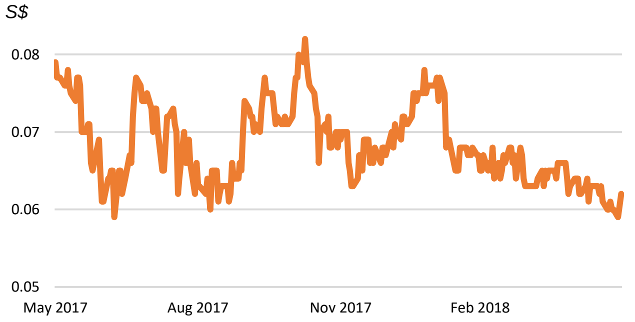
Interra Resources Limited

Date: 6 June 2018

BUY
(Initiating coverage)

Target price: S$0.089
+62%

ITRR SP
Price: S$0.055 (as at 5 June 2018)



Share price	1M	3M	6M	1Y
Interra Resources	5.0%	5.0%	(19.0)%	(23.8)%
Straits Times Index	(2.4)%	(7.6)%	10.1%	8.7%

Market capitalisation	S$32.2 million
Current price	S$0.055
Shares outstanding	585,973,604
Free Float	17.6%
Major shareholders	North Petroleum International (1) 13.57% PT Saratoga Investama Sedaya (2) 13.54%
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

(1) North Petroleum International Company Ltd is headquartered in Hong Kong. The Company's line of business includes the wholesale distribution of petroleum and petroleum products.

(2) Edwin Soeryadjaya and Sandiago Salahuddin Uno are deemed to have interests in all the shares held by PT Saratoga Investama Sedaya.

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Reaching Inflexion Point

Interra Resources Limited, and together with its subsidiaries, ("**Interra Resources**", "**Company**", or the "**Group**") engages in oil exploration and production in Myanmar and Indonesia. It holds stakes in 5 concessions, 4 producing and 1 at exploration stage, with net attributable 1P and 2P reserves as at end Dec 2017 of 4.92m and 6.5m barrels, respectively.

Extension of the Improved Petroleum Recovery Contracts at the Myanmar fields removed key uncertainty. In August 2017, it secured an extension of the contract for the 2 producing Myanmar fields by a further 11 years till April 2028. This allowed it to resume drilling and production which was curtailed with the uncertainty over the contract extension.

Strategic investment by China Zhenhua Oil. In Jan 2018, Interra placed out 79.5m new shares at S$0.059 to North Petroleum International Company, which is 100%-owned by China Zhenhua Oil, a Chinese state-owned enterprise. China Zhenhua is also its 40% joint venture partners in the 2 Myanmar oil fields. This makes China Zhenhua Oil the biggest shareholder with a 13.6% stake. Interra will be able to leverage on China Zhenhua Oil's distribution network.

We initiate coverage with a BUY with a target price of S$0.089 based on a conservative target 6.4x EV/1P Reserves. This is a 50% discount to the industry average. We believe Interra Resources is at a key inflexion point. Firmer oil prices and contract extensions have led to a turnaround in profitability, and we believe this would lift revenue further in FY2018. The stock trades at 0.8x of its book value, albeit sitting on net cash of US$7.5m as at Mar 2018. We initiate coverage on Interra Resources with a BUY call, with a target price of S$0.089, representing a 62% upside potential.

Key risks: (i) Variability in crude oil price and (ii) variability in final shareable oil production

Key Financials

Year ended December (US$'000)	FY2014	FY2015	FY2016	FY2017	FY2018E
Revenue	55,796	23,452	15,173	11,245	15,900
% Growth	11.2%	(58.0%)	(35.3%)	(25.9%)	41.4%
Gross profit	11,155	(10,621)	5,563	6,203	7,712
Gross profit margin	20.0%	(45.3%)	36.7%	55.2%	48.5%
Profit/(loss) before tax	(7,998)	(52,229)	(7,787)	1,212	635
Profit/(loss) before tax margin	NA	NA	NA	10.8%	4.0%
Profit/(loss) attributable to owners (3)	(10,794)	(47,417)	(8,041)	1,320	477
EPS/(LPS) (US cents)	(2.4)	(9.8)	(1.6)	0.3	NA
P/E (x)	NA	NA	NA	14.9	NA
P/B (x)	0.3	0.8	1.0	0.9	NA
Net Debt/Equity	Net cash	Net cash	Net cash	Net cash	Net cash

(3) Profit/(loss) attributable to equity holders of the Company from continuing operations

Investment Highlights

Business Overview:

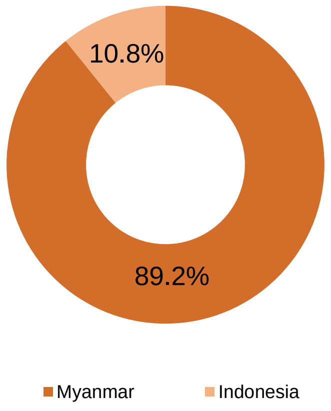
Interra Resources engages in the petroleum exploration production activities in Indonesia and Myanmar. They have a 60% interests in two onshore oil fields in Chauk and Yenangyaung, which contribute the bulk of revenue. Interra Resources was incorporated in 1973.

Interra Resources, listed on the SGX Mainboard, is engaged in the business of petroleum E&P These include petroleum production, field development and exploration. Interra Resources is positioning itself to become a leading regional independent producer of petroleum. Its current portfolio of production, development and exploration assets comprises five petroleum contract areas in Indonesia and Myanmar.

Extension of the Chauk and Yenangyaung improved petroleum recovery contracts removes key uncertainty. Interra Resources announced in August last year that its joint venture entity, Goldpetrol, has received a letter from the MOGE informing it that an extension of 11 years for the IPRCs for the Chauk field and the Yenangyaung field, both of which are situated in Myanmar, have been approved by the relevant Myanmar authorities. Interra has a 60% interest in each of the IPRCs for the Chauk field and the Yenangyaung field. It also owns 60% of Goldpetrol, which is the operator of these fields.

Implementation of the water flooding project to boost production. During our visit to Interra Resource's site in Chauk, we witnessed first-hand the implementation of the water flooding project which was implemented by the project team. The process essentially involves the injection of water to maintain the reservoir pressure and sweeping oil locked in the reservoirs to producing areas. The inexpensive water injection takes decades to complete, requiring continuous field production and pressure data for monitoring. According to the US Department of Energy, this process can recover up to 40 per cent of the initial petroleum in the reservoir. We see the implementation of the water flooding project boosting the Group's overall shareable production moving forward.

Net 1P Reserves (FY2017)



Source: Company data, SAC Advisors

Strategic investment by China Zhenhua Oil. In Jan 2018, Interra placed out 79.5m new shares at S$0.059 to North Petroleum International Company, which is 100%-owned by China Zhenhua Oil, a Chinese state-owned enterprise. China Zhenhua is also its 40% joint venture partners in the 2 Myanmar oil fields. This makes China Zhenhua Oil the biggest shareholder with a 13.6% stake. Interra will be able to leverage on China Zhenhua Oil's distribution network.

Interra Resources is at a key inflexion point. Interra Resources suffered from three consecutive years of losses from FY14 – FY16 due to, (i) falling oil prices, (ii) the impairment of assets and, (iii) declining production in the last few years due to their pending contract extension. Upon the receipt of the contract extension in August 2017, drilling activities were ramped up at Chauk and Yenangyaung. For FY18E, we expect Interra Resources to report a 41.3% increase in revenue as the production pick up steam, aided by stable oil prices. We therefore expect Interra to remain profitable in FY18E.

Investment Highlights

We initiate coverage on Interra Resources with a BUY with a target price of S$0.089 based on a conservative value of 6.4x EV/1P Reserves. We applied a 50% discount to the industry average of oil production companies with market capitalisation under US$200 million. We believe this is conservative, and the steep 50% discount takes into consideration of the risk of non-renewal of the Myanmar field post 2028. Interra has net attributable 1P reserves of 4.92m barrels, with 3P reserves at 8.43m barrels.

We believe Interra is at a key inflexion point with firmer oil prices and the recent contract extension set to see a rebound in their overall financials. For FY18E, we expect a greater than 40% jump in revenue and Interra to remain profitable due to low production cost. The share trades at only 0.8x of book value, and it has an enviable net cash of US$7.5m.

We see the current valuation as undemanding and initiate on Interra Resources with a BUY with a target price of S$0.089, representing a 56% upside potential.

Company Background

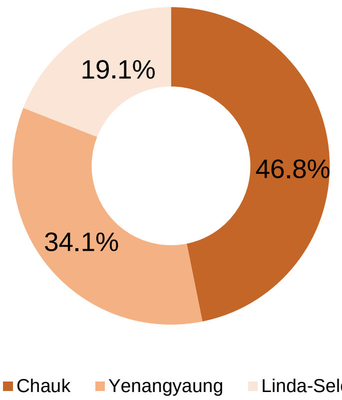
Interra Resources is engaged in the business of petroleum E&P. ITs E&P activities include petroleum production, field development and exploration. Interra Resources is positioning themselves to become a leading regional independent producer of petroleum. Its current portfolio of production, development and exploration assets comprises five petroleum contract areas in Indonesia and Myanmar.

Its operations in Myanmar, namely Chauk and Yenangyaung contributed 81.0% of total revenue as compared to 19.0% from Indonesia, which came solely from the Linda-Sele fields.

In line with the curtailment of the drilling programme for the past two years owing to the crude oil slump and contract expiration, the Group's total shareable oil production for FY2017 fell 48.2% to 261,635 barrels from 504,979 barrels for FY2016.

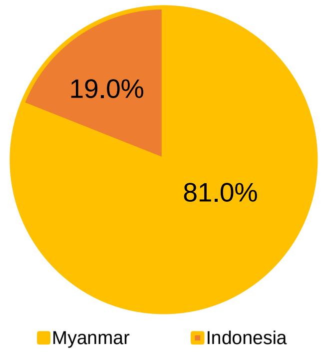
It was previously listed on the SGX Catalist Board before getting transferred to the SGX Mainboard on the 10 January 2013.

Revenue Breakdown (FY2017) – By oilfield



Source: Company data, SAC Advisors

Revenue breakdown (FY2017) – By country



Source: Company data, SAC Advisors

**The Group's revenue from Indonesia declined in FY17 vs. FY16 because the Technical Assistance Contract for the Tanjung Miring Timur field expired in December 2016.*

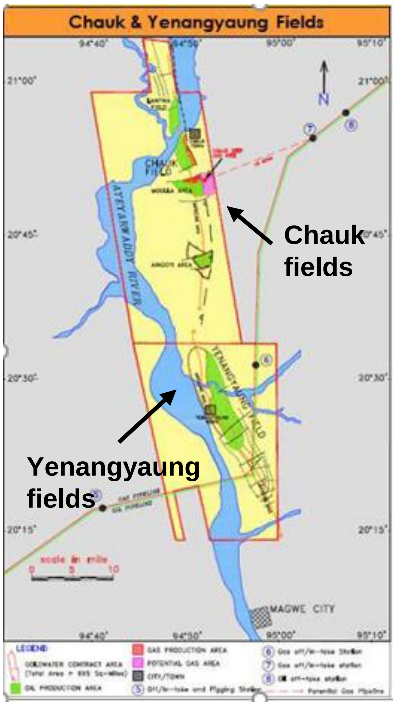
Petroleum Assets

Country/asset name	Effective interest (%)	Development status	Type of contract	Contract Expiry date	Contract area (km2)	Type of deposit
Myanmar						
Chauk Field	60.00	Producing	Improved Petroleum Recovery Contract ("**IPRC**")	3 Apr 2028	955	Hydrocarbon
Yenangyaung Field	60.00	Producing	IPRC	3 Apr 2028	845	Hydrocarbon
Indonesia						
Linda-Sele Fields	53.99	Producing	Technical Assistance Contract ("**TAC**")	15 Nov 2028	19	Hydrocarbon
Benakat Barat Field	30.65 (indirect)	Producing	Operations Cooperatio n Agreement ("**KSO**")	15 Mar 2024	73	Hydrocarbon
Kuala Pambuang Block	67.50	Exploration	Production Sharing Contract ("**PSC**")	18 Dec 2021	1,631	Hydrocarbon

Source: Company data, SAC Advisors

Exploration and Production Portfolio

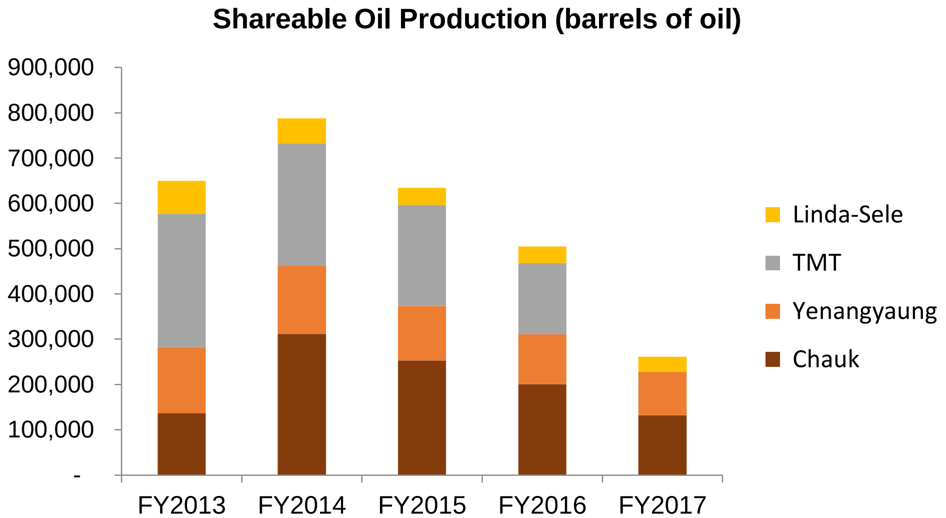
Myanmar: Chauk and Yenangyaung Fields



Source: Company data, SAC Advisors

In central Myanmar, it holds 60% working interests in two of the largest onshore producing oil fields in Chauk and Yenangyaung under two Improved Petroleum Recovery Contracts ("**IPRCs**") with the Myanma Oil and Gas Enterprise ("**MOGE**"). The IPRCs, which commenced on 4 October 1996 for a term of 20 years and 6 months, were recently extended by 11 years. It manages the operatorship of the two fields jointly with its joint venture partner through Goldpetrol JOC Inc.

The adjacent Myanmar concessions, which extend over a total area of approximately 1,800 square kilometres along the Ayeyarwaddy River, are located approximately 580 kilometres north of Yangon.



Source: Company data, SAC Advisors

In the Chauk and Yenangyaung fields, the curtailment of the drilling programme continued until August 2017 when the contract extensions were approved by the local authority. The operator then went on to spud six development wells, three of which were directional wells drilled from the west bank of the Ayeyarwaddy River (see map image on the left). In total, eight wells were drilled in Myanmar in 2017 vs. just one well in 2016 (as the Company scaled down production in anticipation of contract renewal talks) and five of them were completed as oil producers. The remaining three wells were at different stages of testing as at year end.

During 2017, the combined gross production for both fields was 837,823 barrels of oil, 7.7% less than 907,849 barrels produced in 2016.

Following the extension of the petroleum concession, we understand from management that the operator has resumed drilling campaign and accelerated all field activities including advanced technical planning with respect to operations going forward and incorporating work done by the external research centre with those by the in-house team. From these studies, it has commenced implementation of secondary oil recovery waterflooding project as announced on 1 March 2018.

Exploration and Production Portfolio

Indonesia: Linda-Sele TAC

Source: Company data, SAC Advisors

In the province of West Papua, it have a 53.99% effective interest in the Linda-Sele Technical Assistance Contract with PT Pertamina EP. The TAC commenced on 16 November 1998 for a term of 20 years within a contract area of approximately 19 square kilometres. The LS fields are situated in the Salawati Basin, about 60 kilometres south of Sorong.

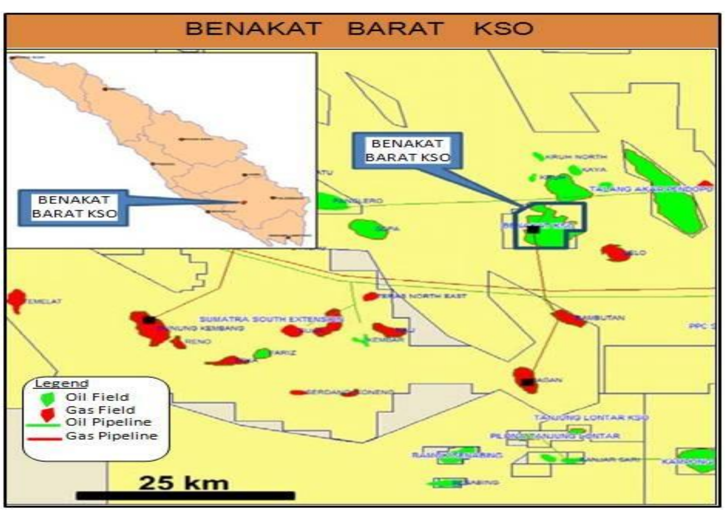
In 2017, the operator focused on improving and/or maintaining cost efficiency through the strategy of efficient field operations with respect to production optimisation combined with scheduled maintenance aimed at maximising efficient production. Despite being hit by extreme weather throughout the third quarter of the year, its 2017 gross oil production of 61,827 barrels were merely 1.9% lower than last year's 63,048 barrels.

In view of the impending contract expiration, there will be no new drillings in 2018 and the operator will carry on the same strategy of efficient field operations with regard to production optimisation and scheduled maintenance. Geological, geophysical and reservoir studies with respect to expanding the area of interest for possible contract extension continued.

During 2017, the gross production of the onshore fields was 61,827 barrels of oil, the Group's revenue from Indonesia came solely from the Linda-Sele fields. Drilling at the Linda-Sele fields was put on hold as the petroleum contract will expire in November 2018. The management team is currently working on a development proposal to seek continuation of its cooperation with the government agency.

Indonesia: Benakat Barat Field

In South Sumatra, it holds a 30.65% indirect interest in the Benakat Barat KSO with PT Pertamina EP. The KSO for conducting production operations within a contract area of approximately 73 square kilometres was entered into on 16 March 2009 for a term of 15 years. The onshore field, located around 150 kilometres west of Palembang, is operated by an associated company, PT Indelberg Makmur Petroleum.



Source: Company data, SAC Advisors

Exploration and Production Portfolio

Indonesia: Benakat Barat Field

The Group’s indirect interest of 30.65% in the Benakat Barat KSO is equity-accounted, and not consolidated into its books. The Company therefore, did not report any financial or production numbers relating to the KSO or the field, it does, however, provide a summary of the exploration, development and/or production activities undertaken.

In 2017, no new wells were drilled, nor were any cased-hole operations (such as workovers, new perforations, etc) performed. The primary focus was to reactivate existing wells that had not been producing due to lack of field operational support and general poor maintenance. This included general improvement of field infrastructure with the aim of production optimisation and increasing oil production. Feasibility studies with respect to implementing secondary and possibly tertiary recovery (enhanced oil recovery) methods will be ongoing. Geological, geophysical and reservoir studies will also continue in support of these.

Indonesia: Kuala Pambuang Block

In onshore central Kalimantan, it has a 67.5% effective interest in an exploration block, namely the Kuala Pambuang (“**KP**) Production Sharing Contract (“**PSC**”). The PSC with Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak Dan Gas Bumi was granted on 19 December 2011 with an initial exploration term of 6 years. It was recently extended for another 4 years over an area of approximately 1,631 square kilometres. The KP block is located on the southern coast of Kalimantan, in the region of 180 km southwest of Palangkaraya.

Source: Company data, SAC Advisors

Source: Company data, SAC Advisors

At 1,631 sq km, the size of the field is only marginally smaller than the 2 Myanmar fields combined (1,800 sq km). We believe that the exploration block at Kuala Pambuang may provide an opportunity to create substantial shareholder value when production . According to the company’s filing’s, an independent consultant has concurred with their in-house interpretation of the drillable prospects. The commitment for the initial six-year exploration programme of the PSC has been fulfilled and the exploration term was extended for a further period of four years in November 2017.

Exploration and Production Portfolio

Indonesia: Kuala Pambuang Block

The reason behind the Group's optimism lies in the sub-surface interpretation generated from the comprehensive integration of geologic, geophysical and reservoir data by the geoscience team which was confirmed by an external consultant firm to have significant areas of Berai Formation carbonate reefs anchored on an extensive carbonate platform. With the completion of the initial six-year exploration programme in 2017, the exploration period was extended for another four years.

The operator will now embark on the next phase of exploration programme which encompasses drilling of at least one exploratory well to assess the hydrocarbon potential of these very high quality prospects.

Indonesia: Bukit Piatu Quarry

Located in Bintan, they had a 48.87% effective interest in the Bukit Piatu Mining Business Permit ("**IUP**"). The IUP commenced on 20 May 2009 for a term of 5 years and was granted extension for another term of 5 years.

The IUP covers an area of 63.72 hectares and is located 30 kilometres east of Tanjung Pinang. During 2017, the production of the granite quarry was 418,794 tonnes.

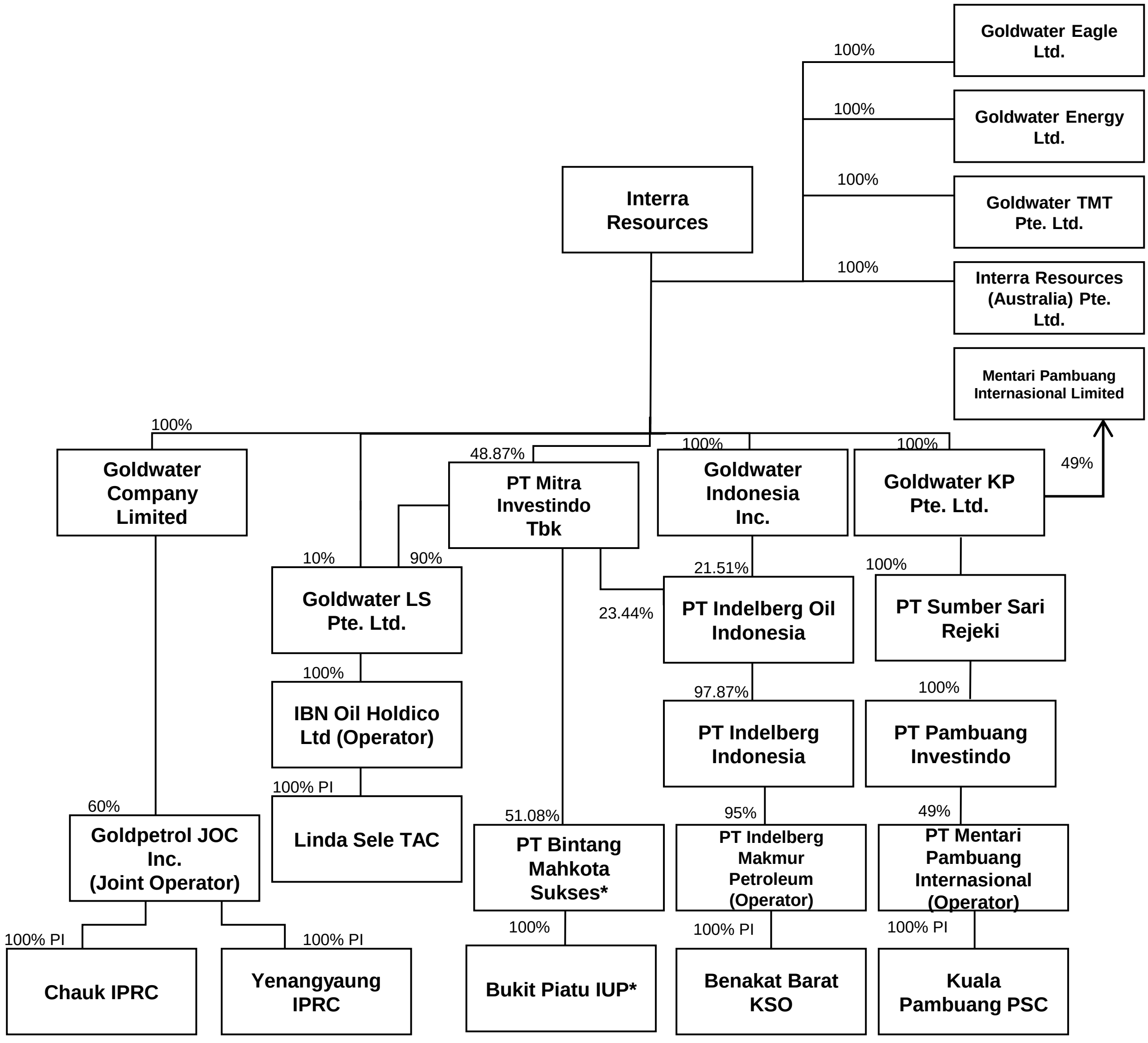
The Group's disposal of the quarry was completed on 31 January 2018, after which, the Group no longer has any interest in granite.

Corporate Structure

History

The Group was originally founded as Goldwater Company Limited in 1994. Thereafter, it acquired 100% participating interests in Chauk and Yenangyaung IPR Contracts in Myanmar. In 2003, it was listed on Singapore Exchange as Interra Resources Limited via a reverse takeover.

Since inception, the Group has grown organically through the development of their existing assets as well as sourcing for resource opportunities across Southeast Asia. Today, it's portfolio of production, development and exploration assets comprises of five petroleum contract areas in Indonesia and Myanmar.

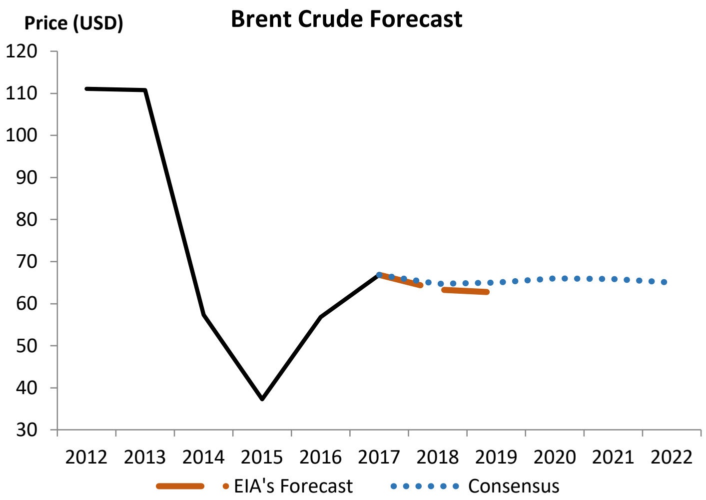


PI: Participating Interest
** Disposal of granite quarry that was completed on 31 January 2018*

Source: Company data, SAC Advisors

Industry Overview and Valuations

After the massive sell down in oil prices from 2014 to 2016, recent oil prices have stabilized at the US$65 to US$70 range. This is an average increase of 36% compared to a year ago. The recovery in oil prices were boosted by the Organization for Petroleum Exporting Countries ("**OPEC**") and Russia's cutbacks despite US' increasing shale oil exports. According to the Oxford Institute for Energy Studies, demand growth from emerging markets remain key in fuelling oil prices. Key downside risks to oil prices largely stem from the rising trade tensions between the United States and China. Meanwhile, other geopolitical risks such as the escalating tension in the Middle East and Venezuela's supply disruption are bullish for oil prices. We are of the view that the protectionist measures are transient and the likelihood of China imposing tariffs on US shale imports are low as both powerhouses are in the midst of negotiations. Based on Energy Information Administration ("**EIA**") and consensus' forecasts, oil prices are expected to maintain between the US$62 to US$65 range through 2019-2022.

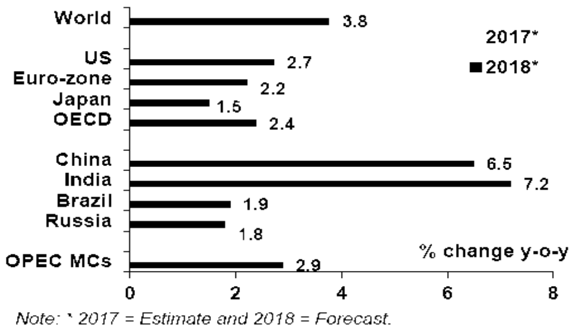


Source: Bloomberg, SAC Advisors

Favorable global economic growth to sustain global demand

The global economic outlook is viewed as a positive one. It is expected to grow at 3.8% in 2018. Fuelling this growth is the emerging market, with China and India forecasted to grow at 6.5% and 7.2% respectively.

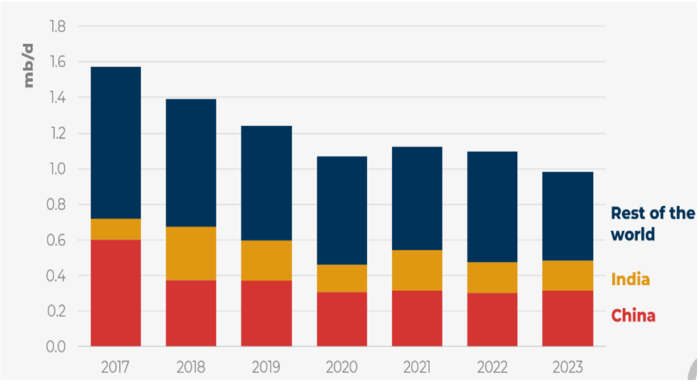
Global Economic Growth, 2017 & 2018



Source: OPEC Monthly Report

With a healthy economic outlook, the International Energy Agency ("**IEA**") expects the global demand for oil to rise by 1.5 million barrels per day ('b/d") in 2018, averaging **99.3 million b/d**. Non-OECD demand growth is largely led by China and India which account for nearly 50% of the demand growth, followed by Indonesia and Thailand. With this in time, over 80% of demand growth for oil stems from developing nations, according to the Oxford Institute.

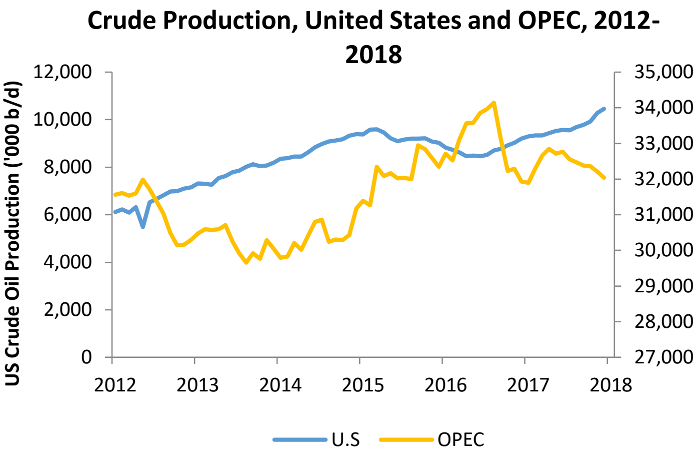
Oil Demand Growth (y-y change)



Source: International Energy Agency

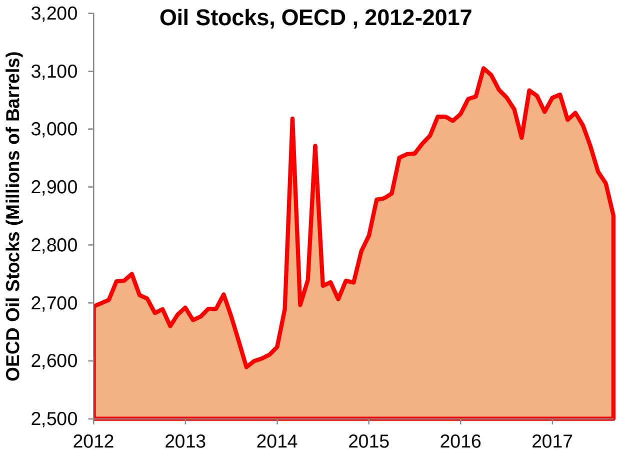
Tightening of oil glut

On the supply side, OPEC and non-OPEC's production cuts of 1.5 million b/d are somewhat thwarted by the growth in U.S.'s shale output, which is expected to produce 6.95 million b/d in April 2018 according to the US Energy Information Administration ("**EIA**"). Despite Venezuela's oil disruption due to its economic crisis, US' soaring crude oil exports are beginning to offset the involuntary supply cut.



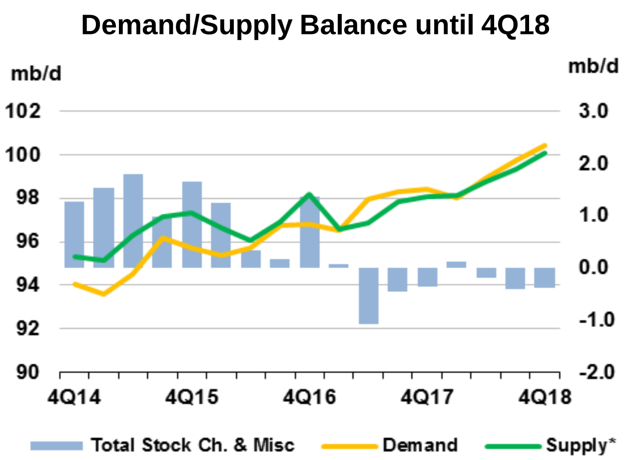
Source: Bloomberg, SAC Advisors

Nonetheless, OPEC's strategy has seen success as the OECD commercial oil inventories has been dropping, at least in line with OPEC's aim of reducing OECD oil inventories to their five-year average.



Source: International Energy Agency, SAC Advisors

Altogether, global crude oil production reached **97.9 million b/d** in February 2018, largely driven by non-OPEC supply; the US, Mexico, Norway, UK and Brazil. Of them, US' shale oil production is set to experience the fastest production growth; an expected increase in 970,000 b/d for 2018 reported EIA. Seeing its market share being wrestled away, we expect OPEC to discuss strategies in its upcoming meet with Russia in June 2018. Both demand and supply trends suggest that market re-balancing is moving forward. OPEC expects that the pace of oil inventory drawdown will accelerate in 2019 as deferred upstream projects in 2015 leads to a tighter supply-demand oil market.



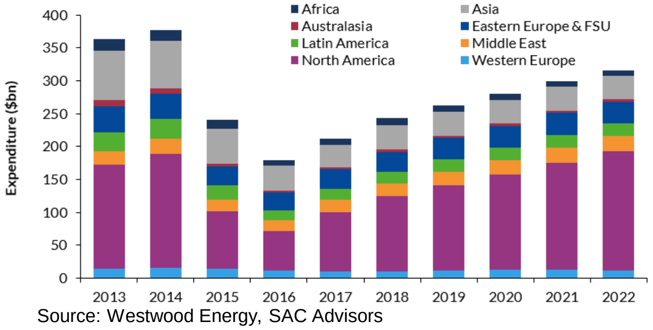
*Note: For scenario purposes, OPEC/non-OPEC cuts remain constant.

Source: International Energy Agency

Increased Capex spending by oil majors

The global drilling and well services market is largely expected to see a sustained recovery over 2018-2022, led by a rebound in onshore US activity, according to Westwood Global Energy's latest report. We can already see the recovery in 2017 after two straight years of decline in the global drilling and well services expenditure in 2015 and 2016.

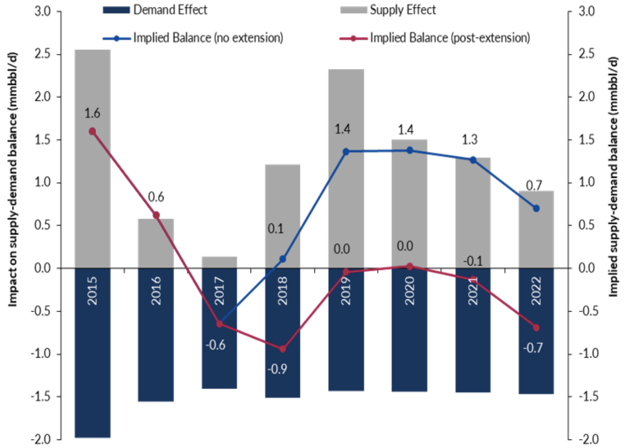
Global Drilling and Well Services Expenditure Regional Split (2013 – 2022)



Source: Westwood Energy, SAC Advisors

The study projected that total global expenditure over 2018 – 2022 is expected to amount to US$1.4 trillion. Importantly, the global onshore expenditure is expected to rise at a rate of 9% per year, while offshore expenditure will remain constrained, following a decline in rig day rates and is expected to decline by 0.8% over 2018 – 2022.

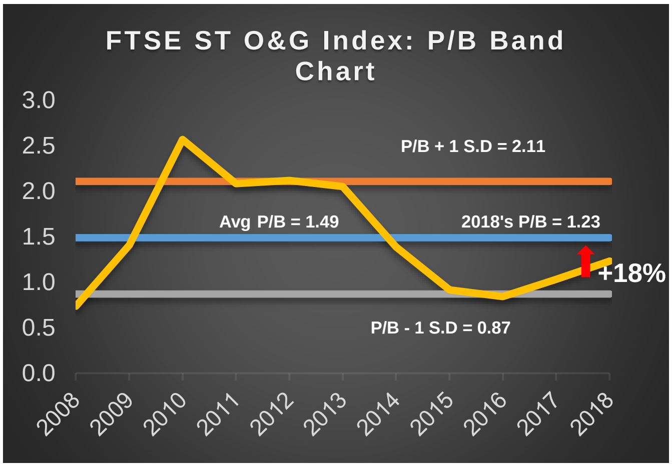
Moving forward, we think that the trend of oil prices will depend more heavily on the commitment of OPEC members to supply reductions than demand due to the current overcapacity in the market.



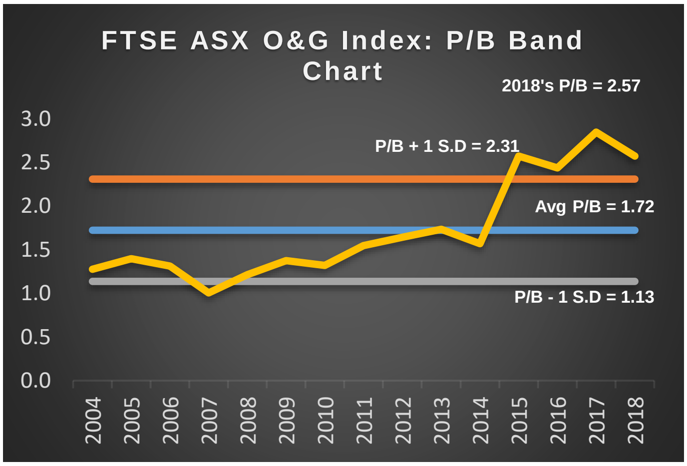
Source: Westwood Energy

Oil and Gas sector valuations

The FTSE ST O&G index which tracks the O&G companies listed on the Straits Times Index ("**STI**") is currently trading at a price-to-book ("**P/B**") band of 1.23x vs. the 10-year historical average of 1.49x suggesting an upside of 18% in a mean reversion.



Source: Bloomberg, (2004-2007 data were not available), SAC Advisors

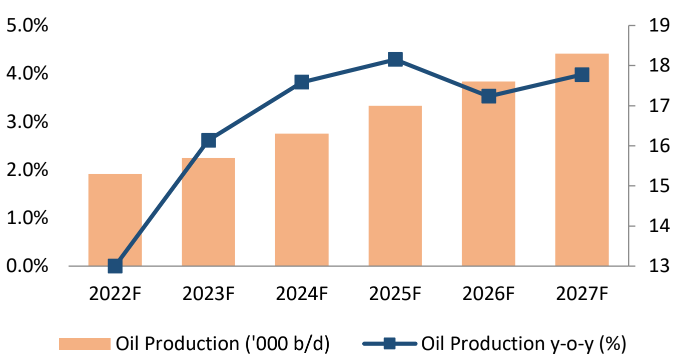


Source: Bloomberg, SAC Advisors

On the other hand, the Australian Stock Exchange's ("**ASX**") O&G index is trading at a steep premium to the average mean and is currently trading above the 1 standard deviation mean of the historical book value of the index. We think the higher multiples in this market is the result of the greater universe of oil and gas stocks listed on the ASX, which allow these companies to command a higher valuation on the index. There is no O&G index for the HSI.

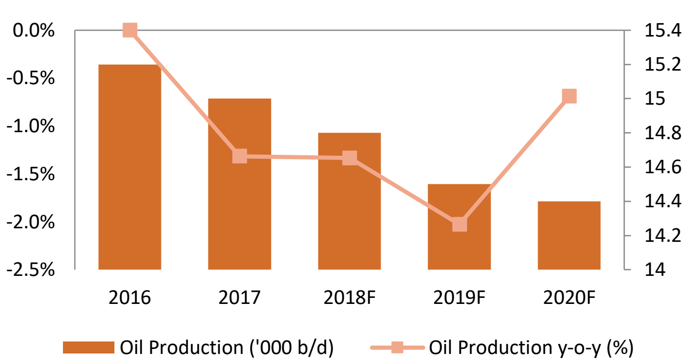
Emerging markets to gain traction post 2020 despite challenges

The sustained increase in oil prices over the last three months is expected to welcome drilling projects in emerging markets such as Myanmar and Indonesia in the next few years. The outlook for Myanmar's post-2020 oil reserves is expected to be positive as the oil blocks awarded to successful bidders in 2013 are expected to be drilled between 2018-2021, reported BMI Research. For instance, the Myanma Oil & Gas Enterprise ("**MOGE**") awarded 16 onshore blocks and 20 offshore blocks (7 shallow water, 13 deepwater) during the 2013 bidding round to 24 bidders. Although investors were calling for re-evaluations of oil majors' business in Myanmar over the Rohingya crisis, no businesses have been relinquished due to this reason alone.



Source: BMI Research, SAC Advisors

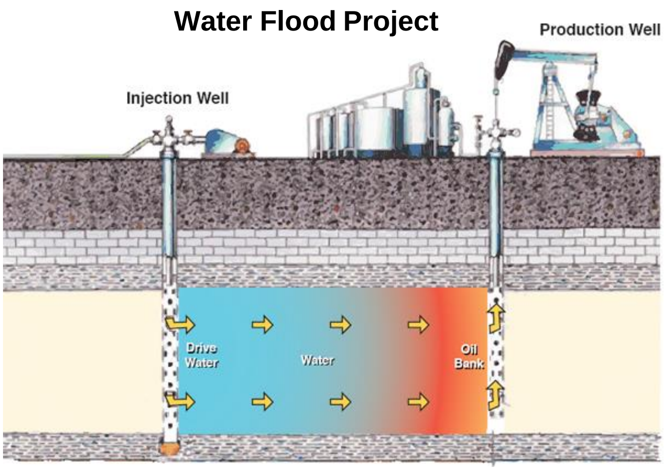
Despite post-2020's good news, Myanmar is estimated to face declining oil production through 2020. The weak oil prices between 2014-2016 had caused a cut back on upstream investments, and natural declines further strain existing reserves.



Source: BMI Research, SAC Advisors

Riding on the secondary oil recovery

A common practice in the oil industry, water flood ("**WF**") projects are often implemented as a form of secondary oil recovery – "to squeeze every bit of oil". The process involves the injection of water to maintain the reservoir pressure and sweeping oil locked in the reservoirs to producing areas. The inexpensive water injection takes a few years to complete, requiring continuous field production and pressure data for monitoring. According to the US Department of Energy, this process can recover up to 40 per cent of the initial petroleum in the reservoir.



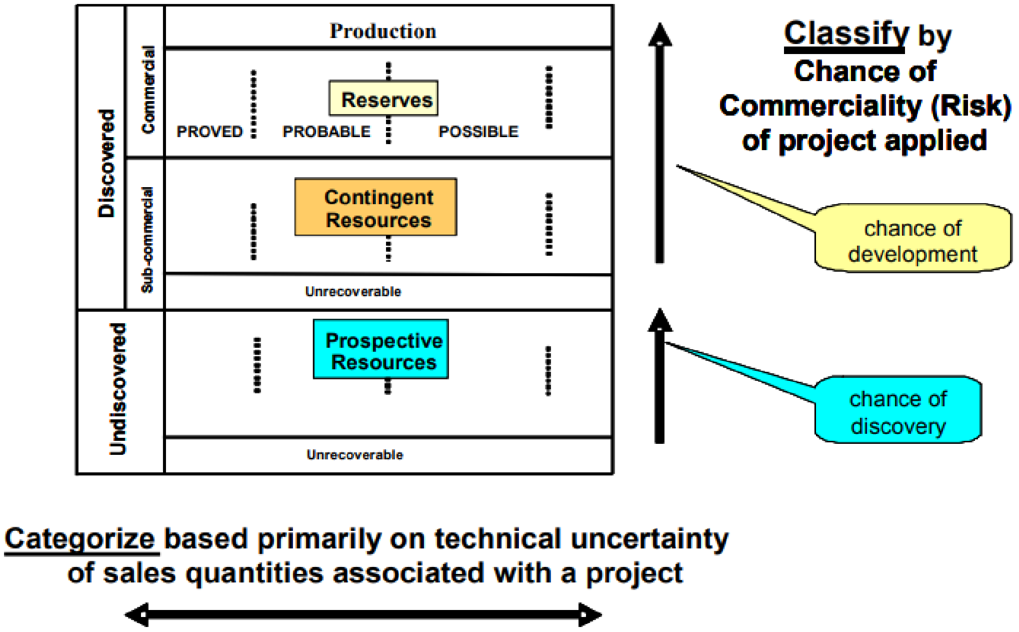
Source: National Energy Technology Laboratory

Interra Resources has partnered with its joint venture entity to engage in the secondary oil recovery project in its Chauk oil field in 2016. The project was initiated after a successful preliminary test in Yenangyaung approximately a decade ago. Since the beginning of the project in Chauk, there has been an average of 75 per cent oil production gain in the targeted wells. With this, more extensive WF projects are expected to commence in other producing fault blocks in the Yenangyaung and Chauk fields.

Classification of oil and gas resources

Resource classification system

Oil and gas resources are classified into volumes which could be recoverable in the future. Since they are deep underground, their exact volume can only be estimated. This therefore, requires a competent and qualified personnel's assessment.



Source: Society of Petroleum Engineers

The Petroleum Resources Management System ("**PRMS**") by the Society of Petroleum Engineers ("**SPE**") is seen as the industry standard for evaluating these reserves and resources.

There are two different concepts here: 1) Risk and 2) Uncertainty. Risk (vertical axis) refers to the classification of volumes and is a measure of the commercial certainty of a project progressing to production. Note that when applying PRMS, reserves are a subset of resources. The resources can be classified into:

Production - the quantity of oil and natural gas that has been recovered already;

Reserves – part of the resources which are commercially recoverable and have been justified for development;

Contingent resources – less certain than reserves, they are potentially recoverable but not yet considered mature enough for development due to technological or business hurdles; and

Prospective resources – represents higher risk than contingent resources as they are estimated volumes associated with undiscovered accumulations.

Classification of oil and gas reserves

Definition of Reserves

The distinction between reserves and contingent resources lies in their commercial viability. Reserves are commercially viable and are ready for development while contingent resources may not be commercially ready although they are technically recoverable.

Next, uncertainty (which is categorised in the horizontal axis in the table) is the categorisation and measure of the *technical certainty* of recovering the volumes. The focus here is on reserves since they are already commercially viable thus it would more meaningful to investors. Others such as contingent resources employ the 1C, 2C and 3C estimates. According to varying degrees of recoverability, there are three types of reserves categories:

Proved reserves: volumes with reasonable certainty of being recovered from a given date forward, with 90% probability of commercial extraction**;**

Probable reserves: less likely to be recovered than proved but more certain to be recovered than possible reserves, with 50% probability of commercial extraction; and

Possible reserves: least likely to be recovered, with 10% probability of commercial extraction.

The term 1P is used to refer to proved reserves while 2P refers to both proved plus probable and 3P denotes proved plus probable plus possible reserves. These terms only refer to projects that are already or soon to be in development. In practice, 2P is the best estimate for the recovery of the volumes.

In essence, to upgrade to any category within the (horizontal axis) class is entirely based on the technical certainty of recoverable volumes. To upgrade to any (vertical axis) class depends on the potential to reach commercial producing status.

Definition of Contingent and Prospective Resources

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

Summary of Oil Reserves and Resources

Qualified Person's Reports ("QPRs")

The Company recently commissioned a reputable reservoir evaluation firm, ERC Equipose Pte Ltd ("**ERCE**"), to prepare the QPRs with respect to the reserve and resources of the various petroleum concessions of the Group.

	Gross (1) (mmstb)^	Net (2) (mmstb)	Gross (mmstb)	Net (mmstb)	Gross (mmstb)	Net (mmstb)
	1P		2P		3P	
Oil Reserves						
Myanmar	7.32	4.39	9.50	5.70	12.18	7.31
Indonesia	1.70	0.53	2.56	0.80	3.61	1.12
Oil Contingent Resources	**1C**		**2C**		**3C**	
Myanmar	2.81	1.69	6.14	3.68	9.19	5.51
Indonesia	0.00	0.00	0.00	0.00	0.00	0.00
Oil Prospective Resources	**Low Estimate**		**Best Estimate**		**High Estimate**	
Indonesia						
Unrisked	86	58	349	235	1,311	885
Risked	11	7	41	28	151	102

Source: Bloomberg, SAC Advisors

(1) Gross reserves, contingent resources or prospective resources attributable to the contract before the application of contractual terms with the host government.

(2) Net reserves, contingent resources or prospective resources attributable to the Group before the application of contractual terms with the host government.

^ mmstb: Million stock tank barrels

Summary of Oil Reserves and Resources

Petroleum Agreements

A production-sharing type of petroleum agreement with the host government or its agency grants the participating party (or parties) the rights and obligations to conduct exploitation and production of hydrocarbons at its own expense and risk on a compensated basis for an established time period. Each contract is highly regulated and is subject to conditions imposed by the host government or its agency in matters such as drilling plan and development work commitment, domestic market obligation, abandonment of contract area, field restoration, and environmental protection.

The final shareable production to be split with the host government before translating into

Financial Summary

Petroleum Agreements

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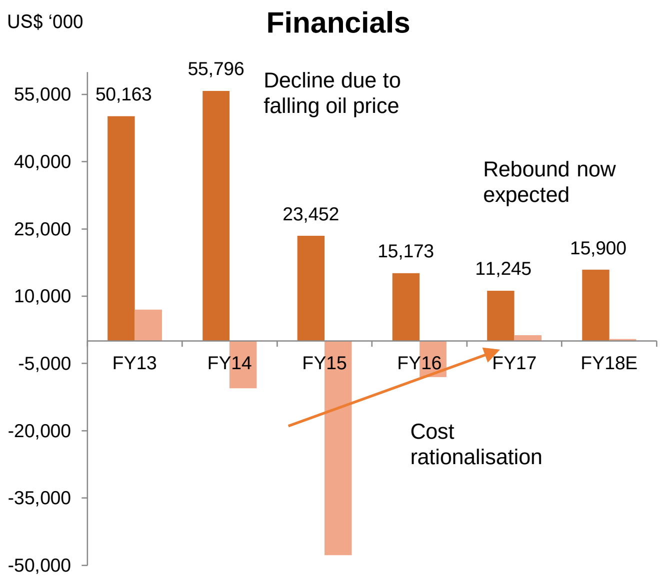
The final shareable production to be split with the host government before translating into revenue is derived after deducting various capital and operational expenditures, royalties and taxes. Due to the intrinsic complexity of the different forms of contractual terms, revenue is not proportionally dependent on gross production and crude oil prices. In addition, there is no guarantee that contract extension or renewal will be granted upon expiration, failing which may result in substantial losses and a significant reduction in investment value.

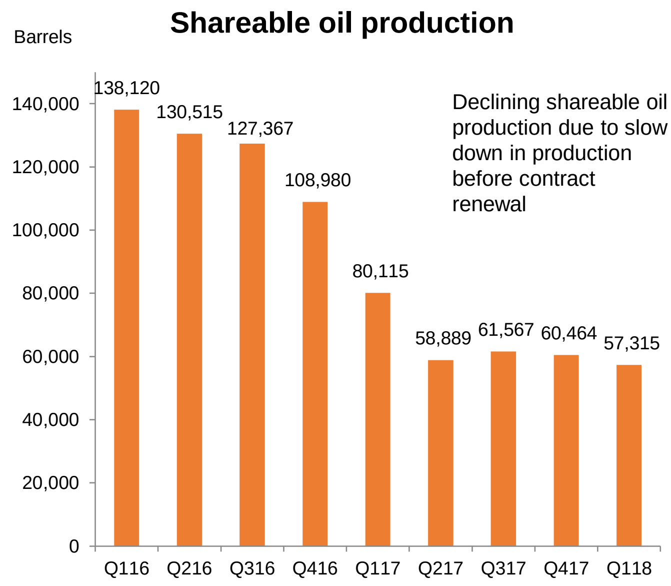
Financial Summary

Earnings turnaround in FY17

Interra Resources faced declining revenue from FY14 to FY17 as falling oil prices and declining shareable oil production saw revenue slide over the years. The lower shareable oil production is the result of a combination of factors, (i) reduction in output from falling oil prices, (ii) absence of contribution from the Indonesian Tanjung Miring Timur fields, and (iii) reduction in capex spending on drilling new oil wells before the contract renewal was announced.



Source: Company data, SAC Advisors



Source: Company data, SAC Advisors

Revenue

Profit/(loss)

Drilling activity ramped up

In the last few months, we have seen a ramp up in drilling activity following the contract extension. In November 2017, it announced the commencement of drilling activity at the development well YNG 3271 in the Yenangyaung oil field in Myanmar. In April 2018, it also commenced drilling development well CHK 1206 in the Chauk oil field in Myanmar. CHK 1206 is the third well to be drilled in Myanmar in 2018 and the Company has guided that they expect the results of the drilling operation to be available in approximately six weeks.

The Company has also provided an update recently on CHK 1207 in the Chauk oil field. CHK 1207 has been completed for 122 barrels of oil per day in the Chauk South Central Fault Block, which is the highest rate oil producer in the Myanmar blocks operated by Goldpetrol. It was drilled to a total measured depth of 3,855 feet and is producing through casing perforations over 81 feet covering twelve reservoirs. The same release highlighted that there are several remaining prospective oil reservoirs identified in the well that may be evaluated at a later date.

Financial Summary

Oil production turnaround a long-term story

"The waterflooding project can potentially improve our output significantly"

~ Marcel Tjia, CEO

Myanmar's shareable production decreased by 5% in 1Q2018, and according to management, the production is gradually improving with the resumption of the work program after the signing of contract extension in late 2017. Interra has commenced water flood project in the 1Q18, which is expected to boost shareable oil production in the longer-term.

Shareable oil production at LS TAC also fell by 7% to 6,184 barrels in 1Q2018, due largely to the extreme weather conditions in the field which have since improved. As the LS TAC contract will be expiring at the end of 2018, we understand that negotiations with the local authority for an extension have commenced and are ongoing.

The recent improvement in oil prices, coupled with the recent extension of the Myanmar contract, reinforce our belief in the commitment of management to embark on an aggressive work program to ramp up production in Myanmar.

Preparation for the drilling of an exploration well could provide production uplift

At Kuala Pambuang PSC, preparations for the drilling of an exploration well is currently underway. Based on our conversations with the management, while nothing can be certain until actual drilling begins, we believe they are quietly optimistic that the drillable prospects are of a high quality having been identified and evaluated both internally and externally, to minimise any potential risk.

Management has guided that the first exploration well is expected to start drilling at the end of this year, and any positive discovery is expected to be beneficial to the Group.

Production Process

Observations from our site visit in Chauk

While the entire production process is much more complicated than what we are going to illustrate below, we have simplified the illustration to better help investors understand the process of extracting oil and eventually selling the shareable oil to the government.

The process essentially starts with the geologist team based in Yangon studying the mining area to determine where the oil reservoirs are. Once they have identified the spot, the team on the ground then set up the equipment to test whether there is oil to be mined, and once they can affirm this, the drilling then begins.

Oil production

Source: SAC Advisors

Oil is drilled from different wells from around the their site in Chauk. They currently have about 280 wells drilling oil daily.

Oil storage

Source: SAC Advisors

The oil drilled from the different oil wells are transported to the storage tanks where the impurities and water are separated from the oil.

Oil sale

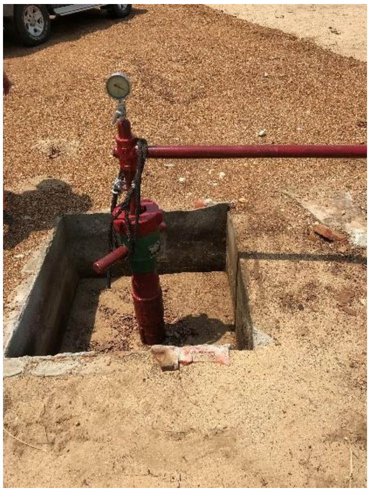
Source: SAC Advisors

The oil is then transported to the government through such pipes and the sale is completed.

Future Plans and Growth Strategy

Observations from our site visit

Implementation of the water flooding project to boost production



Source: SAC Advisors

During our visit to Interra Resource's site in Chauk, we witnessed first-hand the implementation of the water flooding project the project team has implemented.

The process essentially involves the injection of water to maintain the reservoir pressure and sweeping oil locked in the reservoirs to producing areas. The inexpensive water injection takes a couple of years to complete, requiring continuous field production and pressure data for monitoring. According to the US Department of Energy, this process can recover up to 40 per cent of the initial petroleum in the reservoir.

In our view, the recent contract extension removes any previous encumbrance faced by the Group when it was reluctant to invest in additional capex as it faced uncertainty over the contract extension. With the uncertainty over the contract extension now removed, we think the Group is now going to ramp up the use of water flooding to boost overall production.

As we understand from the project team on the ground, the water flooding project is not a new technology, and have been implemented successfully around the world in countries like the USA and Kazakhstan.

Source: SAC Advisors

Source: SAC Advisors

While the water flooding project is expected to boost oil production, the effects of increased oil production will take time to show. That said, we see the implementation of the water flooding project boosting the Group's overall shareable production moving forward.

Future Plans and Growth Strategy

Strategic placement of shares to China ZhenHua Oil to strengthen existing strategic partnership

The strategic placement of shares to China ZhenHua Oil Co., Ltd ("**China ZhenHua Oil**") - a Chinese state-owned company specialising in oil and gas exploration and production - will allow the Company to leverage on the strengths and resources of China ZhenHua Oil and to explore further co-operation opportunities. We think the cooperation make strategic sense for Interra Resources given China ZhenHua Oil's rich experience in oil recovery in old fields in Iraq, Kazakhstan and Pakistan. This is especially important as Interra Resources face an almost identical problem as China ZhenHua Oil in their oil recovery efforts in the older fields, which are at least 100-year old.

Interra Resources had announced in December 2017 that the Company has entered into a conditional subscription agreement with North Petroleum International Company (a wholly-owned subsidiary of China ZhenHua Oil) for the subscription of an aggregate 79,526,847 new ordinary and fully paid-up shares in the capital of the Company by way of a private placement at an issue price of S$0.059 per share.

The net proceeds from the placement to North Petroleum International Company is about US$3.5 million, which they intend to use for general working capital purposes.

China ZhenHua Oil owns 40% of Goldpetrol, the operator of the Company's Chauk and Yenangyaung fields in Myanmar. China ZhenHua Oil is a Chinese state-owned enterprise specialising in oil and gas exploration and production, oil industry investment, international oil trading, refining and storage and transportation of crude oil and oil products. Other than Myanmar, ZhenHua Oil operates oil fields in Iraq, Egypt, Kazakhstan and Pakistan.

The strategic placement aims to strengthen the existing strategic partnership between Interra Resources and ZhenHua Oil that began in 2011 when ZhenHua Oil acquired a 40% interest in Goldpetrol.

Industry Overview and Valuations

Lowest valued in the industry

We shortlisted the following comparable companies in the same industry, selecting only companies that are already in production and those with 1P reserves. We also calculated the enterprise value ("**EV**") to the comparable companies 1P Reserves (which has the highest certainty) to arrive at an industry average of 19.0x (ex-Interra Resources), which suggest to us that Interra Resources is trading at a pretty steep discount to the industry average.

Even when we valued the comparable companies with a market capitalisation of less than US$200 million, the companies trade at an average of 12.8x EV/1P.

	Market Cap (USD millions)	Current EV (USD Millions)	Crude Oil (1P)	Crude Oil (2P)	EV/EBITDA (x)	EV/1P
Eog Resources Inc	68,166.7	73,785.4	2,519.1	-	14.5	29.3
Lukoil Pjsc	58,179.1	62,935.7	12,077.0	4,835.0	3.2	5.2
Continental Resources Inc	24,340.5	30,408.5	634.2	-	11.4	47.9
Inpex Corp	16,052.8	22,344.9	2,103.4	-	5.7	10.6
Cimarex Energy Co	8,787.2	9,810.7	559.0	-	10.8	17.6
Rsp Permian Inc	7,040.2	8,586.0	261.3	-	13.4	32.9
Energen Corp	6,449.8	7,205.2	256.2	-	10.2	28.1
Oil & Gas Development Co Ltd	5,948.4	5,891.1	324.0	-	6.3	18.2
Oasis Petroleum Inc	3,855.3	6,537.3	311.2	-	6.5	21.0
Oil India Ltd	3,649.1	4,630.9	367.6	935.6	10.6	12.6
SM Energy Co	2,753.1	5,022.0	466.5	-	8.7	10.8
Callon Petroleum Co	2,681.4	3,406.2	107.1	-	12.3	31.8
Southwestern Energy Co	2,611.3	6,046.3	608.1	-	6.7	9.9
Carrizo Oil & Gas Inc	1,982.7	3,592.9	167.4	-	7.1	21.5
Denbury Resources Inc	1,714.1	4,767.0	253.0	-	10.3	18.8
Japan Petroleum Exploration	1,430.3	1,925.3	350.9	-	6.0	5.5
Nuvista Energy Ltd	1,185.7	1,348.5	47.0	93.5	7.9	28.7
Kelt Exploration Ltd	1,153.8	1,304.9	55.0	101.8	14.3	23.7
Baytex Energy Corp	978.4	2,315.0	89.0	175.8	6.0	26.0
Geopark Ltd	939.4	1,251.4	96.7	158.7	5.7	12.9
Penn Virginia Corp	933.5	1,309.9	55.8	-	8.3	23.5
W&T Offshore Inc	916.6	1,776.2	34.4	-	5.0	51.7
Halcon Resources Corp	771.8	1,001.8	51.0	-	7.0	19.7
Bonanza Creek Energy Inc	729.9	739.1	52.9	-	8.4	14.0
Ep Energy Corp-cl A	671.1	4,777.1	390.9	-	6.5	12.2
Slavneft-megionneftegaz Ojsc	573.4	747.6	1,869.0	5,160.0	N/A	0.4
Abraxas Petroleum Corp	436.4	538.3	37.6	-	10.4	14.3
Blue Ridge Mountain Resource	403.2	862.2	13.6	-	N/A	63.2
Sundance Energy Australia Lt	356.0	539.5	28.0	-	4.2	19.3
Evolution Petroleum Corp	310.2	283.0	8,589.0	3,564.0	13.1	0.0
Sanchez Energy Corp	301.5	2,143.0	361.9	-	6.5	5.9
Storm Resources Ltd	277.1	354.2	13.7	18.0	6.7	25.8
Transglobe Energy Corp	163.5	199.6	27.4	45.8	1.7	7.3
Energi Mega Persada Tbk Pt	139.7	188.9	57.8	95.0	N/A	3.3
Inplay Oil Corp	92.0	127.0	12.0	18.4	7.8	10.6
Elk Petroleum Ltd	84.5	242.1	12.5	5,265.5	N/A	19.4
Jkx Oil & Gas Plc	75.5	85.2	57.8	94.8	1.7	1.5
Cabot Energy Plc	36.9	35.1	1.9	2.9	N/A	18.5
Houston American Energy Corp	15.4	15.2	0.4	-	N/A	38.9
Mexco Energy Corp	11.6	12.5	2.1	-	16.8	5.9
Camber Energy Inc	1.6	36.8	3.8	-	N/A	9.8
Average	**5,410.1**	**6,646.4**	**793.6**	**1,285.7**	**8.4**	**18.6**
Interra Resources	24.9	17.5	4.9	6.5	12.9	3.5
Average (ex. Interra Resources)	**5,541.5**	**6,808.0**	**812.9**	**1,371.0**	**8.3**	**19.0**

Source: Bloomberg, Company Data

Key Risks

The upstream petroleum business is typically capital intensive, long-term in nature and involves complex multiplicity of risks and uncertainties.

Variability in crude oil prices
The single largest variable that affects the Group's operating and financial results is crude oil prices. Petroleum exploration and production is fundamentally a commodity business and hence, revenue is exposed to fluctuations in the prevailing crude oil and natural gas prices, which are dependent on a combination of various factors. The Group does not have any hedging or derivative arrangements which would have the effect of giving the business a certain and fixed sale price for the crude oil produced.

Depressed crude oil prices over prolonged periods will have an adverse impact on its profitability and cash flows, or may even render extraction commercially unviable, thus leading to recognition of significant impairment charges on the carrying amounts of producing oil and gas properties.

Final shareable production can vary
The Group currently sells the crude oil that it produces to the respective host governments and the quantum of which is subject to wide-ranging government regulations and policies relating to benchmark price, cost recovery, taxes, royalties, domestic market obligation and fiscal system. Therefore, the final shareable production to be translated into revenue is not directly proportional to gross production, and to a certain extent, is beyond the Group's control.

Management

Mr. Edwin Soeryadjaya is the Chairman of the Company. He was first appointed as a Director on 14 December 2004 and later on took on the role of Chairman on 1 July 2005. Mr Soeryadjaya was last re-elected as a Director on 28 April 2017. He is the President Commissioner of PT Saratoga Investama Sedaya Tbk, an active investment firm in Indonesia and has deep insight into the Indonesian economy. He started his career in 1978 at PT Astra International Tbk and spearheaded its financial restructuring and public listing. He left his position as Vice President Director in 1993 to set up his own investment business. In 1995, under a Kerja Sama Operasi ("**KSO**") scheme designed by the government of Indonesia in cooperation with the World Bank, he successfully led PT Ariawest International to win a 15-year KSO funding of about US$900 million. Mr Soeryadjaya graduated with a Bachelor of Business Administration from the University of Southern California in 1974.

Mr. Marcel Han Liong Tjia is the Executive Director and Chief Executive Officer of the Company. He was first appointed to the position on 20 June 2009 and was elected on 28 April 2010. Mr Tjia also sits on various boards and management committees of the Company's subsidiary companies and joint venture entities. Prior to joining the Company, Mr Tjia was a partner in a regional private equity and direct investment company with interests in energy and natural resources. He is currently a partner in an investment company with holdings in real estate and the automotive industry. Mr Tjia holds a Bachelor of Commerce (Honours) and a Master of Business Administration from The University of British Columbia, Vancouver.

Mr. Sugi Handoko is the Vice President of Operations of the Company in January 2012. He has the overall responsibility of managing the exploration and production operations of the Group. Prior to the current appointment, Mr Handoko was the Country Manager of Goldpetrol JOC Inc. He has more than 30 years of experience in petroleum exploration and production operations and management, which includes engineering, production, finance, procurement, logistic, human resources and government liaison. Mr Handoko graduated from the Bandung Institute of Technology in 1988 with a Bachelor's Degree in Petroleum Engineering. He is a member of the Society of Petroleum Engineers, the Indonesian Petroleum Association, the Indonesian Association of Petroleum Engineering ("**IATMI**") and the Institution of Engineers Indonesia.

Mr. Han Liqiang joined the Company as Regional Operations Manager in April 2014. His main role is to manage the regional exploration and production operations of the Group. Currently, he is seconded to the Myanmar operations as its Deputy Country Manager. Mr Han commenced his career with BGP Inc. in 1992 as a geophysicist for various petroleum projects in China. He was later on stationed at its overseas branch offices to manage a variety of seismic projects in the Middle East and Asia Pacific regions. He has more than 25 years of industry experience in project management, HSE management and marketing, and has worked with numerous oil and gas companies such as Total, Saudi Aramco and Salamander Energy. Mr Han studied at the Northwest University in Xi'an and obtained a Bachelor's Degree in Petroleum Geology in 1992.

Management

Mr. Frank Overall Hollinger was appointed the Chief Technical Officer of the Company in July 2006. He manages the petroleum geoscience and other technical aspects of the exploration and production business. Before joining the Company, Mr Hollinger spent 8 years in Myanmar as a geophysical consultant for Premier Petroleum Myanmar Ltd., Myanmar Petroleum Resources Ltd. and Goldpetrol JOC Inc. He commenced his career in 1971 while in graduate school as a NASA research assistant at The University of New Mexico. Subsequently, he worked on numerous exploration and development projects in different capacities with oil and gas corporations such as Texaco Inc., Petroleum Exploration Consultants Worldwide Inc., Mapco Production Co., Ladd Petroleum Corp., Enron Oil & Gas, Columbia Gas Development Corporation, and Petronas Carigali Sdn Bhd. He has more than 40 years experience in the petroleum industry. Mr Hollinger graduated from the University of South Alabama with a Bachelor of Science in Geology in 1971. Subsequently, he obtained a Master of Science in Geology from The University of New Mexico in 1973. In 1988, Mr Hollinger completed the Professional Degree Program in Geology at the Colorado School of Mines. He is a member of the Society of Petroleum Engineers.

Recommendation

We initiate coverage on Interra Resources with a BUY with a target price of S$0.089 based on a conservative target 6.4x EV/1P Reserves, representing a 50% discount to the industry average of oil production companies with market capitalisation under US$200 million. In our view, the valuation of Interra Resources based on their 1P Reserves is an extremely conservative measure. The steep discount applied to the conservative valuation measure should provide sufficient cushion.

We believe Interra Resources is at a key inflexion point with firmer oil prices and the recent contract extension leading to stable positive earnings. For FY18E, we expect it to register a more than 40% increase in total revenue and remain profitable due to their low production cost.

It is currently trading at only 0.8x of book value and is in an enviable net cash position. We see the current valuation as undemanding and initiate on Interra Resources with a BUY with a target price of S$0.089, representing a 62% upside.

Income Statement (US$'000)

	Fiscal Year Ended				
	FY15	FY16	FY17	FY18E	FY19E
Revenue (1)	**23,452**	**15,173**	**11,245**	**15,900**	N/A
Less: Cost of sales	(34,073)	(9,610)	(5,042)	(8,189)	N/A
Gross Profit	(10,621)	5,563	6,203	7,712	N/A
Other income	324	63	594	395	N/A
Administrative expenses	(41,247)	(6,574)	(5,269)	(7,155)	N/A
Finance expenses	(59)	(82)	(130)	(130)	N/A
Share of losses of associated companies	(626)	(6,755)	(186)	(186)	N/A
Results from operating activities	(52,229)	(7,787)	1,212	635	N/A
Tax expense	(555)	(1,031)	(813)	(159)	N/A
Profit/(Loss) from discontinued operations for FY	(655)	(39)	(46)	0	N/A
Total profit/(loss)	**(53,439)**	**(8,857)**	**353**	477	N/A
Profit/(Loss) attributable to owners of company	**(47,719)**	**(8,062)**	**1,298**	**N/A**	**N/A**
Earnings/(Loss) per share:					
-Basic (US cents)	**(9.85)**	**(1.59)**	**0.26**	N/A	N/A
-Diluted (US cents)	**(9.85)**	**(1.59)**	**0.26**	N/A	N/A

(1) From continuing operations

Balance Sheet (US$'000)

	Fiscal Year Ended				
	FY15	FY16	FY17	FY18E	FY19E
As at 31 December					
Property, plant and equipment	133	92	95	N/A	N/A
Producing oil and gas properties	359	206	3,152	N/A	N/A
Exploration and evaluation costs	10,488	10,584	10,616	N/A	N/A
Other non-current assets	12,127	3,792	11,451	N/A	N/A
Total non-current assets	**23,107**	**14,674**	**25,314**	**N/A**	**N/A**
Inventories	6,804	4,880	5,202	N/A	N/A
Trade and other receivables	12,450	13,486	8,295	N/A	N/A
Cash and bank balances	17,828	14,087	11,291	N/A	N/A
Other current assets	777	377	353	N/A	N/A
Assets of disposal group classified as held-for-sale	4,452	4,599	4,496	N/A	N/A
Total current assets	**42,311**	**37,322**	**29,637**	**N/A**	**N/A**
Total assets	**65,418**	**52,103**	**54,951**	**N/A**	**N/A**
Share capital	69,258	69,258	69,258	N/A	N/A
Accumulated losses	(21,271)	(29,369)	(28,169)	N/A	N/A
Other reserves	(18,597)	(18,397)	(18,713)	N/A	N/A
Equity attributable to owners of the Company	**29,390**	**21,492**	**22,376**	**N/A**	**N/A**
Non-controlling interests	3,962	3,847	4,746	N/A	N/A
Total Equity	**33,352**	**25,339**	**27,122**	**N/A**	**N/A**
Provision for environmental and restoration costs	4,474	1,564	139	N/A	N/A
Other non-current liabilities	39	53	25	N/A	N/A
Non-current liabilities	**4,513**	**1,617**	**164**	**N/A**	**N/A**
Trade and other payables	16,096	9,499	13,234	N/A	N/A
Borrowings	3,728	3,739	3,736	N/A	N/A
Provision for environmental and restoration costs	-	3,300	1,581	N/A	N/A
Current income tax liabilities	6,657	7,327	7,604	N/A	N/A
Liabilities directly associated with disposal group classified as Held-for-sale	1,072	1,282	1,510	N/A	N/A
Current liabilities	**27,553**	**25,147**	**27,665**	**N/A**	**N/A**
Total liabilities	**32,066**	**26,764**	**27,829**	**N/A**	**N/A**
Total equity and liabilities	**65,418**	**52,103**	**54,951**	**N/A**	**N/A**

Cash Flow Statement (US$'000)

	Fiscal Year Ended				
	FY15	FY16	FY17	FY18E	FY19E
Profit/(Loss) before tax	**(53,439)**	**(8,857)**	**353**	**NA**	**NA**
Depreciation, amortisation and impairment (2)	52,374	431	270	NA	NA
Change in working capital	7,230	(799)	304	NA	NA
Others	2,427	7,928	1,709	NA	NA
Net Cash from/ (used in) operations	**8,592**	**(1,297)**	**2,636**	**NA**	**NA**
Capital Expenditures	(8,501)	(332)	(3,309)	NA	NA
Others	650	139	(1,921)	NA	NA
Net Cash from/(used in) investing	**(7,851)**	**(193)**	**(5,230)**	**NA**	**NA**
Net increase in equity	1	-	100	NA	NA
Net increase in debt	3,000	(4,476)	658	NA	NA
Others	(4,327)	(2,080)	1,165	NA	NA
Net Cash from/(used in) financing	**(1,326)**	**(6,556)**	**1,923**	**NA**	**NA**

(2) The decline in both crude oil prices and production levels gave rise to an overall impairment charge on the producing oil and gas properties in FY15.

Ratios

	Fiscal Year Ended				
	FY15	FY16	FY17	FY18E	FY19E
Profitability (%)					
Gross profit margin	(45.3%)	36.7%	55.2%	NA	NA
Profit/(loss) before tax margin	(222.7%)	(51.3%)	10.8%	NA	NA
Profit/(loss) after tax margin	(227.9%)	(58.4%)	3.1%	NA	NA
Liquidity (x)					
Current ratio	1.5	1.5	1.1	NA	NA
Quick ratio	1.3	1.3	0.9	NA	NA
Interest coverage ratio	(890.8)	(93.4)	10.3	NA	NA
Net Debt to Equity	(48.0%)	(37.8%)	(33.3%)	NA	NA
Valuation (x)					
P/S	1.5	2.4	3.2	NA	NA
P/E	NA	NA	14.9	NA	NA
P/B	0.8	1.0	0.9	NA	NA
Cash Conversion Cycle					
Net trade receivable days	52	87	107	NA	NA
Inventory days	65	132	282	NA	NA
Trade payable days	65	41	97	NA	NA
CCC days	48	193	276	NA	NA
Returns					
Return on equity	(162.4%)	(37.5%)	5.8%	NA	NA
Return on capital employed	(141.1%)	(32.9%)	1.3%	NA	NA
Dividend payout ratio	NA	NA	NA	NA	NA

n.m.: not meaningful

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