

# Nusantara Energy Limited

ANNUAL REPORT

for the year ended

31 December 2015

# Nusantara Energy Limited

## COMPANY INFORMATION

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### 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  
EC2P 2YU

### Bankers

Barclays Bank plc  
One Churchill Place  
London  
E14 5HP

# Nusantara Energy Limited

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# Nusantara Energy Limited

## STRATEGIC REPORT

For the year ended 31 December 2015

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### 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 2014 annual report, the Company continues to face several macroeconomic challenges, such as:

- *Price of coal.* This continues to remain the major issue facing the Company with coal prices falling by c16% in 2015, although coal prices did rally in 2016 helping to provide much needed relief to coal miners.
- *Slower growth in China.* This will result in a decrease in demand for coal. Although China imports a very limited amount of coal, small changes in import volumes can impact the Asian seaborne coal market significantly.
- *Indonesia macroeconomic environment.* Local government policy towards mining companies remains challenging in light of the Indonesian elections, which took place in 2014. It is unclear what impact this could have on the Company and Indonesia remains a challenging environment from a regulatory and political perspective for foreign companies. The issues remain broadly similar to those faced by the Company in the past.

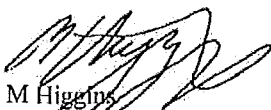
As is evident from the above, the economics of the Jambi asset are highly dependent on a number of macroeconomic issues.

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.

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

It is not currently expected that early stage coal production will start without a material change to the macro environment and settlement of local issues. However, the Company continues to further refine its business model so that it is ready to take advantage of a move in coal prices should this materialise. Although with current coal prices as low as they are, this continues to make forecasting the start of production increasingly difficult.

The legal case against the former Chief Financial Officer ("CFO") and Chief Executive Officer ("CEO") was concluded in October 2015.



M Higgins  
Director

# Nusantara Energy Limited

## DIRECTORS' REPORT

For the year ended 31 December 2015

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The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2015.

### 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 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 2015 the Group had cash and cash equivalents of US\$1.5m.

The Group has put in place borrowings 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. Ianto have agreed in principle to continue to support the Group on a reasonable basis. The loans have a 25% coupon compounding annually and mature in December 2018.

Although the Group currently has Ianto'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 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 2015 include:

#### a) Liquidity Risk

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

#### b) Project Technical Risk

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

# Nusantara Energy Limited

## DIRECTORS' REPORT *(continued)*

For the year ended 31 December 2015

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### RISK REVIEW *(continued)*

#### 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 and fell approximately 20% over the course of 2014. 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

# Nusantara Energy Limited

## DIRECTORS' REPORT *(continued)*

For the year ended 31 December 2015

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### 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) as adopted by the European Union.

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.

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.

# Nusantara Energy Limited

## DIRECTORS' REPORT *(continued)*

For the year ended 31 December 2015

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### POST BALANCE SHEET EVENTS

Since 2014, the Company has put in place borrowings of up to \$45m from Ianto Finance Limited for further investment and to continue to support the operations of the Company. The borrowings have a coupon of 25% per annum and mature in December 2018.

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


### GOVERNANCE

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 26 July 2017.



M Higgins  
Director



# Nusantara Energy Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY LIMITED

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We have audited the group financial statements of Nusantara Energy Limited for the year ended 31 December 2015 which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity 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 6, 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 and express an opinion on 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 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 Financial Reporting Council's (FRC) website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 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.

### **Emphasis of matter – 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.

# Nusantara Energy Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY LIMITED *(continued)*

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### **Opinion on other matters prescribed by the Companies Act 2006**

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

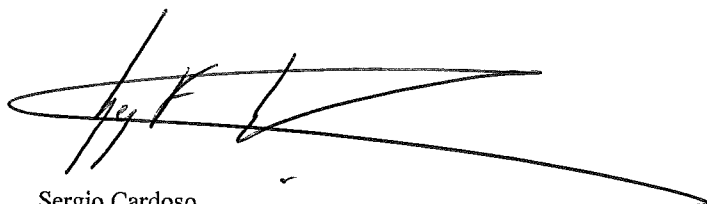
### **Matters on which we are required to report by exception**

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

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

### **Other matter**

We have reported separately on the Parent Company financial statements of Nusantara Energy Limited for the year ended 31 December 2015. 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  
26 July 2017

Nusantara Energy Limited  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2015

|                                                                     | <i>Notes</i> | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|---------------------------------------------------------------------|--------------|----------------------------------------|----------------------------------------|
| OVERHEADS                                                           |              |                                        |                                        |
| Administrative expenses                                             |              | (3,919,664)                            | (3,777,301)                            |
| OPERATING LOSS BEFORE FINANCE COSTS                                 | 3            | (3,919,664)                            | (3,777,301)                            |
| FINANCE COSTS                                                       |              |                                        |                                        |
| Interest income                                                     | 5            | 5,963                                  | 24,317                                 |
| Foreign exchange (loss) / gain                                      |              | (4,225,168)                            | 186,367                                |
| Interest expense                                                    | 6            | (8,520,631)                            | (3,554,551)                            |
| LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION                     |              | (16,659,500)                           | (7,121,168)                            |
| Income tax expense                                                  | 8            | (118,226)                              | (92,166)                               |
| LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR                     |              | (16,777,726)                           | (7,213,334)                            |
| TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR |              | (16,777,726)                           | (7,213,334)                            |

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 2015

|                                                  | Notes | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|--------------------------------------------------|-------|-----------------------------------|-----------------------------------|
| <u>ASSETS</u>                                    |       |                                   |                                   |
| NON CURRENT ASSETS                               |       |                                   |                                   |
| Intangible assets                                | 9     | 39,161,816                        | 37,819,831                        |
| Property, plant and equipment                    | 10    | 8,920                             | 14,092                            |
| Trade and other receivables                      | 11    | -                                 | 401,929                           |
|                                                  |       |                                   |                                   |
| TOTAL NON CURRENT ASSETS                         |       | 39,170,736                        | 38,235,852                        |
| CURRENT ASSETS                                   |       |                                   |                                   |
| Trade and other receivables                      | 11    | 25,896,394                        | 23,185,200                        |
| Cash and cash equivalents                        |       | 1,499,795                         | 1,916,033                         |
|                                                  |       |                                   |                                   |
| TOTAL CURRENT ASSETS                             |       | 27,396,189                        | 25,101,233                        |
|                                                  |       |                                   |                                   |
| TOTAL ASSETS                                     |       | 66,566,925                        | 63,337,085                        |
| <u>LIABILITIES</u>                               |       |                                   |                                   |
| CURRENT LIABILITIES                              |       |                                   |                                   |
| Trade and other payables                         | 12    | (50,626,561)                      | (30,634,565)                      |
|                                                  |       |                                   |                                   |
| NON CURRENT LIABILITIES                          |       |                                   |                                   |
| Provisions                                       | 12    | (69,583)                          | (54,013)                          |
|                                                  |       |                                   |                                   |
| NET ASSETS                                       |       | 15,870,781                        | 32,648,507                        |
| <u>EQUITY</u>                                    |       |                                   |                                   |
| Equity attributable to equity holders of Parent: |       |                                   |                                   |
| Issued capital                                   | 13    | 3,415,669                         | 3,415,669                         |
| Share premium                                    | 13    | 1,692,024                         | 1,692,024                         |
| Other reserves                                   |       | 74,585,985                        | 74,585,985                        |
| Translation reserve                              |       | (3,858,888)                       | (3,858,888)                       |
| Retained deficit                                 |       | (59,964,009)                      | (43,186,283)                      |
|                                                  |       |                                   |                                   |
| TOTAL EQUITY                                     |       | 15,870,781                        | 32,648,507                        |

# Nusantara Energy Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2015

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These above financial statements were approved by the Board on 26 July 2017.



M Higgins

Director

Company Registration No. 06156525

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

**Nusantara Energy Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

|                                                             | Share<br>capital  | Share<br>premium   | Other<br>reserves | Translation<br>reserve | Retained<br>losses<br>attributable<br>to equity<br>holders of<br>Parent | Total              |
|-------------------------------------------------------------|-------------------|--------------------|-------------------|------------------------|-------------------------------------------------------------------------|--------------------|
| At 1 January 2014                                           | US\$<br>3,415,669 | US\$<br>76,278,009 | US\$<br>-         | US\$<br>(3,858,888)    | US\$<br>(35,972,949)                                                    | US\$<br>39,861,841 |
| Loss for the year                                           | -                 | -                  | -                 | -                      | (7,213,334)                                                             | (7,213,334)        |
| Movement on foreign exchange                                | -                 | -                  | -                 | -                      | -                                                                       | -                  |
| <b>TOTAL COMPREHENSIVE INCOME FOR YEAR</b>                  | -                 | -                  | -                 | -                      | (7,213,334)                                                             | (7,213,334)        |
| Reduction of share premium and transfer to "other reserves" | -                 | (74,585,985)       | 74,585,985        | -                      | -                                                                       | -                  |
| <b>TOTAL TRANSACTIONS WITH EQUITY OWNERS</b>                | -                 | -                  | -                 | -                      | -                                                                       | -                  |
| At 31 December 2014                                         | 3,415,669         | 1,692,024          | 74,585,985        | (3,858,888)            | (43,186,283)                                                            | 32,648,507         |

# Nusantara Energy Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) For the year ended 31 December 2015

|                                                             | Share<br>capital  | Share<br>premium  | Other<br>reserves  | Translation<br>reserve | Retained<br>losses<br>attributable<br>to equity<br>holders of<br>Parent | Total              |
|-------------------------------------------------------------|-------------------|-------------------|--------------------|------------------------|-------------------------------------------------------------------------|--------------------|
| At 1 January 2015                                           | US\$<br>3,415,669 | US\$<br>1,692,024 | US\$<br>74,585,985 | US\$<br>(3,858,888)    | US\$<br>(43,186,283)                                                    | US\$<br>32,648,507 |
| Loss for the year                                           | -                 | -                 | -                  | -                      | (16,777,726)                                                            | (16,777,726)       |
| Movement on foreign exchange                                | -                 | -                 | -                  | -                      | -                                                                       | -                  |
| TOTAL COMPREHENSIVE INCOME FOR YEAR                         | -                 | -                 | -                  | -                      | (16,777,726)                                                            | (16,777,726)       |
| Reduction of share premium and transfer to "other reserves" | -                 | -                 | -                  | -                      | -                                                                       | -                  |
| TOTAL TRANSACTIONS WITH EQUITY OWNERS                       | -                 | -                 | -                  | -                      | -                                                                       | -                  |
| At 31 December 2015                                         | 3,415,669         | 1,692,024         | 74,585,985         | (3,858,888)            | (59,964,009)                                                            | 15,870,781         |

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 2015

|                                                         | <i>Notes</i> | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|---------------------------------------------------------|--------------|----------------------------------------|----------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                    | 14           | (5,719,347)                            | (3,650,510)                            |
| INVESTING ACTIVITIES                                    |              |                                        |                                        |
| Interest received                                       |              | 5,963                                  | 24,317                                 |
| Interest paid                                           |              | (8,520,631)                            | (3,554,551)                            |
| Prepayment of assets                                    |              | (5,850,372)                            | (22,804,587)                           |
| Purchase of exploration and evaluation assets           |              | (1,352,485)                            | (744,748)                              |
| CASH FLOWS FROM INVESTING ACTIVITIES                    |              | (15,717,525)                           | (27,079,569)                           |
| FINANCING ACTIVITIES                                    |              |                                        |                                        |
| Issue (repayment) of loan notes                         |              | 21,020,634                             | 28,054,452                             |
| CASH FLOWS FROM FINANCING ACTIVITIES                    |              | 21,020,634                             | 28,054,452                             |
| NET INCREASE (DECREASE) IN CASH AND CASH<br>EQUIVALENTS |              | (416,238)                              | (2,675,627)                            |
| Cash and cash equivalents brought forward               |              | 1,916,033                              | 4,591,660                              |
| CASH AND CASH EQUIVALENTS CARRIED FORWARD               |              | 1,499,795                              | 1,916,033                              |

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



# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### **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 2015.

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 2015 the Group had cash and cash equivalents of US\$1.5m.

The Group has put in place borrowings 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. Ianto have agreed in principle to continue to support the Group on a reasonable basis. The loans have a 25% coupon compounding annually and mature in December 2018.

Although the Group currently has Ianto'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 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.

#### **1.3 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 2015. 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **1 ACCOUNTING POLICIES *(continued)***

#### **1.4 Foreign currencies**

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

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.

#### **1.6 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **1 ACCOUNTING POLICIES *(continued)***

#### **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.

#### **1.9 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### ACCOUNTING POLICIES *(continued)*

#### 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.

#### 1.12 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

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **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.

**Nusantara Energy Limited**  
**NOTES TO THE FINANCIAL STATEMENTS** *(continued)*  
For the year ended 31 December 2015

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**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 2015 or later periods, but the Group has not early adopted them:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 3 OPERATING LOSS

|                                                                                     | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>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<br>annual accounts | 35,580                                 | 37,370                                 |
| Other services related to subsidiary audits                                         | 31,092                                 | 28,645                                 |
| Other services related to taxation                                                  | 33,741                                 | 28,856                                 |
| Depreciation and amortisation expense                                               | 14,088                                 | 32,440                                 |
| Operating lease rentals                                                             | 199,661                                | 175,710                                |
| Tax penalties and charges                                                           | 22,488                                 | 24,962                                 |
|                                                                                     | <u>          </u>                      | <u>          </u>                      |

### 4 STAFF COSTS

|                                                                                | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|--------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Staff costs for the Group, including directors' remuneration, were as follows: |                                        |                                        |
| Wages and salaries                                                             | 257,132                                | 246,957                                |
| Social security costs                                                          | 41,110                                 | 39,292                                 |
|                                                                                | <u>          </u>                      | <u>          </u>                      |
|                                                                                | 298,242                                | 286,249                                |
|                                                                                | <u>          </u>                      | <u>          </u>                      |

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.

|                                                                                                               | 2015<br>No.   | 2014<br>No.   |
|---------------------------------------------------------------------------------------------------------------|---------------|---------------|
| The average monthly number of employees for the Group, including directors, during the period was as follows: |               |               |
| Management and administration                                                                                 | 12            | 11            |
| Operational                                                                                                   | 5             | 5             |
|                                                                                                               | <u>      </u> | <u>      </u> |
|                                                                                                               | 17            | 16            |
|                                                                                                               | <u>      </u> | <u>      </u> |



# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

| 5 | INTEREST INCOME    | Year to 31       | Year to          |
|---|--------------------|------------------|------------------|
|   |                    | December 2015    | 31 December      |
|   |                    | US\$             | 2014             |
|   |                    |                  | US\$             |
|   | Bank interest      | 5,963            | 24,317           |
|   |                    | <u>5,963</u>     | <u>24,317</u>    |
|   |                    |                  |                  |
| 6 | INTEREST EXPENSE   | Year to          | Year to          |
|   |                    | 31 December      | 31 December      |
|   |                    | 2015             | 2014             |
|   |                    | US\$             | US\$             |
|   | Loan note interest | 8,520,631        | 3,554,452        |
|   | Bank interest      | -                | 99               |
|   |                    | <u>8,520,631</u> | <u>3,554,551</u> |
|   |                    |                  |                  |

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. Until the date of publishing, the Company has put in place borrowings of up to \$45m. The borrowings have a coupon of 25% per annum and mature in December 2018

## 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 8 INCOME TAX EXPENSE

|                                                  | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|--------------------------------------------------|----------------------------------------|----------------------------------------|
| <b>Taxation on profit on ordinary activities</b> |                                        |                                        |
| Overseas tax                                     | 119,671                                | 97,273                                 |
| Deferred tax                                     | (1,445)                                | (5,107)                                |
| <b>Total tax</b>                                 | <b>118,226</b>                         | <b>92,166</b>                          |

The tax incurred for the period is lower than the standard rate of corporation tax of 20.25% (2014: 21%) in the UK

|                                                                                                                         | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Loss on ordinary activities before tax                                                                                  | (12,472,808)                           | (7,121,167)                            |
| Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 20.25% (2014: 21%) | (2,525,744)                            | (1,495,445)                            |
| <b>Effects of:</b>                                                                                                      |                                        |                                        |
| Expenses not deductible for tax purposes                                                                                | 767                                    | 48,182                                 |
| Brought forward tax losses utilised against current year liabilities                                                    | 2,550,983                              | 1,034,781                              |
| Overseas taxation chargeable                                                                                            | (39,472)                               | 123,887                                |
| Adjustment for deferred tax from prior year loss                                                                        | 156,739                                | 365,041                                |
| Difference in effective tax rate                                                                                        | -                                      | (817)                                  |
| Currency (gains) / losses                                                                                               | (24,660)                               | 16,537                                 |
| Other permanent timing differences                                                                                      | (387)                                  | -                                      |
| <b>Total charge for the period</b>                                                                                      | <b>118,226</b>                         | <b>92,166</b>                          |

#### Factors that may affect future tax charges

The Group has tax losses carried forward of US\$32,243,896 (2014: US\$22,625,981) that are available for offset against future taxable profits.

#### Unrecognised deferred tax assets

The Group has a deferred tax asset of US\$6,529,389 (2014: US\$4,751,456) 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

### 9 INTANGIBLE ASSETS

|                                          | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Exploration and evaluation assets</b> |                                   |                                   |
| <i>Cost and net book value</i>           |                                   |                                   |
| At 1 January                             | 13,185,110                        | 12,440,362                        |
| Additions                                | 1,352,485                         | 744,748                           |
| At 31 December                           | 14,537,595                        | 13,185,110                        |
| <b>Licences</b>                          |                                   |                                   |
| At 1 January                             | 24,606,721                        | 24,606,721                        |
| At 31 December                           | 24,606,721                        | 24,606,721                        |
| <b>Mining Software</b>                   |                                   |                                   |
| At 1 January                             | 28,000                            | 38,500                            |
| Additions                                | -                                 | -                                 |
| Amortisation                             | (10,500)                          | (10,500)                          |
| At 31 December                           | 17,500                            | 28,000                            |
|                                          | 39,161,816                        | 37,819,831                        |

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:

| Holder                         | Type  | Size       | Decree                         | Decree Date      | Period (years) | Expiry      |
|--------------------------------|-------|------------|--------------------------------|------------------|----------------|-------------|
| PT. Anugerah Jambi Coalindo    | IUPOP | 3,640 Ha   | 19 Tahun 2011                  | 18 May 2011      | 20             | 29 May 2028 |
| PT. Bakti Sarolangun Sejahtera | IUPOP | 2,500 Ha   | 52 Tahun 2009                  | 28 December 2009 | 10             | 29 May 2018 |
|                                | IUPOP | 2,700 Ha   | Revised in 2014: 324/ESDM/2014 | 20 June 2014     | 20             | 29 May 2028 |
| PT Sinar Anugerah Sukses       | IUPOP | 1,395 Ha   | 18 Tahun 2011                  | 18 May 2011      | 20             | 29 May 2028 |
|                                | IUPOP | 1,282.6 Ha | Revised in 2014: 323/ESDM/2014 | 20 June 2014     | 20             | 29 May 2028 |

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

There was no impairment trigger at reporting date.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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| <b>10</b> | <b>PROPERTY, PLANT AND EQUIPMENT</b> | Plant & equipment | Motor vehicles | Computers | Fixtures, fittings and office equipment | Total     |
|-----------|--------------------------------------|-------------------|----------------|-----------|-----------------------------------------|-----------|
|           |                                      | US\$              | US\$           | US\$      | US\$                                    | US\$      |
|           | <b>Cost</b>                          |                   |                |           |                                         |           |
|           | At 1 January 2014                    | 19,002            | 117,222        | 16,466    | 163,707                                 | 316,397   |
|           | Additions                            | -                 | -              | -         | 3,115                                   | 3,115     |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |
|           | At 31 December 2014                  | 19,002            | 117,222        | 16,466    | 166,822                                 | 319,512   |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |
|           | <b>Depreciation</b>                  |                   |                |           |                                         |           |
|           | At 1 January 2014                    | (19,002)          | (113,684)      | (11,022)  | (138,188)                               | (281,895) |
|           | Charged in the year                  | -                 | (1,584)        | (1,524)   | (20,416)                                | (23,524)  |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |
|           | At 31 December 2014                  | (19,002)          | (115,268)      | (12,546)  | (158,604)                               | (305,419) |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |
|           | <b>Net book value</b>                |                   |                |           |                                         |           |
|           | At 31 December 2014                  | -                 | 1,954          | 3,920     | 8,218                                   | 14,092    |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |
|           | At 31 December 2013                  | -                 | 3,538          | 5,444     | 25,520                                  | 34,502    |
|           |                                      | <hr/>             | <hr/>          | <hr/>     | <hr/>                                   | <hr/>     |

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# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

| 10 | PROPERTY, PLANT AND<br>EQUIPMENT <i>(continued)</i> | Plant &<br>equipment | Motor<br>vehicles | Computers | Fixtures,<br>fittings<br>and office<br>equipment | Total     |
|----|-----------------------------------------------------|----------------------|-------------------|-----------|--------------------------------------------------|-----------|
|    |                                                     | US\$                 | US\$              | US\$      | US\$                                             | US\$      |
|    | <b>Cost</b>                                         |                      |                   |           |                                                  |           |
|    | At 1 January 2015                                   | 19,002               | 117,222           | 16,466    | 166,822                                          | 319,512   |
|    | Additions                                           | -                    | -                 | -         | -                                                | -         |
|    | At 31 December 2015                                 | 19,002               | 117,222           | 16,466    | 166,822                                          | 319,512   |
|    | <b>Depreciation</b>                                 |                      |                   |           |                                                  |           |
|    | At 1 January 2015                                   | (19,002)             | (115,268)         | (12,546)  | (158,604)                                        | (305,419) |
|    | Charged in the year                                 | -                    | (1,584)           | (1,524)   | (2,064)                                          | (5,172)   |
|    | At 31 December 2015                                 | (19,002)             | (116,852)         | (14,070)  | (160,668)                                        | (310,591) |
|    | <b>Net book value</b>                               |                      |                   |           |                                                  |           |
|    | At 31 December 2015                                 | -                    | 370               | 2,396     | 6,154                                            | 8,920     |
|    | At 31 December 2014                                 | -                    | 1,954             | 3,920     | 8,218                                            | 14,092    |

Depreciation of US\$1,584 (2014: US\$1,584) 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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 11 TRADE AND OTHER RECEIVABLES

|                                | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|--------------------------------|-----------------------------------|-----------------------------------|
| <b>Non current</b>             |                                   |                                   |
| Guarantee deposits             | -                                 | 401,929                           |
|                                | -                                 | 401,929                           |
| <b>Current</b>                 |                                   |                                   |
| Sundry debtors                 | 12,554                            | 84,737                            |
| Recoverable Value Added Tax    | 186,004                           | 87,674                            |
| Prepayments and accrued income | 25,697,836                        | 23,012,789                        |
|                                | 25,896,394                        | 23,185,200                        |

#### Non Current

The Group previously had granted guarantee deposits to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, and when the Group commenced production, the guarantee deposits would be converted in lieu of paying compensation to PT Samhutani. In 2015 it was agreed that the guarantee deposits would offset the compensation agreed to PT Samhutani for usage of its land (Note 12).

#### Current

Prepayments and accrued income includes US\$25,020,344 (2014: US\$22,804,587) for prepayment for asset acquisitions.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 12 TRADE AND OTHER PAYABLES

|                              | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|------------------------------|-----------------------------------|-----------------------------------|
| <b>Non Current</b>           |                                   |                                   |
| Provisions                   | 69,583                            | 54,013                            |
|                              | <u>69,583</u>                     | <u>54,013</u>                     |
| <b>Current</b>               |                                   |                                   |
| Loan notes                   | 49,075,086                        | 28,054,452                        |
| Trade payables               | 99,465                            | 100,801                           |
| Other payables               | 136,424                           | 226,429                           |
| Accruals and deferred income | 1,315,586                         | 2,252,883                         |
|                              | <u>50,626,561</u>                 | <u>30,634,565</u>                 |

#### Non Current

Provisions include US\$65,371 (2014: US\$54,013) for staff termination and US\$4,212 (2014: US\$Nil) deferred tax liability.

#### Current

Loan notes include borrowings and interest from Ianto Finance Limited of US\$48,793,388 (2014: US\$27,829,093) and from Broughton Limited of US\$281,698 (2014: US\$225,359).

From 2014 until date of publishing, the Company has put in place borrowings of up to \$45m from Ianto Finance Limited for further investment and to continue to support the operations of the Group. The borrowings have a coupon of 25% per annum and mature in December 2018.

Also included in the current payables is US\$180,240 (2014: US\$289,203), 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\$1,042,500 (2014: US\$1,541,404) for the compensation agreed to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, payable when the Group commences production.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 13 SHARE CAPITAL

|                                                                   | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Authorised</b>                                                 |                                   |                                   |
| 21,211,381 Ordinary shares of US\$0.16103 each                    | 3,415,669                         | 3,415,669                         |
| <b>Allotted, called up and fully paid</b>                         |                                   |                                   |
| 21,211,381 (2014: 21,211,381) Ordinary shares of US\$0.16103 each | 3,415,669                         | 3,415,669                         |

No shares were issued in 2015 (2014: Nil).

At the General Meeting held on 10 December 2013 a special resolution was passed that the 2012 share premium account of the Company be reduced from \$74,585,985 to \$0, and the amount by which the share premium account is so reduced be credited to a reserve effective on 14 January 2014. This has been called "other reserves".

The company granted warrants to subscribe for shares as follows:

|                                 | Exercise<br>Price | At 1<br>January<br>2015<br>Number | Granted in<br>year<br>Number | At 31<br>December<br>2015<br>Number |
|---------------------------------|-------------------|-----------------------------------|------------------------------|-------------------------------------|
| <b>Warrants</b>                 |                   |                                   |                              |                                     |
| Warrants granted September 2012 | 0.25p             | 168,181,818                       | -                            | 168,181,818                         |
| Warrants granted October 2014   |                   | 11,750,000                        | 6,000,000                    | 17,750,000                          |
|                                 |                   | 179,931,818                       | 6,000,000                    | 185,931,818                         |

As a result of the 2012 share offer the Company issued warrants to the underwriter, Ianto Finance Limited. The warrants granted in September 2012 will expire on 30 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 and will expire in October 2019. Exercise price is two times the rights issue, however if no decision to hold a rights issue is made, then the warrant price will need to be changed.



# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

| 14 | RECONCILIATION OF OPERATING LOSS TO NET CASH<br>USED IN OPERATING ACTIVITIES | At                          | At                          |
|----|------------------------------------------------------------------------------|-----------------------------|-----------------------------|
|    |                                                                              | 31 December<br>2015<br>US\$ | 31 December<br>2014<br>US\$ |
|    | Operating loss                                                               | (3,919,664)                 | (3,777,301)                 |
|    | Depreciation and amortisation charged                                        | 15,672                      | 30,910                      |
|    | Exchange rate gain (loss)                                                    | (4,225,168)                 | 186,367                     |
|    | Decrease / (increase) in receivables                                         | 3,541,107                   | (79,704)                    |
|    | (Increase) / decrease in payables                                            | (1,013,068)                 | 81,384                      |
|    | Income taxes paid                                                            | (118,226)                   | (92,166)                    |
|    | <b>Net cash (used in) / generated from operating activities</b>              | <b>(5,719,347)</b>          | <b>(3,650,510)</b>          |

## 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 2015.

## 16 OPERATING LEASE COMMITMENTS

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

|                             | Land and<br>Buildings<br>2015<br>US\$ | Land and<br>Buildings<br>2014<br>US\$ |
|-----------------------------|---------------------------------------|---------------------------------------|
| Expiry date:                |                                       |                                       |
| Not later than one year     | 169,685                               | 146,712                               |
| Between one and three years | 261,934                               | 335,449                               |

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **17 RELATED PARTY TRANSACTIONS**

During the year the Company borrowed US\$12,500,000 (2014: US\$24,306,489) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US\$11,986,898 (2014: US\$3,522,604), was US\$48,793,388 (2014: US\$27,829,093)

During the year the Company borrowed US\$Nil (2014: US\$193,511) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US\$88,188 (2014: US\$31,848), was US\$281,698 (2014: US\$225,359).

During the year fees of US\$Nil (2014: US\$16,025) were incurred for payment to Ianto Finance Limited in relation to legal fees. At the end of 2015 all outstanding balances had been paid (2014: US\$Nil).

At the end of 2015 US\$Nil (2014: US\$203,577) remains payable to Med Mining and Minerals Ltd, a company which Mr M Groat is a director, in relation to consulting services provided by Mr M Groat. These fees were incurred in 2011 and 2012. This was included in provisions and was settled during 2015.

At the end of 2015 US\$Nil (2014: US\$17,438) remains payable to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. These fees were incurred in 2010 and 2011. This was included in provisions and was settled during 2015.

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.

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 20 FINANCIAL INSTRUMENTS

|                                                 | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|-------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Categories of financial instruments</b>      |                                   |                                   |
| <b>Financial Assets</b>                         |                                   |                                   |
| Loans and receivables                           | 12,554                            | 84,737                            |
| Cash and cash equivalents                       | 1,499,795                         | 1,916,033                         |
|                                                 | <u>1,512,349</u>                  | <u>2,000,770</u>                  |
| <b>Financial Liabilities</b>                    |                                   |                                   |
| At amortised cost – falling due within one year | 50,533,953                        | 30,470,910                        |

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 bearing 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<br>US\$'000s | IDR<br>US\$'000s |
|------------------------------|------------------|------------------|
| <b>Financial Assets</b>      |                  |                  |
| Loans and receivables        | 54               | 13               |
| Cash and cash equivalents    | 208              | 520              |
|                              | <u>262</u>       | <u>533</u>       |
| <b>Financial Liabilities</b> |                  |                  |
| Trade and other payables     | 113              | 1,185            |

# Nusantara Energy Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### 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 +/- 33% change in the US dollar/sterling and a +/- 21% US dollar/Indonesian rupiah exchange rate for the period ended 31 December 2015. These percentages have been based on the approximate average market volatility in exchange rates in the previous 23 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 24 month provide a reasonable estimation of possible future fluctuations in exchange rates.

If the US dollar had weakened / strengthened against sterling by 33% the following impact would have resulted – net result for the year up by US\$49,000, down by US\$49,000 respectively, and equity up by US\$49,000, down by US\$49,000 respectively.

If the US dollar had weakened / strengthened against the Indonesian rupiah by 21% the following impact would have resulted – net result for the year up by US\$136,000, down by US\$136,000 respectively, and equity down by US\$136,000, up by US\$136,000 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\$27,396,189 (2014: US\$25,101,233).

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.

# Nusantara Energy Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY LIMITED

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We have audited the parent company financial statements of Nusantara Energy Limited for the year ended 31 December 2015 which comprise the statement of financial position, the statement of changes in equity 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), including FRS 101 Reduced Disclosure Framework.

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 and express an opinion on 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 Financial Reporting Council's (FRC) website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2015 and of its loss for the year then 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.

### **Emphasis of matter – 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 company's ability to continue as a going concern.

As explained in note 1.2, 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.

# Nusantara Energy Limited

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NUSANTARA ENERGY LIMITED *(continued)*

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### **Opinion on other matter prescribed by the Companies Act 2006**

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

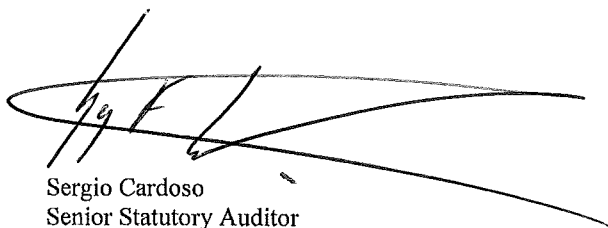
### **Matters on which we are required to report by exception**

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 matters**

We have reported separately on the Group financial statements of Nusantara Energy Limited for the year ended 31 December 2015. The report includes an emphasis of matter.



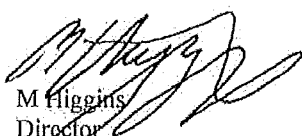
Sergio Cardoso  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
26 July 2017

**Nusantara Energy Limited**  
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2015**

|                                 | <i>Notes</i> | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|---------------------------------|--------------|-----------------------------------|-----------------------------------|
| <b>NON CURRENT ASSETS</b>       |              |                                   |                                   |
| Intangible assets               | 5            | 9,252,563                         | 9,252,563                         |
| Investments                     | 6            | 41,986,300                        | 24,786,300                        |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>TOTAL NON CURRENT ASSETS</b> |              | 51,238,863                        | 34,038,863                        |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>CURRENT ASSETS</b>           |              |                                   |                                   |
| Trade and other receivables     | 7            | 44,680,006                        | 51,868,081                        |
| Cash and cash equivalents       |              | 607,747                           | 1,016,128                         |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>TOTAL CURRENT ASSETS</b>     |              | 45,287,753                        | 52,884,209                        |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>CURRENT LIABILITIES</b>      |              |                                   |                                   |
| Trade and other payables        | 8            | (49,284,188)                      | (28,655,675)                      |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>NET CURRENT ASSETS</b>       |              | (3,996,435)                       | 24,228,534                        |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>NET ASSETS</b>               |              | 47,242,428                        | 58,267,397                        |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>CAPITAL AND RESERVES</b>     |              |                                   |                                   |
| Called up share capital         | 9            | 3,415,669                         | 3,415,669                         |
| Share premium account           | 10           | 1,692,024                         | 1,692,024                         |
| Other reserves                  | 10           | 74,585,985                        | 74,585,985                        |
| Translation reserve             | 10           | (2,759,782)                       | (2,759,782)                       |
| Profit and loss account         | 10           | (29,691,468)                      | (18,666,499)                      |
|                                 |              | <hr/>                             | <hr/>                             |
| <b>SHAREHOLDERS' FUNDS</b>      | 11           | 47,242,428                        | 58,267,397                        |
|                                 |              | <hr/>                             | <hr/>                             |

The financial statements were approved by the Board on 26 July 2017.

Signed on behalf of the board of directors:



M Higgins  
 Director  
 Company Registration No. 06156525

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

**Nusantara Energy Limited**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

|                                                             | Share<br>capital  | Share<br>premium   | Other<br>reserves | Translation<br>reserve | Retained<br>losses<br>attributable<br>to the<br>Company | Total              |
|-------------------------------------------------------------|-------------------|--------------------|-------------------|------------------------|---------------------------------------------------------|--------------------|
| At 1 January 2014                                           | US\$<br>3,415,669 | US\$<br>76,278,009 | US\$<br>-         | US\$<br>(2,759,782)    | US\$<br>(12,836,417)                                    | US\$<br>64,097,479 |
| Loss for the year                                           | -                 | -                  | -                 | -                      | (5,830,082)                                             | (5,830,082)        |
| Movement on foreign exchange                                | -                 | -                  | -                 | -                      | -                                                       | -                  |
| <b>TOTAL COMPREHENSIVE INCOME FOR YEAR</b>                  | -                 | -                  | -                 | -                      | (5,830,082)                                             | (5,830,082)        |
| Reduction of share premium and transfer to "other reserves" | -                 | (74,585,985)       | 74,585,985        | -                      | -                                                       | -                  |
| At 31 December 2014                                         | 3,415,669         | 1,692,024          | 74,585,985        | (2,759,782)            | (18,666,499)                                            | 58,267,397         |



# Nusantara Energy Limited

## COMPANY STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2015

|                                                             | Share<br>capital  | Share<br>premium  | Other<br>reserves  | Translation<br>reserve | Retained<br>losses<br>attributable<br>to the<br>Company | Total              |
|-------------------------------------------------------------|-------------------|-------------------|--------------------|------------------------|---------------------------------------------------------|--------------------|
| At 1 January 2015                                           | US\$<br>3,415,669 | US\$<br>1,692,024 | US\$<br>74,585,985 | US\$<br>(2,759,782)    | US\$<br>(18,666,499)                                    | US\$<br>58,267,397 |
| Loss for the year                                           | -                 | -                 | -                  | -                      | (11,024,969)                                            | (11,024,969)       |
| Movement on foreign exchange                                | -                 | -                 | -                  | -                      | -                                                       | -                  |
| TOTAL COMPREHENSIVE INCOME FOR YEAR                         | -                 | -                 | -                  | -                      | (11,024,969)                                            | (11,024,969)       |
| Reduction of share premium and transfer to "other reserves" | -                 | -                 | -                  | -                      | -                                                       | -                  |
| At 31 December 2015                                         | 3,415,669         | 1,692,024         | 74,585,985         | (2,759,782)            | (29,691,468)                                            | 47,242,428         |

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

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### **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 2015 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.

This is the first year that the Company has presented its financial statements under FRS 101. The transition did not affect the financial performance of the Company.

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 elsewhere in this Report and Accounts. The Company does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2015 the Company had cash and cash equivalents of US\$0.6m.

The Company has put in place borrowings 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. Ianto have agreed in principle to continue to support the Company on a reasonable basis. The loans have a 25% coupon compounding annually and mature in December 2018.

Although the Company currently has Ianto'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 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.

#### **1.3 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

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### **1 SIGNIFICANT ACCOUNTING POLICIES *(continued)***

#### **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.

#### **1.8 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

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 2 AUDITORS REMUNERATION

|                                                                                         | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|-----------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| <b>Auditors' remuneration paid to Grant Thornton UK LLP:</b>                            |                                        |                                        |
| Fees payable to the Company's auditor for the audit of the<br>Company's annual accounts | 35,580                                 | 37,370                                 |

### 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 2015 was US\$11,024,969 (2014: US\$5,830,082).

### 4 STAFF COSTS

|                                                                  | Year to<br>31 December<br>2015<br>US\$ | Year to<br>31 December<br>2014<br>US\$ |
|------------------------------------------------------------------|----------------------------------------|----------------------------------------|
| Staff costs, including directors' remuneration, were as follows: |                                        |                                        |
| Wages and salaries                                               | -                                      | -                                      |
| Social security costs                                            | -                                      | -                                      |
| Money purchase pension contributions                             | -                                      | -                                      |
|                                                                  | -                                      | -                                      |

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 Company are considered to be its key management personnel.

|                                                                                                                    | 2015<br>No. | 2014<br>No. |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| The average monthly number of employees for the Company,<br>including directors, during the period was as follows: |             |             |
| Management                                                                                                         | -           | -           |

### 5 INTANGIBLE ASSETS

|                     | Exploration<br>costs<br>US\$ |
|---------------------|------------------------------|
| <b>Cost</b>         |                              |
| At 1 January 2015   | 9,252,563                    |
| Additions           | -                            |
| At 31 December 2015 | 9,252,563                    |

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

| 6 | INVESTMENTS         | Shares in<br>Group<br>undertakings<br>US\$ |
|---|---------------------|--------------------------------------------|
|   | <b>Cost</b>         |                                            |
|   | At 1 January 2015   | 24,786,300                                 |
|   | Additions           | 17,200,000                                 |
|   | At 31 December 2015 | 41,986,300                                 |

In December 2015 an agreement between the Company and PT Artha Nusantara Mining (ANM) was made to convert US\$17,200,000 of the loan facilities received by ANM from the Company to a payment in advance of share capital of the Company in ANM.

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

| Name                            | Business    | Country of<br>Incorporation | Holding | Cost at<br>31 December<br>2015<br>US\$ |
|---------------------------------|-------------|-----------------------------|---------|----------------------------------------|
| PT Artha Nusantara Resources    | Mining      | Indonesia                   | 99.98%  | 24,486,300                             |
| PT Artha Nusantara Mining       | Mining      | Indonesia                   | 100%    | 17,450,000                             |
| Nusantara Holdings (Luxembourg) | Holding Co. | Luxembourg                  | 100%    | 50,000                                 |

| 7 | TRADE AND OTHER RECEIVABLES        | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|---|------------------------------------|-----------------------------------|-----------------------------------|
|   | <b>Current</b>                     |                                   |                                   |
|   | Amounts owed by Group undertakings | 44,600,056                        | 51,808,692                        |
|   | Other debtors                      | 79,950                            | 59,389                            |
|   |                                    | 44,680,006                        | 51,868,081                        |
| 8 | TRADE AND OTHER PAYABLES           | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|   | <b>Current</b>                     |                                   |                                   |
|   | Loan Note                          | 49,075,086                        | 28,054,452                        |
|   | Trade creditors                    | 85,643                            | 94,372                            |
|   | Accruals and deferred income       | 123,459                           | 192,882                           |
|   | Provisions                         | -                                 | 313,969                           |
|   |                                    | 49,284,188                        | 28,655,675                        |

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

### 9 SHARE CAPITAL

|                                                                   | At<br>31 December<br>2015<br>US\$ | At<br>31 December<br>2014<br>US\$ |
|-------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| <b>Authorised</b>                                                 |                                   |                                   |
| 21,211,381 Ordinary shares of US\$0.16103 each                    | 3,415,669                         | 3,415,669                         |
| <b>Allotted, called up and fully paid</b>                         |                                   |                                   |
| 21,211,381 (2014: 21,211,381) Ordinary shares of US\$0.16103 each | 3,415,669                         | 3,415,669                         |

No shares were issued in 2015 (2014: Nil).

At the General Meeting held on 10 December 2013 a special resolution was passed that the 2012 share premium account of the Company be reduced from \$74,585,985 to \$0, and the amount by which the share premium account is so reduced be credited to a reserve effective on 14 January 2014. This has been called "other reserves".

|                                 | Exercise<br>price (p) | At<br>1 January<br>2015 | Issued in year   | At<br>31 December<br>2015 |
|---------------------------------|-----------------------|-------------------------|------------------|---------------------------|
| Warrants granted September 2012 | 0.25p                 | 168,181,818             | -                | 168,181,818               |
| Warrants granted October 2014   |                       | 11,750,000              | 6,000,000        | 17,750,000                |
|                                 |                       | <u>179,931,818</u>      | <u>6,000,000</u> | <u>185,931,818</u>        |

The exercise price of the October 2014 warrants is two times the rights price, however if no decision to hold a rights issue is made, then the warrant price will need to be changed.

### 10 RESERVES

|                                                                | Translation<br>reserve<br>account<br>US\$ | Other<br>reserves<br>US\$ | Share<br>premium<br>account<br>US\$ | Profit and<br>loss account<br>US\$ |
|----------------------------------------------------------------|-------------------------------------------|---------------------------|-------------------------------------|------------------------------------|
| At 1 January 2015                                              | (2,759,782)                               | 74,585,985                | 1,692,024                           | (18,666,499)                       |
| Loss for the year                                              | -                                         | -                         | -                                   | (11,024,969)                       |
| Reduction of share premium and<br>transfer to "other reserves" | -                                         | -                         | -                                   | -                                  |
| At 31 December 2015                                            | <u>(2,759,782)</u>                        | <u>74,585,985</u>         | <u>1,692,024</u>                    | <u>(29,691,468)</u>                |

# Nusantara Energy Limited

## COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2015

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### 11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Shareholders'  
funds  
US\$

|                   |              |
|-------------------|--------------|
| At 1 January 2015 | 58,267,397   |
| Loss for the year | (11,024,969) |

|                     |            |
|---------------------|------------|
| At 31 December 2015 | 47,242,428 |
|---------------------|------------|

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### 12 SHARE BASED PAYMENTS

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

### 13 RELATED PARTY TRANSACTIONS

During the year the Company borrowed US\$12,500,000 (2014: US\$24,306,489) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US\$11,986,898 (2014: US\$3,522,604), was US\$48,793,388 (2014: US\$27,829,093)

During the year the Company borrowed US\$Nil (2014: US\$193,511) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US\$88,188 (2014: US\$31,848), was US\$281,698 (2014: US\$225,359)

During the year fees of US\$Nil (2014: US\$16,025) were incurred for payment to Ianto Finance Limited in relation to legal fees. At the end of 2015 all outstanding balances had been paid (2014: US\$Nil)

At the end of 2015 US\$Nil (2014: US\$203,577) remains payable to Med Mining and Minerals Ltd, a company which Mr M Groat is a director, in relation to consulting services provided by Mr M Groat. These fees were incurred in 2011 and 2012. This was included in provisions and was settled during 2015.

At the end of 2015 US\$Nil (2014: US\$17,438) remains payable to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. These fees were incurred in 2010 and 2011. This was included in provisions and was settled during 2015.

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

### 14 POST BALANCE SHEET EVENTS

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

### 15 TRANSITION TO FRS 101

The Company has adopted FRS 101 for the first time having previously applied UK GAAP that was effective before periods commencing on or after 1 January 2015. The date of transition to FRS 101 was 1 January 2015. There has been no adjustments to the financial statements as a result of the transition.

### 16 ULTIMATE PARENT COMPANY

The ultimate controlling party is Ianto Finance Limited.

