Nusantara Energy Limited

Formerly Nusantara Energy plc

ANNUAL REPORT

for the year ended

31 December 2013

Company Registration No. 06156525

Nusantara Energy Limited
COMPANY INFORMATION

Directors	A R Butler	(resigned 17 October 2013)
	N McLoughlin	(resigned 9 December 2013)
	M Higgins	
	H Lawrence	(resigned 10 December 2013)
	C Putt	(appointed 14 November 2013)
	T Childs	(appointed 14 November 2013)
Secretary	B J Stuart	
Company registration number	06156525	
Registered office	6 New Street Square London EC4A 3LX	
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP	
Bankers	Barclays Bank plc One Churchill Place London E14 5HP	
Business address	Arena Business Centre Holy Rood Close Poole Dorset BH17 7FJ	

Nusantara Energy Limited
CONTENTS

PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Group is the development of coal mines in Indonesia, including the acquisition of economic interests in those mines and potential mines.

The Company was a public but unlisted limited company incorporated and domiciled in England. In December 2013 shareholders voted to re-register the company as a private limited company and this became effective on 14 January 2014.

CHAIRMAN'S STATEMENT

In November 2013 a restructuring proposal was circulated to all shareholders to undertake the transfer of the Company assets to a Luxembourg company. The resolution was passed but at the end of the Financial Year 2013 the restructuring had not been formally completed and remains on hold pending clarification of the issues referred to below.

BUSINESS AND FINANCIAL REVIEW

During 2013 a new ministerial law was introduced in Indonesia that effectively accelerates the divestment requirement of shares in foreign owned IUP companies, including the Company's Indonesian subsidiaries. Historically, shares in IUP companies held by foreigners had to be sold down so local entities held 51% of the shares by year 10. This process starts in year 5 and ramps up to 51% by year 10. As a result of the new ministerial law any transfer of the shares in the IUP company accelerates the divestment rule. However, it is still unclear how this new law will be implemented and whether it will affect the restructuring referred to above.

As noted above, the Company approved a restructuring in 2013 that allowed for a share consolidation and approved the transfer of the IUP companies to a new Luxembourg entity. Full details on the restructuring can be found in the restructuring memorandum that was circulated at the time. In summary, the proposal was that the Company's subsidiaries should be held by a Luxembourg company which is held by shareholders in the same proportion as they hold shares in the Company at that time.

As in 2012, the Company continued to face several macroeconomic challenges such as:

- *The potential introduction of a ban on low quality coal imports into China.* The initiative would aim to reduce the environmental side effects, such as air pollution, water shortages and contamination from the use of low rank, high ash and high sulphur coal. If introduced correctly, this should have a positive impact on the Company given the low ash and low sulphur nature of the Jambi coal. The Jambi coal also benefits from not needing to be washed. It is our view that if the ban is introduced wisely it will be supportive to Nusantara in the long run as the Jambi coal should become increasingly attractive for end user blending purposes. No decision has yet been made on this topic.
- *A potential increase in the royalty on coal exports to 10%.* Currently Jambi coal is subject to a 3% royalty. Any increase in this will significantly impact the economics of the Jambi mine.
- *Price of coal.* This continues to remain the major issue facing the Company with coal prices falling by 6.7% in 2013. Since the start of 2014, Newcastle Benchmark has declined by a further 23.5%. Analysts continue to revise down their coal price forecasts in light of continued uncertainty around future supply and demand dynamics, especially from China. At the moment thermal coal remains in a position of oversupply.
- *Slower growth in China.* The transfer of power in China following the 2013 elections has led to a focused rebalancing of the economy towards consumption and away from exports. This has dented current growth plans and has put pressure on the Chinese economy. The opaque nature of lending and the potential hangover from the credit stimulus of 2008 and 2009 makes it increasingly difficult to gauge what the future may look like for the Chinese economy.

BUSINESS AND FINANCIAL REVIEW *(continued)*

- *Indonesia macroeconomic environment.* Local government policy towards mining companies remains challenging in light of the Indonesian elections, which took place in 2014. It is unclear what impact this could have on the Company and Indonesia remains a challenging environment from a regulatory and political perspective for foreign companies. The issues remain broadly similar to those faced by the Company in the past. The markets were supportive of the winner, although what view the new government actually takes on foreign investors is less than clear.

As is evident from the above, the economics of the Jambi asset are highly dependent on a number of macroeconomic issues.

As in 2012, the Company would have liked to report a more positive update on the goal of moving towards production but unfortunately the current coal price has prevented the Company from doing so. Although we have thought this in the past, the price of coal appears to be at its trough as it is below the marginal cost of production for a number of major players and the marginal mines are now starting to go offline in response to the price pressure.

The Company continues to believe in the demand fundamentals of the Jambi coal and that the coal price should start to strengthen in the medium to long term, although does not expect prices to return to levels seen three years ago. Despite the challenging environment, the Company remains positive on the longer term fundamentals of the asset and believes in its economic viability.

At the end of 2013 the forestry permits or Izin Pinjam Pakai ("IPP") licenses for PT Anugerah Jambi Coalindo ("AJC") and PT Bakti Sarolangun Sejahtera ("BSS") remained outstanding.

The directors, like the market, are of the opinion that there will be no significant change in current coal prices in the short to medium term, with prices continuing to hover around the marginal cost of production. It is not currently expected that early stage coal production will start without a material change to the macro environment and settlement of local issues. However, the Company continues to further refine its business model so that it is ready to take advantage of a move in coal prices should this materialise. Although with current coal prices as low as they are, this continues to make forecasting the start of production increasingly difficult.

The legal case against the former Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO") remains ongoing.

M Higgins
Director

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2013.

DIVIDEND

The directors do not recommend payment of a dividend.

GOING CONCERN

The financial position of the Group, its cash flows and liquidity are described elsewhere in this Report and Accounts. The Group is currently in a development phase and does not have any production assets. At the year ended 31 December 2013 the Group had cash and cash equivalents of US$4.6m and there was no debt outstanding.

The Company is reliant on its major shareholder to provide continued financial support with its current operations. During 2014 borrowings have been put in place for up to $25m from Ianto Finance Limited for further investment and to continue to support the operations of the Group. These borrowings mature in March 2015. The directors consider the Group to be a going concern for at least twelve months from the date of approval of these financial statements as Ianto has agreed in principle to underwrite a rights issue to be called at a time that the Board shall approve.

RISK REVIEW

The risks inherent in the Group's exploration business are kept under review by the Board. Shareholders should be aware that mineral exploration businesses generally are at the higher risk end of the investment spectrum, but that such risk is matched by potentially high returns to investors, if management succeeds in delivering sustained profitable mining operations.

Specific, identified key risks at 31 December 2013 include:

a) Liquidity Risk
The Group has various outgoings in connection with its activities but is not yet in production and, therefore, relies on funding from investors. Should investors cease to fund the Group, it will run out of money. However this remains a key risk to the business in the future.

b) Project Technical Risk
The directors are satisfied that the exploration works completed in previous years demonstrate that the project has a large, valuable deposit of thermal coal, lying in a relatively easily mined deposit. The economic viability of the project is, of course, dependant on costs of the overall project and prices obtainable in the market for the specific product.

c) Indonesia Legal/Operating Risk
Many of the world's best remaining potential mines lie in countries that carry higher than average legal and operating risk. Indonesia is one of these countries. The challenges of operating in the country are generally understood by investors, especially those familiar with the coal mining sector, as Indonesia is one of the world's largest exporters of thermal coal. Recent changes in mining law have helped clarify the regulatory environment and enabled the Group to acquire direct ownership rights over the mining concessions but uncertainties remain in what is generally a difficult operating environment.

RISK REVIEW *(continued)*

d) Permitting Risk
The permitting process in Indonesia is quite complex and rigidly applied. This is exacerbated by the recent changes in law mentioned under preceding Risk c), since the regime allowing foreign ownership of mining concessions is still relatively young and under implementation.

e) Currency risk
Currency risk exists in any business operating outside its home currency area. The Group has a conventional range of techniques in place for managing that risk. In general, known specific significant future exchange obligations are anticipated at the time of the commitment arising by converting funds raised in sterling into the appropriate currency in which the future commitment falls due. The Group does not speculate on currency movements. The Group operates in US dollars.

f) Commodity price risk
The Group has economic interests in coal mining concessions and is therefore exposed to price fluctuations in the market for Indonesian thermal coal. Coal prices have been increasingly volatile in recent years and fell approximately 6.7% over the course of 2013. Nevertheless, the directors believe the project should still be financially viable in the medium to long term, since strong underlying demand from growing Asian economies for coal-generated electricity should help to stabilise Indonesian thermal coal prices over time.

DIRECTORS

The directors who served during the year were:

A R Butler	(resigned 17 October 2013)
N McLoughlin	(resigned 9 December 2013)
M Higgins	
H Lawrence	(resigned 10 December 2013)
C Putt	(appointed 14 November 2013)
T Childs	(appointed 14 November 2013)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- There is no relevant audit information of which the Company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

POST BALANCE SHEET EVENTS

Over the course of 2014, the Company has put in place borrowings of up to $25m from Ianto Finance Limited for further investment and to continue to support the operations of the Company. The borrowings are at 25% per annum and mature in March 2015.

Consultants are advising on an ongoing basis to improve the operations of the Company and to enable the start of production when coal prices permit.

GOVERNANCE

Following the AGM in December 2013, the board was restructured with Chris Putt and Tim Childs joining, broadly around the same time Heather Lawrence, Antony Butler and Neil McLoughlin left the board.

AUDITORS

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 489 (4) of the Companies Act 2006.

These financial statements were approved by the Board on 30 January 2015.

M Higgins
Director

We have audited the Group financial statements of Nusantara Energy Limited for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or;
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Parent Company financial statements of Nusantara Energy Limited for the year ended 31 December 2013.

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 January 2015

Nusantara Energy Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	Year to 31 December 2013 US$	Year to 31 December 2012 US$
OVERHEADS			
Administrative expenses		(2,461,185)	(4,423,489)
OPERATING LOSS BEFORE FINANCE	3	(2,461,185)	(4,423,489)
FINANCE COSTS			
Interest income	5	9,797	6,272
Foreign exchange (loss) / gain		(117,355)	(72,780)
Interest expense	6	(2)	(2,799,337)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		(2,568,745)	(7,289,334)
Income tax expense	8	(44,848)	(70,008)
LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(2,613,593)	(7,359,342)
OTHER COMPREHENSIVE LOSS			
Items that will be subsequently reclassified to Profit or Loss:			
Movement on foreign exchange		(402,408)	(573,605)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(3,016,001)	(7,932,947)

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

Nusantara Energy Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2013

	Notes	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
ASSETS				
NON CURRENT ASSETS				
Intangible assets	9	37,085,583	32,814,418	32,252,062
Property, plant and equipment	10	34,502	55,900	138,053
Trade and other receivables	11	574,289	517,063	551,390
TOTAL NON CURRENT ASSETS		37,694,374	33,387,381	32,941,505
CURRENT ASSETS				
Trade and other receivables	11	128,549	586,079	490,455
Cash and cash equivalents		4,591,660	8,859,005	191,701
TOTAL CURRENT ASSETS		4,720,209	9,445,084	682,156
TOTAL ASSETS		42,414,583	42,832,465	33,623,661
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	12	(2,513,545)	(1,703,568)	(16,837,314)
NON CURRENT LIABILITIES				
Provisions	12	(39,197)	(24,913)	(30,202)
NET ASSETS		39,861,841	41,103,984	16,756,145
EQUITY				
Equity attributable to equity holders of Parent:				
Issued capital	13	3,415,669	3,333,835	553,040
Share premium		76,278,009	74,585,985	45,085,994
Translation reserve		(3,858,888)	(3,456,480)	(2,882,875)
Retained deficit		(35,972,949)	(33,359,356)	(26,000,014)
TOTAL EQUITY		39,861,841	41,103,984	16,756,145

These above financial statements were approved by the Board on 30 January 2015.

M Higgins
Director
Company Registration No. 06156525

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

Nusantara Energy Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital	Share premium	Translation reserve	Retained losses attributable to equity holders of Parent	Total
	US$	US$	US$	US$	US$
At 1 January 2012	553,040	45,085,994	(2,882,875)	(26,000,014)	16,756,145
Loss for the year	-	-	-	(7,359,342)	(7,359,342)
Movement on foreign exchange	-	-	(573,605)	-	(573,605)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	(573,605)	(7,359,342)	(7,932,947)
Shares issued during the year	2,780,795	30,526,278	-	-	33,307,073
Costs of raising equity	-	(1,026,287)	-	-	(1,026,287)
TOTAL TRANSACTIONS WITH EQUITY OWNERS	2,780,795	29,499,991	-	-	32,280,786
At 31 December 2012	3,333,835	74,585,985	(3,456,480)	(33,359,356)	41,103,984
At 1 January 2013	3,333,835	74,585,985	(3,456,480)	(33,359,356)	41,103,984
Loss for the year	-	-	-	(2,613,593)	(2,613,593)
Movement on foreign exchange	-	-	(402,408)	-	(402,408)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	(402,408)	(2,613,593)	(3,016,001)
Shares issued during the year	81,834	1,692,024	-	-	1,773,858
TOTAL TRANSACTIONS WITH EQUITY OWNERS	81,834	1,692,024	-	-	1,773,858
At 31 December 2013	3,415,669	76,278,009	(3,858,888)	(35,972,949)	39,861,841

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

Nusantara Energy Limited
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2013

	Notes	Year to 31 December 2013 US$	Year to 31 December 2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES	14	(1,776,333)	(11,015,229)
INVESTING ACTIVITIES			
Interest received		9,797	6,272
Interest paid		(2)	(2,799,337)
Purchase of exploration and evaluation assets		(4,232,665)	(562,356)
Purchase of mining software		(42,000)	-
CASH FLOWS FROM INVESTING ACTIVITIES		(4,264,870)	(3,355,421)
FINANCING ACTIVITIES			
Issue of ordinary shares		1,773,858	32,280,786
Issue (repayment) of loan notes		-	(9,242,832)
CASH FLOWS FROM FINANCING ACTIVITIES		1,773,858	23,037,954
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,267,345)	8,667,304
Cash and cash equivalents brought forward		8,859,005	191,701
CASH AND CASH EQUIVALENTS CARRIED FORWARD		4,591,660	8,859,005

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

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements present information about the Group for the year ended 31 December 2013.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The financial statements have been prepared under the historical cost convention.

The financial statements are presented on the going concern basis and the directors believe there are sufficient resources to continue trading for at least twelve months from the date of approval of these financial statements.

1.2 Going concern

The consolidated financial statements have been prepared on the going concern basis.

The financial position of the Group, its cash flows and liquidity are described elsewhere in this Report and Accounts. The Group does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2013 the Group had cash and cash equivalents of US$4.6m and no borrowings.

The Company has put in place borrowings of up to $25m from Ianto Finance Limited during 2014 for further investment and to continue to support the operations of the Group. The borrowings are at 25% per annum and mature in March 2015.

In view of the ongoing support from its major shareholder, and the fact that the Group has sufficient funds to continue its operations for the foreseeable future, the directors consider the Group to be a going concern for at least twelve months from the date of approval of these financial statements as Ianto has agreed in principle to underwrite a rights issue to be called at a time that the Board shall approve.

1 ACCOUNTING POLICIES *(continued)*

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2013. Control is achieved where the Company has the power to govern the financial statements and operating policies of an investee entity so as to obtain benefits from its activities.

The accounting policies of the subsidiary are uniform with the Parent Company. The results of the subsidiary are included in the consolidated financial statements from the effective date of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation unless there are indicators of impairment.

The minority interest share of any loss is restricted to the level of the minority interest investment.

1 ACCOUNTING POLICIES *(continued)*

1.4 Foreign currencies

The consolidated financial statements are presented in US dollars. It is anticipated that US dollars will be the trading currency of the Group once production commences

In December 2013, the Board passed a resolution to redenominate the share capital to US dollars and to change the functional currency of the Parent Company from sterling to US dollars. Also, on 1 January 2013, the functional currency of PT Anugerah Jambi Coalindo ("AJC"), PT Bakti Sarolangun Sejahtera ("BSS") and PT Sinar Anugerah Sukses ("SAS"), three of the Group subsidiaries, was changed from Indonesian rupiah to US dollars.

Prior year numbers for the Parent Company have been converted from sterling to US dollars at the prevailing exchange rates. Prior year numbers for the Indonesian group subsidiaries have been converted from Indonesian rupiah to US dollars at the prevailing exchange rates.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than US dollars are translated into US dollars upon consolidation. As described above, the functional currency of the Parent and Group subsidiaries, AJC, BSS and SAS, the Group have changed from sterling and Indonesian rupiah, respectively, to US dollars during the reporting period.

On consolidation, assets and liabilities have been translated into US dollars at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

1.5 Employee benefits

Defined contribution pension scheme: The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

1 ACCOUNTING POLICIES *(continued)*

1.6 Share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Warrants granted by the Group vest immediately after grant. All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to retained losses in the statement of financial position. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

The fair value has been arrived at using the Black-Scholes model. The key inputs to these models include: exercise price; share price volatility; dividend yield (if any); lapse rate, etc.

1.7 Taxation

Income tax expense represents the sum of the tax currently payable.

Current tax is the tax currently payable based on taxable profit for the year using tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax is recognised on the difference between carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences can be utilised.

Tax losses which are available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets relating to brought forward tax losses are not yet recognised by the Group, but they will be recognised when it is probable that taxable profit will be available in the future.

1.8 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1 ACCOUNTING POLICIES *(continued)*

1.9 Interest income and expense

Interest income and expenses are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income and expenses arising from interest bearing financial instruments are recognised in the statement of comprehensive income using the effective interest method on the bases of the cost of the financial instruments.

1.10 Exploration and evaluation assets

All costs associated with mineral exploration and investments are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. Such capitalised expenditure is reviewed for impairment at each statement of financial position date.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

1.11 Property, Plant and Equipment

Property, plant and equipment are held at historical cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment over their estimated useful economic lives. The useful economic lives are assessed at least annually. The rates generally applicable are:

Motor vehicles 33%
Plant & equipment 25%
Computer equipment 50%
Fixtures, fittings & office equipment 20%

Material residual value estimates are updated as required, but at least annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1 ACCOUNTING POLICIES *(continued)*

1.12 Capital risk management

The Group's capital risk management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To increase the value of the assets of the business; and
- To maximise the return to shareholders through optimisation of debt equity balance, at the time the assets are put into full production

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by our own means.

The Group monitors capital on the basis of the carrying amount of equity plus its Group loans, less cash and cash equivalents as presented on the face of the consolidated statement of financial position.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (in the future), return capital to shareholders, issue new shares, or sell assets to reduce debt.

1.13 Reserves

Equity comprises the following:

- "Share capital" is the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries
- "Retained deficit" represents cumulative retained losses attributable to holders of ordinary share of the Company

1 ACCOUNTING POLICIES *(continued)*

1.14 Financial instruments

The Group does not use structured financial instruments. Currency transactions are carried out using spot rates from Group bankers, and any surplus funds are held on short term deposit.

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All of the Group's financial assets are classified as loans and receivables. All of the Group's financial liabilities are classified as other payables carried at amortised cost.

(i) Trade and other receivables

Trade receivables and loans are measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Investments

Investments are recognised where a purchase of an investment is under contract and are initially measured at cost, including transaction costs. Provisions against investments are made when there is evidence that the recoverable amount is lower than the carrying amount, for example when the trading activity and profitability of the investee is much reduced.

(iii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand which is readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Trade and other payables

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

(v) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

1 ACCOUNTING POLICIES *(continued)*

1.15 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

No material changes to accounting policies arose as a result of new and amended standards adopted by the Group.

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2013 or later periods, but the Group has not early adopted them:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 First-time Adoption of
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

As far as can be determined at this stage, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

1 ACCOUNTING POLICIES *(continued)*

1.16 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

Exploration and evaluation costs are accounted for in accordance with IFRS6 "Exploration for and evaluation of mineral resources" and where the recognition criteria are met the costs are capitalised as intangible assets.

Key sources of estimation uncertainty

Impairment of intangible assets

The Group determines that exploration costs are capitalised at the point the Group has a valid exploration licence. The recovery of the cost of the Group's exploration projects is reviewed in the light of future production estimates based upon ongoing geological studies. Over the longer term the actual mineable resources achieved may vary significantly from the current estimates.

Impairment of Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Fair value of financial instruments

The Group has both financial assets and liabilities which are recognised at fair value and subsequently are measured at amortised cost. Where estimates of receipts or payments are revised their carrying value is adjusted to reflect actual and revised estimated cash flows. The adjustment is recognised as income or expense in profit or loss.

3 OPERATING LOSS

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
The operating loss is stated after charging:		
Auditors' remuneration paid to Grant Thornton Worldwide:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	71,097	76,011
Other services related to taxation	7,446	76,975
Depreciation and Amortisation expense	35,201	58,374
Operating lease rentals	129,556	174,826
Tax penalties and charges	285,418	41,604

4 STAFF COSTS

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
Staff costs for the Group, including directors' remuneration, were as follows:		
Wages and salaries	246,926	1,306,665
Social security costs	20,611	101,723
Money purchase pension contributions	182	45,893
	267,719	1,454,281

Total directors' remuneration for the Group for the year is US$70,269 (2012: US$654,100).

The highest paid director for the year was paid US$47,081 (2012: US$149,449), and did not receive defined contribution pension contributions (2012: US$27,666). No directors accrued pension benefits during the current or previous year. Current directors do not receive remuneration.

	2013 No.	2012 No.
The average monthly number of employees for the Group, including directors, during the period was as follows:		
Management and administration	9	15
Operational	5	7
	14	22

5 INTEREST INCOME

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
Other interest	2,633	-
Bank interest	7,164	6,272
	9,797	6,272

6 INTEREST EXPENSE

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
Loan note interest	-	1,445,688
Share buyback interest	-	1,350,001
Bank interest	2	3,648
	2	2,799,337

As a result of the September 2012 share offer, all loans and interest outstanding were repaid. At the end of December 2013 the Company had no loans outstanding.

7 SEGMENTAL ANALYSIS

In the opinion of the directors, the operations of the Group comprise one class of business being the exploration and development of coal and other minerals. The Group's main operations are located within Indonesia.

8 INCOME TAX EXPENSE

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
Taxation on profit on ordinary activities		
Overseas taxation	46,984	41,949
Deferred tax	(2,136)	28,059
Total tax	44,848	70,008

The tax incurred for the period is lower than the standard rate of corporation tax of 23% (2012: 24%) in the UK

	Year to 31 December 2013 US$	Year to 31 December 2012 US$
Loss on ordinary activities before tax	(2,568,745)	(7,289,334)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 23% (2012: 24%)	(590,811)	(1,749,440)
Effects of:		
Expenses not deductible for tax purposes	127,898	16,689
Brought forward tax losses utilised against current year liabilities	(13,973)	1,530,544
Overseas withholding tax chargeable	46,984	41,949
Adjustment for deferred tax from prior year loss	451,561	175,840
Difference in effective tax rate	(172)	1,120
Currency losses / (gains)	23,361	53,306
Current charge for the period	44,848	70,008

Factors that may affect future tax charges

The Group has tax losses carried forward of US$18,385,194 (2012: US$18,600,414) that are available for offset against future taxable profits

Unrecognised deferred tax assets

The Group has a deferred tax asset of US$4,228,595 (2012: US$4,464,099) due to taxable losses carried forward. This has not been recognised in the Group accounts due to the uncertainty of the realisation of this asset in the foreseeable future.

9 INTANGIBLE ASSETS

	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
Exploration and evaluation assets			
Cost and net book value			
At 1 January	8,207,697	7,645,341	7,302,893
Additions	4,232,665	562,356	342,448
At 31 December	12,440,362	8,207,697	7,645,341
Licences			
At 1 January	24,606,721	24,606,721	-
Acquisition of ANR's interest and IUPs	-	-	24,606,721
At 31 December	24,606,721	24,606,721	24,606,721
Mining Software			
At 1 January	-	-	-
Additions	42,000	-	-
Amortisation	(3,500)		
At 31 December	38,500	-	-
	37,085,583	32,814,418	32,252,062

The technical feasibility and commercial viability of extracting a mineral resource has not yet been demonstrated in the above intangible assets. These assets are not amortised until technical feasibility and commercial viability is established. No impairment review has been carried out as there are no facts and circumstances which suggest that the carrying value may exceed the recoverable amount.

There was no impairment trigger at reporting date.

10 PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2012	19,002	178,597	10,387	158,926	366,912
Additions	-	-	-	-	-
Disposals	-	(44,518)	-	-	(44,518)
At 31 December 2012	19,002	134,079	10,387	158,926	322,394
Depreciation					
At 1 January 2012	(17,820)	(125,083)	(9,345)	(76,611)	(228,859)
Charged in the year	(1,182)	(44,444)	(1,042)	(31,788)	(78,456)
Reversal of charge on disposal	-	40,821	-	-	40,821
At 31 December 2012	(19,002)	(128,706)	(10,387)	(108,399)	(266,494)
Net book value					
At 31 December 2012	-	5,373	-	50,527	55,900
At 31 December 2011	1,182	53,514	1,042	82,315	138,053

10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2013	19,002	134,079	10,387	158,926	322,394
Additions	-	4,725	6,079	4,781	15,585
Disposals	-	(21,582)	-	-	(21,582)
At 31 December 2013	19,002	117,222	16,466	163,707	316,397
Depreciation					
At 1 January 2013	(19,002)	(128,706)	(10,387)	(108,399)	(266,494)
Charged in the year	-	(6,560)	(635)	(29,788)	(36,983)
Reversal of charge on disposal	-	21,582	-	-	21,582
At 31 December 2013	(19,002)	(113,684)	(11,022)	(138,187)	(281,895)
Net book value					
At 31 December 2013	-	3,538	5,444	25,520	34,502
At 31 December 2012	-	5,373	-	50,527	55,900

Depreciation of $1,782 was capitalised as an intangible asset during the year.

The Group's property, plant and equipment are free from any mortgage or charge. None of the Group's property, plant and equipment is owned by the Company.

11 TRADE AND OTHER RECEIVABLES

	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
Non current			
Guarantee deposits	574,289	517,063	551,390
	574,289	517,063	551,390
Current			
Sundry Debtors	4,043	44,471	71,333
Recoverable Value Added Tax	67,365	442,892	349,721
Prepayments and accrued income	57,141	98,716	69,401
	128,549	586,079	490,455

Non current

The Group has granted guarantee deposits to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, and when the Group commences production, the guarantee deposits will be converted in lieu of paying compensation to PT Samhutani.

12 TRADE AND OTHER PAYABLES

	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
Non Current			
Provisions	39,197	24,913	30,202
	39,197	24,913	30,202
Current			
Loan notes	-	-	9,242,832
Trade payables	71,947	686,424	1,390,968
Other payables	54,189	103,330	3,545,197
Accruals and deferred income	2,387,409	913,814	2,658,317
	2,513,545	1,703,568	16,837,314

Current

All of the Group's outstanding loans were repaid in 2012. Also included in current payables is US$136,163 (2012: US$116,977), due in relation to overseas taxation. The above listed payables were all unsecured. The fair value of trade and other payables is not materially different to the carrying values presented.

Accruals includes $1,573,146 for the compensation agreed to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, payable when the Group commences production.

13 SHARE CAPITAL

	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
Authorised			
21,211,381 Ordinary shares of US$0.16103 each	3,415,669	3,248,698	785,000
Allotted, called up and fully paid			
21,211,381 (2012: 2,015,319,752) Ordinary shares of US$0.16103 each	3,415,669	3,333,835	553,040

On 10 December 2013, the Company passed a resolution that each of the issued ordinary shares of £0.001 each in the capital of the Company be consolidated into 100 ordinary shares of £0.10 each. Such ordinary shares of £0.10 each having the same rights and being subject to the same restrictions as the existing ordinary shares of £0.001 each in the Company, as set out in the articles of the Company.

Also on 10 December 2013, the Company passed a resolution that the nominal value of each issued ordinary share of £0.10 in the capital of the Company be redenominated into US dollars using the mid market £/$ exchange rate of 15 November 2013 of US$0.16103 to take place immediately after the consolidation of ordinary shares

During the year, the Company issued 1,058,196 ordinary shares of US$0.16103 for a total consideration of US$1,862,425 excluding share issue costs, and including a share premium of US$1,692,024. These were issued in settlement of a trade creditors invoice.

The company granted warrants to subscribe for shares as follows:

	Exercise Price Pence	At 1 January 2013 Number	Granted in year Number	At 31 December 2013 Number
Warrants				
Warrants Granted September 2012	0.25p	168,181,818	-	168,181,818
		168,181,818	-	168,181,818

As a result of the share offer the company issued warrants to the underwriter, Ianto Finance Limited. The warrants granted in September 2012 will expire on 30 September 2017.

In June 2012, a new round of fund raising was undertaken in which 45,354,440 shares were issued to existing investors, raising a total of £2.2million. The specific purpose of this fundraising was represented to shareholders as being to finalise obtaining the Izin Pinjam Pakai ("IPP") licences, which were essential for the confirmatory drilling in the context of the mooted trade sale. Unfortunately the proceeds of the fundraising were spent, but the objective was not achieved.

In September 2012, Ianto Finance Limited entered into an underwriting agreement for an £18.5million (US$29.6million) open offer of new shares to existing shareholders of the Company. The proceeds were used to repay existing debt finance of approximately £10.8 million (US$16.8million), with the remainder being used as working capital for implementation of the Business Plan, including first coal production.

14 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

	At 31 December 2013 US$	At 31 December 2012 US$
Operating loss	(2,461,185)	(4,423,489)
Depreciation and amortisation charged	24,898	82,153
Exchange rate gain (loss)	(519,763)	(646,385)
Decrease / (increase) in receivables	400,304	(61,297)
(Increase) / decrease in payables	824,261	(5,896,203)
Income taxes paid	(44,848)	(70,008)
Net cash (used in) / generated from operating activities	(1,776,333)	(11,015,229)

15 SHARE BASED PAYMENTS

Share warrants

The Group operates a scheme under which directors and employees may be awarded warrants convertible to ordinary shares in Nusantara Energy Limited. The only condition attached to the warrants is that the warrant holder must be a director or employee of Nusantara Energy Limited at the date of exercise.

No share warrants were granted to directors and employees of the Company in 2013.

16 OPERATING LEASE COMMITMENTS

The Group had the total of future minimum lease payments under non-cancellable operating leases as follows:

	Land and Buildings 2013 US$	Land and Buildings 2012 US$
Expiry date:		
Not later than one year	109,728	124,287
Between one and three years	45,720	137,155

17 RELATED PARTY TRANSACTIONS

During the year fees of US$Nil (2012: US$75,799) were incurred for consulting services provided by Mr M Groat to Med Mining and Minerals Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$215,563 (2012: US$210,630) was outstanding.

During the year fees of US$Nil (2012: US$1,759) were incurred for consulting services provided by Mr K Irons to Southington Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$60,414) was outstanding.

During the year fees of US$Nil (2012: US$40,416) were incurred for consulting services provided by Mr B Hosking to ABH Investments Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$138,755) was outstanding.

During 2013 fees of US$9,054 (2012: US$11,438) were also incurred for payment to Meyer Hosking, a company of which Mr B Hosking is a director, in relation to recruitment and geological services. At the end of 2013 US$Nil (2012: US$109,703) was outstanding.

During the year fees of US$4,527 (2012: US$104,417) were incurred for payment to Arex Consulting, a company of which Mr A Butler is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$Nil) was outstanding.

During the year fees of US$42,554 (2012: US$21,776) were also incurred for payment to Mr A Butler. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$21,776) was outstanding.

During the year fees of US$Nil (2012: US$127,763) were incurred for payment to Mediation Dispute Resolution, a company of which Mr C Hardeman is a director. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$Nil (2012: US$67,167) were incurred for payment to Simpson Associates, a company of which Mr A Simpson is a director. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$Nil (2012: US$14,033) were incurred for payment to Mr N Morland. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$23,188 (2012: US$12,098) were incurred for payment to Mr N McLoughlin. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$12,098) was outstanding.

At the end of 2013 US$18,465 (2012: US$17,252) remains payable to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. These fees were incurred in 2010 and 2011.

During 2011 an interest free loan of US$232,188 was made to the Company by Equatorial Energy, a company of which Mr R Healey and Mr M Groat are also directors. Final repayment was made on 28 February 2012.

During the year fees of US$32,501 (2012: US$Nil) were incurred for payment to Ianto Finance Limited in relation to legal fees, this amount was outstanding at the end of 2013 but has since been paid. At the end of 2012 an amount of US$44,304 was outstanding from Ianto Finance Limited, this has since been settled.

Since the share offer transaction, no Ianto representatives have received remuneration for any services they have provided to the Group.

18 ULTIMATE CONTROLLING PARTY

Following shareholder approval of the Ianto transaction at a General Meeting of the Company on 28 September 2012 and subsequent completion of the £18,500,000 share offer underwritten by Ianto, the ultimate controlling party became Ianto Finance Limited.

19 POST BALANCE SHEET EVENTS

At the General Meeting held on 10 December 2013 a special resolution was passed that the share premium account of the Company be reduced from $74,585,985 to $0, and the amount by which the share premium account is so reduced be credited to a reserve.

Other post balance sheet events are discussed in the Director's report.

20 FINANCIAL INSTRUMENTS

	At 31 December 2013 US$	At 31 December 2012 US$	At 31 December 2011 US$
Categories of financial instruments			
Financial Assets			
Loans and receivables	4,043	44,471	71,333
Cash and cash equivalents	4,591,660	8,859,005	191,701
	4,595,703	8,903,476	263,034
Financial Liabilities			
At amortised cost – falling due within one year	2,377,382	1,671,307	16,765,221

The Group's principal financial asset is cash, whilst the financial liabilities of the Group are wholly comprised of trade and other payables. The carrying amount of the Group's financial assets and liabilities are stated at their approximate fair value.

The Group did not hold or issue any financial instruments for trading purposes at the statement of financial position date.

The Group has not pledged any of its financial assets as collateral for its financial liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

(a) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk related primarily to cash and cash equivalents, as the Group does not hold any interest bearings borrowings, hence the interest rate risk is considered to be immaterial.

(b) Foreign Currency Risk

Foreign currency denominated financial assets and liabilities, translated into US$ as the closing rate, are as follows:

	GBP US$'000s	IDR US$'000s
Financial Assets		
Loans and receivables	49	-
Cash and cash equivalents	402	106
	451	106
Financial Liabilities		
Trade and other payables	592	1,632

20 FINANCIAL INSTRUMENTS *(continued)*

(b) Foreign Currency Risk *(continued)*

The following information illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and liabilities and the sterling/US dollar and sterling/Indonesian rupiah exchange rates, on the assumption that all consolidated statement of comprehensive income sensitivities also impact upon equity.

The information below assumes a +/- 17% change in the US dollar/sterling and a +/- 29% US dollar/Indonesian rupiah exchange rate for the period ended 31 December 2013. These percentages have been based on the approximate average market volatility in exchange rates in the previous 22 months. Bearing in mind current economic conditions and the financial outlook both in the UK and throughout Europe, the Board is of the opinion that, as far as it is possible to predict future currency movements, historical exchange movements over the last 22 month provide a reasonable estimation of possible future fluctuations in exchange rates.

If the US dollar had weakened / strengthened against sterling by 17% the following impact would have resulted – net result for the year up by US$25,000, down by US$25,000 respectively, and equity up by US$25,000, down by US$25,000 respectively.

If the US dollar had weakened / strengthened against the Indonesian rupiah by 29% the following impact would have resulted – net result for the year up by US$184,000, down by US$184,000 respectively, and equity down by US$184,000, up by US$184,000 respectively.

The Group undertakes transactions principally in sterling and US dollar. Whilst the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The main currency exposure risk to the Group is in relation to advances denominated in US dollars. The currency risk arising on items denominated in Indonesian rupiah is considered to be immaterial.

(c) Liquidity Risk

An objective of the Group is to manage its funding risk to ensure that it can meet its financial obligations as and when they fall due. At the year end there was no debt outstanding. As the Group operates, it will incur costs which will need to be covered by liquid funds, so although there is no risk at the year end, the Group will continue to be exposed.

(d) Credit Risk

The Group's maximum exposure to credit risk is US$4,720,209 (2012: US$9,445,084).

In relation to cash and cash equivalents, the Group manages its credit risk by holding surplus funds in high creditworthy institutions, and maintains minimum balances with financial institutions in remote locations.

The principal credit risk is attributable to trade receivables being advances made to trading partners in Indonesia in respect of future royalties payable. The Group continues to monitor its credit exposure in this matter and management are satisfied that there are no doubtful receivables in this period for which the Group has not made provision.

We have audited the Parent Company financial statements of Nusantara Energy Limited for the year ended 31 December 2013 which comprise the Parent Company balance sheet, the Parent Company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Nusantara Energy Limited for the year ended 31 December 2013.

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 January 2015

Nusantara Energy Limited
COMPANY BALANCE SHEET
At 31 December 2013

	Notes	At 31 December 2013 US$	At 31 December 2012 US$ Restated
FIXED ASSETS			
Intangible assets	5	9,252,563	7,390,138
Investments	6	24,786,300	24,736,302
TOTAL FIXED ASSETS		34,038,863	32,126,440
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	27,334,822	24,405,217
Cash at bank		3,349,732	8,677,844
TOTAL CURRENT ASSETS		30,684,554	33,083,061
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	(625,938)	(1,289,959)
NET CURRENT ASSETS		30,058,616	31,793,102
TOTAL ASSETS LESS CURRENT LIABILITIES		64,097,479	63,919,542
CAPITAL AND RESERVES			
Called up share capital	9	3,415,669	3,333,835
Share premium account	10	76,278,009	74,585,985
Translation reserve	10	(2,759,782)	(2,438,865)
Profit and loss account	10	(12,836,417)	(11,561,413)
SHAREHOLDERS' FUNDS	11	64,097,479	63,919,542

The financial statements were approved by the Board on 30 January 2015.

M Higgins
Director
Company Registration No. 06156525

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

1 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards. The principal accounting policies which differ from those set out in note 1 to the consolidated financial statements are noted below.

1.1 Basis of preparation of financial statements

These financial statements present information about the Company for the year ended 31 December 2013 as an individual entity. The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. These financial statements present information about the Company for the year ended 31 December 2013.

A consolidated cash flow statement has been included in the consolidated Group financial statements. The Company has therefore taken advantage of the exemption under FRS1 (Revised 1996) "Cash flow statements" not to produce a cash flow statement.

1.2 Going Concern

These financial statements have been prepared on the going concern basis.

The financial position of the Company, its cash flows and liquidity are described elsewhere in this Report and Accounts. The Company does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2013 the Group had cash and cash equivalents of US$4.6m and no borrowings.

The Company has put in place borrowings of up to $25m from Ianto Finance Limited during 2014 for further investment and to continue to support the operations of the Group. The borrowings are at 25% per annum and mature in March 2015.

In view of the ongoing support from its major shareholder, and the fact that the Company has sufficient funds to continue its operations for the foreseeable future, the directors consider the Company to be a going concern for at least twelve months from the date of approval of these financial statements as Ianto has agreed in principle to underwrite a rights issue to be called at a time that the Board shall approve.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.4 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 Foreign currencies

The financial statements are presented in US dollars. It is anticipated that US dollars will be the trading currency of the Group once production commences

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

1.7 Prior year restatement

In December 2013 the Board passed a resolution to redenominate the share capital to US dollars and to change the functional currency of the Company from sterling to US dollars.

Prior year comparative figures for the Company are now restated in US dollars. These figures have been converted from sterling to US dollars at the prevailing exchange rate on 31 December 2014.

2 AUDITORS REMUNERATION

	Year to 31 December 2013 US$	Year to 31 December 2012 US$ Restated
Auditors' remuneration paid to Grant Thornton UK LLP:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	42,251	45,570

3 COMPANY RESULTS

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the Company for the year ended 31 December 2013 was US$1,275,004 (2012: US$ 4,835,000).

4 STAFF COSTS

	Year to 31 December 2013 US$	Year to 31 December 2012 US$ Restated
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	70,269	823,563
Social security costs	-	29,715
Money purchase pension contributions	182	45,893
	70,451	899,171

Total directors' remuneration for the Company for the year is US$70,269 (2012: US$570,695).

The highest paid director for the year was paid US$47,081 (2012: US$66,044), and received defined contribution pension contributions of US$Nil (2012, US$27,666). No other directors accrued pension benefits during the current or previous year. These costs relate to directors in place prior to the 2012 share offer.

	2013 No.	2012 No.
The average monthly number of employees for the Company, including directors, during the period was as follows:		
Management	-	7

5 INTANGIBLE ASSETS

	Exploration costs US$
Cost	
At 1 January 2013	7,390,138
Additions	1,862,425
At 31 December 2013	9,252,563

6 INVESTMENTS

	Shares in Group undertakings US$
Cost	
At 1 January 2013	24,736,302
Additions	50,000
Disposals	(2)
At 31 December 2013	24,786,300

During 2013, Nusantara Holdings (Luxembourg) S.A. was established for structuring purposes.

Also during 2013, Nusantara Energy Indonesia Limited was officially struck off the Companies House register, never having been actively used since its establishment in 2012.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	**Business**	**Country of Incorporation**	**Holding**	**Cost at 31 December 2013 US$**
PT Artha Nusantara Resources	Mining	Indonesia	99.98%	24,486,300
PT Artha Nusantara Mining	Mining	Indonesia	100%	250,000
Nusantara Holdings (Luxembourg)	Holding Co.	Luxembourg	100%	50,000

7 DEBTORS

	At 31 December 2013 US$	At 31 December 2012 US$ Restated
Due within one year		
Amounts owed by Group undertakings	27,285,964	24,256,312
Other debtors	48,858	114,789
Prepayments and accrued income	-	34,116
	27,334,822	24,405,217

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	At 31 December 2013 US$	At 31 December 2012 US$ Restated
Trade creditors	65,264	626,335
Other creditors	-	28,711
Accruals and deferred income	228,219	310,066
Provisions	332,455	324,847
	625,938	1,289,959

9 SHARE CAPITAL

	At 31 December 2013 US$	At 31 December 2012 US$
Authorised		
21,211,381 Ordinary shares of US$0.16103 each	3,415,669	3,248,698
Allotted, called up and fully paid		
21,211,381 (2012: 2,015,319,752) Ordinary shares of US$0.16103 each	3,415,669	3,333,835

On 10 December 2013, the Company passed a resolution that each of the issued ordinary shares of £0.001 each in the capital of the Company be consolidated into 100 ordinary shares of £0.10 each. Such ordinary shares of £0.10 each having the same rights and being subject to the same restrictions as the existing ordinary shares of £0.001 each in the Company, as set out in the articles of the Company.

Also on 10 December 2013, the Company passed a resolution that the nominal value of each issued ordinary share of £0.10 in the capital of the Company be redenominated into US dollars using the mid market £/$ exchange rate of 15 November 2013 of US$0.16103 to take place immediately after the consolidation of ordinary shares

During the year, the Company issued 1,058,196 ordinary shares of US$0.16103 for a total consideration of US$1,862,425 excluding share issue costs, and including a share premium of US$1,692,024. These were issued in settlement of a trade creditors invoice.

	Exercise price (p)	At 1 January 2013	Issued in year	At 31 December 2013
Warrants granted September 2012	0.25p	168,181,818	-	168,181,818
		168,181,818	-	168,181,818

10 RESERVES

	FX reserve account US$	Share premium account US$	Profit and loss account US$
At 1 January 2013 (restated)	(2,438,865)	74,585,985	(11,561,413)
Loss for the year	(320,917)	-	(1,275,004)
Premium on shares raised during the year	-	1,692,024	-
At 31 December 2013	(2,759,782)	76,278,009	(12,836,417)

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Shareholders' funds US$
At 1 January 2013 (restated)	63,919,542
Loss for the year	(1,275,004)
Shares issued during the period	170,401
Shares issued adjustment on redenomination	(88,567)
Share premium on shares issued (net of expenses)	1,692,024
Foreign exchange reserve movement during the period	(320,917)
At 31 December 2013	64,097,479

12 SHARE BASED PAYMENTS

Share-based payments are set out in note 15 of the Group financial statements.

13 OPERATING LEASE COMMITMENTS

The Company had the total of future minimum lease payments under non-cancellable operating leases as follows:

	Land and Buildings 2013 US$	Land and Buildings 2012 US$ restated
Expiry date:		
Not later than one year	-	14,563

14 RELATED PARTY TRANSACTIONS

During the year fees of US$Nil (2012: US$75,799) were incurred for consulting services provided by Mr M Groat to Med Mining and Minerals Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$215,563 (2012: US$210,630) was outstanding.

During the year fees of US$Nil (2012: US$1,759) were incurred for consulting services provided by Mr K Irons to Southington Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$60,414) was outstanding.

During the year fees of US$Nil (2012: US$40,416) were incurred for consulting services provided by Mr B Hosking to ABH Investments Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$138,755) was outstanding.

During 2013 fees of US$9,054 (2012: US$11,438) were also incurred for payment to Meyer Hosking, a company of which Mr B Hosking is a director, in relation to recruitment and geological services. At the end of 2013 US$Nil (2012: US$109,703) was outstanding.

During the year fees of US$4,527 (2012: US$104,417) were incurred for payment to Arex Consulting, a company of which Mr A Butler is a director. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$Nil) was outstanding.

During the year fees of US$42,554 (2012: US$21,776) were also incurred for payment to Mr A Butler. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$21,776) was outstanding.

During the year fees of US$Nil (2012: US$127,763) were incurred for payment to Mediation Dispute Resolution, a company of which Mr C Hardeman is a director. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$Nil (2012: US$67,167) were incurred for payment to Simpson Associates, a company of which Mr A Simpson is a director. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$Nil (2012: US$14,033) were incurred for payment to Mr N Morland. This amount has been included in the Staff Costs note. At the end of 2013 all outstanding balances had been paid (2012: US$Nil).

During the year fees of US$23,188 (2012: US$12,098) were incurred for payment to Mr N McLoughlin. This amount has been included in the Staff Costs note. At the end of 2013 US$Nil (2012: US$12,098) was outstanding.

At the end of 2013 US$18,465 (2012: US$17,252) remains payable to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. These fees were incurred in 2010 and 2011.

During 2011 an interest free loan of US$232,188 was made to the Company by Equatorial Energy, a company of which Mr R Healey and Mr M Groat are also directors. Final repayment was made on 28 February 2012.

During the year fees of US$32,501 (2012: US$Nil) were incurred for payment to Ianto Finance Limited in relation to legal fees, this amount was outstanding at the end of 2013 but has since been paid. At the end of 2012 an amount of US$44,304 was outstanding from Ianto Finance Limited, this has since been settled

Since the share offer transaction, no Ianto representatives have received remuneration for any services they have provided to the Company.

15 POST BALANCE SHEET EVENTS

Post balance sheet events are described in Note 19 to the Group Financial Statements.