Nusantara Energy Limited

ANNUAL REPORT

for the year ended

31 December 2017

Company Registration No. 06156525

Nusantara Energy Limited
COMPANY INFORMATION

Directors	M Higgins C Putt T Childs
Secretary	B J Stuart
Company registration number	06156525
Registered office	5 Fleet Place London EC4M 7RD
Auditors	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Bankers	Barclays Bank plc One Churchill Place London E14 5HP

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.

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 the restructuring had not been formally completed and remains on hold.

BUSINESS AND FINANCIAL REVIEW

As discussed in the recent annual reports, the Company continues to face several macroeconomic challenges, such as:

- *Price of coal.* Although this has started to show more positive signs over the course of 2017.
- *Slower growth in China.*
- *Indonesia macroeconomic environment.*

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 in 2010 and 2011. Despite the challenging environment, the Company remains positive on the longer term fundamentals of the asset and believes in its economic viability.

At the beginning of 2014, the Company put in place a revolving credit facility with Ianto Finance Limited for up to $45m, the proceeds of the loan were used to fund working capital and acquire land to support mining and mining services should the company be able to start operations.

In November 2017 a debt restructure took place and the revolving capital facility was converted to equity in the Company. Accrued interest related to the loan was forgiven and the warrants terminated.

Following the debt restructure, a convertible loan working capital facility with Ianto Finance Limited and Broughton Limited was put in place for up to $5m. This is a non interest bearing loan. The purpose of the loan is to fund working capital.

The Board of Directors continues to monitor opportunities to either start production or monetize the value of the asset.

M Higgins
Director

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2017.

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 throughout 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 2017, the Group had cash and cash equivalents of US$0.8m.

The Group had in place a facility of up to $45m from Ianto Finance Limited, the major shareholder, since 2014 for further investment and to continue to support the operations of the Group. On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived and the warrants terminated.

Following the conversion of the existing debt to equity, a new working capital facility of US$5,000,000 has been put in place with Ianto. It is a non interest bearing loan. The purpose of the loan is to fund working capital. Ianto have agreed in principle to continue to support the Group on a reasonable basis.

Although the Group currently has Ianto Finance Limited's support, as in the past, there is no assurance that it will be able to continue this support in the future, which is a material uncertainty within the current economic climate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors have a reasonable expectation that the Company and the Group will be able to rely on Ianto to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 2017 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.

RISK REVIEW *(continued)*

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, dependent 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 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. 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 Higgins
C Putt
T Childs

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and 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 whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

STATEMENT OF DIRECTORS' RESPONSIBILITIES *(continued)*

- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

POST BALANCE SHEET EVENTS

There have been no material events post 31st December 2017.

GOVERNANCE

There has been no change to the board since the restructure at the end of 2013.

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 20 July 2018.

M Higgins
Director

Opinion

We have audited the financial statements of Nusantara Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 ended which comprise the consolidated statement of financial position, the consolidated statements of profit or loss, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2017 and of the group's profit for year ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.
- the group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern.

As explained in note 1.2, although the Group currently has Ianto Finance Limited's support, as in the past, there is no assurance that it will be able to continue this support in the future, which is a material uncertainty within the current economic climate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Who we are reporting to

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 July 2018

Nusantara Energy Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes	Year to 31 December 2017 US$	Year to 31 December 2016 US$
OVERHEADS			
Administrative expenses		(3,500,958)	(2,571,586)
OPERATING LOSS BEFORE FINANCE COSTS	3	(3,500,958)	(2,571,586)
FINANCE COSTS			
Interest income	5	4,438	3,879
Foreign exchange (loss) / gain		(251,723)	1,190,944
Interest expense	6	(15,757,200)	(13,254,162)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		(19,505,443)	(14,630,925)
Income tax expense	8	(136,944)	(111,436)
LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(19,642,387)	(14,742,361)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Service charge income		250,000	-
Loan interest forgiven		41,086,441	-
TOTAL COMPREHENSIVE GAIN / (LOSS) ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		21,694,054	(14,742,361)

All amounts relate to continuing operations.

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

Nusantara Energy Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	At 31 December 2017 US$	At 31 December 2016 US$
<u>ASSETS</u>			
NON CURRENT ASSETS			
Intangible assets	9	42,772,981	42,064,533
Property, plant and equipment	10	8,305	6,324
TOTAL NON CURRENT ASSETS		42,781,286	42,070,857
CURRENT ASSETS			
Trade and other receivables	11	29,528,546	28,830,666
Cash and cash equivalents		782,637	596,355
TOTAL CURRENT ASSETS		30,311,183	29,427,021
TOTAL ASSETS		73,092,469	71,497,878
<u>LIABILITIES</u>			
CURRENT LIABILITIES			
Trade and other payables	12	(3,854,719)	(70,133,717)
NON CURRENT LIABILITIES			
Provisions	12	(170,276)	(115,741)
NET ASSETS		69,067,474	1,248,420
<u>EQUITY</u>			
Equity attributable to equity holders of Parent:			
Share capital	13	49,559,993	3,434,993
Share premium	13	1,792,700	1,792,700
Other reserves		74,585,985	74,585,985
Translation reserve		(3,858,888)	(3,858,888)
Retained deficit		(53,012,316)	(74,706,370)
TOTAL EQUITY		69,067,474	1,248,420

These above financial statements were approved by the Board on 20 July 2018.

M Higgins
Director
Company Registration No. 06156525

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

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to equity holders of Parent	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2016	3,415,669	1,692,024	74,585,985	(3,858,888)	(59,964,009)	15,870,781
Loss for the year	-	-	-	-	(14,742,361)	(14,742,361)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	-	-	(14,742,361)	(14,742,361)
Shares issued during the period	19,324	100,676	-	-	-	120,000
TOTAL TRANSACTIONS WITH EQUITY OWNERS	19,324	100,676	-	-	-	120,000
At 31 December 2016	3,434,993	1,792,700	74,585,985	(3,858,888)	(74,706,370)	1,248,420

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
For the year ended 31 December 2017

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to equity holders of Parent	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2017	3,434,993	1,792,700	74,585,985	(3,858,888)	(74,706,370)	1,248,420
Gain for the year	-	-	-	-	21,694,054	21,694,054
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	-	-	21,694,054	21,694,054
Shares issued during the period	46,125,000	-	-	-	-	46,125,000
TOTAL TRANSACTIONS WITH EQUITY OWNERS	46,125,000	-	-	-	-	46,125,000
At 31 December 2017	49,559,993	1,792,700	74,585,985	(3,858,888)	(53,012,316)	69,067,474

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 2017

	Notes	Year to 31 December 2017 US$	Year to 31 December 2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES	14	(3,195,275)	(2,207,830)
INVESTING ACTIVITIES			
Interest received		4,438	3,879
Interest paid		(3)	(3)
Prepayment of assets		(217,430)	(671,271)
Purchase of exploration and evaluation assets		(715,448)	(2,913,215)
CASH FLOWS FROM INVESTING ACTIVITIES		(928,443)	(3,580,610)
FINANCING ACTIVITIES			
Issue of ordinary shares		-	120,000
Issue (repayment) of loan notes		3,360,000	4,765,000
Issue (repayment) of working capital facility		950,000	-
CASH FLOWS FROM FINANCING ACTIVITIES		4,310,000	4,885,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		186,282	(903,440)
Cash and cash equivalents brought forward		596,355	1,499,795
CASH AND CASH EQUIVALENTS CARRIED FORWARD		782,637	596,355

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 2017.

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 throughout 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 2017 the Group had cash and cash equivalents of US$0.8m.

The Group had in place a facility of up to $45m from Ianto Finance Limited, the major shareholder, since 2014 for further investment and to continue to support the operations of the Group. On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived and the warrants terminated.

Following the conversion of the existing debt to equity, a new working capital facility of US$5,000,000 has been put in place with Ianto. It is a non interest bearing loan. The purpose of the loan is to fund working capital. Ianto have agreed in principle to continue to support the Group on a reasonable basis.

Although the Group currently has Ianto Finance Limited's support, as in the past, there is no assurance that it will be able to continue this support in the future, which is a material uncertainty within the current economic climate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors have a reasonable expectation that the Company and the Group will be able to rely on Ianto to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

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 2017. 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.

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

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.

The functional currency of the Parent Company and all Group subsidiaries is US dollars.

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.

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.
- "Other reserves" represents a distributable reserve arising as a result of the reduction of the Company's share premium account in January 2014.
- "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 2017 or later periods, but the Group has not early adopted them:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- IFRIC Interpretation 22 Foreign currency translations and advance considerations (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)

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.

1.16 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. Amortisation is charged to administrative expenses in the consolidated statement of comprehensive income.

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 2017 US$	Year to 31 December 2016 US$
The operating loss is stated after charging:		
Auditors' remuneration paid to Grant Thornton:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	41,955	29,486
Other services related to subsidiary audits performed by member firms	29,526	29,769
Services related to taxation not provided by Grant Thornton	49,063	39,094
Depreciation and amortisation expense	10,356	14,403
Operating lease rentals	177,556	230,628
Tax penalties and charges	413,438	18,806

4 STAFF COSTS

	Year to 31 December 2017 US$	Year to 31 December 2016 US$
Staff costs for the Group, including directors' remuneration, were as follows:		
Wages and salaries	353,730	292,600
Social security costs	46,739	41,319
	400,469	333,919

No directors received defined pension contributions or accrued pension benefits during the current or previous year. Current directors do not receive remuneration.

The directors of the Group are considered to be its key management personnel.

	2017 No.	2016 No.
The average monthly number of employees for the Group, including directors, during the period was as follows:		
Management and administration	10	10
Operational	6	6
	16	16

5 INTEREST INCOME

	Year to 31 December 2017 US$	Year to 31 December 2016 US$
Bank interest	4,438	3,879
	4,438	3,879

6 INTEREST EXPENSE

	Year to 31 December 2017 US$	Year to 31 December 2016 US$
Loan note interest	15,757,197	13,254,159
Bank interest	3	3
	15,757,200	13,254,162

On 22 October 2014 the Company entered into a loan agreement with Ianto Finance Limited (Ianto) for further investment and to continue to support the operations of the Group. The borrowings had a coupon of 25% per annum.

On 27 November 2017, Ianto converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived.

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 2017 US$	Year to 31 December 2016 US$
Taxation on profit on ordinary activities		
Overseas tax	136,944	111,436
Total tax	136,944	111,436

The tax incurred for the period is lower than the standard rate of corporation tax of 19.25% (2016: 20%) in the UK

	Year to 31 December 2017 US$	Year to 31 December 2016 US$
Income (loss) on ordinary activities before tax	21,830,998	(14,630,925)
Income (loss) on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 19.25% (2016: 20%)	4,202,467	(2,926,185)
Effects of:		
Expenses not deductible for tax purposes	498,824	337,954
Brought forward tax gains (losses) utilised against current year liabilities	(4,412,008)	3,411,743
Overseas taxation chargeable	364,920	133,253
Adjustment for deferred tax from prior year loss	(599,257)	(610,035)
Difference in effective tax rate	-	-
Currency (gains) / losses	76,848	(242,916)
Other permanent timing differences	5,150	7,622
Total charge for the period	136,944	111,436

Factors that may affect future tax charges

The Group has tax losses carried forward of US$12,221,689 (2016: US$46,589,485) that are available for offset against future taxable profits.

Unrecognised deferred tax assets

The Group has a deferred tax asset of US$2,352,675 (2016: US$9,317,897) 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 2017 US$	At 31 December 2016 US$
Exploration and evaluation assets		
Cost and net book value		
At 1 January	17,450,812	14,537,595
Additions	715,448	2,913,217
At 31 December	18,166,260	17,450,812
Licences		
At 1 January	24,606,721	24,606,721
At 31 December	24,606,721	24,606,721
Mining Software		
At 1 January	7,000	17,500
Amortisation	(7,000)	(10,500)
At 31 December	-	7,000
	42,772,981	42,064,533

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. Despite the continued decline in coal prices, 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.

Licences have been issued in the Jambi Province by the Regent of Sarolangun with the following expiration dates:

IUP Holder	Type	Size	Decree	Decree Date	Expiry
PT Anugerah Jambi Coalindo	IUPOP	3,640 Ha	47/1/IUP/PMA/2017	19 September 2017	29 May 2028
PT Bakti Sarolangun Sejahtera	IUPOP	2,687 Ha	57/1/IUP/PMA/2017	9 November 2017	29 May 2028
PT Sinar Anugerah Sukses	IUPOP	1,273 Ha	54/1/IUP/PMA/2017	17 October 2017	29 May 2028

Based on mining regulations, licences are renewable for an additional 20 years.

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 2016	19,002	117,222	16,466	166,822	319,512
Additions	-	-	1,677	-	1,677
At 31 December 2016	19,002	117,222	18,143	166,822	321,189
Depreciation					
At 1 January 2016	(19,002)	(116,852)	(14,070)	(160,668)	(310,591)
Charged in the year	-	(370)	(1,839)	(2,064)	(4,273)
At 31 December 2016	(19,002)	(117,222)	(15,909)	(162,732)	(314,865)
Net book value					
At 31 December 2016	-	-	2,234	4,090	6,324
At 31 December 2015	-	370	2,396	6,154	8,920

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 2017	19,002	117,222	18,143	166,822	321,189
Additions	-	6,736	-	-	6,736
At 31 December 2017	19,002	123,958	18,143	166,822	327,925
Depreciation					
At 1 January 2017	(19,002)	(117,222)	(15,909)	(162,732)	(314,865)
Charged in the year	-	(1,399)	(1,292)	(2,064)	(4,755)
At 31 December 2017	(19,002)	(118,621)	(17,201)	(164,796)	(319,620)
Net book value					
At 31 December 2017	-	5,337	942	2026	8,305
At 31 December 2016	-	-	2,234	4,090	6,324

Depreciation of US$1,399 (2016: US$370) 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 2017 US$	At 31 December 2016 US$
Current		
Sundry debtors	250,000	-
Recoverable Value Added Tax	508,673	278,224
Prepayments and accrued income	28,769,873	28,552,442
	29,528,546	28,830,666

Current

Prepayments and accrued income includes US$25,744,807 (2016: US$25,986,513) for prepayment of asset acquisitions.

12 TRADE AND OTHER PAYABLES

	At 31 December 2017 US$	At 31 December 2016 US$
Non Current		
Provisions	170,276	115,741
	170,276	115,741
Current		
Loan notes	-	67,844,244
Working capital facility	950,000	-
Trade payables	793,978	28,079
Other payables	389,122	300,707
Accruals and deferred income	1,721,619	1,960,687
	3,854,719	70,133,717

Non Current

Provisions include US$146,946 (2016: US$100,554) for staff termination and US$23,330 (2016: US$15,187) deferred tax liability.

Current

From 2014 until November 2017, the Company had put in place borrowings of up to $45m from Ianto Finance Limited (Ianto). The borrowings had a coupon of 25% per annum. The balance of loan notes at the end of 2016 included borrowings and interest from Ianto of US$67,492,052 and from Broughton Limited of US$352,192.

On 27 November 2017, Ianto and Broughton converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived.

Following the debt restructure, a convertible loan capital facility with Ianto and Broughton Limited was put in place for up to $5m. This is a non interest bearing loan. The purpose of the loan is to fund working capital.

The working capital facility included borrowings from Ianto of US$945,583 (2016: US$Nil) and from Broughton Limited of US$4,417 (2016: US$Nil).

Also included in the current payables is US$375,854 (2016: US$300,707), 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 include US$Nil (2016: US$713,570) for the compensation agreed to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, payable when the Group commences production. The compensation due to PT Samhutani was paid during 2017.

13 SHARE CAPITAL

	At 31 December 2017 US$	At 31 December 2016 US$
Authorised		
307,768,691 (2016: 21,211,381) Ordinary shares of US$0.16103 each	49,559,993	3,434,993
Allotted, called up and fully paid		
307,768,691 (2016: 21,211,381) Ordinary shares of US$0.16103 each	49,559,993	3,434,993
Share Premium		
Share premium on Ordinary shares	1,792,700	1,792,700

There are no rights or preference shares issued. Each ordinary share has equal voting rights.

As referred to earlier in the financial statements, in November 2017 a debt restructure took place and the outstanding loan from Ianto Finance Limited and Broughton of $46,125,000 was converted into equity. Ianto was issued 285,235,602 shares and Broughton was issued 1,201,708 shares for US$0.16103 per share.

In 2016, 120,000 shares were recognised that were previously issued in 2014 to the Director of the Indonesian subsidiaries. This was in lieu of a Director's fee of US$120,000 at the time.

The company granted warrants to subscribe for shares as follows:

	At 1 January 2017 Number	Granted in year Number	Expired / Terminated in year Number	At 31 December 2017 Number
Warrants				
Warrants granted September 2012	168,181,818	-	168,181,818	-
Warrants granted per October 2014 loan agreement	20,132,500	1,680,000	21,812,500	-
	188,314,318	1,680,000	189,994,318	-

As a result of the 2012 share offer the Company issued warrants to the underwriter, Ianto Finance Limited. These expired in September 2017.

As a result of the 2014 loan agreement the Company issued warrants to the lender, Ianto Finance Limited. The warrants were granted from October 2014 in line with loan drawdowns. The debt conversion agreement in November 2017 terminated all warrants in relation to the loan.

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

	At 31 December 2017 US$	At 31 December 2016 US$ Restated
Operating loss	(3,500,958)	(2,571,586)
Depreciation and amortisation charged	11,755	14,773
Exchange rate (loss) gain	(251,723)	1,190,944
(Increase) / decrease in receivables	(230,449)	(2,263,005)
(Increase) / decrease in payables	919,780	1,534,157
Purchase of tangibles	(6,736)	(1,677)
Income taxes paid	(136,944)	(111,436)
Net cash (used in) / generated from operating activities	(3,195,275)	(2,207,830)

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 2017.

16 OPERATING LEASE COMMITMENTS

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

	Land and Buildings 2017 US$	Land and Buildings 2016 US$
Expiry date:		
Not later than one year	71,483	168,555
Between one and three years	3,489	74,274

17 RELATED PARTY TRANSACTIONS

During the year the Company borrowed US$3,610,000 (2016: US$5,015,000) from Ianto Finance Limited, a shareholder in the Company, under the revolving credit facility. At the end of the year the outstanding balance, including accrued interest of US$Nil (2016: US$25,170,563), was US$Nil (2016: US$67,492,052).

Under the new working capital facility, during the year the Company borrowed US$945,583 (2016: US$Nil) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance was US$945,583 (2016: US$Nil).

At the end of the year, the outstanding balance due to Broughton Limited, a shareholder of the Company, including accrued interest of US$Nil (2016: US$158,681), was US$Nil (2016: US$352,192).

Under the new working capital facility, during the year the Company borrowed US$4,417 (2016: US$Nil) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance was US$4,417 (2016: US$Nil).

At the end of the year, the Company recognised US$250,000 of services revenue from Ianto Finance Limited (2016: US$Nil). The outstanding receivable from Ianto Finance Limited was US$250,000 (2016: US$Nil).

During the year, fees of US$1,049,743 (2016: US$643,572) were incurred for consulting services and expenses provided by Pacific Rim Resources, a shareholder of the Company. At the end of the year the outstanding balance was US$400,000 (2016: US$Nil).

During the year, fees of US$343,886 (2016: US$18,286) were incurred for legal services provided by Charles Russell Speechlys LLP, a legal firm of which Mr C Putt is a partner. At the end of 2017 US$325,431 (2016: US$Nil) was outstanding. This has since been settled.

Since the share offer transaction in 2012, no Ianto representatives have received remuneration for any services they have provided to the Company.

18 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Ianto Finance Limited.

19 POST BALANCE SHEET EVENTS

Other post balance sheet events are discussed in the Director's report on page 7.

20 FINANCIAL INSTRUMENTS

	At 31 December 2017 US$	At 31 December 2016 US$
Categories of financial instruments		
Financial Assets		
Loans and receivables	250,000	-
Cash and cash equivalents	782,637	596,355
	1,032,637	596,355
Financial Liabilities		
At amortised cost – falling due within one year	3,489,750	69,835,895

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	58	-
Cash and cash equivalents	1	91
	59	91
Financial Liabilities		
Trade and other payables	406	148

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 +/- 21% change in the US dollar/sterling and a +/- 8% US dollar/Indonesian rupiah exchange rate for the period ended 31 December 2017. These percentages have been based on the approximate average market volatility in exchange rates in the previous 16 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 16 month provide a reasonable estimation of possible future fluctuations in exchange rates.

If the US dollar had weakened / strengthened against sterling by 21% the following impact would have resulted – net result for the year up by US$73,000, down by US$73,000 respectively, and equity up by US$73,000, down by US$73,000 respectively.

If the US dollar had weakened / strengthened against the Indonesian rupiah by 8% the following impact would have resulted – net result for the year up by US$4,000, down by US$4,000 respectively, and equity down by US$4,000, up by US$4,000 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. As discussed in the Notes to the Financial Statements, the Group is reliant on Ianto to meet these obligations and Ianto has agreed in principle to continue to provide financial support on a reasonable basis for the foreseeable future. However, this remains a key risk to the business going forward.

(d) Credit Risk

The Group's maximum exposure to credit risk is US$30,311,183 (2016: US$29,427,021).

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.

Opinion

We have audited the financial statements of Nusantara Limited (the 'company') and its subsidiaries (the 'group') for the year ended 31 December 2017 ended which comprise the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the its Loss for year ended;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern.

As explained in note 1.2, although the Group currently has Ianto Finance Limited's support, as in the past, there is no assurance that it will be able to continue this support in the future, which is a material uncertainty within the current economic climate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Who we are reporting to

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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

We have reported separately on the Group financial statements of Nusantara Energy Limited for the year ended 31 December 2017. The report includes an emphasis of matter.

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
20 July 2018

Nusantara Energy Limited
COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	At 31 December 2017 US$	At 31 December 2016 US$
NON CURRENT ASSETS			
Intangible assets	4	9,252,563	9,252,563
Investments	5	49,413,800	46,471,300
TOTAL NON CURRENT ASSETS		58,666,363	55,723,863
CURRENT ASSETS			
Trade and other receivables	6	47,111,090	45,519,098
Cash and cash equivalents		137,857	23,292
TOTAL CURRENT ASSETS		47,248,947	45,542,390
CURRENT LIABILITIES			
Trade and other payables	7	(1,902,290)	(67,940,614)
NET CURRENT ASSETS		45,346,657	(22,398,224)
NET ASSETS		104,013,020	33,325,639
CAPITAL AND RESERVES			
Called up share capital	8	49,559,993	3,434,993
Share premium account	9	1,792,700	1,792,700
Other reserves	9	74,585,985	74,585,985
Translation reserve	9	(2,759,782)	(2,759,782)
Profit and loss account	9	(19,165,876)	(43,728,257)
SHAREHOLDERS' FUNDS	10	104,013,020	33,325,639

The financial statements were approved by the Board on 20 July 2018.

Signed on behalf of the board of directors:

M Higgins
Director
Company Registration No. 06156525

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

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to the Company	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2016	3,415,669	1,692,024	74,585,985	(2,759,782)	(29,691,468)	47,242,428
Loss for the year	-	-	-	-	(14,036,789)	(14,036,789)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	-	-	(14,036,789)	(14,036,789)
Shares issued	19,324	100,676	-	-	-	120,000
At 31 December 2016	3,434,993	1,792,700	74,585,985	(2,759,782)	(43,728,257)	33,325,639

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to the Company	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2017	3,434,993	1,792,700	74,585,985	(2,759,782)	(43,728,257)	33,325,639
Gain for the year	-	-	-	-	24,562,381	24,562,381
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	-	-	24,562,381	24,562,381
Shares issued	46,125,000	-	-	-	-	46,125,000
At 31 December 2017	49,559,993	1,792,700	74,585,985	(2,759,782)	(19,165,876)	104,013,020

The accompanying notes form an integral part of these 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 2017 as an individual entity. They have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). These policies have all been applied consistently throughout the year unless otherwise stated.

The financial statements have been prepared on a historical cost basis and in accordance with applicable accounting standard with Companies Act 2006.

1.2 Going Concern

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

The financial position of the Company, its cash flows and liquidity are described throughout 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 2017 the Company had cash and cash equivalents of US$0.1m.

The Company had in place a facility of up to $45m from Ianto Finance Limited, the major shareholder, since 2014 for further investment and to continue to support the operations of the Company. On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived and the warrants terminated.

Following the conversion of the existing debt to equity, a new working capital facility of US$5,000,000 has been put in place with Ianto. It is a non interest bearing loan. The purpose of the loan is to fund working capital. Ianto have agreed in principle to continue to support the Company on a reasonable basis.

Although the Company currently has Ianto Finance Limited's support, as in the past, there is no assurance that it will be able to continue this support in the future, which is a material uncertainty within the current economic climate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

The Directors have a reasonable expectation that the Company will be able to rely on Ianto to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include a statement of cash flows and related notes.

1.4 Investments

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

1.5 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.

1.6 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.

1.7 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 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.8 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.
- "Other reserves" represents a distributable reserve arising as a result of the reduction of the Company's share premium account in January 2014.
- "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

2 AUDITORS REMUNERATION

	Year to 31 December 2017 US$	Year to 31 December 2016 US$
Auditors' remuneration paid to Grant Thornton UK LLP:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	41,955	29,486

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 gain for the Company for the year ended 31 December 2017 was US$24,562,381 (2016: loss of US$14,036,789).

4 INTANGIBLE ASSETS

	Exploration costs US$
Cost	
At 1 January 2017	9,252,563
Additions	-
At 31 December 2017	9,252,563

5 INVESTMENTS

Cost	Shares in Group undertakings US$
At 1 January 2017	46,471,300
Additions	2,955,000
Disposals	(12,500)
At 31 December 2017	49,413,800

During 2017, the Company sold 12,500 shares it held in ANM to its other subsidiary Nusantara (Luxembourg) Sarl. The cost of these shares were US$12,500.

An agreement was made on 1 January 2016 that all contributions to ANM and ANR would be considered Capital in Advance. During 2017 this amounted to US$2,955,000 (2016: US$4,485,000).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	**Business**	**Country of Incorporation**	**Holding**	**Cost at 31 December 2017 US$**
PT Artha Nusantara Resources	Mining	Indonesia	99.98%	25,571,300
PT Artha Nusantara Mining	Mining	Indonesia	95%	23,792,500
Nusantara Holdings (Luxembourg)	Holding Co.	Luxembourg	100%	50,000

The registered address of the Indonesian subsidiaries is Indonesia Stock Exchange Building, Tower I, 8th Floor, Suite 802, Jl. Jend. Sudirman Kav 52-53, Jakarta 12190.

The registered address of the Luxembourg subsidiary is 11 Avenue de la Porte Neuve, L-2227, Luxembourg.

6 TRADE AND OTHER RECEIVABLES

	At 31 December 2017 US$	At 31 December 2016 US$
Current		
Amounts owed by Group undertakings	47,050,036	45,515,906
Other debtors	58,312	3,192
Prepayments and accrued income	2,742	-
	47,111,090	45,519,098

7 TRADE AND OTHER PAYABLES

	At 31 December 2017 US$	At 31 December 2016 US$
Current		
Loan Note	-	67,844,244
Working Capital Facility	950,000	-
Trade creditors	775,485	10,918
Accruals and deferred income	163,537	85,452
Other payables	13,268	-
	1,902,290	67,940,614

8 SHARE CAPITAL

	At 31 December 2017 US$	At 31 December 2016 US$
Authorised		
307,768,691 (2016: 21,211,381) Ordinary shares of US$0.16103 each	49,559,993	3,434,993
Allotted, called up and fully paid		
307,768,691 (2016: 21,211,381) Ordinary shares of US$0.16103 each	49,559,993	3,434,993
Share Premium		
Share premium on Ordinary shares	1,792,700	1,792,700

There are no rights or preference shares issued. Each ordinary share has equal voting rights.

As referred to earlier in the financial statements, in November 2017 a debt restructure took place and the outstanding loan from Ianto Finance Limited and Broughton Limited of $46,125,000 was converted into equity. Ianto was issued 285,235,602 shares and Broughton was issued 1,201,708 shares for US$0.16103 per share.

In 2016, 120,000 shares were recognised that were previously issued in 2014 to the Director of the Indonesian subsidiaries. This was in lieu of a Director's fee of US$120,000 at the time.

	At 1 January 2017 Number	Granted in year Number	Expired / Terminated in year Number	At 31 December 2017 Number
Warrants				
Warrants granted September 2012	168,181,818	-	168,181,818	-
Warrants granted per October 2014 loan agreement	20,132,500	1,680,000	21,812,500	-
	188,314,318	1,680,000	189,994,318	-

As a result of the 2012 share offer the Company issued warrants to the underwriter, Ianto Finance Limited. These expired in September 2017.

As a result of the 2014 loan agreement the Company issued warrants to the lender, Ianto Finance Limited. The warrants were granted from October 2014 in line with loan drawdowns. The debt conversion agreement in November 2017 terminated all warrants in relation to the loan.

9 RESERVES

	Translation reserve account US$	Other reserves US$	Share premium account US$	Profit and loss account US$
At 1 January 2017	(2,759,782)	74,585,985	1,792,700	(43,728,257)
Gain for the year	-	-	-	24,562,381
At 31 December 2017	(2,759,782)	74,585,985	1,792,700	(19,165,876)

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Shareholders' funds US$
At 1 January 2017	33,325,639
Shares issued during period	46,125,000
Gain for the year	24,562,381
At 31 December 2017	104,013,020

11 SHARE BASED PAYMENTS

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

12 RELATED PARTY TRANSACTIONS

During the year the Company borrowed US$3,610,000 (2016: US$5,015,000) from Ianto Finance Limited, a shareholder in the Company, under the revolving credit facility. At the end of the year the outstanding balance, including accrued interest of US$Nil (2016: US$25,170,563), was US$Nil (2016: US$67,492,052).

Under the new working capital facility, during the year the Company borrowed US$945,583 (2016: US$Nil) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance was US$945,583 (2016: US$Nil).

At the end of the year, the outstanding balance due to Broughton Limited, a shareholder of the Company, including accrued interest of US$Nil (2016: US$158,681), was US$Nil (2016: US$352,192).

Under the new working capital facility, during the year the Company borrowed US$4,417 (2016: US$Nil) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance was US$4,417 (2016: US$Nil).

At the end of the year, the Company recognised US$250,000 of services revenue from Ianto Finance Limited (2016: US$Nil). The outstanding receivable from Ianto Finance Limited was US$250,000 (2016: US$Nil).

During the year, fees of US$1,049,743 (2016: US$643,572) were incurred for consulting services and expenses provided by Pacific Rim Resources, a shareholder of the Company. At the end of the year the outstanding balance was US$400,000 (2016: US$Nil).

During the year, fees of US$343,886 (2016: US$18,286) were incurred for legal services provided by Charles Russell Speechlys LLP, a legal firm of which Mr C Putt is a partner. At the end of 2017 US$325,431 (2016: US$Nil) was outstanding. This has since been settled.

Since the share offer transaction in 2012, no Ianto representatives have received remuneration for any services they have provided to the Company.

13 POST BALANCE SHEET EVENTS

Post balance sheet events are described in Note 19 to the Group financial statements.

14 ULTIMATE PARENT COMPANY

The ultimate controlling party is Ianto Finance Limited.