Nusantara Energy Limited

ANNUAL REPORT

for the year ended

31 December 2016

Company Registration No. 06156525

Nusantara Energy Limited
COMPANY INFORMATION

Directors	
	M Higgins C Putt T Childs
Secretary	B J Stuart
Company registration number	06156525
Registered office	5 Fleet Place London EC4M 7RD
Auditors	Grant Thornton UK LLP 30 Finsbury Square London. EC2P 2YU
Bankers	Barclays Bank plc One Churchill Place London E14 5HP

Nusantara Energy Limited
CONTENTS

PRINCIPAL ACTIVITY AND GENERAL INFORMATION

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

CHAIRMAN'S STATEMENT

In November 2013 a restructuring proposal was circulated to all shareholders to undertake the transfer of the Company assets to a Luxembourg company. The resolution was passed but the restructuring had not been formally completed and remains on hold.

BUSINESS AND FINANCIAL REVIEW

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

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

The Company continues to believe in the demand fundamentals of the Jambi coal and that the coal price should start to strengthen in the medium to long term, although does not expect prices to return to levels seen in 2010 and 2011. Despite the challenging environment, the Company remains positive on the longer term fundamentals of the asset and believes in its economic viability.

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.

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

M Higgins
Director

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2016.

DIVIDEND

The directors do not recommend payment of a dividend.

GOING CONCERN

The financial position of the Group, its cash flows and liquidity are described throughout this Report and Accounts. The Group does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2016, the Group had cash and cash equivalents of US$0.6m.

The Group had 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 had a 25% coupon compounding annually and mature in December 2018.

On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived (see note 19).

Post year end, following the conversion of the existing debt to equity, a new working capital facility of $5m has been put in place with Ianto Finance Limited.

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 2016 include:

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

RISK REVIEW *(continued)*

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

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

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

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

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

DIRECTORS

The directors who served during the year were:

M Higgins
C Putt
T Childs

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements ; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The directors confirm that:

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

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

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

To the best of our knowledge:

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

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

POST BALANCE SHEET EVENTS

On 27 November 2017, Nusantara Energy Limited issued share capital of $46,125,000 by converting the loan of US$86,095,500 with Ianto Finance Limited and Broughton Limited. The accrued interest of US$39,720,500 was waived. A new US$5,000,000 working capital facility has been put in place with Ianto Finance Limited and Broughton Limited, of which US$250,000 has been drawndown

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 4 December 2017.

M Higgins
Director

We have audited the group financial statements of Nusantara Energy Limited for the year ended 31 December 2016 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.

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 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which 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 2016. The report includes an emphasis of matter.

UK LLP

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

Nusantara Energy Limited
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	Year to 31 December 2016 US$	Year to 31 December 2015 US$
OVERHEADS			
Administrative expenses		(2,571,586)	(3,919,664)
OPERATING LOSS BEFORE FINANCE COSTS	3	(2,571,586)	(3,919,664)
FINANCE COSTS			
Interest income	5	3,879	5,963
Foreign exchange gain / (loss)		1,190,944	(4,225,168)
Interest expense	6	(13,254,162)	(8,520,631)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION		(14,630,925)	(16,659,500)
Income tax expense	8	(111,436)	(118,226)
LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(14,742,361)	(16,777,726)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR		(14,742,361)	(16,777,726)

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 2016

	Notes	At 31 December 2016 US$	At 31 December 2015 US$
ASSETS			
NON CURRENT ASSETS			
Intangible assets	9	42,064,533	39,161,816
Property, plant and equipment	10	6,324	8,920
TOTAL NON CURRENT ASSETS		42,070,857	39,170,736
CURRENT ASSETS			
Trade and other receivables	11	28,830,666	25,896,394
Cash and cash equivalents		596,355	1,499,795
TOTAL CURRENT ASSETS		29,427,021	27,396,189
TOTAL ASSETS		71,497,878	66,566,925
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	(70,133,717)	(50,626,561)
NON CURRENT LIABILITIES			
Provisions	12	(115,741)	(69,583)
NET ASSETS		1,248,420	15,870,781
EQUITY			
Equity attributable to equity holders of Parent:			
Share capital	13	3,434,993	3,415,669
Share premium	13	1,792,700	1,692,024
Other reserves		74,585,985	74,585,985
Translation reserve		(3,858,888)	(3,858,888)
Retained deficit		(74,706,370)	(59,964,009)
TOTAL EQUITY		1,248,420	15,870,781

These above financial statements were approved by the Board on 4 December 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 2016

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to equity holders of Parent	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2015	3,415,669	1,692,024	74,585,985	(3,858,888)	(43,186,283)	32,648,507
Loss for the year	-	-	-	-	(16,777,726)	(16,777,726)
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

Nusantara Energy Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
For the year ended 31 December 2016

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

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 2016

	Notes	Year to 31 December 2016 US$	Year to 31 December 2015 US$ Restated
CASH FLOWS FROM OPERATING ACTIVITIES	14	(2,207,830)	(5,219,344)
INVESTING ACTIVITIES			
Interest received		3,879	5,963
Interest paid		(3)	-
Prepayment of assets		(2,913,215)	(5,850,369)
Purchase of exploration and evaluation assets		(671,271)	(1,352,488)
CASH FLOWS FROM INVESTING ACTIVITIES		(3,580,610)	(7,196,894)
FINANCING ACTIVITIES			
Issue of ordinary shares		120,000	-
Issue (repayment) of loan notes		4,765,000	12,000,000
CASH FLOWS FROM FINANCING ACTIVITIES		4,885,000	12,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(903,440)	(416,238)
Cash and cash equivalents brought forward		1,499,795	1,916,033
CASH AND CASH EQUIVALENTS CARRIED FORWARD		596,355	1,499,795

The accompanying notes form an integral part of these consolidated financial statements. 2015 has been restated due to an adjustment to the interest and structuring fee repayments related to the loan from Ianto Finance Limited in prior years.

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 2016.

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

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

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

1.2 Going concern

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

The financial position of the Group, its cash flows and liquidity are described throughout this Report and Accounts. The Group does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2016 the Group had cash and cash equivalents of US$0.6m.

The Group had in place a facility of up to $45m from Ianto Finance Limited, the major shareholder, since 2014 for further investment and to continue to support the operations of the Group. $40.3m of this had been drawn down at year end. Ianto have agreed in principle to continue to support the Group on a reasonable basis. The loans had a 25% coupon compounding annually and mature in December 2018.

On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived (see note 19).

Post year end, following the conversion of the existing debt to equity, a new working capital facility of US$5,000,000 has been put in place with Ianto.

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

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

1 ACCOUNTING POLICIES *(continued)*

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2016. Control is achieved where the Company has the power to govern the financial statements and operating policies of an investee entity so as to obtain benefits from its activities.

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

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

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

1.4 Foreign currencies

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

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

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

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

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

1.5 Employee benefits

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

1 ACCOUNTING POLICIES *(continued)*

1.6 Share based payments

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

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

1.7 Taxation

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

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

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

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

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

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

1.8 Operating leases

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

1 ACCOUNTING POLICIES *(continued)*

1.9 Interest income and expense

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

1.10 Exploration and evaluation assets

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

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

1.11 Property, Plant and Equipment

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

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

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

1 ACCOUNTING POLICIES *(continued)*

1.12 Capital risk management

The Group's capital risk management objectives are:

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

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

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

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

1.13 Reserves

Equity comprises the following:

- "Share capital" is the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" represents a distributable reserve arising as a result of the reduction of the Company's share premium account in January 2014.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries
- "Retained deficit" represents cumulative retained losses attributable to holders of ordinary share of the Company

1 ACCOUNTING POLICIES *(continued)*

1.14 Financial instruments

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

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

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

(i) Trade and other receivables

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

(ii) Investments

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

(iii) Cash and cash equivalents

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

(iv) Trade and other payables

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

(v) Financial liabilities and equity

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

1 ACCOUNTING POLICIES *(continued)*

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

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

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but the Group has not early adopted them:

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

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

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

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

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

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

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

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Exploration and evaluation assets

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

Key sources of estimation uncertainty

Impairment of intangible assets

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

Impairment of assets

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

Fair value of financial instruments

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

3 OPERATING LOSS

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
The operating loss is stated after charging:		
Auditors' remuneration paid to Grant Thornton:		
Fees payable to the Group's auditor for the audit of the Group's annual accounts	29,486	35,580
Other services related to subsidiary audits performed by member firms	29,769	31,092
Other services related to taxation performed by member firms	-	33,741
Services related to taxation not provided by Grant Thornton	39,094	4,833
Depreciation and amortisation expense	14,403	14,088
Operating lease rentals	230,628	199,661
Tax penalties and charges	18,806	22,488

4 STAFF COSTS

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Staff costs for the Group, including directors' remuneration, were as follows:		
Wages and salaries	292,600	257,132
Social security costs	41,319	41,110
	333,919	298,242

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.

	2016 No.	2015 No.
The average monthly number of employees for the Group, including directors, during the period was as follows:		
Management and administration	10	12
Operational	6	5
	16	17

5 INTEREST INCOME

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Bank interest	3,879	5,963
	3,879	5,963

6 INTEREST EXPENSE

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Loan note interest	13,254,159	8,520,631
Bank interest	3	-
	13,254,162	8,520,631

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.

8 INCOME TAX EXPENSE

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Taxation on profit on ordinary activities		
Overseas tax	111,436	119,671
Deferred tax	-	(1,445)
Total tax	111,436	118,226

The tax incurred for the period is lower than the standard rate of corporation tax of 20.25% (2015: 20.25%) in the UK

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Loss on ordinary activities before tax	(14,630,925)	(12,472,808)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 20.25% (2015: 20.25%)	(2,926,185)	(2,525,744)
Effects of:		
Expenses not deductible for tax purposes	337,954	767
Brought forward tax losses utilised against current year liabilities	3,411,743	2,550,983
Overseas taxation chargeable	133,253	(39,472)
Adjustment for deferred tax from prior year loss	(610,035)	156,739
Difference in effective tax rate	-	-
Currency (gains) / losses	(242,916)	(24,660)
Other permanent timing differences	7,622	(387)
Total charge for the period	111,436	118,226

Factors that may affect future tax charges

The Group has tax losses carried forward of US$46,589,485 (2015: US$32,243,896) that are available for offset against future taxable profits.

Unrecognised deferred tax assets

The Group has a deferred tax asset of US$9,317,897 (2015: US$6,529,389) due to taxable losses carried forward. This has not been recognised in the Group accounts due to the uncertainty of the realisation of this asset in the foreseeable future.

9 INTANGIBLE ASSETS

	At 31 December 2016 US$	At 31 December 2015 US$
Exploration and evaluation assets		
Cost and net book value		
At 1 January	14,537,595	13,185,110
Additions	2,913,217	1,352,485
At 31 December	17,450,812	14,537,595
Licences		
At 1 January	24,606,721	24,606,721
At 31 December	24,606,721	24,606,721
Mining Software		
At 1 January	17,500	28,000
Amortisation	(10,500)	(10,500)
At 31 December	7,000	17,500
	42,064,533	39,161,816

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.

10 PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2015	19,002	117,222	16,466	166,822	319,512
At 31 December 2015	19,002	117,222	16,466	166,822	319,512
Depreciation					
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)
Net book value					
At 31 December 2015	-	370	2,396	6,154	8,920
At 31 December 2014	-	1,954	3,920	8,218	14,092

10 **PROPERTY, PLANT AND EQUIPMENT** *(continued)*	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	US$	US$	US$	US$	US$
Cost					
At 1 January 2016	19,002	117,222	16,466	166,822	319,512
Additions	-	-	1,677	-	1,677
At 31 December 2016	19,002	117,222	18,143	166,822	321,189
Depreciation					
At 1 January 2016	(19,002)	(116,852)	(14,070)	(160,668)	(310,591)
Charged in the year	-	(370)	(1,839)	(2,064)	(4,273)
At 31 December 2016	(19,002)	(117;222)	(15,909)	(162,732)	(314,865)
Net book value					
At 31 December 2016	-	-	2,234	4,090	6,324
At 31 December 2015	-	370	2,396	6,154	8,920

Depreciation of US$370 (2015: 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.

11 TRADE AND OTHER RECEIVABLES

	At 31 December 2016 US$	At 31 December 2015 US$
Current		
Sundry debtors	-	12,554
Recoverable Value Added Tax	278,224	186,004
Prepayments and accrued income	28,552,442	25,697,836
	28,830,666	25,896,394

Current

Prepayments and accrued income includes US$25,986,513 (2015: US$25,020,344) for prepayment for asset acquisitions.

12 TRADE AND OTHER PAYABLES

	At 31 December 2016 US$	At 31 December 2015 US$
Non Current		
Provisions	115,741	69,583
	115,741	69,583
Current		
Loan notes	67,844,244	49,075,086
Trade payables	28,079	99,465
Other payables	300,707	136,424
Accruals and deferred income	1,960,687	1,315,586
	70,133,717	50,626,561

Non Current

Provisions include US$100,554 (2015: US$65,371) for staff termination and US$15,187 (2015: US$4,212) deferred tax liability.

Current

Loan notes include borrowings and interest from Ianto Finance Limited of US$67,492,052 (2015: US$48,793,388) and from Broughton Limited of US$352,192 (2015: US$281,698).

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$300,707 (2015: US$180,240), 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$713,570 (2015: US$1,042,500) for the compensation agreed to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, payable when the Group commences production.

13 SHARE CAPITAL

	At 31 December 2016 US$	At 31 December 2015 US$
Authorised		
21,331,381 Ordinary shares of US$0.16103 each	3,434,993	3,415,669
Allotted, called up and fully paid		
21,331,381 (2015: 21,211,381) Ordinary shares of US$0.16103 each	3,434,993	3,415,669
Share Premium		
Share premium on Ordinary shares	1,792,700	1,692,024

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

In 2016, 120,000 shares were recognised that were previously issued in 2014 to the Director of the Indonesian subsidiaries (2015: Nil). This was in lieu of a Director's fee of US$120,000 at the time.

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 Price	At 1 January 2016 Number	Granted in year Number	At 31 December 2016 Number
Warrants				
Warrants granted September 2012	0.25p	168,181,818	-	168,181,818
Warrants granted per October 2014 loan agreement		17,750,000	2,382,500	20,132,500
		185,931,818	2,382,500	188,314,318

As a result of the 2012 share offer the Company issued warrants to the underwriter, Ianto Finance Limited.

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.

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

	At 31 December 2016 US$	At 31 December 2015 US$ Restated
Operating loss	(2,571,586)	(3,919,664)
Depreciation and amortisation charged	14,773	15,672
Exchange rate gain (loss)	1,190,944	(4,225,168)
(Increase) / decrease in receivables	(2,263,005)	3,541,110
(Increase) / decrease in payables	1,534,157	(513,068)
Purchase of tangibles	(1,677)	-
Income taxes paid	(111,436)	(118,226)
Net cash (used in) / generated from operating activities	(2,207,830)	(5,219,344)

2015 has been restated due to an adjustment to the interest and structuring fee repayments related to the loan from Ianto Finance Limited in prior years.

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 2016.

16 OPERATING LEASE COMMITMENTS

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

	Land and Buildings 2016 US$	Land and Buildings 2015 US$
Expiry date:		
Not later than one year	168,555	169,685
Between one and three years	74,274	261,934

17 RELATED PARTY TRANSACTIONS

During the year the Company borrowed US$5,015,000 (2015: US$12,500,000) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US$25,170,563 (2015: US$11,986,898), was US$67,492,052 (2015: US$48,793,388).

During the year the Company borrowed US$Nil (2015: US$Nil) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US$158,681 (2015: US$88,188), was US$352,192 (2015: US$281,698).

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

18 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Ianto Finance Limited.

19 POST BALANCE SHEET EVENTS

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

20 FINANCIAL INSTRUMENTS

	At 31 December 2016 US$	At 31 December 2015 US$
Categories of financial instruments		
Financial Assets		
Loans and receivables	-	12,554
Cash and cash equivalents	596,355	1,499,795
	596,355	1,512,349
Financial Liabilities		
At amortised cost – falling due within one year	69,835,895	50,533,953

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

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

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

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

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

	GBP US$'000s	IDR US$'000s
Financial Assets		
Loans and receivables	3	-
Cash and cash equivalents	11	125
	14	125
Financial Liabilities		
Trade and other payables	41	847

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 +/- 26% change in the US dollar/sterling and a +/- 10% US dollar/Indonesian rupiah exchange rate for the period ended 31 December 2016. 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 26% the following impact would have resulted – net result for the year up by US$7,000, down by US$7,000 respectively, and equity up by US$7,000, down by US$7,000 respectively.

If the US dollar had weakened / strengthened against the Indonesian rupiah by 10% the following impact would have resulted – net result for the year up by US$71,000, down by US$71,000 respectively, and equity down by US$71,000, up by US$71,000 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$29,427,021 (2015: US$27,396,189).

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

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

We have audited the parent company financial statements of Nusantara Energy Limited for the year ended 31 December 2016 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.

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 2016 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which 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 2016. The report includes an emphasis of matter.

UK LLP

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

Nusantara Energy Limited
COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	At 31 December 2016 US$	At 31 December 2015 US$
NON CURRENT ASSETS			
Intangible assets	4	9,252,563	9,252,563
Investments	5	46,471,300	41,986,300
TOTAL NON CURRENT ASSETS		55,723,863	51,238,863
CURRENT ASSETS			
Trade and other receivables	6	45,519,098	44,680,006
Cash and cash equivalents		23,292	607,747
TOTAL CURRENT ASSETS		45,542,390	45,287,753
CURRENT LIABILITIES			
Trade and other payables	7	(67,940,614)	(49,284,188)
NET CURRENT ASSETS		(22,398,224)	(3,996,435)
NET ASSETS		33,325,639	47,242,428
CAPITAL AND RESERVES			
Called up share capital	8	3,434,993	3,415,669
Share premium account	9	1,792,700	1,692,024
Other reserves	9	74,585,985	74,585,985
Translation reserve	9	(2,759,782)	(2,759,782)
Profit and loss account	9	(43,728,257)	(29,691,468)
SHAREHOLDERS' FUNDS	10	33,325,639	47,242,428

The financial statements were approved by the Board on 4 December 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 financial statements.

Nusantara Energy Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share capital	Share premium	Other reserves	Translation reserve	Retained losses attributable to the Company	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2015	3,415,669	1,692,024	74,585,985	(2,759,782)	(18,666,499)	58,267,397
Loss for the year	-	-	-	-	(11,024,969)	(11,024,969)
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

Nusantara Energy Limited

COMPANY STATEMENT OF CHANGES IN EQUITY *(continued)*
For the year ended 31 December 2016

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

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

1 SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation of financial statements

These financial statements present information about the Company for the year ended 31 December 2016 as an individual entity. They have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). These policies have all been applied consistently throughout the year unless otherwise stated.

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

1.2 Going Concern

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

The financial position of the Company, its cash flows and liquidity are described throughout this Report and Accounts. The Company does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. At the year ended 31 December 2016 the Company had cash and cash equivalents of US$0.02m.

The Company had in place a facility of up to $45m from Ianto Finance Limited, the major shareholder, since 2014 for further investment and to continue to support the operations of the Company. $40.3m of this had been drawn down at year end. Ianto have agreed in principle to continue to support the Company on a reasonable basis. The loans had a 25% coupon compounding annually and mature in December 2018.

On 27 November 2017, Ianto Finance Limited converted the borrowings in place with Nusantara Energy Limited to equity. The accrued interest was waived (see note 19 of the Group financial statements).

Post year end, following the conversion of the existing debt to equity, a new working capital facility of US$5,000,000 has been put in place with Ianto Finance Limited.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Disclosure exemptions adopted

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

1.4 Investments

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

1.5 Operating leases

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

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

1.6 Deferred taxation

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

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

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

Deferred tax assets and liabilities are not discounted.

1.7 Foreign currencies

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.8 Reserves

Equity comprises the following:

- "Share capital" is the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" represents a distributable reserve arising as a result of the reduction of the Company's share premium account in January 2014.
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries
- "Retained deficit" represents cumulative retained losses attributable to holders of ordinary share of the Company

2 AUDITORS REMUNERATION

	Year to 31 December 2016 US$	Year to 31 December 2015 US$
Auditors' remuneration paid to Grant Thornton UK LLP:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	29,486	35,580

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$14,036,789 (2015: US$11,024,969).

4 INTANGIBLE ASSETS

	Exploration costs US$
Cost	
At 1 January 2016	9,252,563
Additions	-
At 31 December 2016	9,252,563

5 INVESTMENTS

Cost	Shares in Group undertakings US$
At 1 January 2016	41,986,300
Additions	4,485,000
At 31 December 2016	46,471,300

An agreement was made on 1 January 2016 that all contributions to ANM and ANR would be considered Capital in Advance. During 2016 this amounted to US$4,485,000 (2015: US$17,200,000).

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	**Business**	**Country of Incorporation**	**Holding**	**Cost at 31 December 2016 US$**
PT Artha Nusantara Resources	Mining	Indonesia	99.98%	24,971,300
PT Artha Nusantara Mining	Mining	Indonesia	100%	21,450,000
Nusantara Holdings (Luxembourg)	Holding Co.	Luxembourg	100%	50,000

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

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

6 TRADE AND OTHER RECEIVABLES

Current	At 31 December 2016 US$	At 31 December 2015 US$
Amounts owed by Group undertakings	45,515,906	44,600,056
Other debtors	3,192	79,950
	45,519,098	44,680,006

7 TRADE AND OTHER PAYABLES

	At 31 December 2016 US$	At 31 December 2015 US$
Current		
Loan Note	67,844,244	49,075,086
Trade creditors	10,918	85,643
Accruals and deferred income	85,452	123,459
	67,940,614	49,284,188

8 SHARE CAPITAL

	At 31 December 2016 US$	At 31 December 2015 US$
Authorised		
21,331,381 Ordinary shares of US$0.16103 each	3,434,993	3,415,669
Allotted, called up and fully paid		
21,331,381 (2014: 21,211,381) Ordinary shares of US$0.16103 each	3,434,993	3,415,669
Share Premium		
Share premium on Ordinary shares	1,792,700	1,692,024

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

In 2016, 120,000 shares were recognised that were previously issued in 2014 to the Director of the Indonesian subsidiaries (2015: Nil). This was in lieu of a Director's fee of US$120,000 at the time.

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 price (p)	At 1 January 2016	Issued in year	At 31 December 2016
Warrants granted September 2012	0.25p	168,181,818	-	168,181,818
Warrants granted per October 2014 loan agreement		17,750,000	2,382,500	20,132,500
		185,931,818	2,382,500	188,314,318

As a result of the 2012 share offer the Company issued warrants to the underwriter, Ianto Finance Limited.

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.

9 RESERVES

	Translation reserve account US$	Other reserves US$	Share premium account US$	Profit and loss account US$
At 1 January 2016	(2,759,782)	74,585,985	1,692,024	(29,691,468)
Loss for the year	-	-	-	(14,036,789)
Shares issued	-	-	100,676	-
At 31 December 2016	(2,759,782)	74,585,985	1,792,700	(43,728,257)

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Shareholders' funds US$
At 1 January 2016	47,242,428
Shares issued during period	19,324
Share premium on shares issued	100,676
Loss for the year	(14,036,789)
At 31 December 2016	33,325,639

11 SHARE BASED PAYMENTS

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

12 RELATED PARTY TRANSACTIONS

During the year the Company borrowed US$5,015,000 (2015: US$12,500,000) from Ianto Finance Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US$25,170,563 (2015: US$11,986,898), was US$67,492,052 (2015: US$48,793,388)

During the year the Company borrowed US$Nil (2015: US$Nil) from Broughton Limited, a shareholder in the Company. At the end of the year the outstanding balance, including accrued interest of US$158,681 (2015: US$88,188), was US$352,192 (2015: US$281,698).

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

13 POST BALANCE SHEET EVENTS

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

14 ULTIMATE PARENT COMPANY

The ultimate controlling party is Ianto Finance Limited.