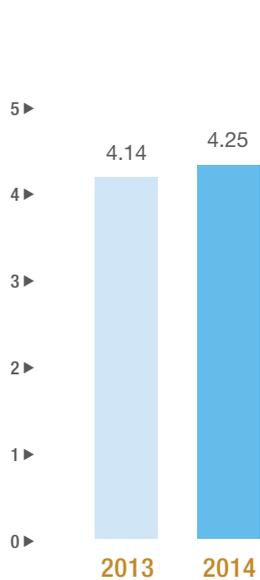
### LOSS PER SHARE

(US\$ cents)



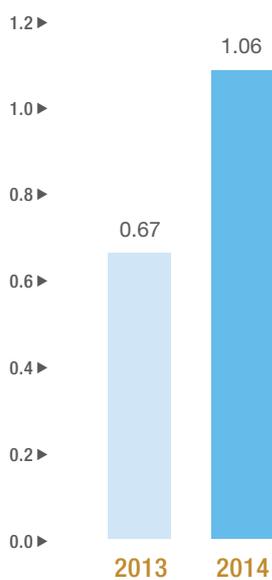
### NET ASSET VALUE PER SHARE

(US\$ cents)



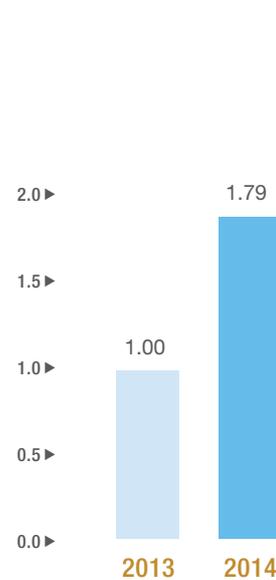
### NET CASH HOLDING PER SHARE

(US\$ cents)



### CURRENT RATIO

(times)



# Operations Review

E&P REVENUE MORE THAN DOUBLED IN 2014 WITH AN INCREASE IN INCREMENTAL OIL. CASH AND CASH EQUIVALENTS ALSO INCREASED DUE TO THE PROCEEDS FROM CONVERTIBLE LOAN LEADING THE GROUP TO HAVE A NET CASH POSITION WITH CURRENT RATIO OF 1.79.

## GROUP INCOME REVIEW

Revenue (US\$'000)	FY2014	FY2013 (Restated)	+ / (-) Change %
Oilfield Services	967	5,097	(81)
Exploration and Production (E&P)	737	302	144
<b>Total Revenue</b>	<b>1,704</b>	<b>5,399</b>	<b>(68)</b>

The Group registered total revenue amounting to US\$1.70 million in FY2014. The decrease in total revenue was due to an one-off advisory service fee of US\$4.14 million recorded in FY2013 but not repeated in FY2014.

The Group's core oil production revenue increased significantly to US\$0.74 million due to higher incremental oil (actual oil lifting less non-shareable oil "NSO") recorded in the year.

## COST AND EARNING ANALYSIS

Other income declined from US\$0.23 million in FY2013 to US\$0.09 million in FY2014 due to a forfeited deposit amounting US\$0.16 million from the termination of private placement in FY2013 but not repeated in FY2014.

Production expenses increased 11% from US\$0.98 million in FY2013 to US\$1.09 million in FY2014 mainly due to the increase in maintenance cost for well servicing.

Staff cost increased 35% from US\$1.61 million in FY2013 to US\$2.17 million in FY2014 due to the increased headcount in the newly incorporated UniTEQ Energy Services Pte. Ltd., the oil services division of the Group as well as at Kampung Minyak Oil Field ("KM Field").

Depreciation and amortisation increased 26% from US\$1.16 million in FY2013 to US\$1.47 million in FY2014 due to the increase in production in FY2014 as compared to FY2013.

Finance costs was US\$0.05 million in FY2014 as compared to US\$4.64 million in FY2013. This was due to interest expense incurred on the early redemption of convertible bonds in FY2013 which was not repeated in FY2014.

Due to the above, net loss attributable to equity holders of the Company was approximately US\$4.94 million in FY2014 as compared to the net loss of US\$4.88 million in FY2013.

(US\$'000)	FY2014	FY2013 (Restated)
Cash (used in)/generated from operating activities	(4,551)	4,199
Cash used in investing activities	(2,027)	(7,684)
Cash generated from financing activities	12,434	4,994
Net increase in cash and cash equivalents	5,856	1,509
Effects of exchange rate changes on cash and cash equivalents	(131)	(157)
Cash and cash equivalents at end of year	12,627	6,902

## FINANCIAL POSITION AND LIQUIDITY

There was a net cash outflow of approximately US\$4.55 million in operating activities mainly due to the net loss adjusted for non-cash items such as depreciation.

Cash used in investing activities amounted to US\$2.03 million in FY2014 due to drilling activities at KM Field.

Cash generated from financing activities amounted to US\$12.43 million due to the net proceeds of US\$13.84 million received from the convertible loans as the Company drew down S\$18.00 million of convertible loans, offset by an US\$1.41 million increase in amount due from associates (Gunung Indah Lestari Limited "Gunung" and CPHL Cambodia).

The Group's current assets as at 31 December 2014 increased by US\$6.60 million as compared to 31 December 2013 mainly due to the increase in cash and cash equivalents by US\$5.73 million as a result of the drawdown of the convertible loans. Trade and other receivables increased US\$0.45 million mainly due to increase in VAT, tax recoverable and trade receivables from Pertamina EP. Amount due from associate, Gunung Indah Lestari Limited increased by US\$0.25 million due to advances.

Non-current assets increased by US\$1.15 million in FY2014 due to increase in amount due from associate companies. Amount due from associate, CPHL (Cambodia) increased by US\$1.16 million due to technical service fee charged to CPHL (Cambodia) in FY2014. Investment in associates decreased by US\$0.58 million due to the share of loss in associates.

The Group's current liabilities decreased by US\$0.07 million in FY2014 mainly due to the payment of accrued expenses as at 31 December 2014.

The Group's non-current liabilities (comprising solely of provision for decommissioning) increased by US\$0.09 million due to the accretion and additional provision for decommissioning of our previously drilled and newly drilled oil wells in the KM Field.

The Group's net current assets and current ratio increased from US\$0.04 million to US\$6.71 million and 1.00 to 1.78 respectively in FY2014 due to the increase in cash and cash equivalents with the S\$18.00 million drawdown of convertible loans. The Group's net asset value and net cash holding per share amounted to US\$4.25 cents per share and US\$1.06 cents per share respectively as at 31 December 2014.

# Sustainability

## Environment, health, safety and security (EHSS)

The Group has a EHSS policy and conducts weekly meetings to review the Group's activities that may impact EHSS. A weekly report will be circulated to the CEO/Chairman for his review. HSSE inspections are conducted on a regular basis to ensure the EHSS policy is complied. The Group also complies with the regulatory requirements of the countries it operates in. For instance, the Ministry of Environment in Cambodia had approved the Initial Environmental Social Impact Assessment Report which allows our associate company CPHL Cambodia to commence its activities after extension is finalised. The Group also makes a provision for decommissioning of old wells amounting to US\$481,000 (2013: US\$388,000) in 2014.

## Corporate social responsibility (CSR)

The Group firmly uphold fair employment practises and values each employee in the organisation. The Group is committed in developing each employee to its full potential by providing equality of opportunities and promoting a healthy, positive and cohesive environment. The Group strives to also contribute in each country it is in. For instance, its associate, CPHL Cambodia sets up a training fund of US\$150,000 each year for the education and training of Cambodian nationals (who are not employees of the company) in fields related to petroleum resources development. In Cambodia, our associate company frequently support the Red Cross association's work locally by supporting some of their events and contributing to their funds, albeit in a small way. With more resources in future, the Group hope to embark on some volunteer work or even donations to do our part for the society.

# Board Of Directors

## **MR. CHAN SHUT LI, WILLIAM**

**Executive Chairman and Chief Executive Officer**

Mr. Chan is the Chairman and Chief Executive Officer of Mirach Energy. He is largely responsible for setting the strategic direction and leading the Mirach Energy Group of Companies into an oil and gas exploration and production company in Asia. He is also largely responsible for the development of the Group's business operations, where he is engaged in business development activities and their subsequent implementation. Mr. Chan is also the Chairman of CPHL (Cambodia) Co. Ltd. He holds a Master's Degree in Business Administration from Murdoch University in Australia and is a member of the Society of Petroleum Engineers USA. Mr. Chan is also a member of the UK Institute of Financial Accountants, as well as a full member of the Society of Registered Financial Planners of Hong Kong. Mr. Chan joined the Board on 18 June 2003 and he was last re-elected as a director on 29 April 2013.

## **MR. CHU MING**

**Executive Director**

Mr. Chu Ming is the Executive Director. He has immense working experience in the oil and gas industry. Prior to joining Mirach Energy, he serves as the Director of Business Development and New Ventures at COSL (China Oilfield Services Limited) for 10 years, handling international business and various technologies like HSE programs to complement COSL's overall capabilities. He also facilitated recent technology development in the area of Shale Gas and Coal Bed Methane with Laramie Energy LLC in the United States of America. Before COSL, Mr. Chu spent 26 years at various department of Baker Hughes Corporation. He worked at Baker and Hughes as a Business Development Manager based in Hong Kong since 1987, and a Manager of the trading division of Hughes Tool Company based in Hong Kong since 1984. Mr. Chu started his career at the Administrative Marketing Services arm in 1977 and was stationed in London. Mr. Chu was elected as a director on 28 April 2014.

Academically, Mr. Chu was sponsored as a commercial trainee with George Wimpey Co. Ltd in London, United Kingdom, under the higher National Diploma (HND) in Business Studies. He holds a HND (B.A.) in Business Studies and attended Trisham College (previously known as Kettering Technical College).

## **MS. LIU MEI LING, RHODA**

**Independent Director**

Ms. Liu has more than 20 years of experience in accounting, auditing and financial advisory services in Hong Kong and Canada. She was appointed to the Board in 2007 and last re-elected as a director on 28 April 2014. She is also an independent director and acts as chairman of audit committee and a member of remuneration committee and nomination committee of Modern Beauty Salon Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited. Currently, she serves as a Senior Partner at Liu and Wong, CPA, where she is involved in planning, supervision and business advisory services. She had worked for Coopers & Lybrand (HK) and Ernst & Young (Canada) for several years, then worked for two local CPA firms in HK since 1992, and was promoted to partner in 1996. She holds a Bachelor of Arts Degree in Commercial Study from University of Western Ontario, Canada, where she majors in Economic and Finance, and a Master Degree in Business Administration from McMaster University, Canada. She also holds the Professional Degree in China Law Program with Tsing Hwa University in China in 2008. She is a member of the Canadian Institute of Chartered Accountants, a fellow practicing member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), a fellow member of the Hong Kong Taxation Institute, a fellow member of the Hong Kong Institute of Directors, and a council member of the Society of Chinese Accountants and Auditors. She was awarded the "Outstanding Accountant Ambassador 2003" by the HKICPA and Certificate of Commendation from Hong Kong Home Affairs Bureau in 2008.



## **MR. LIM JUN XIONG, STEVEN**

### **Independent Director**

Mr. Lim started his career as an accountant in PricewaterhouseCoopers and has more than 25 years experience in the wealth management industry. He joined the Board as an independent director in 2009 and last re-elected as a director on 29 April 2013. He holds a Bachelor Degree in Commerce from the University of Newcastle, Australia, majoring in Accounting and Finance. He is a fellow member of two renowned accounting bodies, namely the Institute of Singapore Chartered Accountants and CPA Australia (“CPAA”) and was a Director of CPAA’s Board as well as the President of its Singapore Division. In addition, he chaired CPA Australia’s International Corporate Sector Advisory Committee and was a member of its Nominating Committee. He is also a member of Society of Trust and Estate Practitioners, Singapore Branch and was its Deputy President for a number of years.

## **MR. RICHARD TAN KHENG SWEE**

### **Independent Director**

Mr Richard Tan joined the Board as an independent director on 1 July 2013 and is currently a Partner at Chris Chong & CT Ho Partnership, Singapore. His practice includes advising and representing companies in a wide range of commercial transactions such as asset acquisitions, initial public offerings and other fund raising exercises, mergers and acquisitions, corporate advisory and compliance involving both listed and private companies. Mr Tan previously practised in a large Singapore law firm as well as in a mid-size Australian law firm in the State of Victoria, where he advised on a range of matters in relation to corporate advisory, mergers and acquisitions, cross-border refinancing and intellectual property. Mr Tan was awarded the Bachelor of Laws (Honours) from the National University of Singapore and the Bachelor of Science (Honours) from the University of Melbourne, Australia. Mr Tan was elected as director on 28 April 2014.



# Management and Operations Team

## MR. CHEAH SOON ANN JEREMY

Chief Financial Officer

Mr Cheah joined Mirach Energy Ltd as the Chief Financial Officer in July 2014. Mr Cheah is responsible for the Finance and Accounting function of the Group. Mr. Cheah has over 10 years of experience in finance and accounting.

He started his career as an audit assistant in Foo, Kon & Tan Grant Thornton in 1999 and then moved on as a senior officer in the Agency for Science, Technology and Research (A\*STAR) in 2001. In August 2004, he joined mDR Limited as the Assistant Finance Manager. Subsequently, he became the General Manager (Finance) and Joint Company Secretary of China XLX Fertiliser Ltd from January 2007 to August 2012 where he helped the company dual-list in Singapore and Hong Kong. Subsequently, he became the financial controller of Aztech Group Ltd from September 2012 to May 2013. Prior to joining Mirach Energy, he was the CFO of JB Foods Limited from May 2013 to June 2014 where he was responsible for the Finance and Accounting, Procurement and IT function of the Group.

Mr Cheah has been a member of the Institute of Singapore Chartered Accountants and member of the CFA Institute since 2002. He graduated from Nanyang Technological University in 1999 with a bachelor's degree in accountancy and from the University of Adelaide in 2008 with a master's degree in business administration. Mr Cheah is also SAP certified over the finance and costing (FICO) modules.

## MR. KHOLID ALATAS

General Manager, Prisma Kampung Minyak Limited

Kholid joined Prisma Kampung Minyak Limited as the General Manager to oversee its KSO operations in Indonesia, with the goal to further enhance the Company's oil and gas asset portfolio. Kholid has a wealth of experience in managing production and geophysical operations in new and mature oil field, as well as in enhanced oil recovery (EOR) fields, both in onshore and offshore projects. His extensive experience working with KSOs (Joint Operations Agreements) and PSCs (Production Sharing Contracts) in Indonesia has won him several awards including "The Best Operations Performance, Safety and Environment" from Indonesian Ministries, governors and BPMIGAS. Before joining Prisma Kampung Minyak Limited, Kholid worked as the General Manager at PT Benua Asia Energy and held key positions at ASAMERA, Gulf Resources, Pearl Energy and Salamander Energy, including that of an operation geophysicist, production and operations manager, HSE Manager and as a vice president of operations.

## DR. WANG JUE

Head of E&P and CEO of CPHL Cambodia

Dr. Wang has more than 28 years of experience in the oil and gas industry and has won various awards for her contributions and achievements in both technical and managerial roles. She worked in various departments in Sinopec and was the head of the production division at the headquarters of Sinopec Group. Prior to this Dr. Wang was the Chief Geologist responsible for oilfield development at a subsidiary of China National Petroleum Corporation ("CNPC"). She was also engaged as a senior technical consultant at Core Laboratories, KJP. Dr. Wang graduated from Chengdu College of Geology in 1986 in Petroleum Geology, and obtained her Master's degree in Petroleum Exploration Engineering and Ph.D in Geology from the China University of Geosciences.

## DR. LI YOUQING

General Manager, PT. Kampung Minyak Energy, Indonesia

Dr. Li is the General Manager for PT. Kampung Minyak Energy in Indonesia. He has over 16 years of technical and management experience in oilfield exploration and development projects. Dr. Li worked previously at Baker Hughes as a Technical Service Engineer and at CNOOC as a Technical Manager. Dr. Li has been awarded many professional certificates, including the Senior Engineer Certificate of Offshore Engineering, Occupational Health Certificate, B.O.S.S. & H.U.E.T. (Boat Operation Safety Survival, Helicopter Underwater Escape Training) Certificates, long-term Safety and Survival of Offshore Operations Certificates issued by Devon Energy Co., ConocoPhillips, JHN and Agip. Dr. Li has a Ph.D in Engineering from the Huazhong University of Science & Technology.

## MS. LOW CHIEW LENG, MAGGIE

Director of Corporate Planning and Human Resource

In January 2015, Maggie was appointed Human Resource Director of Mirach Group of Companies, in addition to her previous roles as the Investment Director and Corporate Planning Director. She joined the Mirach Group since 2006.

Maggie graduated from the Nanyang Technological University in Singapore at the School of Accountancy and Business, and majored in Marketing. After graduation, she joined Hoare Govett Asia as an equity research assistant and subsequently a research analyst, then focusing on researching on initial public offers and small capital companies.

She then moved on to become an equity dealer at BT Brokerages Private Limited, and was happy to move back to the more insightful equity research work. Maggie was regional analyst for ex Yuanta Securities Private Limited in Singapore for close to five years. She was an Investor Relations Director at a listing aspirant company, before joining Mirach Energy Limited.

The Board of Directors (“the Board”) is committed to ensuring that the highest standards of corporate governance are practised throughout Mirach Energy Limited and its subsidiaries (“the Group”) as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Board is pleased to confirm that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”) where it is applicable and practical. The Board has also established various self-regulatory and monitoring mechanisms, where applicable, to ensure that effective corporate governance is practised.

Set out below are the policies and practices adopted and practised by the Group to comply with the principles and spirit of the Code. The Board confirmed that the Group has generally complied with the principles of the Code.

## THE CODE

The Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Shareholders Rights and Responsibilities

### (A) BOARD MATTERS

#### ***Principle 1:***

***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.***

The principal functions of the Board are:

1. reviewing and approving corporate strategies, annual budgets and financial plans and monitoring the organisational performance towards them;
2. reviewing the adequacy and integrity of the Company’s internal control, risk management systems, and financial information reporting system;
3. establishing a framework of prudent and effective controls which enable risks to be properly assessed and managed; including safeguarding of shareholders’ interests and company’s assets;
4. identifying the key stakeholder groups and recognise that their perceptions affect the company’s reputation;
5. ensuring the Group’s compliance to laws, regulations, policies, directives, guidelines and internal code of conduct;
6. approving the nominations to the Board of directors by the Nominating Committee, and endorsing the appointments of management team and/or external auditors;
7. reviewing and approving the remuneration packages recommended by the Remuneration Committee for the Board and key executives;
8. reviewing and approving share options granted under the Mirach Energy Employee Share Option Scheme and Mirach Energy Performance Share Plan;

# Corporate Governance

9. ensuring accurate, adequate and timely reporting to, and communication with shareholders; and
10. considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Matters which are specifically reserved to the full Board for decision include those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends, other returns to shareholders and interested person transactions.

The Board has delegated specific responsibilities to 3 subcommittees (Audit, Nominating and Remuneration Committees), the details of which are set out below. These committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. The Articles of Association allow a Board meeting to be conducted by way of a tele-conference and a video-conference. All Board members bring about an independent judgment and diversified knowledge and experiences to bear on the issues of strategy, performance, resources and standards of conduct. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings, is shown on page 24.

The Board ensures that incoming new directors are familiarised with the Group's businesses and corporate governance practices upon their appointment, to facilitate the effective discharge of their duties.

**Principle 2:**

***There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board comprises 5 members, 2 of whom are executive directors and 3 are independent directors, making up more than one-half of the Board, in accordance with the Code. Together, the directors bring about wide-ranging business and financial experiences relevant to the direction of the Group. A brief description of the background of each director is presented on "Board of Directors" section.

The Board considers the current board size as adequate for its present operations. As more than half of the Board are independent directors, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and examined, and take into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers, and the many communities in which the group conducts business.

The investment of minority shareholders is fairly reflected through Board representation.

The duties and responsibilities of the executive directors are clearly set out in their service agreements. Board members are encouraged to attend seminars and receive training in connection with their duties as directors in areas such as accounting and legal knowledge, particularly on latest developments to relevant laws, regulations, accounting standards and changing commercial risks to enable them to make well-informed decision and to ensure that the Directors are competent in carrying out their expected roles and responsibilities.

As at the date of this report, there was no independent director who has served for more than 9 years from the date of his or her appointment.

**Principle 3:**

***There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

It is the view of the Board that it is in the best interests of the Group to adopt a single leadership structure for the current operations i.e. where the CEO and the Executive Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

The Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda. The Executive Chairman reviews the board papers prior to presenting them to the Board. The Executive Chairman ensures that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group. Major decisions made by the Executive Chairman and CEO are brought up by him for discussion and review at Board meetings. His performance and appointment to the Board are reviewed periodically by the Nominating Committee and his remuneration package is reviewed periodically by the Remuneration Committee. While the Nominating Committee has 1 executive director, the rest are independent directors; the Remuneration Committee comprises 3 independent directors. As such, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

As recommended by the Code, the Board has appointed Mr Richard Tan Kheng Swee, as the Lead Independent Director of the Company.

**Principle 4:**

***There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.***

## **NOMINATING COMMITTEE**

The Nominating Committee comprises 3 members, majority of whom are independent. The members of the Nominating Committee are:-

Mr Lim Jun Xiong, Steven	(Chairman and Independent Director)
Mr Chan Shut Li, William	(Executive Chairman and Chief Executive Officer)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

In 2014 the Nominating Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 24.

The key terms of reference for the Nominating Committee are to:

- set a framework to identify and nominate to the Board, candidates for all directorships to be filled by shareholders or the Board; candidates for all executive management positions; and directors to fill the seats on Board committees;
- oversee the management development and succession planning of the Group, including appointing, training and mentoring senior management;
- determine the objective criteria on evaluating the Board's performance; assess the effectiveness of the Board and its committees as a whole and the contribution by each director to the Board;
- review the independence of director who has served on the Board for more than 9 years; and set and review the maximum number of listed company a director of the Company may hold.

## ELECTION AND RE-ELECTION

New directors are appointed by way of a board resolution, upon their nomination from Nominating Committee. In accordance with the Company's Articles of Association, these new directors who are appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. The Articles also provide that at least one third of the remaining directors be subject to re-election by rotation at each Annual General Meeting.

The Nominating Committee made recommendation to the Board to have at least 3 directors, the majority of whom, including the Chairman, should be independent. The Lead Independent Director, if any, should be a member of the Nominating Committee.

Key information of the Board members is set out in the "Board of Directors" section of this Annual Report.

### **Principle 5:**

***There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.***

The Nominating Committee assesses the effectiveness of the Board collectively. In this aspect, both quantitative and qualitative criteria were adopted. The criteria adopted include the effectiveness of the Board in its monitoring role and the attainment of the strategic and long-term objectives set by the Board. The Nominating Committee also considers the required mix of skills, experience and core competencies of the members should bring to the Board, during this assessment.

### **Principle 6:**

***In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

Management recognises the importance of ensuring the flow of information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. All Board and board committee papers are distributed to directors in advance to allow sufficient time for directors to prepare for the meetings.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations. To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

Directors have separate and independent access to the Company Secretary. The Company Secretary assists in, among other things, ensuring that Board procedures are observed and that Company's Memorandum and Articles of Association, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and Listing Manual, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary and/or her representative attends and prepares minutes for all Board meetings. The Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and Management in the development of the agendas for the various Board and board committee meetings. The appointment and the removal of the Company Secretary is subject to the Board's approval.

Should Directors, whether as a group or individually, require professional advice, the Group, upon direction by the Board, shall appoint a professional advisor selected by the Group or the individual, approved by the Chairman, to render the advice. The cost of such service shall be borne by the Group.

## (B) REMUNERATION MATTERS

### *Principle 7:*

*There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

### REMUNERATION PROCEDURE

The Code endorses, as good practice, a formal framework for fixing the remuneration packages of individual, with a Remuneration Committee making recommendations to the Board.

The Company adopted the objective as recommended by the Code to determine the remuneration for a director so as to ensure that the Company attracts and retains the directors needed to run the Group successfully. The component parts of remuneration are structured so as to link rewards to corporate and individual performance in the case of executive directors and key management personnel.

### REMUNERATION COMMITTEE

The Remuneration Committee comprises 3 members, all of whom are independent. The members of the Remuneration Committee are:-

Mr Richard Tan Kheng Swee	(Chairman and Lead Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Ms Liu Mei Ling, Rhoda	(Independent Director)

The principal responsibilities of Remuneration Committee are:

- review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspect of remuneration, including but not limited to director's fees, salaries, allowances;
- bonuses, grant of shares and share options and benefits in kind;
- review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel;
- consult professional consultancy firm or public information where necessary in determining remuneration packages; and
- consider the various disclosure requirements for directors' remuneration and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

In 2014 the Remuneration Committee had 1 meeting. The matrix on the position, the frequency of meeting and the attendance of directors at these meetings is shown on page 24 of this Annual Report.

**Principle 8:**

***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

In making its recommendations to the Board on the level and mix of remuneration, the Remuneration Committee seeks to be competitive in order to attract, motivate and retain high-performing executives to drive the Group's businesses whilst operating within the Group's risk parameters, so as to maximise long-term shareholder value. In its deliberation of remuneration level and mix, the Remuneration Committee takes into consideration industry practices and benchmarks against relevant industry players as well as comparable positional responsibilities to ensure that its remuneration practices are competitive. The Company adopts a performance-driven and meritocratic approach to compensation, with rewards linked to individual and corporate performance to align interests of Management with those of Shareholders and promote the long-term success of the Company. Such performance-related remuneration should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks.

The Company's remuneration framework comprises a fixed component in the form of a basic salary, a discretionary variable component linked to the performance of the individual and the Company, and a long-term incentive. The executive Director's and Management's service contract does not contain onerous removal clauses. Going forward, the Company will consider adding contractual provisions to allow the Issuer to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Issuer.

**Principle 9:**

***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

The Remuneration Committee recommends to the Board the framework of executive remuneration, and the remuneration package for each executive director and key management personnel. Although the recommendations are made in consultation with the Chairman of the Board as well, the remuneration packages are ultimately approved by the entire Board.

## REMUNERATION PACKAGE

The remuneration package of directors and key management personnel includes the following:

**(a) Basic salary**

The basic salary (inclusive of statutory employer contributions like the Central Provident Fund, if applicable) for each executive director/key management personnel is recommended by the Remuneration Committee, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable organisations.

**(b) Fees**

The fees paid/payable to independent directors take into account factors such as effort and time spent, and responsibilities of these directors. The remuneration of independent directors are submitted for approval at the Annual General Meeting. Executive directors do not receive directors' fees.

**(c) Bonus scheme**

The Group operates a bonus scheme for all employees, including the executive directors and key management personnel. The criteria for the scheme is the level of profit achieved from certain aspects of the Group's business activities against targets, together with an assessment of corporate and individual's performance during the year. Bonuses payable to the executive directors/key management personnel are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

**(d) Benefits in kind**

Other customary benefits (such as private medical cover, housing, car) are made available as appropriate.

**(e) Service contract**

The notice period for the termination of Executive Directors' service contracts by either party giving not less than 3 months to 6 months' notice to the other.

**(f) Mirach Energy Employee Share Option Scheme and Mirach Energy Performance Share Plan**

The Remuneration Committee administers the Company's share-based remuneration incentive plans; namely, the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme") and Mirach Energy Performance Share Plan (the "Mirach PSP").

The Group has not granted options and performance shares to senior executives and Independent Directors of the Group under the Mirach ESOS Scheme and Mirach PSP in financial year 2014. Matters relating to the Mirach ESOS Scheme and Mirach PSP were administered by the Remuneration Committee.

## REMUNERATION MATTERS

The full remuneration of each individual director and aggregate of top key management personnel of the Group is not disclosed as the Company believes that disclosure may be prejudicial to its business interests given the sensitivity and confidentiality of remuneration matters. The Remuneration Committee has reviewed the practice of the industry in this regard, weighing the advantages and disadvantages of such disclosure.

A breakdown showing the level and mix of each individual director's remuneration payable for FY2014 is as follows:

	2013	2014
\$500,000 and above	–	–
\$250,000 to below \$500,000	–	–
Below \$250,000	5	5
Total	5	5

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Chan Shut Li, William	Below S\$250,000	100	–	–	–	100
Liu Mei Ling, Rhoda	Below S\$250,000	–	–	–	100	100
Lim Jun Xiong, Steven	Below S\$250,000	–	–	–	100	100
Chu Ming*	Below S\$250,000	–	–	–	100	100
Richard Tan Kheng Swee	Below S\$250,000	–	–	–	100	100

\* Mr Chu Ming was re-designated as Executive Director with effect from 16 March 2015.

# Corporate Governance

The Company has 5 Key Management Personnel (who are not directors) within its organisation structure and the Remuneration of the 5 Key Management Personnel is as follows:

Name	Remuneration Band	Salary %	Bonus %	Fringe Benefits %	Directors' Fees %	Total %
Cheah Soon Ann Jeremy	Below S\$250,000	100	–	–	–	100
Wang Jue	Below S\$250,000	100	–	–	–	100
Kholid Alatas	Below S\$250,000	100	–	–	–	100
Low Chiew Leng, Maggie	Below S\$250,000	100	–	–	–	100
Li Youqing	Below S\$250,000	100	–	–	–	100

The Company does not have any employee who is an immediate family member of a Director or CEO.

## (C) ACCOUNTABILITY AN AUDIT

### **Principle 10:**

***The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Management provides the Board with management accounts, operation review and related explanation together with the financial statements on a quarterly basis and as the Board may require from time to time. The Audit Committee reviews the financial statements and reports to the Board for approval.

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects.

In preparing the financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; there were compliance with legislative and regulatory requirements, including under the listing rules of the SGX-ST; and
- prepared financial statements on an going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

### **Principle 11:**

***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted, however, that such systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

The Chief Financial Officer performs detailed work to assist the Audit Committee and the Board in the evaluation of the internal controls, financial and accounting matters, compliance, business and financial risk management.

The Board received assurance from the Executive Chairman and the Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company risk management and internal control systems in place are effective.

The Board, with the concurrence of the Audit Committee, recognises that although there is adequate internal control, including financial, operational and compliance control, and risk management system in the Company, they need to be reviewed and enhanced in light of the financial restatements due to a number of errors in the prior years, as noted in the full year results announcements.

The Company regularly reviews and improves its business and operational activities and has engaged an Enterprise Risk Management Consultant to review and identify areas of significant business risks and take measures to control and mitigate these risks.

**Principle 12:**

***The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.***

Audit Committee

The Audit Committee comprises 3 members, all of whom, including the Chairman are independent. At the date of this report, the Audit Committee comprises the following members:

Ms Liu Mei Ling, Rhoda	(Chairman and Independent Director)
Mr Lim Jun Xiong, Steven	(Independent Director)
Mr Richard Tan Kheng Swee	(Lead Independent Director)

The key terms of reference of the AC include :

- to review the financial statements of the Company and the consolidated financial statements of the Group, and any announcements relating to the Company's financial performance, before submission to the Board of Directors;
- to review the external auditor's audit plans;
- to review with the external auditor, his evaluation of the system of internal accounting controls and the effectiveness of the Company's internal audit functions;
- to nominate external auditors for re-appointment;
- to review the scope and results of the internal audit procedures and ensure the adequacy of the internal audit function;
- to review interested person transactions.

The Audit Committee has recommended the nomination of Messrs Ernst & Young LLP, for re-appointment as auditors of the Company at the forthcoming Annual General Meeting. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their recommendation.

During the year under review, approximately US\$88,000 (2013: approximately US\$88,000) and approximately US\$58,000 (2013: approximately US\$81,000) were paid/payable to the independent auditors of the Company and other auditors. No non-audit fees (relating to professional tax services rendered) was paid/payable to the independent auditors of the Company during the year under review (2013: approximately US\$2,500).

# Corporate Governance

The Group appointed the same auditors for its overseas subsidiaries and/or significant associated companies. The Board and the Audit Committee have reviewed the appointment of auditors from the same global audit firm for its subsidiaries and/or significant associated companies and were satisfied that the appointment of the auditors would not compromise the standard and effectiveness of the audit of the Group.

The Company is in compliance with Rules 712 and 716 of the SGX-ST Listing Manual in relation to the independent auditors.

In 2014 the Audit Committee had 4 meetings. The Executive Chairman and the Chief Financial Officer were invited to attend the meetings.

In the course of financial year 2014 and since its appointment, the Audit Committee carried out the following activities:

- review with the external auditors, the audit plan, the evaluation of the internal accounting controls, audit reports and any matters which the external auditors wish to discuss (in the absence of management, where necessary);
- make recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
- monitor interested person transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity. The Audit Committee is also required to ensure that Directors report such transactions annually to shareholders via the annual report; and
- review quarterly reporting to SGX-ST and year end annual financial statements of the Group before submission to the Board, focusing on :-
  - going concern assumption;
  - compliance with accounting standards and regulatory requirements;
  - any changes in accounting policies and practices;
  - significant issues arising from the audit;
  - major judgmental areas; and
  - any other functions which may be agreed by the Audit Committee and the Board.

The Audit Committee has access to the independent auditor and meets them at least once a year without the presence of the Management.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor.

The Company has adopted a Whistle-Blowing Policy to provide a channel for employees of the Group to report in good faith and in confidence their concerns about possible improprieties in the matter of financial reporting or in other matters. The Whistle-Blowing Policy adopted provides procedures to validate concerns and for investigation to be carried out independently. The Whistle-Blowing Policy has been circulated to its global offices for all employees after its implementation. There were no whistle-blowing reports made during the year under review.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, discussions were made with the external auditors when they attend the Audit Committee meetings.

**Principle 13:**

***The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

In view of the Company's scale of operations and in order to be more cost effective, the Board deemed the existing system of internal controls adequate and the Group had no separate internal audit function during the financial year ended 31 December 2014. The Company's finance department reviewed the Group's internal controls risk management and compliance systems and report findings and makes recommendations to the Board and Audit Committee. The independent auditor was another system of alert that the Board had used.

In the second half of 2014, the Company had engaged an external party to conduct an Enterprise Risk Management report. Based on the internal controls identified in the Enterprise Risk Management report, enhancement in the finance team and engagement with the Company's independent auditors, assurance from Management, our Board with the concurrence of our Audit Committee is of the opinion that our Group's system of risk management and internal controls, addressing financial, operational, compliance and information technology risks, which our Group considers relevant and material to its current business scope and environment was adequate as at 31 December 2014. However, our Board is also aware that such a system can only provide reasonable, but not absolute assurance that our Group will not be adversely affected by any event that could be reasonably unforeseen as it strives to achieve its business objectives. Our Board also notes that no system of internal controls and risk management can provide a complete assurance against human error, poor judgement in decision making, losses, fraud and other irregularities.

In view of the Company's strategy to increase in scale and complexity of operations, the Company will engage an external party to conduct an internal audit for the Company from 2015.

## **SHAREHOLDERS RIGHTS AND RESPONSIBILITIES**

**Principle 14:**

***Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.***

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected. The Company does not practise selective disclosure. Results and annual reports are announced or issued to the public through SGXNET within the mandatory period. The Group values dialogue with investors.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Group strongly encourages shareholder participation during the Annual General Meeting. The Company's Articles of Association allows a shareholder to appoint up to two proxies to attend and vote on behalf of a shareholder at the Annual General Meeting. Shareholders who hold shares through nominees such as CPF and custodian banks are also allowed to the Annual General Meeting as observer.

**Principle 15:**

***Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.***

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders' views and addressing their concerns.

Material information is disclosed in an adequate, accurate and timely manner via SGXNET, press release and corporate website by the investor relations manager and the chief financial officer, in consultation with the Board.

# Corporate Governance

The Company did not declare any dividend for the financial year due to its small cash position that has been raised for exploration and drilling expenditure and working capital purposes. The Company does not have a formal dividend policy. The Company may declare an annual dividend with the approval of the shareholders in a general meeting.

**Principle 16:**

**Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. Executive directors and, where appropriate, the Chairman of the Audit, Nominating and Remuneration Committees, and external auditors are available to respond to shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the shareholders with a written answer to any significant question that cannot be readily responded on the spot.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

## DEALINGS IN SECURITIES

The Group has adopted internal codes pursuant to the Listing Rule 1207(19) of the Listing Manual applicable to all its officers in relation to dealing in the Company securities. Its officers are not allowed to deal in the Mirach Energy Limited's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

## SUMMARY OF BOARD AND BOARD COMMITTEES MEETINGS HELD IN FY2014

	Board of Directors			Audit Committee			Nominating Committee			Remuneration Committee		
	Position	Number of Meetings Held	Number of Meetings Attended	Position	Number of Meetings Held	Number of Meetings Attended	Position	Number of Meetings Held	Number of Meetings Attended	Position	Number of Meetings Held	Number of Meetings Attended
<b>Executive Director</b>												
Chan Shut Li William	C	4	4	-	-	-	M	1	1	-	-	-
<b>Non-Executive Director</b>												
Chu Ming*	M	4	4	M	4	4	M	1	1	M	1	1
<b>Independent Directors ('ID')</b>												
Richard Tan Kheng Swee (Lead ID)	M	4	4	-	-	-	-	-	-	C	1	1
Lim Jun Xiong, Steven	M	4	4	M	4	4	C	1	1	M	1	1
Liu Mei Ling, Rhoda	M	4	4	C	4	4	M	1	1	M	1	1

Denotes:  
C – Chairman  
M – Member

\* Mr Chu Ming was re-designated as Executive Director and ceased to be a member of the Remuneration Committee and Nominating Committee with effect from 16 March 2015.

## **MATERIAL CONTRACTS**

Save for the service agreements entered into between the Executive Directors and the Company, there was no material contract entered into by the Company and its subsidiaries involving the interests of any director or controlling shareholders subsisting at the end of the financial year ended 31 December 2014.

## **INTERESTED PERSON TRANSACTIONS**

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and those transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions for the financial year ended 31 December 2014.

# FINANCIAL CONTENTS

27 Directors' Report

31 Statement by Directors

32 Independent Auditor's Report

34 Consolidated Income Statement

35 Consolidated Statement of Comprehensive Income

36 Statements of Financial Position

37 Statements of Changes in Equity

40 Consolidated Cash Flow Statement

42 Notes to the Financial Statements

96 Statistics of Shareholdings

97 Notice of Annual General Meeting

Proxy Form

# Directors' Report

The directors present their report to the members together with the audited consolidated financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

## Directors

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

Chan Shut Li, William  
Liu Mei Ling, Rhoda  
Lim Jun Xiong, Steven  
Richard Tan Kheng Swee  
Chu Ming

## Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

## Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter. 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of the financial year	At the beginning of financial year or date of appointment	At the end of the financial year
<b>Ordinary shares of the Company</b>				
Chan Shut Li, William	185,696,732	185,696,732	–	–
Liu Mei Ling, Rhoda	200,000	200,000	–	–
Richard Tan Kheng Swee	–	–	–	20,000

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

# Directors' Report

## Options and Performance share plan

Mirach Energy Limited has the following share options and share plan:

1. Mirach Energy Employee Share Option Scheme (“the Mirach Energy Scheme”)
2. Mirach Energy Employee Share Option Scheme (the “Mirach ESOS Scheme”)
3. Mirach Energy Performance Share Plan (the “Mirach PSP”)

All share options and share plan are administered by the Remuneration Committee (“RC”), which comprise the following directors:

Richard Tan Kheng Swee ( Chairman )  
Lim Jun Xiong, Steven  
Liu Mei Ling, Rhoda

The share options and share plan, except for the Mirach Energy Scheme which expired on 27 April 2014, shall continue to be in force at the discretion of RC, subject to maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution passed at a general meeting and of any relevant authorities which may then be required.

## Options

The Mirach Energy Scheme was approved on 27 April 2004 and expired on 27 April 2014. All share options had been fully exercised or forfeited as shown in Note 27 of the financial statements in the previous financial year.

The Mirach ESOS Scheme was approved on 30 July 2014. Under the scheme, non-transferable options to subscribe for ordinary shares in the capital of the Company are granted to eligible executive directors, non-executive directors, controlling shareholders and their associates.

During the financial year:

- No options were granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and
- No shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

Since the commencement of the employee share option plans till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total options available under the Mirach ESOS Scheme;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted;
- No options have been granted at a discount.

## Performance share plan

Under the Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees, directors of the Company and subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievements of the prescribed performance targets and upon expiry of the prescribed performance period, either new share will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

Since the commencement of the Mirach PSP till the end of the financial year:

- No share awards were granted to the controlling shareholders of the Company and their associates;
- No participants have received 5% or more of the total number of shares or awards available under the Mirach PSP;
- No directors and employees of the holding company and its subsidiaries had received 5% or more of the total number of shares or awards available under the Mirach PSP; and
- No share awards have been granted to directors and employees of the holding company and its subsidiaries.

## Audit committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the external auditor of the Group and Company, and reviewed the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and Company's management to the external auditor
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors
- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance and risk management
- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

# Directors' Report

The AC, having considered that no non-audit services had been provided by the external auditor to the Group for the financial year ended 31 December 2014, is satisfied that the independence of the external auditor is not affected. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with external auditor, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

## **Auditor**

Ernst & Young LLP has expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Chan Shut Li, William  
Director

Liu Mei Ling, Rhoda  
Director

Singapore  
1 April 2015

## Statement by Directors

We, Chan Shut Li, William and Liu Mei Ling, Rhoda, being two of the directors of Mirach Energy Limited (the “Company”), do hereby state that, in the opinion of the directors,

- (i) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and
- (ii) 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.

On behalf of the Board of Directors:

Chan Shut Li, William  
Director

Liu Mei Ling, Rhoda  
Director

Singapore  
1 April 2015

# Independent Auditor's Report

To the Members of Mirach Energy Limited  
For the financial year ended 31 December 2014

## **Report on the financial statements**

We have audited the accompanying financial statements of Mirach Energy Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's responsibility for the financial statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, 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; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheet and to maintain accountability of assets.

### ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company 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 Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

# Independent Auditor's Report

To the Members of Mirach Energy Limited  
For the financial year ended 31 December 2014

## **Other matters**

The 2013 financial statements for the financial year ended 31 December 2013 before restatements were audited by another auditor who expressed an unmodified opinion on those unadjusted financial statements on 1 April 2014. The previous financial year ended 31 December 2013 comparative figures disclosed in the financial statements had been restated, and the effects of these adjustments are disclosed in Note 2.4.

## **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.

Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore  
1 April 2015

# Consolidated Income Statement

For the financial year ended 31 December 2014

	Note	2014 US\$'000	2013 (Restated) US\$'000
Revenue	4	1,704	5,399
Other income		86	233
Production expenses		(1,086)	(979)
Staff cost		(2,172)	(1,606)
Depreciation and amortisation		(1,464)	(1,160)
Other expense		(1,393)	(1,712)
Finance costs	5	(52)	(4,640)
Share of loss of associates		(575)	(517)
Loss before income tax	6	(4,952)	(4,982)
Income tax	7	(67)	-
Total loss for the financial year		(5,019)	(4,982)
<b>Loss for the year attributable to:</b>			
Equity holders of the company		(4,937)	(4,884)
Non-controlling interests		(82)	(98)
		(5,019)	(4,982)
<b>Losses per share (US\$ cents per share)</b>			
Basic	8	(0.45)	(0.60)
Diluted	8	(0.45)	(0.60)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2014

	Note	2014	2013 (Restated)
		US\$'000	US\$'000
<b>Loss for the financial year</b>		(5,019)	(4,982)
<b>Other comprehensive income:</b>			
<b>Item that will not be reclassified to income statement</b>			
Currency translation arising from presentation currency		(1,099)	–
<b>Item that may be reclassified subsequently to income statement</b>			
Currency translation arising from translation of financial statements of foreign subsidiaries		2	26
<b>Other comprehensive income for the year, net of tax</b>		<b>(1,097)</b>	<b>26</b>
<b>Total comprehensive income for the year</b>		<b>(6,116)</b>	<b>(4,956)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the company		(6,034)	(4,858)
Non-controlling interests		(82)	(98)
		<b>(6,116)</b>	<b>(4,956)</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

As at 31 December 2014

	Note	Group			Company	
		31 December 2014	31 December 2013	1 January 2013	2014	2013
		US\$'000	US\$'000 (Restated)	US\$'000 (Restated)	US\$'000	US\$'000 (Restated)
<b>Non-current assets</b>						
Oil and gas properties	9	8,113	6,944	–	–	–
Property, plant and equipment	10	217	130	169	101	16
Intangible assets	11	8,003	8,696	9,389	–	–
Exploration and evaluation assets	12	–	–	1,249	–	–
Investment in subsidiaries	13	–	–	–	5,764	5,756
Investment in associates	14	5,547	6,122	3,639	7,486	7,486
Amount due from a subsidiary	15	–	–	–	25,048	19,526
Amounts due from associates	16	19,674	18,512	17,120	6,427	6,221
Pledged fixed deposit	18	2,501	2,501	2,501	–	–
		44,055	42,905	34,067	44,826	39,005
<b>Current assets</b>						
Trade and other receivables	17	1,260	811	783	172	446
Prepayment		219	38	35	13	12
Amounts due from subsidiaries	15	–	–	–	4,639	4,130
Amounts due from associates	16	1,103	856	–	–	–
Cash and short-term deposits	19	12,627	6,902	5,550	10,410	5,715
		15,209	8,607	6,368	15,234	10,303
<b>Current liabilities</b>						
Trade and other payables	20	7,360	8,067	4,469	2,303	2,311
Accrued operating expenses		1,070	498	285	119	154
Amounts due to subsidiaries	15	–	–	–	2,774	3,377
Income tax payable		67	–	–	–	–
		8,497	8,565	4,754	5,196	5,842
Liabilities of disposal group classified as held for sale	23	–	–	46	–	–
		8,497	8,565	4,800	5,196	5,842
Net current assets		6,712	42	1,568	10,038	4,461
<b>Non-current liabilities</b>						
Provision for decommissioning	21	481	388	–	–	–
Convertible bonds	22	–	–	12,498	–	–
		481	388	12,498	–	–
<b>Net assets</b>		<b>50,286</b>	<b>42,559</b>	<b>23,137</b>	<b>54,864</b>	<b>43,466</b>
<b>Equity attributable to owners of the Company</b>						
Share capital	24	81,249	66,406	40,855	81,249	66,406
Accumulated losses		(29,854)	(23,917)	(19,826)	(25,597)	(23,251)
Other reserves	25	(768)	329	2,269	(788)	311
		50,627	42,818	23,298	54,864	43,466
Non-controlling interests		(341)	(259)	(161)	–	–
		50,286	42,559	23,137	54,864	43,466

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements Of Changes In Equity

For the financial year ended 31 December 2014

2014 Group	Attributable to owners of the Company							Total equity US\$'000
	Share capital US\$'000	Merger reserve (Note 25a) US\$'000	Equity and share options reserve (Note 25b) US\$'000	Foreign currency translation reserve (Note 25c) US\$'000	Accumulated losses US\$'000	Non- controlling interests US\$'000		
<b>At 1 January 2014 as previously stated</b>	65,736	763	467	(922)	(19,810)	(223)	46,011	
Prior year adjustments	670	-	-	21	(4,107)	(36)	(3,452)	
<b>At 1 January 2014 restated</b>	66,406	763	467	(901)	(23,917)	(259)	42,559	
Loss for the year	-	-	-	-	(4,937)	(82)	(5,019)	
<u>Other comprehensive income</u>								
Currency translation arising from:								
Presentation currency	-	-	-	(1,099)	-	-	(1,099)	
Translation of financial statements of foreign subsidiaries	-	-	-	2	-	-	2	
Other comprehensive income for the year, net of tax	-	-	-	(1,097)	-	-	(1,097)	
<b>Total comprehensive income for the year</b>	-	-	-	(1,097)	(4,937)	(82)	(6,116)	
<u>Contributions by and distributions to owners</u>								
Issuance of new shares from the conversion of Convertible Loan (Note 26)	14,272	-	-	-	-	-	14,272	
Share issuance expenses	(429)	-	-	-	-	-	(429)	
Interest on Convertible Loan (Note 26)	1,000	-	-	-	(1,000)	-	-	
<b>At 31 December 2014</b>	81,249	763	467	(1,998)	(29,854)	(341)	50,286	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements Of Changes In Equity

For the financial year ended 31 December 2014

2013 Group	Attributable to owners of the Company							Total equity US\$'000
	Share capital US\$'000	Merger reserve (Note 25a) US\$'000	Capital reserve (Note 25d) US\$'000	Equity and share options reserve (Note 25b) US\$'000	Foreign currency translation reserve (Note 25c) US\$'000	Accumulated losses US\$'000	Non- controlling interests US\$'000	
<b>At 1 January 2013 as previously stated</b>	40,855	763	969	1,464	(927)	(16,896)	(161)	26,067
Prior year adjustments	-	-	-	-	-	(2,930)	-	(2,930)
<b>At 1 January 2013 restated</b>	40,855	763	969	1,464	(927)	(19,826)	(161)	23,137
Loss for the year	-	-	-	-	-	(4,884)	(98)	(4,982)
<u>Other comprehensive income</u>								
Currency translation arising from:								
Translation of financial statements of foreign subsidiaries	-	-	-	-	26	-	-	26
Other comprehensive income for the year, net of tax	-	-	-	-	26	-	-	26
<b>Total comprehensive income for the financial year</b>	-	-	-	-	26	(4,884)	(98)	(4,956)
<u>Contributions by and distributions to owners</u>								
Issuance of new shares arising from								
- Placement (Note 24)	14,928	-	-	-	-	-	-	14,928
- Exercise of call options (Note 28)	937	-	-	(164)	-	164	-	937
- Exercise of Employee Share Option Scheme (Note 27)	331	-	-	-	-	-	-	331
- Conversion of Convertible Loan (Note 26)	9,572	-	-	-	-	-	-	9,572
Share issuance expenses	(887)	-	-	-	-	-	-	(887)
Early redemption of Convertible Bonds (Note 22)	-	-	(969)	-	-	425	-	(544)
Disposal of subsidiary	-	-	-	(874)	-	874	-	-
Option expense recognised	-	-	-	41	-	-	-	41
Interest on Convertible Loan (Note 26)	670	-	-	-	-	(670)	-	-
<b>At 31 December 2013</b>	66,406	763	-	467	(901)	(23,917)	(259)	42,559

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements Of Changes In Equity

For the financial year ended 31 December 2014

2014 Company	Share capital	Equity and share options reserve (Note 25b)	Foreign currency translation reserve (Note 25c)	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2014 as previously stated</b>	65,736	467	-	(22,737)	43,466
Prior year adjustments	670	-	(156)	(514)	-
<b>At 1 January 2014 restated</b>	66,406	467	(156)	(23,251)	43,466
Loss for the year, representing total comprehensive income for the year	-	-	(1,099)	(1,346)	(2,445)
Contributions by and distributions to owners					
Issuance of new shares from the conversion of Convertible Loan (Note 26)	14,272	-	-	-	14,272
Share issuance expenses	(429)	-	-	-	(429)
Interest on Convertible Loan (Note 26)	1,000	-	-	(1,000)	-
<b>At 31 December 2014</b>	81,249	467	(1,255)	(25,597)	54,864
2013 Company	Share capital	Equity and share options reserve (Note 25b)	Foreign currency translation reserve (Note 25c)	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2013</b>	40,855	590	-	(21,495)	20,919
Loss for the year, representing total comprehensive income for the year	-	-	(156)	(1,675)	(1,831)
Contributions by and distributions to owners					
Issuance of new shares					
- Placement (Note 24)	14,928	-	-	-	14,928
- Exercise of call options (Note 28)	937	(164)	-	164	937
- Exercise of Employee Share Option Scheme (Note 27)	331	-	-	-	331
- Conversion of Convertible Loan (Note 26)	9,572	-	-	-	9,572
Share issuance expenses	(887)	-	-	-	(887)
Early redemption of Convertible Bonds (Note 22)	-	(969)	-	425	(544)
Option expense recognised	-	41	-	-	41
Interest on Convertible Loan (Note 26)	670	-	-	(670)	-
<b>At 31 December 2013</b>	66,406	467	(156)	(23,251)	43,466

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2014

	Note	2014 US\$'000	2013 (Restated) US\$'000
<b>Operating activities</b>			
Loss before tax		(4,952)	(4,982)
<u>Adjustments for:</u>			
- Depreciation of property, plant and equipment	10	73	72
- Loss on disposal of property, plant and equipment	10	-	42
- Depreciation of oil and gas properties	9	698	395
- Amortisation of intangible assets	11	693	693
- Loss on disposal of a subsidiary		-	132
- Finance costs	5	52	4,640
- Interest income		(86)	(70)
- Call option expenses	28	-	41
- Allowance for doubtful debt	17	320	-
- Share of results of associates		575	517
- Repayment of non-shareable oil penalty		(40)	-
- Repayment of non-shareable oil liability	20	(578)	(302)
- Write off inventories		-	2
- Provision for decommissioning	21	41	346
<b>Operating cash flows before changes in working capital</b>		<u>(3,204)</u>	<u>1,526</u>
<u>Changes in working capital</u>			
Increase in trade and other receivables		(950)	(31)
(Decrease)/increase in trade and other payables		(483)	2,634
<b>Cash flows from operations</b>		<u>(4,637)</u>	<u>4,129</u>
Interest received		86	70
<b>Net cash flows (used in)/generated from operating activities</b>		<u>(4,551)</u>	<u>4,199</u>
<b>Investing activities</b>			
Investment in an associate	14	-	(3,000)
Purchase of property, plant and equipment	10	(160)	(74)
(Additions to)/usage of spare parts	9	(27)	156
Net cash inflow arising on disposal of a subsidiary		-	1
Additions to oil and gas properties	9	(1,840)	(4,767)
<b>Net cash flows used in investing activities</b>		<u>(2,027)</u>	<u>(7,684)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Consolidated Cash Flow Statement

For the financial year ended 31 December 2014

	Note	2014 US\$'000	2013 (Restated) US\$'000
<b>Financing activities</b>			
Increase in amounts due from associates		(1,409)	(2,248)
Proceeds from placement of new shares	24	–	14,048
Proceeds from exercise of call options	28	–	937
Proceeds from exercise of employee shares options	27	–	331
Proceeds from Convertible Loan	26	13,843	9,565
Payment of Convertible Bonds interests	22	–	(4,598)
Redemption of Convertible Bonds principal	22	–	(13,041)
<b>Net cash flow generated from financing activities</b>		12,434	4,994
<b>Net increase in cash and cash equivalents</b>			
Effect of exchange rate changes on cash and cash equivalents		5,856	1,509
Cash and cash equivalents at beginning of the financial year		(131)	(157)
		6,902	5,550
<b>Cash and cash equivalents at end of the financial year</b>	19	12,627	6,902

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 1. Corporate information

Mirach Energy Limited (the Company) is a public limited company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 96 Robinson Road, #17-01 SIF Building, Singapore 068899.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (US\$) and all values are rounded to the nearest thousand (\$'000), except when otherwise indicated.

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective and relevant to the Group:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to FRS 19 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 <i>Share Based Payment</i>	1 July 2014
(b) Amendments to FRS 103 <i>Business Combinations</i>	1 July 2014
(c) Amendments to FRS 108 <i>Operating Segments</i>	
(d) Amendments to FRS 113 <i>Fair Value Measurement</i>	1 July 2014
(e) Amendments to FRS 16 <i>Property, Plant and Equipment</i> and FRS 38 <i>Intangible Assets</i>	1 July 2014
(f) Amendments to FRS 24 <i>Related Party Disclosures</i>	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 <i>Business Combinations</i>	1 July 2014
(b) Amendments to FRS 113 <i>Fair Value Measurement</i>	1 July 2014

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Improvements to FRSs (November 2014)	
(a) Amendment to FRS 19 <i>Employee Benefits</i>	1 January 2016
(b) Amendment to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
(c) Amendment to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(d) Amendment to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 110 & FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exemption</i>	1 January 2016
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115 and FRS 109 is described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 is effective for financial periods beginning on or after 1 January 2017. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of non-financial assets that are not an input of the entity's ordinary activities (e.g, sales of property, plant and equipment or intangibles).

Extensive disclosure will be required, including disaggregation of total revenue, information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates.

#### FRS 109 Financial Instruments

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows.

FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 and FRS 109 will have an impact on the Group and the Company.



# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Restatement of previously issued financial statements (cont'd)

	As at 1 January 2013		As at 31 December 2013		As at 31 December 2013	
	Group		Group		Company	
	As previously stated US\$'000	As restated US\$'000	As previously stated US\$'000	As restated US\$'000	As previously stated US\$'000	As restated US\$'000
<b>Current liabilities</b>						
Trade and other payables	3,691	1,063	4,754	2,096	2,465	2,465
Amounts due to subsidiaries (non-trade)	-	-	-	-	3,377	3,377
	3,691	1,063	4,754	2,096	5,842	5,842
Liabilities of disposal group classified as held-for-sale	46	-	46	-	-	-
	3,737	1,063	4,800	2,096	5,842	5,842
<b>Non-current liabilities</b>						
Provision for decommissioning	-	-	-	388	-	-
Convertible bonds	12,498	-	12,498	-	-	-
<b>Total liabilities</b>	16,235	1,063	17,298	2,484	5,842	5,842
<b>Equity attributable to equity holders of the Company</b>						
Share capital	40,855	-	40,855	670	65,736	66,406
Reserves	(14,627)	(2,930)	(17,557)	(4,086)	(22,270)	(22,940)
	26,228	(2,930)	23,298	(3,416)	43,466	43,466
<b>Non-controlling interests</b>	(161)	-	(161)	(36)	(259)	-
<b>Total equity</b>	26,067	(2,930)	23,137	(3,452)	43,466	43,466
<b>Total equity and liabilities</b>	42,302	(1,867)	40,435	(968)	49,308	49,308

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Restatement of previously issued financial statements (cont'd)

#### Effect on consolidated statement of comprehensive income

	2013 As previously stated US\$'000	Group 2013 Restatement US\$'000	2013 As restated US\$'000
Revenue	5,097	302	5,399
Other income	233	–	233
Production expense	(979)	–	(979)
Staff cost	(1,606)	–	(1,606)
Depreciation and amortisation	(860)	(300)	(1,160)
Other expense	(1,489)	(223)	(1,712)
Finance costs	(4,598)	(42)	(4,640)
Share of loss of associates	(237)	(280)	(517)
Loss before income tax	(4,439)	(543)	(4,982)
Income tax	–	–	–
Loss for the financial year	(4,439)	(543)	(4,982)
<b>Other comprehensive income</b>			
<b>Item that may be reclassified subsequently to income statement</b>			
Currency translation arising from translation of financial statements of foreign subsidiaries	5	21	26
Total comprehensive loss for the year	(4,434)	(522)	(4,956)

#### Effect on basic and diluted losses per share

	Group 2013 Increase in
<b>Losses per share</b>	
Basic, losses for the year attributable to ordinary equity holders of the Company	(0.11)
Diluted, losses for the year attributable to ordinary equity holders of the Company	(0.11)

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Restatement of previously issued financial statements (cont'd)

#### 1. Being recognition of interest component on Convertible Loan

The Company had not accrued for the interest on the S\$12,000,000 (US\$9,570,000) Convertible Loan drawn down in 2013. Based on FRS 32 *Financial Instruments*, Convertible Loan is accounted for as equity if a fixed amount of cash is received in exchange for a fixed number of shares, and the accrued Convertible Loan interest was adjusted by an increase in share capital by US\$670,000 and a corresponding increase in accumulated losses.

#### 2. Foreign currency translation reserve

##### (a) Change in functional currency of the Company

The functional currency of the Company was US\$ in 2013. Based on the requirements under FRS 21 *The Effects of Changes in Foreign Exchange Rates*, management's judgment is that the Company's functional currency had changed from US\$ to S\$ in July 2013 as S\$ is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions due to the following:

- The Convertible Loan which was entered into on 5 July 2013 was denominated in S\$;
- Proceeds from the Convertible Loan is largely kept in S\$ after fund raising;
- Expenses are mainly denominated in S\$;
- Equity is in S\$; and
- Investments in 2013 were mainly into Singapore companies and in S\$.

Arising from the correction of functional currency with effect from 5 July 2013, this resulted in a S\$195,000 (US\$156,000) decrease in exchange loss incurred for 2013 with a corresponding understatement of monetary assets (mainly cash) in the Company's books. On consolidation, as the Group's presentation currency was in US\$, the revision of the Company's functional currency resulted in a S\$195,000 (US\$156,000) decrease in exchange loss incurred for 2013, with a corresponding understatement of foreign currency translation reserve.

##### (b) Reclassification of foreign currency translation reserve relating to a subsidiary disposed in 2013 from equity to consolidated income statement

In 2013, the Group disposed a certain subsidiary but the foreign currency translation reserve of that subsidiary amounting to US\$177,000 was not considered when accounting for the disposal.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Restatement of previously issued financial statements (cont'd)

#### 3. Share of loss of an associate, Gunung Indah Lestari Ltd, due to reclassification from available for sale financial asset to investment in associates

The Group acquired 10% equity interest in Gunung Indah Lestari Limited on 25 September 2013 for US\$3,000,000. Gunung Indah Lestari Limited has an operations cooperation agreement (“KSO”) with Pertamina EP over the Sungai Taham – Batu Keras – Suban Jerji block (“ST-BK-SJ”). The Group was awarded the field management and production management services of ST-BK-SJ.

Even though the Group has less than 20% of the equity interests of Gunung Indah Lestari Limited, management’s judgment is that the Group has significant influence over Gunung Indah Lestari Limited as:

- (a) the Group has the right to appoint one out of the three seats on the board of directors;
- (b) all monthly budgets are sent to the Chairman/CEO for his review before his approval; and
- (c) Gunung Indah Lestari Limited’s management team discuss with the Chairman/CEO on their operations such as wells to dig, manpower, funding structure and strategic plans.

Previously, management had accounted for the investment as available-for-sale financial asset. Management had corrected the classification of their interests in Gunung Indah Lestari Limited from available-for-sale financial asset to investment in associates and also recognised the share of loss in the associate of US\$71,000 in 2013.

#### 4. Share of loss of an associate, CPHL (Cambodia) Co., Ltd

##### (a) To expense General Doctorate Petroleum fees as at 31 December 2013

The associate has been capitalising the certain payments to General Doctorate Petroleum in their exploration and evaluation assets. The amounts capitalised that should be expensed amounted to US\$1,390,000 and US\$2,040,000 as of 1 January 2013 and 31 December 2013 respectively.

In addition to expensing the non-capitalised amounts, management had also accrued for General Doctorate Petroleum fees by US\$1,764,000 and US\$1,456,000 as at 1 January 2013 and 31 December 2013 based on the associate’s contractual obligations.

##### (b) To adjust withholding tax on payment for technical services

The associate had not accrued for withholding taxes on the payment for technical services rendered prior to 2013. This resulted in an under accrual of withholding tax payable of US\$839,000, and a corresponding over-statement of the associate’s retained earnings as at 1 January 2013. This resulted in an increase of US\$403,000 to the Group’s share of loss of associates as of 1 January 2013.

#### 5. Accounting for crude oil production income in Indonesia

##### (a) Shortfall accounting for crude oil production income in Indonesia

Under the KSO with Pertamina EP, the Group is entitled to the share of oil above the baseline production (i.e. “incremental oil), and as the operator of Kampung Minyak, the Group is also generally allowed to recover its capital and operational expenditures related to production. As the Group did not achieve any such incremental oil in 2011 and 2012, its cumulative non-shareable oil (NSO) shortfall amounted to 20,084 barrels. Management had made a provision of US\$1,063,000 based on the average production cost when the shortfall was expected to be settled as of 1 January 2013 based on the Group’s contractual obligations.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Restatement of previously issued financial statements (cont'd)

#### 5. Accounting for crude oil production income in Indonesia (cont'd)

##### (b) Being partial settlement of NSO liabilities

A portion of the NSO shortfall was settled in 2013 and an adjustment was made to reflect the increase in revenue in 2013 by US\$302,000.

#### 6. Provision for decommissioning

The KSO agreement has explicit obligation with regards to site restoration and abandonment. There was no provision for site restoration and abandonment previously. Management had estimated decommissioning costs of US\$346,000 for the 9 new wells drilled in 2013.

This increased the Group's losses for the year ended 31 December 2013 by US\$61,000.

#### 7. Commencement of depreciation and change in depreciation policy for oil and gas properties using Unit-Of-Production method

##### Commencement of depreciation and oil and gas properties

Depreciation of an asset begins when it is available for use, which is defined by the standard as occurring when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. This is the point at which capitalisation of costs relating to the asset ceases. An Indonesian subsidiary's oil and gas properties were depreciated from December 2013, instead of when the assets were available for use in January 2013.

##### Depreciation Methods

In 2013, the Group used straight-line method to depreciate oil and gas properties over the estimated useful lives of 5 years. The use of the straight-line method over 5 years was incorrect as this was not reflective of the concession rights period nor "the pattern in which the asset's future economic benefits are expected to be consumed by the entities".

The depreciation expenses had instead been recomputed based on the unit-of-production method (which is more commonly used in the oil and gas industry), whereby the asset is written off in line with its estimated total output to reflect "the pattern in which the asset's future economic benefits are expected to be consumed by the entities".

Management had restated the effects of such increase in depreciation in 2013 amounting to US\$281,000 in 2013.

#### 8. Accrued value-added tax and interest penalty on transfer of the Kampung Minyak operations

Management had not provided for the related value-added tax and late payment penalties in relation to the transfer of assets between its Indonesian entities in May 2013. A correction was made to provide for this exposure of US\$142,000 in 2013.

#### 9. Accrual of office furniture rental

Management did not accrue for office furniture rental expenses amounting to US\$60,000 in 2013.

#### 10. Accrual of drilling expenses

Management had not accrued for services rendered from the Group's service providers in 2013 amounting to US\$1,133,000.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### 2.7 Foreign currency

The Group's consolidated financial statements are presented in US\$, which is different from the Company's functional currency of Singapore Dollar (S\$). The Group has presented its consolidated financial statements in US\$ so that it will be comparable to other oil and gas companies since most of the companies in this industry present their results and financial position in US\$.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US\$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the US\$ convenience translation amounts included in the accompanying consolidated financial statements, the S\$ equivalent amounts have been translated into US\$ at the rate of S\$1.3242 = US\$1.00 and S\$1.2624 = US\$1.00, the rate quoted by <http://www.x-rates.com> at the close of business on 31 December 2014 and 2013 respectively.

No representation is made that the S\$ amounts could have been, or could be, converted into US\$ at that rate or at any other rate prevailing on 31 December 2014 and 2013 or any other date.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.8 Oil and gas properties and property, plant and equipment

#### (i) Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

#### (ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	- 5 years
Furniture, fixtures and office equipment	- 5 years
Motor vehicles	- 5 to 10 years
Oilfield equipment	- 4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The carrying values of oil and gas properties and other property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Oil exploration, evaluation and development expenditure

Oil exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

#### Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

#### Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are capitalised within intangible assets.

Licence costs paid in connection with a right to explore in an existing exploration are capitalised and amortised over the term of the permit.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

#### Exploration and evaluation costs

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is completed and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geographical costs are recognised in the consolidated income statement as incurred.

### 2.10 Intangible assets

Other intangible assets relate to concessionary rights arising from an operations cooperation agreement ("KSO") for an oilfield in Indonesia.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over the period of the concessionary rights) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment as at annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the consolidated income statement in the period in which the expenditure is incurred.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.10 *Intangible assets (cont'd)*

The concessionary rights is amortised on a straight-line basis over the useful economic life or concessionary rights period of 15 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

### 2.11 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Specifically for unproved concessionary rights, future cash flows are estimated using risk assessments on field and reservoir performance and include outlook on proved and unproved reserves, which are then discounted or risk weighted utilising the results from projection of geological, production, recovery and economic factors.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 2.12 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of these policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's income in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

### 2.14 Financial instruments

#### (a) Financial assets

##### Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial asset upon initial recognition at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets. Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Financial instruments (cont'd)

#### (a) Financial assets (cont'd)

##### De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

##### Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (b) Financial liabilities

##### Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial liability upon initial recognition at fair value through profit or loss. After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

##### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (c) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

#### Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.16 Cash and short-term deposits

Cash and short-term deposits in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and short-term deposits exclude restricted cash, which is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, as they are considered an integral part of the Group's cash management.

### 2.17 Provisions

#### General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.17 Provisions (cont'd)

#### *Decommissioning liability*

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of oil are expensed as incurred.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as a finance cost. The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

### 2.18 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

### 2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and the borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.20 *Employee benefits*

#### (i) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in which the related service is performed.

#### (ii) **Share compensation**

Certain employees of the Company, including directors, receive remuneration in the form of share options and/or shares of the Company as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The employee share option reserve is transferred to retained earnings upon expiry of the share options.

### 2.21 *Leases*

*As lessee*

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### 2.22 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.22 Revenue (cont'd)

#### (a) Oilfield services

Revenue from fixed-price consulting agreement is recognised over the contract period based upon output basis.

#### (b) Production of oil

Revenue from the production of oil, in which the Group has an interest with other participants, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Under the Kerja Sama Operasi ("KSO") contract with PT Pertamina EP, the Group is entitled to the share of oil above a baseline production defined in the contract and revenue is derived from cost recovery and partner share of profit of sale of oil and gas. Generally, cost recovery oil and gas allows the operator to recover its capital and non-capital costs related to production up to 80% of the incremental oil production. The Group will provide for any additional shortfall in baseline production in the year as production cost and will recognise revenue in the year the baseline production shortfall is settled.

#### (c) Interest income

Interest income is recognised using the effective interest method.

### 2.23 Taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the consolidated income statement except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.23 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### 2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 2. Summary of significant accounting policies (cont'd)

### 2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to management who is responsible for allocating resources and assessing performance of the operating segments. Segment revenue and segment results are also measured on a basis that is consistent with the internal reporting.

The Group's business are organised into oilfield services and oil exploration and oilfield development segments.

### 2.27 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

### 3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgment which have the most significant effect on the amounts recognised in the consolidated financial statements:

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 3. Significant accounting judgments and estimates (cont'd)

### 3.1 Judgments made in applying accounting policies (cont'd)

#### (a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in US\$ for most entities of the Group.

Management had considered the requirements under FRS 21 *The Effects of Changes in Foreign Exchange Rates* and concluded that the Company's functional currency had changed from US\$ to S\$ in July 2013 as S\$ is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions due to the following:

- The Convertible Loan which was entered into on 5 July 2013 was denominated in S\$;
- Proceeds from the Convertible Loan is largely kept in S\$ after fund raising;
- Expenses are mainly denominated in S\$;
- Equity is in S\$; and
- Investments in 2013 were mainly into Singapore companies and in S\$.

#### (b) Hydrocarbon reserves and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its prospective reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The average oil price assumption used in the estimation of prospective reserves is US\$91/bbl. The carrying amount of oil and gas development and production assets at 31 December 2014 is shown in Note 9.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties which may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units-of-Production (UOP) method, or where the useful life of the related assets change

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 3. Significant accounting judgments and estimates (cont'd)

### 3.1 Judgments made in applying accounting policies (cont'd)

#### (b) Hydrocarbon reserves and resource estimates (cont'd)

- Provisions for decommissioning may require revision where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

#### (c) Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, either from future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economical viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Recoverability of oil and gas assets

The Group assesses each asset or cash-generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) at each reporting period to determine any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amounts is made, which is considered to be the higher of fair value less costs to sell and value in use. These assessment require the use of estimates and assumptions, such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGU.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. The carrying amounts of oil and gas properties are disclosed in Note 9.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 3. Significant accounting judgments and estimates (cont'd)

### 3.2 Key sources of estimation uncertainties (cont'd)

#### (b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 17.

#### (c) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required. The carrying amount for the provision for decommissioning costs is disclosed in Note 21.

#### (d) Units-of-Production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves. The carrying amount of oil and gas development and production assets at 31 December 2014 is shown in Note 9.

#### (e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 3. Significant accounting judgments and estimates (cont'd)

### 3.2 Key sources of estimation uncertainties (cont'd)

#### (e) Taxes (cont'd)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable the taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has \$3,150,000 (2013: \$2,928,000) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have no taxable temporary differences nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed on Note 7.

## 4. Revenue

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
<b>Revenue</b>		
Sale of crude oil	967	302
Rendering of oilfield services	737	5,097
	1,704	5,399

## 5. Finance costs

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
Interest expense on:		
- Convertible Bonds (Note 22)	-	600
- Early redemption of Convertible Bonds (Note 22)	-	3,998
Decommissioning discount adjustment (Note 21)	52	42
	52	4,640

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 6. Loss before income tax

The following items have been included in arriving at loss before tax:

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
Audit fees:		
- Auditors of the Company	88	88
- Other auditors	58	81
Non-audit fees:		
- Auditors of the Company	-	3
Amortisation of oil and gas properties (Note 9)	698	395
Depreciation of property, plant and equipment (Note 10)	73	72
Amortisation of intangible assets (Note 11)	693	693
Loss on disposal of a subsidiary	-	132
Employee benefits (Note 27)	2,172	1,606
Allowance for doubtful debts	320	-
Operating lease expense (Note 30)	348	290
Legal and other professional fees	472	653
Fees paid to a company in which a director was a member of	15	-
Foreign exchange (gain)/loss, net	(548)	50

## 7. Income tax

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group	
	2014	2013
	US\$'000	US\$'000
<b>Consolidated income statement:</b>		
Current income tax:		
- Current income taxation	67	-
	67	-
Income tax expense recognised in consolidated income statement	67	-

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 7. Income tax (cont'd)

### Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
Loss before taxation	4,952	4,982
Tax at the domestic rates applicable to profits in countries where the Group operates	(257)	(53)
Adjustments:		
Non-deductible expenses	104	2,118
Income not subject to taxation	(112)	(2,002)
Deferred tax assets not recognised	332	149
Benefits from previously unrecognised tax losses	–	(212)
Income tax expense recognised in consolidated income statement	67	–

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

### Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately \$3,150,000 (2013: \$2,928,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

## 8. Losses per share

Basic losses per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted losses per share are calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the loss and share data used in the computation of basic and diluted losses per share for the years ended 31 December:

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
Loss, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share	4,937	4,884

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 8. Losses per share (cont'd)

	2014 No. of shares '000	2013 No. of shares '000
Weighted average number of ordinary shares for basic and diluted losses per share computation	1,108,550	814,822

The effect of restatements on basic and diluted loss per share is shown in Note 2.4 to the financial statements.

Since the end of the previous financial year, no senior executives and directors have exercised the options to acquire ordinary shares (2013: 3 million shares). There have been no other transactions involving ordinary shares of potential ordinary shares since the reporting date and before the completion of these financial statements.

## 9. Oil and gas properties

	31 December 2014 US\$'000	Group 31 December 2013 (Restated) US\$'000	1 January 2013 (Restated) US\$'000
<b>Cost:</b>			
At 1 January	7,339	–	–
Transfer from exploration and evaluation assets (Note 12)	–	6,016	–
Additions	1,840	1,479	–
Additions to/(usage) of spare parts	27	(156)	–
At 31 December	9,206	7,339	–
<b>Accumulated depreciation:</b>			
At 1 January	395	–	–
Charge for the financial year	698	395	–
At 31 December	1,093	395	–
<b>Net carrying amount:</b>			
At 31 December	8,113	6,944	–

The cash outflow for additions to oil and gas properties was US\$1,840,000 (2013: US\$4,767,000) presented in the consolidated cash flow statements excludes outstanding payables of US\$Nil (2013: US\$1,479,000) as at the end of the reporting period.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 10. Property, plant and equipment

	Computer equipment	Furniture, fittings and office equipment	Motor vehicles	Oilfield equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>					
<b>Cost:</b>					
At 1 January 2013	261	307	157	1	726
Additions	1	1	–	72	74
Disposals	(239)	(120)	(132)	–	(491)
Exchange realignment	2	2	1	–	5
At 31 December 2013 and 1 January 2014	25	190	26	73	314
Additions	7	111	–	42	160
At 31 December 2014	32	301	26	115	474
<b>Accumulated depreciation:</b>					
At 1 January 2013	241	223	93	–	557
Depreciation charge for the financial year	15	33	12	12	72
Disposals	(238)	(119)	(92)	–	(449)
Exchange realignment	2	2	–	–	4
At 31 December 2013 and 1 January 2014	20	139	13	12	184
Depreciation charge for the financial year	3	34	6	30	73
At 31 December 2014	23	173	19	42	257
<b>Net carrying amount:</b>					
At 1 January 2013	20	84	64	1	169
At 31 December 2013	5	51	13	61	130
At 31 December 2014	9	128	7	73	217

Cash outflow for the purchase of property, plant and equipment was US\$160,000 (2013: US\$74,000).

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 10. Property, plant and equipment (cont'd)

	<b>Computer equipment</b>	<b>Furniture, fittings and office equipment</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Company</b>			
<b>Cost:</b>			
At 1 January 2013	25	89	114
Additions	1	–	1
At 31 December 2013 and 1 January 2014	26	89	115
Additions	4	96	100
At 31 December 2014	30	185	215
<b>Accumulated depreciation:</b>			
At 1 January 2013	18	70	88
Depreciation charge for the financial year	2	9	11
At 31 December 2013 and 1 January 2014	20	79	99
Depreciation charge for the financial year	3	12	15
At 31 December 2014	23	91	114
<b>Net carrying amount:</b>			
At 31 December 2013	6	10	16
At 31 December 2014	7	94	101

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 11. Intangible assets

	<b>Unproved concessionary rights</b>	
	<b>US\$'000</b>	
<b>Group</b>		
<b>Cost:</b>		
At 1 January 2013, 31 December 2013, 1 January 2013 and 31 December 2014	10,400	
<b>Accumulated amortisation:</b>		
At 1 January 2013	1,011	
Amortisation charge during the financial year	693	
At 31 December 2013 and 1 January 2013	1,704	
Amortisation charge during the financial year	693	
At 31 December 2014	2,397	
Net carrying amount:		
At 1 January 2013	9,389	
At 31 December 2013	8,696	
At 31 December 2014	8,003	
	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Amount to be amortised:		
Not later than one year	693	693
Later than one year but not later than five years	2,772	2,772
Later than five years	4,538	5,231

Unproved concessionary rights relate to the operations cooperation agreement ("KSO") for an oilfield in Indonesia, which has 15 years' useful life from the date of signing of the KSO.

## 12. Exploration and evaluation assets

	<b>Group Cost</b>
	<b>US\$'000</b>
At 1 January 2013	1,249
Additions	4,767
Transfer to oil and gas properties (Note 9)	(6,016)
At 31 December 2013, 1 January 2014 and 31 December 2014	-

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 13. Investment in subsidiaries

	Company	
	2014	2013
	US\$'000	US\$'000
Unquoted shares, at cost	5,756	5,748
Additions	8	8
Unquoted shares, at cost	<u>5,764</u>	<u>5,756</u>

The Company has the following investment in subsidiaries:

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2014	2013
			%	%
<i>Held by the Company:</i>				
Acrux Procurement (Singapore) Pte. Ltd. <sup>(1)</sup>	Singapore	Procuring oil and related products and distributing goods	100	100
Petroservice Engineering Inc. <sup>(4)</sup>	British Virgin Islands	Provision of technical oilfield and advisory services	100	100
CPHL (HK) Limited <sup>(2)</sup>	Hong Kong	Investment holding	100	100
UniTEQ Energy Services Pte. Ltd. <sup>(1)</sup>	Singapore	Service activities incidental to oil and gas extraction (excluding surveying)	100	–
<i>Held by subsidiaries:</i>				
Beijing Petroservice Engineering Inc. <sup>(4)</sup>	Republic of China	Provision of technical oilfield and enhanced oil recovery services	100	100
East Energy Group Inc. <sup>(4)</sup>	British Virgin Islands	Investment holding	100	100
East Energy Inc. Ltd <sup>(2)</sup>	Hong Kong	Investment holding	100	100
Prisma Kemuning Mandiri Limited <sup>(4)</sup>	British Virgin Islands	Investment holding	95	95
Prisma Kampung Minyak Limited <sup>(4)</sup>	British Virgin Islands	Investment holding	97.5	97.5
PT Kampung Minyak Energy <sup>(3)</sup>	Indonesia	Oil production services	92.6	92.6
BUT KSO PT Pertamina EP-Prisma Kampung Minyak Ltd <sup>(3)</sup>	Indonesia	Oil production	97.5	97.5

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 13. Investment in subsidiaries (cont'd)

- (1) Audited by Ernst & Young LLP, Singapore for the financial year ended 31 December 2014.
- (2) Audited by member firms of Ernst & Young Global in the respective countries for the financial year ended 31 December 2014.
- (3) Not required to be audited by law in its country of incorporation. These entities were audited by member firms of Ernst & Young Global for group reporting purposes for the financial year ended 31 December 2014.
- (4) Not required to be audited by law in its country of incorporation. These entities are not material to the Group and are not required to be disclosed under SGX Listing Rule 717.

In 2014, the Company incorporated a wholly-owned subsidiary, UniTEQ Energy Services Pte. Ltd. with a paid-up capital of S\$10,000.

In 2013, the Company incorporated a wholly-owned subsidiary, Acrux Procurement (Singapore) Pte. Ltd. with a paid-up capital of S\$10,000.

## 14. Investment in associates

The Group's and the Company's material investments in associates are summarised below:

	Group			Company	
	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>CPHL (Cambodia) Co., Ltd</b>					
Investment in associate, at cost at beginning	7,486	7,486	7,486	7,486	7,486
Share of post-acquisition reserves	(4,695)	(4,293)	(3,847)	-	-
Unquoted equity share, net	2,791	3,193	3,639	7,486	7,486
<b>Gunung Indah Lestari Limited</b>					
Investment in associate, at cost at beginning	3,000	3,000	-	-	-
Share of post-acquisition reserves	(244)	(71)	-	-	-
Unquoted equity share, net	2,756	2,929	-	-	-
Total investment in associates	5,547	6,122	3,639	7,486	7,486

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 14. Investment in associates (cont'd)

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest		
			31 December 2014	31 December 2013	1 January 2013
			%	%	%
<i>Held through Company:</i>					
CPHL (Cambodia) Co., Ltd <sup>(1)</sup>	Kingdom of Cambodia	Oil and gas exploration and production	48	48	48
<i>Held through subsidiary:</i>					
Gunung Indah Lestari Limited <sup>(2)</sup>	Indonesia	Oil and gas exploration and production	10	10	–

(1) Audited by member firm of Ernst & Young Global in Cambodia for the financial year ended 31 December 2014.

(2) Accounted for as an associate as the Group has significant influence over financial and operating policy decisions of the investee.

The summarised financial information in respect of CPHL (Cambodia) Co., Ltd and Gunung Indah Lestari Limited, based on their FRS financial statements is as follows:

	CPHL (Cambodia) Co., Ltd	
	2014	2013
	US\$'000	(Restated) US\$'000
<b>Summarised statement of financial position</b>		
Current assets	100	159
Non-current assets	19,232	17,982
Total assets	19,332	18,141
Current and total liabilities	27,500	25,445
<b>Summarised statement of comprehensive loss</b>		
Total comprehensive loss	838	930
Group's proportion of ownership interest	48%	48%
Group's share of associate's loss for the year	402	446

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 14. Investment in associates (cont'd)

	<b>Gunung Indah Lestari Limited</b>	
	<b>2014</b>	<b>2013 (Restated)</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Summarised statement of financial position</b>		
Current and total assets	3,789	2,720
Current and total liabilities	6,793	3,969
<b>Summarised statement of comprehensive loss</b>		
Total comprehensive loss	1,733	709
Group's proportion of ownership interest	10%	10%
Group's share of associate's loss for the year	173	71

## 15. Amounts due from/(to) subsidiaries

The amounts due from subsidiaries are unsecured, non-interest bearing and to be settled in cash on demand except for a non-current portion of US\$25,048,000 (2013: US\$19,526,000) which is not expected to be repaid within the next 12 months.

The amounts due to subsidiaries are unsecured, non-interest bearing and to be settled in cash on demand.

## 16. Amounts due from associates

Other than a loan disbursed by the Company to CPHL (Cambodia) Co., Ltd amounting to US\$670,000 (31 December 2013: US\$670,000; 1 January 2013: US\$670,000), which bears an interest of 3% (31 December 2013: 3%; 1 January 2013: 3%), all other amounts due from associates are unsecured, non-interest bearing, to be settled in cash and are not expected to be repaid within the next 12 months, except for a current portion of US\$1,103,000 (2013: US\$856,000) which is repayable on demand.

## 17. Trade and other receivables

	<b>Group</b>			<b>Company</b>	
	<b>31 December 2014</b>	<b>31 December 2013 (Restated)</b>	<b>1 January 2013 (Restated)</b>	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Trade and other receivables (current):</b>					
Trade receivables	173	-	-	-	-
Other receivables	97	396	783	172	446
Deposits	156	99	-	-	-
Amount due from tax authority	834	316	-	-	-
	1,260	811	783	172	446
Amounts due from subsidiaries (Note 15)	-	-	-	4,639	4,130
Amounts due from associates (Note 16)	1,103	856	-	-	-
	2,363	1,667	783	4,811	4,576

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 17. Trade and other receivables (cont'd)

	Group			Company	
	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Other receivables (non-current):</b>					
Amounts due from a subsidiary (Note 15)	-	-	-	25,048	19,526
Amounts due from associates (Note 16)	19,674	18,512	17,120	6,427	6,221
	<u>19,674</u>	<u>18,512</u>	<u>17,120</u>	<u>31,475</u>	<u>25,747</u>
Total trade and other receivables (current and non-current)	22,037	20,179	17,903	36,286	30,323
Add: Pledged fixed deposit (Note 18)	2,501	2,501	2,501	-	-
Cash and short-term deposits (Note 19)	12,627	6,902	5,550	10,410	5,715
Total loans and receivables	<u>37,165</u>	<u>29,582</u>	<u>25,954</u>	<u>46,696</u>	<u>36,038</u>

### Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

### Receivables that are past due but not impaired

The Group does not have trade receivables that are past due at the end of the reporting period but not impaired. All trade receivables are not secured by any collateral or credit enhancements.

### Receivables that are impaired

Trade and other receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The Group does not have trade receivables that are impaired at the end of the reporting period.

At the end of the reporting period, the Group and the Company have provided an allowance of US\$320,000 (31 December 2013: US\$Nil; 1 January 2013: US\$Nil) for other receivables of nominal amount US\$320,000 (31 December 2013: US\$320,000; 1 January 2013: US\$320,000).

## 18. Pledged fixed deposit

The fixed deposit held by a subsidiary was pledged to bank for a bank guarantee to PT Pertamina EP from PT Kampung Minyak Energy, for the oil exploration rights acquired, as part of the requirement of the operations cooperation agreement ("KSO") signed in July 2011. The pledged fixed deposit is classified as non-current.

The pledged fixed deposit bears an average interest rate of 2.82% (31 December 2013: 2.85%; 1 January 2013: 2.85%) per annum.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 19. Cash and short-term deposits

	Group			Company	
	31 December 2014	31 December 2013	1 January 2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash at banks and on hand	7,341	6,902	5,550	5,124	5,715
Short-term deposits	5,286	-	-	5,286	-
Cash and short-term deposits	12,627	6,902	5,550	10,410	5,715

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and the Company, and earn interests at 1% (31 December 2013 and 1 January 2013: Nil) per annum.

## 20. Trade and other payables

	Group			Company	
	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Trade and other payables:					
Trade payables	4,483	4,546	664	-	-
Other payables	948	1,006	988	557	557
Non-shareable oil liability	183	761	1,063	-	-
Amount due to a related party	1,746	1,754	1,754	1,746	1,754
	7,360	8,067	4,469	2,303	2,311
Amounts due to subsidiaries (Note 15)	-	-	-	2,774	3,377
Total trade and other payables	7,360	8,067	4,469	5,077	5,688
Add: Accrued operating expenses	1,070	498	285	119	154
Less: Non-shareable oil liability	(183)	(761)	(1,063)	-	-
Total financial liabilities carried at amortised cost	8,247	7,804	3,691	5,196	5,842

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Other payables are unsecured, non-interest bearing, to be settled in cash and repayable on demand.

Amount due to a related party is non-trade related, unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

Non-shareable oil liability arises when the Group does not achieve incremental oil under the KSO with Pertamina EP for the financial year. During the financial year, the Group settled US\$578,000 (31 December 2013: US\$302,000; 1 January 2013: US\$Nil).

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 21. Provision for decommissioning

	31 December 2014	Group 31 December 2013 (Restated)	1 January 2013 (Restated)
	US\$'000	US\$'000	US\$'000
At 1 January	388	–	–
Arose during the financial year	41	346	–
Finance costs	52	42	–
At 31 December	481	388	–

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis on the installation of those facilities.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2026 which is when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate used in the calculation on the provision as at 31 December 2014 equalled 12.0% (31 December 2013: 12.0%; 1 January 2013: Nil).

## 22. Convertible bonds

On 27 April 2011, the Group and Company issued S\$16,900,000 (US\$13,694,000) senior convertible bonds ("Bonds") of 3% interest rate. The Bonds can either be allowed to mature on 27 April 2014 at its nominal value of S\$16,900,000 (US\$13,694,000) or can be converted into shares under the holder's option at an issued price of S\$0.12 per share. The values of the liability component, derivative component and equity component at issuance of the Bonds were determined based on valuations performed by GC Appraisal Services Company Limited. The Company redeemed the Bonds in 2013 and incurred interest expenses of US\$4,598,000, comprising of interest payment of US\$600,000 and an early redemption interest of US\$3,998,000.

## 23. Liabilities of disposal group classified as held for sale

On 21 January 2013, the Company entered into a conditional sale and purchase agreement with Xi'an Changyou Information Technology Corporation Limited to dispose its 100% equity interest in its subsidiary, Xi'an Cenozoic Petro Tech Co., Ltd for a cash consideration of RMB6,000. The disposal was completed on 29 January 2013.

The Group had classified the liabilities associated with the subsidiary as liabilities of disposal group held for sale as at 1 January 2013.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 24. Share capital

	Group and Company	
	No. of shares '000	US\$'000
<b>Issued and fully paid ordinary shares:</b>		
At 1 January 2014	1,035,050	66,406
Issuance of new shares		
Convertible Loan (Note 26)	144,927	14,272
Interest on Convertible Loan (Note 26)	10,145	1,000
Share issuance expenses	–	(429)
At 31 December 2014	<u>1,190,122</u>	<u>81,249</u>
At 1 January 2013	766,668	40,855
Issuance of new shares		
Placement	152,000	14,928
Exercise of call options (Note 28)	10,000	937
Exercise of employee share options (Note 27)	3,000	331
Convertible Loan (Note 26)	96,619	9,572
Interest on Convertible Loan (Note 26)	6,763	670
Share issuance expenses	–	(887)
At 31 December 2013	<u>1,035,050</u>	<u>66,406</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 19 July 2013, the Company completed the placement of 152,000,000 new ordinary shares in the capital of the Company at a placement price of S\$0.1242 per share.

Share issue expenses represent direct costs attributed to the issuance of Convertible Loan to new ordinary shares amounting US\$429,000 in 2014. Share issue expenses represented direct costs attributed to the issuance of new placement shares and convertible loan to new ordinary shares amounting US\$880,000 and US\$7,000 respectively in 2013.

Subsequent to the end of the reporting period, the Board of Directors announced the proposed consolidation of every ten existing ordinary shares in the capital of the Company (including treasury shares) held by shareholders in the capital of the Company ("Proposed Share Consolidation"). Please refer to Note 35 for details.

### Share options

During the financial year, the Company has two share option arrangements known as Mirach Energy Scheme and Mirach ESOS Scheme respectively.

The Mirach Energy Scheme was approved on 27 April 2004 under which options to subscribe for the Company's ordinary shares have been granted to selected employees and directors of the Company, its subsidiaries and associates (Note 27). The Mirach Energy Scheme expired on 27 April 2014.

The Mirach ESOS Scheme was approved on 30 July 2014 under which options to subscribe for the Company's ordinary shares have been granted to selected employees and directors of the Company and its subsidiaries (including non-executive directors) and controlling shareholders and/to their associates. No share options were granted during the financial year.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 24. Share capital (cont'd)

### Performance shares

The Company has a performance share plan known as Mirach Performance Share Plan ("Mirach PSP"). Under the terms of Mirach PSP, the award of fully-paid shares will be granted, free of charge, to selected employees, directors of the Company and subsidiaries, controlling shareholders and their associates with performance targets to be set over a performance period. Subject to the achievement of the prescribed performance targets and upon expiry of the prescribed performance period, either new share will be allotted and issued or existing shares acquired previously and held as Treasury Shares will be delivered.

During the financial year, the Company did not grant any award nor issue any shares under Mirach PSP.

## 25. Other reserves

### (a) Merger reserve

The merger reserve represents to the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares acquired in respect of the acquisition of subsidiaries accounted for under the "pooling of interests" method of accounting in prior years.

### (b) Equity and share options reserve

The equity and share options reserve represents the fair value of share options measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

### (c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

### (d) Capital reserve

The capital reserve represents the equity component of convertible bonds which is assigned residual amount after deducting the liability component and derivative component from the proceeds, net of transaction costs (Note 22). The remaining balance of US\$425,000 and US\$544,000 were transferred from capital reserve to accumulated losses and bonds payable respectively upon the early redemption of the convertible bonds in the last financial year.

## 26. Convertible Loan

On 9 October 2013, the Company entered into a Convertible Loan ("Convertible Loan") Agreement ("Agreement") with its shareholders, with an aggregate principal up to S\$36,000,000 (US\$28,420,000) with a flat interest of 7% per annum. The Convertible Loan is to be provided in 6 tranches of S\$6,000,000 (US\$4,740,000) for each tranche. Under the Agreement, the lenders have the option to convert the Convertible Loan and interest into fully-paid ordinary shares of the Company at the conversion price of S\$0.1242. The aggregate minimum loan ("Minimum Loan") of S\$18,000,000 (US\$14,210,000) is made available to the Company for a period of one year from the date of the Agreement. The further upside loan ("Upsize Loan") is made available to the Company from the date the Minimum Loan has been drawn down in full and up to a period of 24 months from the date of the first tranche drawdown of the Minimum Loan.

In 2014, the Company drew down the last tranche of the Minimum Loan and first two tranches of the Upsize Loan amounting to S\$6,000,000 (US\$4,728,000) and S\$12,000,000 (US\$9,544,000) respectively, with the amounts being converted into ordinary shares as at 31 December 2014. Interest accrued was S\$1,265,000 (US\$1,000,000).

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 26. Convertible Loan (cont'd)

In 2013, the Company drew down the first two tranches of the Minimum Loan amounting to S\$12,000,000 (US\$9,572,000), with the amount being converted into ordinary shares as at 31 December 2013. Interest accrued was S\$840,000 (US\$670,000).

## 27. Employee benefits

	Group	
	2014	2013
	US\$'000	US\$'000
Employee benefits expense (including directors):		
Salaries and bonus	1,742	1,289
Central Provident Fund contributions	27	15
Other short-term benefits	403	302
	2,172	1,606

### Employee share option plan

Under the Mirach Energy Employee Share Option Scheme ("Mirach Energy Scheme"), share options are granted to selected employees and directors of the Company, its subsidiaries and associates. The exercise price of the options is set at a discount of no more than 20% to the average of the last dealt prices for a share, as determined by reference to the daily official list published by the SGX-ST for a period of 5 consecutive market days immediately prior to the relevant date of grant of the option. The contractual life of the options is 5 years.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement of these awards.

In 2013, all share options had been exercised or forfeited.

### Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the financial year:

	2013	
	Number	WAEP
		S\$
Outstanding at 1 January	3,500,000	-
- Exercised	(3,000,000)	0.141
- Expired	(500,000)	-
Outstanding at 31 December	-	-
Exercisable at 31 December	-	-

### Fair value of share options granted

The fair value of the share options granted under the Mirach Energy Scheme is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 27. Employee benefits (cont'd)

The following table lists the inputs to the option pricing model for the year ended 31 December 2013:

	<b>2013</b>
Dividend yield (%)	–
Expected volatility (%)	48.46%
Risk-free interest rate (% p.a.)	2.338%
Expected life of option (years)	5
Share price (S\$)	0.13
Exercise price (S\$)	<u>0.14</u>

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 28. Call option

On 27 April 2011, the Company entered into a Call Option Agreement with Sino Capital Holdings Limited (“Sino”) in which the Company granted Sino a call option to acquire 10 million new ordinary shares in the capital of the Company with an issue price of S\$0.12. The call option was exercised on 10 July 2013. A call option expense of US\$41,000 was recognised in the consolidated income statement in 2013.

## 29. Related party transactions

### (a) Sales and purchases of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between parties during the financial year.

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Service fees rendered to an associate	960	960
Management fee from an associate	5	–
Interest income from an associate	<u>20</u>	<u>20</u>

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 29. Related party transactions (cont'd)

### (b) Compensation of key management personnel

	Group	
	2014 US\$'000	2013 US\$'000
Short-term employee benefits	711	676
Central Provident Fund contributions	18	10
	729	686
<i>Comprise amounts paid to:</i>		
Directors of the Company	342	295
Other key management personnel	387	391
	729	686

#### Directors' interests in employee share option plan

During the financial year, no employee share options (2013: Nil) were granted to the Company's executive directors and no employee share options (2013: Nil) were granted to the Company's non-executive directors under the Mirach Energy Employee Share Option Scheme.

No employee share options (2013: 500,000) were exercised by the Company's directors during the financial year.

At the end of the reporting period, there were no (2013: Nil) outstanding share options granted to any directors of the Company.

#### Directors' interests in performance share plan

During the financial year, no performance shares were granted to executive directors of the Company under the Mirach Energy Performance Share Plan.

At the end of the reporting period, there were no outstanding performance shares granted to any directors of the Company.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 30. Commitments

### a) Operating lease commitments

The Group has entered into commercial leases on certain office buildings. These leases have remaining non-cancellable lease terms of between one to three years with no renewal option or contingent rent provision included in the contracts. The Group is restricted from subleasing the leased offices to third parties.

Minimum lease payments recognised as an expense in the consolidated income statement for the financial year ended 31 December 2014 amounted to US\$348,000 (2013: US\$290,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Not later than one year	437	187
Later than one year but not later than five years	482	132
	919	319

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	US\$'000	US\$'000
Purchase of motor vehicle (Not later than one year)	148	-
Drilling services (Not later than one year)	661	1,641
Capital commitments in relation to the work program project by subsidiary, Prisma Kampung Minyak Limited <sup>(1)</sup> :		
- Not later than one year	3,475	13,425
- More than one year but not later than five years	6,240	-
Share of capital commitments in relation to the work program project by an associate, CPHL (Cambodia) Co., Ltd <sup>(2)</sup> :		
- Not later than one year	1,344	5,736
- More than one year but not later than five years	4,032	-
	15,900	20,802

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 30. Commitments (cont'd)

### b) Capital commitment (cont'd)

Notes:

- (1) Work program project represents the required technical assessment and operational costs associated with the drilling process in oilfield of Indonesia to be carried out by Prisma Kampung Minyak Limited, a subsidiary of the Group, during the exploration period between 15 July 2011 to 14 June 2014 and subsequently extended till 14 July 2016 in accordance with the clauses under the KSO.
- (2) Work program project represents the required technical assessment and operational costs associated with the drilling process in oilfield of Indonesia to be carried out by CPHL (Cambodia) Co., Ltd, an associate of the Group which has 48% equity interest, during the exploration period till 2014 and is currently under negotiation to be further extended till 2018.

## 31. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

### (b) Assets and liabilities not carried at fair value but for which fair value is disclosed

*Cash and short-term deposits, trade and other receivables, trade and other payables, accrued operating expenses and amounts due from/(to) subsidiaries and associates (current)*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

*Pledged fixed deposit*

The carrying amount of pledged fixed deposit closely approximates its fair value as the interest rate of this financial asset approximates its market rate on or at the end of the reporting period.

### (c) Assets and liabilities not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

*Amounts due from subsidiaries and associates (non-current)*

The non-current amounts due from subsidiaries and associates have no fixed terms of repayment. Accordingly, the fair values cannot be measured reliably as the timing of the future cash flows cannot be determined.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 32. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key risks include credit risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

### (a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, pledged fixed deposit, cash and short-term deposits. For other financial assets (including cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

#### Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position
- a nominal amount of US\$2,501,000 (2013: US\$2,501,000; 1 January 2013: US\$2,501,000) relating to fixed deposit held by a subsidiary pledged to bank for bank guarantee to PT Pertamina for the oil exploration rights acquired (Note 18)

Information regarding credit enhancements for trade and other receivables is disclosed in Note 17.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 32. Financial risk management objectives and policies (cont'd)

### (a) Credit risk (cont'd)

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables by contract area on an on-going basis. At the end of the reporting period, approximately:

- 99% (31 December 2013 and 1 January 2013: Nil) of the Group's trade receivables was due from 1 major customer (31 December 2013: Nil; 1 January 2013: Nil), who is in the oil and gas industry located in Indonesia.
- 94% (31 December 2013: 96%; 1 January 2013: 96%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were due from related parties.

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Pledged fixed deposit, cash and short-term deposits are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade and other receivables).

### (b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by its management to finance its operations and meet its financial obligations on a timely manner.

The Group's current funding is mainly from share placements. The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. Access to sources of funding is sufficiently available.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 32. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk(cont'd)

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	Group			Total
	1 year or less	1 to 5 years	More than 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000
<b>2014</b>				
<b>Financial assets:</b>				
Amount due from associates	1,103	–	19,674	20,777
Pledged fixed deposit	–	–	2,501	2,501
Trade and other receivables	1,260	–	–	1,260
Cash and short-term deposits	12,627	–	–	12,627
Total undiscounted financial assets	14,990	–	22,175	37,165
<b>Financial liabilities:</b>				
Trade and other payables less non-shareable oil liability	7,177	–	–	7,177
Accrued operating expenses	1,070	–	–	1,070
Total undiscounted financial liabilities	8,247	–	–	8,247
Net undiscounted financial assets	6,743	–	22,175	28,918
<b>2013</b>				
<b>Financial assets:</b>				
Amount due from associates	856	–	18,512	19,368
Pledged fixed deposit	–	–	2,501	2,501
Trade and other receivables	811	–	–	811
Cash and short-term deposits	6,902	–	–	6,902
Total undiscounted financial assets	8,569	–	21,013	29,582
<b>Financial liabilities:</b>				
Trade and other payables less non-shareable oil liability	7,306	–	–	7,306
Accrued operating expenses	498	–	–	498
Total undiscounted financial liabilities	7,804	–	–	7,804
Net undiscounted financial assets	765	–	21,013	21,778

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 32. Financial risk management objectives and policies (cont'd)

### (b) Liquidity risk (cont'd)

	Company			Total US\$'000
	1 year or less US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
<b>2014</b>				
<b>Financial assets:</b>				
Amount due from an associate	–	–	6,427	6,427
Trade and other receivables	172	–	–	172
Amounts due from subsidiaries	4,639	–	25,048	29,687
Cash and short-term deposits	10,410	–	–	10,410
Total undiscounted financial assets	15,221	–	31,475	46,696
<b>Financial liabilities:</b>				
Trade and other payables	2,303	–	–	2,303
Accrued operating expenses	119	–	–	119
Amounts due to subsidiaries	2,774	–	–	2,774
Total undiscounted financial liabilities	5,196	–	–	5,196
Net undiscounted financial assets	10,025	–	31,475	41,500

	Company			Total US\$'000
	1 year or less US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
<b>2013</b>				
<b>Financial assets:</b>				
Amount due from an associate	–	–	6,221	6,221
Trade and other receivables	446	–	–	446
Amounts due from subsidiaries	4,130	–	19,526	23,656
Cash and short-term deposits	5,715	–	–	5,715
Total undiscounted financial assets	10,291	–	25,747	36,038
<b>Financial liabilities:</b>				
Trade and other payables	2,311	–	–	2,311
Accrued operating expenses	154	–	–	154
Amounts due to subsidiaries	3,377	–	–	3,377
Total undiscounted financial liabilities	5,842	–	–	5,842
Net undiscounted financial assets	4,449	–	25,747	30,196

The maximum amount of the financial guarantee contracts allocated to the earliest period, which is within the next financial year, in which the guarantee could be called is US\$2,501,000 (31 December 2013: US\$2,501,000; 1 January 2013: US\$2,501,000).

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 32. Financial risk management objectives and policies (cont'd)

### (c) Foreign currency risk

The Group has minimal transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily US\$, Singapore Dollar (S\$), Indonesia Rupiah (IDR) and Hong Kong Dollar (HKD\$). The foreign currencies in which these transactions are denominated are mainly in US\$ and IDR. The Group's trade receivables are denominated in US\$. The Group's foreign operations are managed primarily through the engagement of services and purchases denominated in the respective functional currencies of the foreign subsidiaries.

The exchange rate of the HKD\$ to the US\$ has been pegged at an official rate of HKD\$7.8 to US\$1.0 by the Hong Kong Government with a minimal trading band. The Company, therefore, is of the view that the Group's exposure to foreign exchange currency risk for changes in exchange rate of HKD\$ against US\$ is limited and which is not included in the foreign exchange risk analysis.

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes.

The Group uses foreign currency denominated assets as a natural hedge against its foreign currency denominated liabilities. It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging or speculative purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Singapore. The Group's net investments are not hedged as currency positions in US\$ are considered to be long-term in nature.

#### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the RMB, IDR, and S\$ exchange rates against US\$, with all other variables held constant.

	Group	
	2014	2013
	US\$'000	US\$'000
	Loss before tax	Loss before tax
US\$ / RMB - strengthened 4% (2013: 4%)	(7)	-
- weakened 4% (2013: 4%)	7	-
US\$ / IDR - strengthened 4% (2013: 4%)	(9)	4
- weakened 4% (2013: 4%)	9	(4)
US\$ / S\$ - strengthened 4% (2013: 4%)	(167)	(30)
- weakened 4% (2013: 4%)	167	30

## 33. Capital management

Capital includes debts and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 33. Capital management (cont'd)

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, accrued operating expenses less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	Group	
	2014	2013 (Restated)
	US\$'000	US\$'000
Trade and other payables (Note 20)	7,360	8,067
Accrued operating expenses	1,070	498
Less:		
Pledged fixed deposit (Note 18)	(2,501)	(2,501)
Cash and short-term deposits (Note 19)	(12,627)	(6,902)
<i>Net cash</i>	(6,698)	(838)
Equity attributable to the owners of the Company, representing total capital	50,627	42,818
<b>Capital and net cash</b>	<b>43,929</b>	<b>41,980</b>
<b>Gearing ratio</b>	<b>Net cash</b>	<b>Net cash</b>

## 34. Segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

- I. Oilfield services segment is provision of oilfield services and sale of hardware products and equipment.
- II. Oil exploration and oilfield development segment involves petroleum operations in an offshore area of Cambodia and Indonesia.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) are managed on a group basis and are not allocated to operating segments.

There are no inter-segment transactions.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 34. Segment information (cont'd)

	Oilfield services		Oil exploration and oilfield development		Adjustments		Note	Total	
	2014	2013	2014	2013	2014	2013		2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
<b>Revenue:</b>									
External customers	967	5,097	737	302	-	-		1,704	5,399
Inter-company	44	-	-	-	(44)	-	A	-	-
Total revenue	1,011	5,097	737	302	(44)	-		1,704	5,399
Segments results									
Unallocated corporate expenses	-	-	-	-	(872)	(209)		(872)	(209)
Interest income	-	-	-	-	86	70		86	70
Finance costs	-	-	-	-	(52)	(4,640)		(52)	(4,640)
Depreciation and amortisation	(1)	(22)	(1,449)	(1,126)	(14)	(12)		(1,464)	(1,160)
Share of loss of associates	-	-	(575)	(517)	-	-		(575)	(517)
Allowance for doubtful debt	-	-	-	-	(320)	-		(320)	-
Other non-cash expenses	-	-	577	(46)	-	(173)	B	577	(219)
Segment (loss)/profit	(382)	4,196	(3,465)	(4,214)	(1,172)	(4,964)	C	(5,019)	(4,982)
Investment in associates	-	-	5,547	6,122	-	-		5,547	6,122
Additions to non-current assets	14	-	2,013	4,685	-	1	D	2,027	4,686
Segment assets	443	764	47,953	44,802	10,868	5,946	E	59,264	51,512
Segment liabilities	321	324	6,222	6,161	2,435	2,468	F	8,978	8,953

Notes Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-company revenue is eliminated on consolidation.

B Other non-cash expenses consist of repayment of non-shareable oil liability, loss on disposal of subsidiary, provision of decommissioning, call option expenses and inventories written-down as presented in the respective notes to the financial statements.

C The following are added to/(deducted from) segment income statement to arrive at "Loss before tax" presented in the consolidated income statement:

	2014	2013
	US\$'000	(Restated) US\$'000
Interest income	(86)	(70)
Finance costs	52	4,640
Depreciation and amortisation	14	12
Loss on disposal of subsidiary	-	132
Call option expenses	-	41
Allowance for doubtful debt	320	-
Unallocated corporate expenses	872	209
	1,172	4,964

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 34. Segment information (cont'd)

D Additions to non-current assets consist of additions to property, plant and equipment, oil and gas properties and intangible assets.

E The following items are added to segment assets to arrive at total assets reported in the statements of financial position:

	2014	2013
	US\$'000	US\$'000
Property, plant and equipment	101	16
Cash and short-term deposits	10,572	5,794
Others	195	136
	<u>10,868</u>	<u>5,946</u>

F The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

	2014	2013
	US\$'000	US\$'000
Other payables	2,308	2,287
Accrued operating expenses	127	181
	<u>2,435</u>	<u>2,468</u>

### Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue	
	2014	2013
	US\$'000	(Restated) US\$'000
Indonesia	737	4,439
Cambodia	965	960
Singapore	2	-
	<u>1,704</u>	<u>5,399</u>

	Non-current assets		
	31 December 2014	31 December 2013	1 January 2013
	US\$'000	(Restated) US\$'000	(Restated) US\$'000
Singapore	114	16	-
Indonesia	18,720	18,255	13,308
	<u>18,834</u>	<u>18,271</u>	<u>13,308</u>

Non-current assets information presented above consist of property, plant and equipment, oil and gas properties, intangible assets, exploration and evaluation assets and pledged fixed deposit.

# Notes To The Financial Statements

For the financial year ended 31 December 2014

## 34. Segment information (cont'd)

### Information about major customers

Revenue from an associated company in the oilfield services segment accounted for 100% (2013: 19%) of the Group's sales in that segment.

In 2013, revenue from one major customer in the oilfield services segment accounted for 78% of the Group's sales in that segment.

Revenue from one major customer in the oil exploration and oilfield development segment accounted for 100% (2013: 100%) of the Group's sales in that segment.

## 35. Subsequent event after balance sheet date

### *Proposed Share Consolidation*

On 3 March 2015, the Board of Directors announced the proposed consolidation of every ten existing ordinary shares in the capital of the Company (including treasury shares) held by shareholders in the capital of the Company ("Proposed Share Consolidation") into one ordinary share. The Proposed Share Consolidation is expected to rationalise the share capital of the Company. The Proposed Share Consolidation is subject to both the approval from Singapore Exchange Securities Trading Limited ("SGX-ST") and the approval from shareholders at an Extraordinary General Meeting.

On 27 March 2015, the Board of Directors announced that in-principle approval has been obtained from SGX-ST on 26 March 2015, which is subject to (a) compliance with SGX-ST's listing requirements and (b) shareholder's approval on the Proposed Share Consolidation.

As a result of the Proposed Share Consolidation, the conversion price of the Convertible Loans (Note 26) on the remaining principle of S\$6,000,000 not yet drawn down as at 31 December 2014 will be adjusted from S\$0.1242 to S\$1.242.

## 36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 1 April 2015.

# Statistics Of Shareholdings

As at 16 March 2015

## DISTRIBUTION OF SHAREHOLDERS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	4	0.08	9	0.00
100 - 1,000	61	1.29	57,990	0.01
1,001 - 10,000	1,082	22.84	8,025,404	0.67
10,001 - 1,000,000	3,508	74.06	413,580,783	34.75
1,000,001 and above	82	1.73	768,458,262	64.57
	4,737	100.00	1,190,122,448	100.00

## TWENTY LARGEST SHAREHOLDERS

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	MAYBANK KIM ENG SECURITIES PTE LTD	209,977,732	17.64
2	SEE HOY CHAN INVESTMENT LIMITED	180,800,000	15.19
3	OCBC SECURITIES PRIVATE LTD	62,587,018	5.26
4	CITIBANK NOMINEES SINGAPORE PTE LTD	30,126,000	2.53
5	PHILLIP SECURITIES PTE LTD	25,252,600	2.12
6	UOB KAY HIAN PTE LTD	16,060,330	1.35
7	GOH HOON LEONG	15,000,000	1.26
8	DBS NOMINEES PTE LTD	14,113,000	1.19
9	DBS VICKERS SECURITIES (S) PTE LTD	12,300,000	1.03
10	TAN HEE NAM	12,300,000	1.03
11	HONG LEONG FINANCE NOMINEES PTE LTD	11,599,000	0.97
12	CIMB SECURITIES (SINGAPORE) PTE LTD	8,584,000	0.72
13	KUM HUN KAI PTE LTD	7,850,000	0.66
14	HSBC (SINGAPORE) NOMINEES PTE LTD	7,500,000	0.63
15	RHB SECURITIES SINGAPORE PTE LTD	7,491,000	0.63
16	RAFFLES NOMINEES (PTE) LTD	5,518,900	0.46
17	PEK CHOON HENG	5,446,000	0.46
18	NG ENG SENG	5,000,000	0.42
19	LIM CHEE SIONG (LIN ZHIXIANG)	4,900,000	0.41
20	YU PEK LING	4,514,000	0.38
	Total	646,919,580	54.34

# Statistics Of Shareholdings

As at 16 March 2015

## SUBSTANTIAL SHAREHOLDERS

Name	No. of Shares	Direct Interests (%)	No. of Shares	Deemed Interests (%)
Chan Shut Li, William	185,696,732	15.60	–	–
See Hoy Chan Investment Limited	180,800,000	15.19	–	–
Lee Beng Tee	180,800,000	–	–	15.19*

\* By virtue of his interest in See Hoy Chan Investment Limited pursuant to Section 7 of the Companies Act, Chapter 50.

Percentage is calculated based on the total number of issued shares of 1,190,122,448 as at 16 March 2015.

## FREE FLOAT

Based on information available to the Company as at 16 March 2015, approximately 69.19% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors holding office at the end the financial year had any interest in the shares, debentures, warrants and share options of the Company or its related corporation, except as follows:

Name of director and corporation in which interests are held	Direct Interest		Deemed Interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
<u>Ordinary Shares Fully Paid</u>				
Chan Shut Li, William	185,696,732	185,696,732	–	–
Liu Mei Ling, Rhoda	200,000	200,000	–	–
Richard Tan Kheng Swee	–	–	–	20,000

There were no changes of the abovementioned interests in the Company between the end of the financial year and 21 January 2015.

# Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at *Empress Ballroom 2, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558* on Tuesday, 28 April 2015 at 10:00 a.m. to transact the following business:-

## AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditor's Report thereon. **(Resolution 1)**
2. To approve the Directors' fees of US\$145,000 for the financial year ended 31 December 2014 (2013: US\$143,000). **(Resolution 2)**
3. To re-elect Mr Chan Shut Li William retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 3)**
4. To elect Mr Lim Jun Xiong Steven retiring pursuant to Article 91 of the Company's Articles of Association. **(Resolution 4)**  
(See Explanatory Note 1)
5. To re-appoint Messrs Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

6. **Authority to allot and issue shares**
  - (a) That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:
    - (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
    - (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
    - (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and
  - (b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that
    - (i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for:
      - a) new shares arising from the conversion or exercise of convertible securities, or

# Notice Of Annual General Meeting

- b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and
  - c) any subsequent bonus issue, consolidation or subdivision of the Company's shares.
- (ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 6)**

*(See Explanatory Note 2)*

7. **Authority to grant options and to allot and issue shares under Mirach Energy Employee Share Option Scheme**

- (a) That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme"), and, pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted under the Mirach ESOS Scheme, provided that the aggregate number of shares to be issued pursuant to the Mirach ESOS Scheme shall not exceed fifteen (15) per cent of the issued share capital of the Company from time to time, as determined in accordance with the provisions of the Mirach ESOS Scheme.
  - (b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 7)**
- (See Explanatory Note 3)*

8. **Authority to grant awards and to allot and issue shares under Mirach Energy Performance Share Plan**

- (a) That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of the Mirach Energy Performance Share Plan (the "Mirach PSP"), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company (the "Award Shares") as may be required to be allotted, issued, and/or delivered pursuant to the vesting of the Awards Shares under the Mirach PSP, provided always that the aggregate number of Award Shares issued and/or issuable pursuant to the Mirach PSP, when aggregated together with the number of Ordinary Shares to be allotted and issued pursuant to the Mirach Energy Employee Share Option Scheme and any other existing share schemes of the Company shall not exceed fifteen (15) per cent of the total number of issued shares of the Company (excluding treasury shares) from time to time.
  - (b) Such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 8)**
- (See Explanatory Note 4)*

BY ORDER OF THE BOARD

Lin Moi Heyang  
Lee Bee Fong  
Company Secretaries

13 April 2015

# Notice Of Annual General Meeting

## Notes:

- 1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.
- 2) A proxy need not be a member of the Company.
- 3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- 4) The instrument appointing a proxy must be deposited at the registered office of the Company at 96 Robinson Road #17-01 SIF Building Singapore 068899 not later than 48 hours before the time appointed for the Meeting.

## Explanatory Notes:-

1. Mr Steven Lim Jun Xiong will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee respectively.

Key information of the retiring directors can be found on pages 10-11 of the Annual Report.

2. The ordinary resolution no. 6 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
3. The ordinary resolution no. 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant options under the Mirach Energy Employee Share Option Scheme (the "Mirach ESOS Scheme") (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such options under the Mirach ESOS Scheme, provided that the aggregate number of shares to be issued under the Mirach ESOS Scheme and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.
4. The ordinary resolution no. 8, if passed, will empower the Directors of the Company from the date of the Annual General Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to offer and grant awards under the Mirach Energy Performance Share Plan ("Mirach PSP") (which was approved at the extraordinary general meeting of the Company held on 30 July 2014) and to allot and issue shares pursuant to the exercise of such awards under the Mirach PSP, provided that the aggregate number of shares to be issued under the Mirach PSP and any other existing share incentive schemes of the Company does not exceed fifteen (15) per cent of the total number of issued share capital of the Company (excluding Treasury Shares) from time to time.

# MIRACH ENERGY LIMITED

(the "Company")  
(Incorporated in the Republic of Singapore)  
(Company Registration No. 200305397E)

## IMPORTANT

1. For investors who have used their CPF monies to buy Mirach Energy Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

\*I/We \_\_\_\_\_ (Name) NRIC/Passport No.\* \_\_\_\_\_

of \_\_\_\_\_ (Address)

being \*a member/members of Mirach Energy Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

\*and/or

--	--	--	--

Or failing whom, the Chairman of the Meeting, as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf and, if necessary, to demand a poll, at the 12th Annual General Meeting of the Company to be held at *Empress Ballroom 2, Level 2, Carlton Hotel Singapore, 76 Bras Basah Road, Singapore 189558* on 28 April 2015 at 10:00 a.m. and at any adjournment thereof.

\*I/we direct \*my/our \*proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of Directors and Auditors thereon.		
2.	To approve the Directors' fees of US\$145,000 for the financial year ended 31 December 2014.		
3.	To re-elect Mr William Chan Shut Li pursuant to Article 91 of the Company's Articles of Association.		
4.	To elect Mr Steven Lim Jun Xiong pursuant to Article 91 of the Company's Articles of Association.		
5.	To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To authorise Directors to grant options and to issue shares under Mirach Energy Employee Share Option Scheme.		
8.	To authorise Directors to issue shares under Mirach Energy Performance Share Plan		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total Number of Shares Held

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

\* Delete accordingly

**IMPORTANT.** Please read notes overleaf



**Notes:-**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.

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Affix  
postage  
stamp

The Company Secretary  
**MIRACH ENERGY LIMITED**  
80 Robinson Road  
#02-00  
Singapore 068898

*Second fold*

5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

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[www.mirachenergy.com](http://www.mirachenergy.com)

**Mirach Energy Limited**

96 Robinson Road,  
#17-01 SIF Building  
Singapore 068899  
Tel.: 65-6536 8033  
Fax: 65-6536 1882

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