Nusantara Energy plc

ANNUAL REPORT

for the year ended

31 December 2012

Company Registration No. 06156525

Nusantara Energy plc
COMPANY INFORMATION

Directors	M J M Groat	(resigned 14 April 2012)
	R A M Healey	(resigned 12 June 2012)
	K D Irons	(resigned 31 January 2012)
	B C Hosking	(resigned 22 August 2012)
	C Hardeman	(appointed 21 February 2012) (resigned 22 August 2012)
	N Morland	(appointed 11 April 2012) (resigned 16 July 2012)
	A Simpson	(appointed 22 August 2012) (resigned 1 October 2012)
	A R Butler	(appointed 22 August 2012)
	N McLoughlin	(appointed 22 August 2012)
	M Higgins	(appointed 15 November 2012)
	H Lawrence	(appointed 15 November 2012)
Secretary	M J M Groat	(resigned 14 April 2012)
	A Simpson	(appointed 11 April 2012) (resigned 1 October 2012)
	B J Stuart	(appointed 1 October 2012)
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	

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The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2012.

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 is a public but unlisted limited company incorporated and domiciled in England.

CHAIRMAN'S STATEMENT

The Chairman's statement provided in the 2011 Financial Statements, which were filed in November 2012, covered all of the main points in relation to the restructuring and share offer that took place in September 2012. There has been no change to the structure of the Group since the 2011 Financial Statements were filed.

BUSINESS AND FINANCIAL REVIEW

Similar to the Chairman's Statement, the Business and Financial Review in the 2011 Financial Statements provided a detailed overview of the situation the Company faced in 2012.

Since the share offer was completed in September 2012, the Company has achieved a number of objectives:

- Settled outstanding liabilities and cleaned up the balance sheet of the Company
- Completed and perfected the legal transfer of title of the Indonesian subsidiaries so the Group now complies with local company law
- Reduced cash burn rate by closing the UK head office, rationalising the structure in Indonesia
- Undertaken a legal review of the current status of the mining licences

Looking forward, Nusantara Energy Plc continues to face several macroeconomic challenges such as:

- *The potential introduction of a ban on low quality coal being imported 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 Nusantara 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. A decision is expected in late 2013.
- *A potential to increase 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 asset.
- *Price of coal.* At the time of writing, the price of the Newcastle Benchmark had fallen by c12% since the documentation for the share offer was circulated at the end of August. 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 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 make 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 upcoming Indonesian election in 2014. It is unclear the impact that this could have on the Company, although 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.

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

Since the restructuring and share offer, the primary objective of the company has been to settle all outstanding creditors, reduce the cash burn at the UK parent level and focus the investment in Indonesia.

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. On a more promising note, 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 believes 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 two years ago. Despite the challenging environment, the Company remains positive on the longer term fundamentals of the asset and believes in its economic viability.

Due to a change in the law on how forestry concession holders are compensated by mining companies, the Izin Pinjam Pakai ("IPP") licences for PT Anugerah Jambi Coalindo ("AJC") and PT Bakti Sarolangun Sejahtera ("BSS") remain outstanding. The Company believes that the demands of the forestry concession holders do not reflect the deteriorating economics for coal mining, and therefore negotiations continue.

The directors, like the market, are not of the opinion that there is going to be 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.

The permitting process is ongoing and the Company is doing its best to progress the situation so the Company can move forward on to the next stage.

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

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. It is reliant on external funding. At the year ended 31 December 2012 the Group had cash and cash equivalents of US$8.9m and there was no debt outstanding.

Following the successful fund raising, the Group has sufficient funds to continue with its current operations for the foreseeable future and as such the directors consider the Group to be a going concern for at least twelve months from the date of approval of these financial statements.

RISK REVIEW

The risks inherent in the Group's exploration business are kept under review by the Board. Readers 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 2012 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. The successful, underwritten fund raising in September 2012 mitigates this risk, for the foreseeable future. However, this remains a key risk to the business going forward.

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.

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 will increasingly operate in US dollars and this may mean changing the Group's relationship with sterling in the future. For the time being, however, funds are raised in sterling, a large portion of which is converted to US dollars and/or Indonesian rupiah, either for specific expenditure items or routinely to cover expected regular expenditure in Indonesia.

RISK REVIEW *(continued)*

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 20% over the course of 2012. 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:

M J M Groat	(resigned 14 April 2012)
R A M Healey	(resigned 12 June 2012)
K D Irons	(resigned 31 January 2012)
A Irawan	(lapsed 1 February 2011)
B C Hosking	(resigned 22 August 2012)
C Hardeman	(appointed 21 February 2012) (resigned 22 August 2012)
N Morland	(appointed 11 April 2012) (resigned 16 July 2012)
A Simpson	(appointed 22 August 2012) (resigned 1 October 2012)
A R Butler	(appointed 22 August 2012)
N McLoughlin	(appointed 22 August 2012)
M Higgins	(appointed 15 November 2012)
H Lawrence	(appointed 15 November 2012)

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

There have been no material events post 31st December 2012. Consultants are advising on an ongoing basis to improve the Company and to enable the start of production when coal prices permit.

PAYMENT POLICY AND PRACTICE

It is the Group's normal practice to settle the terms of payment when agreeing the terms of the transaction to ensure that suppliers are aware of those terms, and to abide by them. The number of days' purchases outstanding at 31 December 2012 for the Group and Company was 259 days (2011: 163, 2010: 23 days) and 228 days (2011: 173, 2010: 24 days) respectively. The increase in creditor days was due to a number of outstanding invoices from 2011. In early 2013 the Company settled all outstanding payments from the proceeds secured during the 2012 share offer. Creditor days has now normalised and is at 30 days for the Company and Group.

GOVERNANCE

Immediately upon Ianto Finance Limited ("Ianto") becoming majority shareholder and ultimate controlling party of the Company, as a result of the refinancing and share offer in September 2012 ("the September Offer"), Ianto appointed two representatives to the Board. As a temporary measure, as part of the review of the Company mentioned in the September Offer, the Ianto Representatives suspended the previous Board governance structure and process, allocating some specific duties to individual directors. This temporary situation remains in place as of the date of this report.

During the period from the September 2012 change of control to the date of this report, no Board meetings have been held, although informal meetings on specific issues have taken place.

The Company intends to implement a stronger governance framework over the coming months and is looking at hiring new directors to augment 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 27 September 2013.

Director
M HIGGINS

We have audited the Group financial statements of Nusantara Energy plc for the year ended 31 December 2012 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 2012 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 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 plc for the year ended 31 December 2012

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 September 2013

Nusantara Energy plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	Year to 31 December 2012 US$	Year to 31 December 2011 US$
OVERHEADS			
Administrative expenses		(4,423,489)	(4,087,566)
OPERATING LOSS BEFORE FINANCE	3	(4,423,489)	(4,087,566)
FINANCE COSTS			
Interest income	5	6,272	34,567
Foreign exchange (loss) / gain		(72,780)	12,373
Interest expense	6	(2,799,337)	(2,123,566)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		(7,289,334)	(6,164,192)
Income tax expense	8	(70,008)	(87,662)
LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(7,359,342)	(6,251,854)
OTHER COMPREHENSIVE LOSS			
Movement on foreign exchange		(573,605)	(2,582,848)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(7,932,947)	(8,8834,702)

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

Nusantara Energy plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	At 31 December 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$ Restated
<u>ASSETS</u>				
NON CURRENT ASSETS				
Intangible assets	9	32,814,418	32,252,062	7,302,893
Property, plant and equipment	10	55,900	138,053	228,649
Trade and other receivables	11	517,063	551,390	556,112
TOTAL NON CURRENT ASSETS		33,387,381	32,941,505	8,087,654
CURRENT ASSETS				
Trade and other receivables	11	586,079	490,455	13,001,266
Cash and cash equivalents		8,859,005	191,701	795,458
TOTAL CURRENT ASSETS		9,445,084	682,156	13,796,724
TOTAL ASSETS		42,832,465	33,623,661	21,884,378
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Trade and other payables	12	(1,703,568)	(16,837,314)	(1,050,869)
NON CURRENT LIABILITIES				
Provisions	12	(24,913)	(30,202)	(16,032)
NET ASSETS		41,103,984	16,756,145	20,817,477
<u>EQUITY</u>				
Equity attributable to equity holders of Parent:				
Issued capital	13	3,333,835	553,040	541,010
Share premium		74,585,985	45,085,994	40,324,654
Translation reserve		(3,456,480)	(2,882,875)	(3,248,825)
Retained deficit		(33,359,356)	(26,000,014)	(16,786,832)
		41,103,984	16,756,145	20,829,977
Minority interest		-	-	(12,500)
TOTAL EQUITY		41,103,984	16,756,145	20,817,477

These above financial statements were approved by the Board on 27 September 2013.

Director – M HIGGINS
Company Registration No. 06156525

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

Nusantara Energy plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share capital	Share premium	Translation reserve	Retained losses attributable to equity holders of Parent Restated	Minority interest	Total Restated
	US$	US$	US$	US$	US$	US$
At 1 January 2011	541,010	40,324,654	(3,248,825)	(16,786,862)	(12,500)	20,817,477
Loss for the year	-	-	-	(6,251,854)	-	(6,251,854)
Movement on foreign exchange	-	-	365,950	51,202	-	417,152
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	365,950	(6,200,652)	-	(5,834,702)
Shares issued during the year	12,030	4,800,207	-	-	-	4,812,237
Costs of raising equity	-	(38,867)	-	-	-	(38,867)
Purchase of minority interest	-	-	-	(12,500)	12,500	-
Share buyback provision	-	-	-	(3,000,000)	-	(3,000,000)
TOTAL TRANSACTIONS WITH EQUITY OWNERS	12,030	4,761,340	-	(3,012,500)	12,500	1,773,370
At 31 December 2011	553,040	45,085,994	(2,882,875)	(26,000,014)	-	16,756,145
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

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

Nusantara Energy plc

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Notes	Year to 31 December 2012 US$	Year to 31 December 2011 US$
CASH FLOWS FROM OPERATING ACTIVITIES	14	(11,015,229)	12,448,387
INVESTING ACTIVITIES			
Interest received		6,272	4,389
Interest paid		(2,799,337)	(2,123,566)
Purchase of exploration and evaluation assets		(562,356)	(342,448)
Purchase of investments		-	(24,606,721)
CASH FLOWS FROM INVESTING ACTIVITIES		(3,355,421)	(27,068,346)
FINANCING ACTIVITIES			
Issue of ordinary shares		32,280,786	4,773,370
Issue (repayment) of loan notes		(9,242,832)	9,242,832
CASH FLOWS FROM FINANCING ACTIVITIES		23,037,954	14,016,202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,667,304	(603,757)
Cash and cash equivalents brought forward		191,701	795,458
CASH AND CASH EQUIVALENTS CARRIED FORWARD		8,859,005	191,701

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 2012.

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 2012 the Group had cash and cash equivalents of US$8.9m and no borrowings.

In view of this successful fund raising, 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.

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 2012. 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, however the functional currency of the Parent Company remains sterling, and to date the Parent Company has raised funds in sterling. 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 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 Group subsidiaries, ANR and ANM, the Group have changed from Indonesian rupiah 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. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and translated into US dollars at the closing rate.

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. Capital for the reporting periods under review is summarised in note 13 and in the consolidated statement of changes in equity.

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 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 First-time Adoption of
- International Financial Reporting Standards (effective 1 July 2011)
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (effective 1 July 2012)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- 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)
- Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)

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

In accordance with the Group's accounting policies, the Group assesses annually to see whether any of its exploration and evaluation projects have suffered impairment, where an impairment review is performed. The recoverable amount of the cash generating units is determined using discounted cash flow analysis which requires the use of estimates on a number of input variables.

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.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes valuation model.

3 OPERATING LOSS

	Year to 31 December 2012 US$	Year to 31 December 2011 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	76,011	79,336
Other services related to taxation	76,975	71,829
Depreciation expense	58,374	69,571
Operating lease rentals	174,826	161,112
Tax penalties and charges	41,604	51,839

4 STAFF COSTS

	Year to 31 December 2012 US$	Year to 31 December 2011 US$
Staff costs for the Group, including directors' remuneration, were as follows:		
Wages and salaries	1,306,665	1,388,782
Social security costs	101,723	114,123
Money purchase pension contributions	45,893	51,009
	1,454,281	1,553,914

Total directors' remuneration for the Group for the year is US$654,100 (2011: US$943,221).

The highest paid director for the year was paid US$149,449 (2011: US$333,767), and received defined contribution pension contributions of US$27,666 (2011: US$33,670). No other directors accrued pension benefits during the year (2011: 1 director). These costs relate to directors in place prior to the 2012 share offer.

	2012 No.	2011 No.
The average monthly number of employees for the Group, including directors, during the period was as follows:		
Management and administration	15	17
Operational	7	7
	22	24

5 INTEREST INCOME

	Year to 31 December 2012 US$	Year to 31 December 2011 US$
Unwinding of discounting on interest free loan	-	30,178
Bank interest	6,272	4,389
	6,272	34,567

6 INTEREST EXPENSE

	Year to 31 December 2012 US$	Year to 31 December 2011 US$
Loan note interest	1,445,688	1,821,724
Share buyback interest	1,350,001	300,000
Other loan interest	3,648	1,842
	2,799,337	2,123,566

As a result of the September 2012 share offer, all loans and interest outstanding were repaid. At the end of December 2012 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 2012 US$	Year to 31 December 2011 US$
Taxation on profit on ordinary activities		
Overseas taxation	41,949	131,356
Deferred tax	28,059	(43,694)
Total tax	70,008	87,662

The tax incurred for the period is lower than the standard rate of corporation tax of 24% (2011: 26%) in the UK

	Year to 31 December 2012 US$	Year to 31 December 2011 US$
Loss on ordinary activities before tax	(7,289,334)	(6,164,192)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 24% (2011: 26%, 2010: 28%)	(1,749,440)	(1,725,974)
Effects of:		
Expenses not deductible for tax purposes	16,689	48,481
Brought forward tax losses utilised against current year liabilities	1,530,544	1,774,858
Overseas withholding tax chargeable	41,949	131,356
Net fair value adjustment on loans	-	(8,450)
Adjustment for deferred tax from prior year loss	175,840	(49,848)
Difference in effective tax rate	1,120	5,242
Currency losses / (gains)	53,306	(109,731)
Other permanent timing differences	-	21,728
Current charge for the period	70,008	87,662

Factors that may affect future tax charges

The Group has tax losses carried forward of US$18,600,414 (2011: US$6,933,765) that are available for offset against future taxable profits

Unrecognised deferred tax assets

The Group has a deferred tax asset of US$4,464,099 (2011: US$1,941,454) 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 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$ Restated
Exploration and evaluation assets			
Cost and net book value			
At 1 January	7,645,341	7,302,893	6,451,546
Additions	562,356	342,448	1,634,227
Prior year restatements	-	-	(782,880)
At 31 December	8,207,697	7,645,341	7,302,893
Licences			
At 1 January	-	-	-
Acquisition of ANR's interest and IUPs	24,606,721	24,606,721	-
At 31 December	24,606,721	24,606,721	-
	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.

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 2011	19,002	178,597	10,387	158,926	366,912
Additions	-	-	-	-	-
At 31 December 2011	19,002	178,597	10,387	158,926	366,912
Depreciation					
At 1 January 2011	(13,068)	(73,697)	(6,675)	(44,823)	(138,263)
Charged in the year	(4,752)	(51,386)	(2,670)	(31,788)	(90,596)
At 31 December 2011	(17,820)	(125,083)	(9,345)	(76,611)	(228,859)
Net book value					
At 31 December 2011	1,182	53,514	1,042	82,315	138,053
At 31 December 2010	5,934	104,900	3,712	114,103	228,649

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 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

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 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$
Non current			
Guarantee deposits	517,063	551,390	556,112
	517,063	551,390	556,112
Current			
Loans receivable	44,471	71,333	11,562,284
Recoverable tax	442,892	349,721	225,341
Prepayments and accrued income	98,716	69,401	1,213,641
	586,079	490,455	13,001,266

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 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$
Non Current			
Provisions	24,913	30,202	16,032
	24,913	30,202	16,032
Current			
Loan notes	-	9,242,832	-
Trade payables	686,424	1,390,968	375,395
Other payables	103,330	3,545,197	307,003
Accruals and deferred income	913,814	2,658,317	368,471
	1,703,568	16,837,314	1,050,869

Current

All of the Group's outstanding loans were repaid in 2012. Also included in current payables is US$116,977 (2011: US$262,559), 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.

13 SHARE CAPITAL

	At 31 December 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$
Authorised			
2,015,319,752 Ordinary shares of 0.1p each	3,248,698	785,000	785,000
Allotted, called up and fully paid			
2,015,319,752 (2011: 288,147,130) Ordinary shares of 0.1p each	3,333,835	553,040	541,010

During the year the Company issued 45,354,440 ordinary shares of 5p and 1,681,818,182 ordinary shares of 1.1p for a total consideration of US$33,307,073 excluding share issue costs, and including a share premium of US$30,526,278.

The company granted warrants to subscribe for shares as follows:

	Exercise Price Pence	At 1 January 2012 Number	Granted in year Number	At 31 December 2012 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 2012 US$	At 31 December 2011 US$ Restated
Operating loss	(4,423,489)	(4,087,566)
Depreciation charged	82,153	90,596
Exchange rate gain (loss)	(646,385)	429,525
Decrease / (increase) in receivables	(61,297)	12,515,533
(Increase) / decrease in payables	(5,896,203)	3,557,783
Unwinding of discounting on interest free loan	-	30,178
Income taxes paid	(70,008)	(87,662)
Net cash (used in) / generated from operating activities	(11,015,229)	12,448,387

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 plc. The only condition attached to the warrants is that the warrant holder must be a director or employee of Nusantara Energy plc at the date of exercise.

No share warrants were granted to directors and employees of the Company in 2012.

16 OPERATING LEASE COMMITMENTS

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

	Land and Buildings 2012 US$	Land and Buildings 2011 US$
Expiry date:		
Not later than one year	124,287	27,850
Between one and three years	137,155	19,620

17 RELATED PARTY TRANSACTIONS

During the year fees of US$75,799 (2011: US$289,920) 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 2012 US$210,630 (2011: US$191,444) was outstanding.

During the year fees of US$1,759 (2011: US$57,720) 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 2012 US$60,414 (2011: US$71,979) was outstanding. This has since been settled.

During the year fees of US$40,416 (2011: US$56,116) 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 2012 US$138,755 (2011: US$69,979) was outstanding. This has since been settled.

During 2012 fees of US$11,438 (2011: US$119,419) 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 2012 US$109,703 (2011: US$162,209) was outstanding. This has since been settled.

During the year fees of US$104,417 (2011: US$Nil) were also 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 2012 US$Nil (2011: US$Nil) was outstanding.

During the year fees of US$21,776 (2011: US$Nil) were also incurred for payment to Mr A Butler. This amount has been included in the Staff Costs note. At the end of 2012 US$21,776 (2011: US$Nil) was outstanding.

During the year fees of US$127,763 (2011: Nil) were also 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 2012 all outstanding balances had been paid.

During the year fees of US$67,167 (2011: US$Nil) were also 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 2012 all outstanding balances had been paid.

During the year fees of US$14,033 (2011: US$Nil) were also incurred for payment to Mr N Morland. This amount has been included in the Staff Costs note. At the end of 2012 all outstanding balances had been paid.

During the year fees of US$12,098 (2011: US$Nil) were also incurred for payment to Mr N McLoughlin. This amount has been included in the Staff Costs note. At the end of 2012 US$12,098 (2011: US$Nil) was outstanding. This has since been settled.

During the year fees of US$Nil (2011: US$15,080) were incurred for payment to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. At the end of 2012 US$17,252 (2011: US$17,252) was outstanding.

An amount of US$44,304 (2011: US$Nil) is outstanding from Ianto Finance Limited.

During 2011 an interest free loan of US$232,188 (2011: 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. At the end of 2011, US$70,663 was outstanding, with final repayment made on 28 February 2012.

17 RELATED PARTY TRANSACTIONS *(continued)*

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

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

20 FINANCIAL INSTRUMENTS

	At 31 December 2012 US$	At 31 December 2011 US$	At 31 December 2010 US$
Categories of financial instruments			
Financial Assets			
Loans and receivables	44,471	71,333	11,363,564
Cash and cash equivalents	8,859,005	191,701	795,458
	8,903,476	263,034	12,159,022
Financial Liabilities			
At amortised cost – falling due within one year	1,671,307	16,765,221	1,023,974

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	115	13
Cash and cash equivalents	8,212	136
	8,327	149
Financial Liabilities		
Trade and other payables	778	121

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 +/- 11% change in the US dollar/sterling and a +/- 12% US dollar/Indonesian rupiah exchange rate for the period ended 31 December 2012. These percentages have been based on the approximate average market volatility in exchange rates in the previous 19 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 19 month provide a reasonable estimation of possible future fluctuations in exchange rates.

If the US dollar had weakened / strengthened against sterling by 11% the following impact would have resulted – net result for the year up by US$811,000, down by US$811,000 respectively, and equity up by US$811,000, down by US$811,000 respectively.

If the US dollar had weakened / strengthened against the Indonesian rupiah by 12% the following impact would have resulted – net result for the year up by US$642,000, down by US$642,000 respectively, and equity down by US$642,000, up by US$642,000 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$9,445,084 (2011: US$682,156).

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 plc for the year ended 31 December 2012 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 6, 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 2012;
- 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 plc for the year ended 31 December 2012

Grant Thornton UK LLP

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 September 2013

Nusantara Energy plc
COMPANY BALANCE SHEET
At 31 December 2012

	Notes	At 31 December 2012 £	At 31 December 2011 £
FIXED ASSETS			
Intangible assets	5	4,342,973	4,342,973
Investments	6	14,431,373	14,432,115
TOTAL FIXED ASSETS		18,774,346	18,775,088
CURRENT ASSETS			
Debtors: amounts falling due within one year	7	15,148,633	13,450,132
Cash at bank		5,386,450	51,347
TOTAL CURRENT ASSETS		20,535,083	13,501,479
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	8	(800,694)	(10,310,994)
NET CURRENT ASSETS		19,734,389	3,190,485
TOTAL ASSETS LESS CURRENT LIABILITIES		38,508,735	21,965,573
CAPITAL AND RESERVES			
Called up share capital	9	2,015,320	288,147
Share premium account	10	43,443,903	25,051,558
Profit and loss account	10	(6,950,488)	(3,374,132)
SHAREHOLDERS' FUNDS	11	38,508,735	21,965,573

The financial statements were approved by the Board on 27 September 2013.

Director – M HIGGINS
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 2012 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 2012.

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 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 2012 the Company had cash and cash equivalents of £5.4m.

In view of the successful share offer 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.

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.

2 AUDITORS REMUNERATION

	Year to 31 December 2012 £	Year to 31 December 2011 £
Auditors' remuneration paid to Grant Thornton UK LLP:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	28,750	30,000

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 2012 was £3,596,456 (2011: £695,407).

4 STAFF COSTS

	Year to 31 December 2012 £	Year to 31 December 2011 £
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	519,149	476,236
Social security costs	18,753	18,812
Money purchase pension contributions	29,014	31,812
	566,916	526,860

Total directors' remuneration for the Company for the year is £360,798 (2011: £398,233).

The highest paid director for the year was paid £41,806 (2011: £92,600), and received defined contribution pension contributions of £17,500 (2011, £21,000). 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.

	2012 No.	2011 No.
The average monthly number of employees for the Company, including directors, during the period was as follows:		
Management	7	8

5 INTANGIBLE ASSETS

	Exploration costs £
Cost	
At 1 January 2012	4,342,973
Additions	-
At 31 December 2012	4,342,973

6 INVESTMENTS

	Shares in Group undertakings
Cost	
At 1 January 2012	14,432,115
Additions	1
Disposals	(742)
At 31 December 2012	14,431,374

During 2012, as part of a corporate restructuring in order to adhere to local company law, the Company agreed to sell 1,200 shares, or 0.02%, of PT Artha Nusantara Resources to PT Artha Nusantara Mining with total nominal value amounting to £742 (US$1,200). This amount was an outstanding creditor as at 31 December 2012, however, it has since been settled.

Also during 2012, Nusantara Energy Indonesia Limited was established for structuring purposes. Currently the new subsidiary is not needed.

In 2011, the Company spent £11,309,487 to acquire the remaining 5% minority interest in PT Artha Nusantara Resources to bring Group ownership up to 100%.

Also during 2011, the value of investments increased by an additional £2,846,538, which represented an increase in the PT Artha Nusantara Resources share capital during the year. The Company paid for this via the partial offset of the intergroup loan previously made by the Company to PT Artha Nusantara Resources.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	**Business**	**Country of Incorporation**	**Holding**	**Cost at 31 December 2012 £**
PT Artha Nusantara Resources	Mining	Indonesia	99.98%	14,273,595
PT Artha Nusantara Mining	Mining	Indonesia	100%	157,778
Nusantara Energy Indonesia Ltd	Holding Co.	United Kingdom	100%	1

7 DEBTORS

	At 31 December 2012 £	At 31 December 2011 £
Due within one year		
Amounts owed by Group undertakings	15,056,206	13,420,653
Other debtors	71,251	15,000
Prepayments and accrued income	21,176	14,479
	15,148,633	13,450,132

8	**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**	At 31 December 2012 £	At 31 December 2011 £
	Loan notes	-	6,000,000
	Trade creditors	388,774	679,314
	Other creditors	17,821	2,190,603
	Accruals and deferred income	192,462	1,431,497
	Provisions	201,637	-
	Taxation	-	9,580
		800,694	10,310,994

9	**SHARE CAPITAL**	At 31 December 2012 £	At 31 December 2011 £
	Authorised		
	2,015,319,752 Ordinary shares of 0.1p each	2,015,320	400,000
	Allotted, called up and fully paid		
	2,015,319,752 (2011: 280,147,130, 2010: 280,640,295) Ordinary shares of 0.1p each	288,147	288,147

During the year the Company issued 45,354,440 ordinary shares of 5p and 1,681,818,182 ordinary shares of 1.1p for a total consideration of £20,767,722.

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

10	**RESERVES**	Share premium account £	Profit and loss account £
	At 1 January 2012	25,051,558	(3,374,132)
	Loss for the year	-	(3,596,456)
	Premium on shares raised during the year	19,040,549	-
	Costs of raising equity	(648,204)	-
	Release 2011 payroll accrual	-	20,100
	At 31 December 2012	43,443,903	(6,950,488)

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Shareholders' funds £
At 1 January 2012	21,965,573
Loss for the year	(3,596,456)
Shares issued during the period	1,727,173
Share premium on shares issued (net of expenses)	18,392,345
Release 2011 payroll accrual	20,100
At 31 December 2012	38,508,735

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 2012 £	Land and Buildings 2011 £
Expiry date:		
Not later than one year	9,039	18,078

14 RELATED PARTY TRANSACTIONS

During the year fees of £48,190 (2011: £180,820) 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 2012 £130,741 (2011: £124,276) was outstanding.

During the year fees of £1,325 (2011: £36,000) 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 2011 £37,500 (2011: £46,725) was outstanding. This has now been settled.

During the year fees of £25,667 (2011: £35,000) 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 2012 £86,127 (2011: £45,427) was outstanding. This has since been settled.

During the year fees of £7,100 (2011: £74,400) were 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 2012 £68,094 (2011: £105,298) was outstanding. This has now been settled.

During the year fees of £51,750 (2011: Nil) were also 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 2012 £Nil (2011: £Nil) was outstanding.

During the year fees of £13,500 (2011: £Nil) were also incurred for payment to Mr A Butler. This amount has been included in the Staff Costs note. At the end of 2012 £13,500 (2011: £Nil) was outstanding.

During the year fees of £81,013 (2011: £Nil) were also 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 2012 all outstanding balances had been paid.

During the year fees of £42,500 (2011: £Nil) were also 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 2012 all outstanding balances had been paid.

During the year fees of £9,000 (2011:£Nil) were also incurred for payment to Mr N Morland. This amount has been included in the Staff Costs note. At the end of 2012 all outstanding balances had been paid.

During the year fees of £7,500 (2011: £Nil) were also incurred for payment to Mr N McLoughlin. This amount has been included in the Staff Costs note. At the end of 2012 £7,500 (2011: £Nil) was outstanding. This has since been settled.

During the year fees of £Nil (2011: £9,789) were incurred for payment to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. At the end of 2012 £11,199 (2011: £11,199) was outstanding.

An amount of £27,500 (2011: £Nil) is outstanding from Ianto Finance Limited.

During 2011, an interest free loan of £141,000 (2011: £141,000) was made to the Company by Equatorial Energy, a company of which Mr R Healey and Mr M Groat are also directors. At the end of 2012, £45,871 was outstanding, with final repayment made on 28 February 2012.

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.