PT Barasentosa Lestari

Financial statements as of March 31, 2018
and for the twelve-month period then ended
with independent auditor's report

PT BARASENTOSA LESTARI
FINANCIAL STATEMENTS AS OF MARCH 31, 2018
AND FOR THE TWELVE-MONTH PERIOD THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT

Contents

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An instinct for growth™

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Independent Auditor's Report

Board of Directors and Stockholders
PT Barasentosa Lestari

We have audited the accompanying financial statements of PT Barasentosa Lestari, which comprise the statement of financial position as of March 31, 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the twelve-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on such financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Barasentosa Lestari as of March 31, 2018 and its financial performance and cash flows for the twelve-month period then ended, in accordance with Indonesian Financial Accounting Standards.

Other matter

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Furthermore, the majority shareholder of the Company, PT Duta Sarana Internusa will continue to provide financial support to the Company. These financial statements do not include any adjustments that might result from the outcome of the uncertainty on the going concern of the Company.

Hanna P. Handayani, CPA
License of Public Accountant No. AP. 0662

May 11, 2018

PT BARASENTOSA LESTARI
STATEMENT OF FINANCIAL POSITION
As of March 31, 2018
(Expressed in US Dollar, unless otherwise stated)

	Notes	2018	2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2c,k,4	301,089	598,385
Trade receivables	2k,6	387,200	-
Inventories	2e,5	52,572	52,572
Advance payments	2d,7,25f	752,315	666,290
Prepayments	8	24,444	9,832
Total current assets		1,517,620	1,327,079
NON-CURRENT ASSETS			
Fixed assets	2f,9	14,668,493	13,368,307
Refundable deposits	2k,10	2,779,869	18,533
Restricted deposits	2k,11	581,410	423,686
Deferred tax assets	2i,12c	24,042	-
Deferred exploration and development expenditures	2b,13	78,899,912	68,135,463
Total non-current assets		96,953,726	81,945,989
TOTAL ASSETS		**98,471,346**	**83,273,068**

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

PT BARASENTOSA LESTARI
STATEMENT OF FINANCIAL POSITION (continued)
As of March 31, 2018
(Expressed in US Dollar, unless otherwise stated)

	Notes	2018	2017
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accrued expenses	2d,k,14,25b	3,419,287	2,574,474
Taxes payable	2i,12a	202,223	181,924
Other payables	2d,k,15,25a	1,488,921	211,696
Advance from customers	2d,16,25d	19,092,552	1,614,938
Total current liabilities		24,202,983	4,583,032
NON-CURRENT LIABILITIES			
Convertible bonds	2d,k,17,25g	9,939,403	9,939,403
Bank loans	2k,17	36,000,000	40,000,000
Other payables	2d,k,15,25a	31,250,254	31,250,254
Post employment benefit obligation	2j,19	226,633	322,110
Deferred tax liabilities	2i,12c	-	2,291
Total non-current liabilities		77,416,290	81,514,058
EQUITY (CAPITAL DEFICIENCY)			
Capital stock			
Authorized, issued and fully paid-up capital 3,500 shares at Rp 1,000,000 par value each	20	898,734	898,734
Additional paid-in capital		78,555	78,555
Mandatory convertible bonds	2d,22,25c	113,180	113,180
Other contributed capital	18	225,900	225,900
Accumulated actuarial gain	19	39,637	109,338
Accumulated deficit	27	(4,503,933)	(4,249,729)
Total capital deficiency		(3,147,927)	(2,824,022)
TOTAL LIABILITIES NET OF CAPITAL DEFICIENCY		**98,471,346**	**83,273,068**

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

PT BARASENTOSA LESTARI
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the twelve-month period ended March 31, 2018
(Expressed in US Dollar, unless otherwise stated)

	Notes	2018	2017
Operating expenses			
General and administrative expenses	2g,23	(309,754)	(307,625)
Operating loss		(309,754)	**(307,625)**
Other income (expenses) - net	2g,h,24	52,449	(62,932)
Loss before income tax		**(257,305)**	**(370,557)**
Deferred tax - benefit, net	2i,12c	3,101	1,811
Loss for the period		**(254,204)**	**(368,746)**
Other comprehensive income net of tax:			
Other comprehensive income not to be reclasiffied to profit or loss			
Actuarial gain (loss) on employment benefit, net of tax	19	(69,702)	5,984
Other comprehensive income to be reclassified to profit or loss		-	-
Total comprehensive loss for the period		**(323,906)**	**(362,762)**

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

PT BARASENTOSA LESTARI
STATEMENT OF CHANGES IN EQUITY
For the twelve-month period ended March 31, 2018
(Expressed in US Dollar, unless otherwise stated)

	Notes	Capital stock	Additional paid in capital	Mandatory convertible bonds	Other contributed capital	Accumulated actuarial gain (loss)	Accumulated deficits	Total
Balance as of March 31, 2016		**898,734**	**78,555**	**113,180**	**225,900**	**103,354**	**(3,880,983)**	**(2,461,260)**
Total comprehensive loss for the period		-	-	-	-	-	(368,746)	(368,746)
Actuarial loss on employment benefit, net of tax	19	-	-	-	-	5,984	-	5,984
Balance as of March 31, 2017		**898,734**	**78,555**	**113,180**	**225,900**	**109,338**	**(4,249,729)**	**(2,824,022)**
Total comprehensive loss for the period		-	-	-	-	-	(254,204)	(254,204)
Actuarial loss on employment benefit, net of tax	19	-	-	-	-	(69,702)	-	(69,702)
Balance as of March 31, 2018		**898,734**	**78,555**	**113,180**	**225,900**	**39,636**	**(4,503,933)**	**(3,147,928)**

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

PT BARASENTOSA LESTARI
STATEMENT OF CASH FLOWS
For the twelve-month period ended March 31, 2018
(Expressed in US Dollar, unless otherwise stated)

	Notes	2018	2017
Cash flows from operating activities			
Loss before income tax		(257,305)	(370,557)
Adjustments to reconcile loss before tax to net cash provided by operating activities:			
Post-employment benefit	19	42,039	99,367
Unrealized foreign exchange gain from post-employment benefit	19	(2,959)	(22,368)
Depreciation of fixed assets	9	160,944	161,503
Loss on disposal of fixed assets	9	-	65,158
Operating cash flows before in working capital changes		(57,281)	(66,897)
Increase in advance payments		(86,025)	(53,697)
Decrease (increase) in prepayments		(14,612)	42,106
Increase in trade receivables		(387,200)	-
Decrease in other receivables		-	1,640
Decrease in inventories		-	373,175
Decrease in prepaid taxes		-	224
Increase in refundable deposits		(2,761,336)	(5,178)
Decrease (increase) in advance from customers		17,477,615	(770,062)
Increase in restricted deposits		(157,724)	(25,533)
Increase in other payables		1,277,226	6,556,957
Increase in accrued expenses		844,815	456,780
Increase (decrease) in taxes payable		20,299	(6,564)
Post-employment benefit payment		(227,493)	(225,832)
Net cash provided by operating activities		15,928,284	6,277,119
Cash flows from investing activities			
Deferred exploration and development expenditures		(10,764,449)	(5,794,378)
Payments to acquire fixed assets	9	(1,461,129)	(44,249)
Net cash used in investing activities		(12,225,580)	(5,838,627)
Cash flows from financing activities			
Payment of bank loan		(4,000,000)	-
Net cash used in financing activities		(4,000,000)	-
Net increase (decrease) in cash and cash equivalents		**(297,296)**	**438,492**
Cash and cash equivalents at beginning of period	4	**598,385**	**159,893**
Cash and cash equivalents at end of period	4	**301,089**	**598,385**

The accompanying notes form an integral part of these financial statements

1. GENERAL

a. Articles of Association

The Company (the Company), domiciled in Jakarta, was established based on notarial deed No. 219 dated February 14, 1990 of Endrawila Parmata, S.H., notary in Jakarta, which has been approved by the Minister of Justice of the Republic of Indonesia under Decision Letter No. C2-1064.HT.01.01-Th.92 dated February 4, 1992. Based on notarial deed No. 215 dated August 25, 1993 of Benny Kristianto, S.H., notary in Jakarta, the Company received approval to change its status from a non-facility limited liability company into a limited liability company with Domestic Capital Investment facility according to Law of Investment No. 6/1968. Based on investment principal license No. 286/I/IP/I/PMA/2010 dated December 3, 2010, the Head of Investment Coordination Board has approved the changed of the Company status from domestic investment company into foreign investment company.

The Company's articles of incorporation have been amended several times and the latest amendment was made based upon notarial deed No. 89 dated January 25, 2013 of Mala Mukti S.H., LL.M, notary in Jakarta, concerning the changes of composition of the Company's stockholders. The change is approved by the Minister of Justice and Human Rights of the Republic of Indonesia under Acceptance Letter No. AHU-AH.01.10-05211 dated February 18, 2013.

Total permanent employees as of March 31, 2018 and 2017 are 23 and 16 people, respectively.

The Company's parent entity is PT Duta Sarana Internusa, a Company incorporated in the Republic of Indonesia.

The principal activity of the Company is coal mining and developing a mine-mouth power plant. The Company's head office is located in Jakarta, and the mine operating site is in Muara Lakitan and Belani, South Sumatra.

b. Coal Mining Operation Agreement

Based on the Coal Mining Operation Agreement (the "Coal Agreement") No. 015/PK/PTBA-BL/1994, which was entered into by the Company and PT Tambang Batubara Bukit Asam (Persero) ("PTBA") on August 15, 1994, the Company has been granted a coal exploration and exploitation license on 100,000 hectares in Musi Banyu Asin and Musi Rawas Regency, South Sumatra Province.

The Minister of Mines and Energy's Decree No. 062.K/29/M.PE/1998 dated January 23, 1998 reduced the area from 100,000 hectares to 55,820 hectares and stated that exploration activity should occur in the period from August 15, 1996 up to August 14, 1999. In March 1998, the Company ceased its exploration activity.

Based on Decree No. 2083/20.01/DJG/2001 dated 10 September 2001 from Director General of Geology and Mineral Resources ("DGGMR"), the Company was granted a license to continue its exploration activity from July 1, 2001 to June 30, 2002.

Based on Decree No. 2343/40.00/DPM/2002 dated September 20, 2002, the DGGMR refused the Company's proposal to further extend the exploration activity period, and confirmed that the exploration activity period expired on July 29, 2003. The Company lodged its exploration activity report to the DGGMR and expressed its intention to enter into the feasibility stage.

Based on Decree No. 242.K/40.00/DJG/2004 dated October 25, 2004, the DGGMR has approved the extension of the feasibility study period of the Company from July 30, 2004 to July 29, 2005. Based on the Decree, the Coal Agreement area was reduced to 24,385 hectare.

(Expressed in US Dollar, unless otherwise stated)

1. GENERAL (continued)

b. Coal Mining Operation Agreement (continued)

Based on Decree No. 1570/40.00/DJG/2005 dated August 5, 2005, the DGGMR has approved the extension of the feasibility study period of the Company from July 19, 2005 to July 18, 2006.

On April 7, 2009, the Company has obtained the approval of final feasibility study from the Directorate General of Mineral Coal and Geothermal of Department of Energy and Mineral Resources Republic of Indonesia No. 785/31.02/DBM/2009. The approval of final feasibility study is granted for KW96PBO159 area of 24,385 hectares in Musi Banyuasin and Musi Rawas Regency, South Sumatra Province.

On July 28, 2010, the Company has received construction stage approval from DGGMR No. 449.K/30/DJB/2010. The approval of construction stage is granted for KW96PBO159 area of 24,385 hectares in Musi Banyuasin and Musi Rawas Regency, South Sumatra Province for the period from July 30, 2009 up to July 29, 2012.

Based on Decree No. 718.K/30/DJB/2011 dated March 31, 2011, the DGGMR has approved the beginning of the production phase which is valid for 30 years.

c. Board of Director and Commissioner

On December 7, 2016, based Extraordinary General Shareholders' meeting on notarial deed of Mala Mukti SH., LL.M no.18, the Company has approved the resignation of Mr Lingadevaru Ravi Sulekera. The change has been approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his Decision Letter No. AHU-AH.01.03-0106992 dated December 9, 2016.

The composition of the Company Board of Commissioner and Board of Directors as of March 31, 2018 and 2017 are as follows:

Board of Commissioner

Commissioner	:	Avinash Ramakant Shah

Board of Directors

President Director	:	Chenna Kesava Reddy Bidala
Director	:	Venkata Satyanarayana Kollapudi

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Company, which affects the determination of its financial position and results of its operations, is presented below.

a. Basis of Presentation of financial statements

The financial statements have been prepared in accordance with Indonesia Financial Accounting Standards. The financial statements have been prepared under the historical cost convention and using the accrual basis.

The Company financial statement have been prepared in accordance with Indonesian Financial Accounting Standards.

The financial statements have been prepared under the historical cost concept and using the accrual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of presentation of the financial statements (continued)

The statement of cash flows is prepared based on the indirect method by classifying cash flows on the basis of operating, investing, and financing activities. For the purpose of the cash flow statement, cash and cash equivalent include cash in hand, cash in bank, and time deposits with a maturity period of 3 months or less, as long as these time deposits are not pledged as collateral for borrowings nor restricted.

Figures in the financial statements are expressed in United States Dollar, which is the functional currency.

In order to provide further understanding of the financial performance of the Company, due to the significance of their nature or amount, several items of income or expense have been shown separately.

The preparation of financial statements in conformity with Indonesian Financial Accounting Standards requires the use of certain critical accounting estimate. It also requires management to exercise its judgment in the process of applying the Company accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

<u>New accounting standards</u>

On January 1, 2017, the Company has applied improvements to PSAK issued in 2016. The adoption of these new / amended standards did not result in substantial changes to the Company accounting policies and had no material effect on the amounts reported for the current or prior financial years:

- PSAK 1 (Amendment 2015) “Presentation of Financial Statement of Disclosure Initiative”
- PSAK 3 “Interim Financial Report”
- PSAK No. 24 (Improvement 2016), “Employee Benefit”
- PSAK No. 58 (Improvement 2016), “Non-Current Assets Held for Sale and Discontinued Operation”
- PSAK No. 60 (Improvement 2016), “Financial Instruments- Disclosure”
- ISAK 31 “Interpretation of PSAK 13 Investing Property”
- ISAK 32 “Interpretation on definition and hierarchy of financial accounting standards”

The new, improvement and amendment of statements which have been published but not yet effective at least until January 1, 2017, are as follows:

- Amendment PSAK 2 “Statement of cash flow”
- Amendment PSAK 16 “Fixed asset”
- Amendment PSAK 46 “Income taxes”
- Amendment PSAK 67 “Disclosure of Interests in Other Entities”

Management is still evaluating the possible impact of the issuance of these PSAKs to its consolidated financial statements.

b. Deferred Exploration and Development Expenditures

Exploration expenditures incurred is capitalized and carried forward, on an area of interest basis, provided one of the following conditions is met:

i. Such cost are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
ii. Exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area are continuing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Deferred Exploration and Development Expenditures (continued)

Ultimate recoupment of exploration expenditure carried forward is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area. Exploration expenditures in respect of an area of interest, which has been abandoned or for which a decision has been made by the Company's Directors against the commercial viability of the area of interest, are written-off in the period the decision is made.

Development expenditures are capitalized and incorporate cost in developing an area of interest prior to the commencement of operations in that area. Exploration and development are amortized over the expected life of production for the area or the shorter of the mine life or period of the mining authorization. Unamortized costs are written off in the period in which the Company determines that no future value is expected from the area of interest.

Deferred exploration and development expenditures represents the accumulated cost relating to general investigation, administration and license, geology and geophysics expenditures before the commencement of the Company's commercial operations. Deferred exploration and development expenditure is amortized from the commencement of commercial production of each respective area of interest.

Revenue from saleable material produced during the testing phase is typically deducted from capitalised costs.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposit held on call with banks and other short term highly liquid investments with original maturities of three months or less.

d. Transactions with Related Parties

The Company enters into transactions with related parties. In the financial statements, the term related parties are used as defined in the Statement of Financial Accounting Standards ("PSAK") No. 7 (Improvement 2015) regarding with "Related Party Disclosures".

The nature of transactions and balances of accounts with related parties, whether or not transacted on normal terms and conditions similar to those with non-related parties, are disclosed in the notes to the financial statements.

e. Inventories

Inventories are value at the lower of cost or net realizable value. The cost of inventories is determined using the moving average method. Cost of mining inventories consist of cost related to mining activities. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Fixed assets

The cost of fixed assets comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Once a mining project has been commercially viable, expenditure other than that of land, buildings, and fixed assets is capitalized together with any amounts transferred from exploration and evaluation. This includes costs incurred in preparing the site for mining operations, including stripping costs. Depreciation is charged from such date. Costs associated with a startup period are capitalized where the asset is available for use but incapable of operating at normal levels without a commissioning period. Development costs incurred after the commencement of production are capitalized to the extent they give rise to a future economic benefit. Net interest on borrowings related to construction or development projects is capitalized until the point when substantially all the activities that are necessary to make the asset ready for use are complete. Other borrowing costs are expensed.

Fixed assets are stated at cost less accumulated depreciation. Historical cost covers expenditure that is directly attributable to the acquisition of the items. Land compensation is amortized over the expected useful life of mine rights.

The estimated useful lives as follows:

	Years	**% per annum**
Buildings and roads	10	10
Machineries	16	6.25
Computers	4	25
Office equipment	4	25
Furniture and fixtures	4	25
Vehicles	8	12.5

The cost of maintenance and repairs is charged as an expense as incurred. Expenditures which extend the future life of assets or provide further economic benefits by increasing capacity or quality of production is capitalized and depreciated over the remaining useful life of the related assets

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the financial statements and the resulting gains and losses on the disposal of fixed assets are recognized in the statements of profit or loss and other comprehensive income.

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amounts which is the higher of an asset’s net selling price and value in use. For the purpose of assessing impairment, assets are grouped at lowest level for which they are separately identifiable cash flow.

g. Expense Recognition

Expenses that do not meet the conditions for deferred exploration and development expenditure recognition are treated as expenses in the current period and recognized when these are incurred (accrual basis).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Foreign Currency Transactions and Balances

1. Functional and presentation currency

   Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currencies").

   The financial statements are presented in US Dollar, which is the functional and presentation currencies of the Company.

2. Transaction and balances

   Transactions denominated in Rupiah and other currencies are translated into US Dollar using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currency are translated into US Dollar using the closing exchange rate. Exchange rate used as benchmark is the rate which is issued by Bank Indonesia. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

i. Income Tax

The tax expense comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted as at reporting period and is expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets or deferred income tax liabilities are recognised only to the extent that is probable that future taxable profit (loss) will be available against which the temporary differences can be utilised.

j. Post-Employment Benefit

In accordance with Law 13/2003, the Company has further payment obligations if the benefits provided by the existing plan do not adequately cover the obligations under Law 13/2003 and PSAK 24 (Improvement 2016).

The liabilities recognized in the statement of financial position are the present values of the defined benefit obligations as of the statement of financial position date in accordance with Law No. 13/2003 or the Company's regulations (whichever is higher), less the fair value of Company's pension plan assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Post-Employment Benefit (continued)

The defined benefit obligation is calculated by an independent actuary using the Projected Unit Credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of Government Bonds (considering currently there is no deep market for high quality corporate Bonds) that are denominated in Rupiah, in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Expenses charged to deferred exploration and development expenditure includes current service costs, interest cost, past service cost and expected return on plan asset.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income. Remeasurements comprise unrecognized actuarial gain or loss, deviation assumed with realized and any changes in assumption and actuarial gain or loss on plan asset.

Past-service costs are recognized immediately in the current year profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified time period (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

A curtailment occurs when an entity either:

i. Is demonstrably committed to make a significant reduction in the number of employees covered by a plan; or

ii. Amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

A settlement occurs when the Company enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan.

k. Financial Assets and Liabilities

Financial Assets

The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative receivables are also categorized as asset held for trading unless they are designated as hedges. There are no financial assets categorized as held for trading.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method. The Company's loans and receivables comprise of cash and cash equivalents, trade receivables, refundable deposits and restricted deposits in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Financial Assets and Liabilities (continued)

Financial Assets (continued)

(iii) Held-to-maturity financial assets

Held-to-maturity instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold to maturity, other than:

a) Those that the Company upon initial recognition designates as at fair value through profit or loss;
b) Those that the Company designates as available for sale; and
c) Those that meet the definition of loans and receivables.

There are no financial assets categorized as held-to-maturity.

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or not classified in any of the other categories.

Available-for-sale financial assets are initially recognized at fair value, plus transaction costs, and measured subsequently at fair value with gains and losses being recognized in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the statement of changes in equity is recognized in the statement of profit or loss and other comprehensive income. However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale is recognized in the statement of profit or loss and other comprehensive income.

There are no financial assets that classified as available-for-sale financial assets

De-recognition of financial assets

Financial assets are derecognized when, only and if only, the contractual rights to the cash flows from the assets expire, or when the Company transfers the financial assets and substantially all the risks and rewards of the ownership of the assets to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of the ownership of the assets to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of the ownership and continues to control the transferred assets, the company recognizes its retained interest in the assets and an associated liability for amounts it may have to pay, If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial Liabilities

The Company classifies its financial liabilities into the following categories (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities measured at amortized cost.

At the statement of financial position date, there are no financial liabilities classified as financial liabilities at fair value through profit or loss. Therefore, the accounting policies related to this classification are not disclosed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Financial Assets and Liabilities (continued)

Financial Liabilities (continued)

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities classified as held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative payables are also categorized as liabilities held for trading unless they are designated as hedges.

There are no financial liabilities categorized as held for trading.

(ii) Financial liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost are other payables, bank loans and convertible bonds and accrued expenses.

De-recognition of financial liabilities

Financial liabilities are derecognized when, and only when, the company’s obligations are discharged, cancelled or they expired.

Fair value estimation

The fair value of financial instruments traded in active markets is determined based on quoted market prices at reporting date. The quoted market price used for financial assets held by the Company is the current bid price, while for financial liabilities it uses ask price.

The fair value of financial instruments that are not traded in active markets is determined by using valuation technique. The Company uses discounted cash flow methods and makes assumptions that are based on market condition existing at each reporting date which are used to determine fair value for the remaining financial instruments.

l. Impairment of non-financial assets

PSAK No. 48 (Revised 2014) prescribes the procedures to be employed by an entity to ensure that its assets are carried at no more than the recoverable amount. As asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this PSAK requires the entity to recognise an impairment loss. This PSAK also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Company assesses at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset’s recoverable amount.

3. MANAGEMENT USE OF ESTIMATES, JUDGEMENT AND ASSUMPTIONS

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

3. MANAGEMENT USE OF ESTIMATES, JUDGEMENT AND ASSUMPTIONS (continued)

Judgments

The following judgments are made by management in the process of applying the Company's accounting policies that have the most significant effects on the amounts recognized in the financial statements:

Classification of financial assets and liabilities

The Company determines the classifications of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 55 (Revised 2014).

Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period/year are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Post – Employment Benefit Obligation

The determination of the Company's obligations and cost for pension and employee benefits liabilities is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increase, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's assumptions are recognized immediately in the profit or loss as and when they occurred. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experiences or significant changes in the Company's assumptions may materially affect its estimated liabilities for employees' benefits and net employee benefits expense. The carrying amount of the Company's estimated liabilities for employees' benefits as of March 31, 2018 and 2017 are disclosed in Note 18.

Depreciation of fixed assets

The costs of fixed assets are depreciated on a straight-line method over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 4 to 16 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. The net carrying amount of fixed assets as of March 31, 2018 and 2017 is disclosed in Note 10.

Income tax

Significant judgment is involved in determining the provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

(Expressed in US Dollar, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand	3,874	8,545
Cash in banks:		
PT Bank UOB Indonesia		
Rupiah	159,294	-
US Dollars	9,462	-
PT Bank Sinarmas Tbk.		
Rupiah	89,470	591,532
US Dollars	20,601	180
PT Bank Central Asia Tbk.		
Rupiah	3,087	3,117
US Dollars	864	52,621
PT Bank Sumsel Babel		
Rupiah	11,289	-
PT Bank SBI Indonesia		
Rupiah	698	2,793
US Dollars	389	296
ICICI Bank Limited		
US Dollars	2,061	2,061
Total	**301,089**	**661,145**

Cash in bank generally earns interest at rates based on daily bank deposit rates.

5. INVENTORIES

	2018	2017
Coal Inventory (Notes 12e)	52,572	52,572
Total	**52,572**	**52,572**

Management believes that the Company value of inventories as of March 31 2017 and 2016 has reflected the net realizable values of these inventories.

Inventories are covered with insurance against losses and other risks amounted to Rp 4,000,000,000 or equivalent with US$ 290,782.20 and US$ 300,277.75 in March 31, 2018 and 2017 to PT Kalibesar Raya Utama and PT China Taiping Insurance Indonesia. The management is in the opinion that insurance is adequate to cover possible losses.

6. TRADE RECEIVABLES

	2018	2017
Third party:		
Lianex Corporation Pte, Ltd	387,200	-
Total	**387,200**	**-**

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

No allowance for impairment losses was provided, as management believes that all trade receivables are collectible.

(Expressed in US Dollar, unless otherwise stated)

7. ADVANCE PAYMENTS

	2018	2017
Related party:		
Emco Energy Limited	-	300,000
Third parties:		
Purchase of land advance	275,049	-
Storage room	201,037	217,761
Royalty	101,088	-
Transportation services	71,565	78,829
Mining services	53,310	-
Rental heavy equipment	44,621	-
Others	5,645	69,700
Total	**752,315**	**666,290**

Advances to employees represent funds given by the Company to their employees for drilling, general investigation and other mining activities related expenses. These advances will be accounted by the employees.

Purchase of land advance represent down payments that have been paid by the Company to purchase land at Belani.

8. PREPAYMENTS

	2018	2017
Insurance	13,747	6,258
Rental office	10,697	3,574
Total	**24,444**	**9,832**

9. FIXED ASSETS

As of March 31, 2018, the details of fixed assets are as follows:

	March 31, 2017	Additions	Disposals	Reclassification	March 31, 2018
Acquisition cost:					
Land compensation	9,659,150	487,292	-	413	10,146,855
Buildings and roads	918,574	21,832	-	-	940,406
Machineries	103,399	23,653	-	-	127,052
Computers	240,910	2,898	-	55,338	299,146
Office equipments	622,452	4,264	-	424,052	1,050,768
Furnitures and fixtures	479,803	-	-	(479,803)	-
Vehicles	-	2,407	-	-	2,407
Capital in progress	2,880,010	918,783	-	-	3,798,793
Total	14,904,298	1,461,129	-	-	16,365,427
Accumulated depreciation:					
Buildings and roads	282,078	95,871	-	-	377,949
Machineries	31,753	8,445	-	-	40,198
Computers	231,067	19,982	-	27,094	278,143
Office equipments	604,543	36,094	-	359,456	1,000,093
Furnitures and fixtures	386,550	-	-	(386,550)	-
Vehicles	-	552	-	-	552
Total	1,535,991	160,944	-	-	1,696,935
Book value	**13,368,307**				**14,668,493**

(Expressed in US Dollar, unless otherwise stated)

9. FIXED ASSETS (continued)

As of March 31, 2017, the details of fixed assets are as follows:

	March 31, 2016	Additions	Disposals	March 31, 2017
Acquisition cost:				
Land compensation	9,648,276	10,874	-	9,659,150
Buildings and roads	1,044,215	33,121	158,762	918,574
Machineries	103,399	-	-	103,399
Computers	240,910	-	-	240,910
Office equipments	622,452	-	-	622,452
Furniture and fixtures	492,517	254	12,968	479,803
Capital in progress	2,880,010	-	-	2,880,010
Total	15,031,779	44,249	171,730	14,904,298
Accumulated depreciation:				
Buildings and roads	282,676	93,006	93,604	282,078
Machineries	25,297	6,456	-	31,753
Computers	223,928	7,139	-	231,067
Office equipments	589,551	14,992	-	604,543
Furniture and fixtures	359,608	39,910	12,968	386,550
Total	1,481,060	161,503	106,572	1,535,991
Book value	**13,550,719**			**13,368,307**

The depreciation expenses were allocated in:

	2018	2017
Deffered exploration and development	8,065	6,456
General and administrative expenses (Note 23)	152,879	155,047
Total	**160,944**	**161,503**

In March 31, 2018 and 2017, fixed assets is covered with insurance against fire and other possible losses amounted Rp 17,000,000,000 (equivalent to US$ 1,235,824.37) and Rp 20,000,000,000 (equivalent to US$ 1,501,388.78), respectively.

10. REFUNDABLE DEPOSITS

	2018	2017
Third parties:		
PT Atlas Resources	2,500,000	-
Other deposits	279,869	18,533
Total	**2,779,869**	**18,533**

11. RESTRICTED DEPOSITS

	2018	2017
Third parties:		
PT Bank Negara Indonesia (Persero) Tbk.		
US Dollar	416,414	294,390
PT Bank SBI Indonesia		
US Dollar	164,996	129,296
Total	**581,410**	**423,686**

(Expressed in US Dollar, unless otherwise stated)

11. RESTRICTED DEPOSITS (continued)

Deposit placed in PT Bank Negara Indonesia (Persero), Tbk represents cash deposit as a restricted deposit for mine closure. On March 31, 2018 and 2017 restricted deposits in PT Bank Negara Indonesia (Persero), Tbk. are deposits amounted to US$ 416,414.15 and US$ 294,390.55, respectively, which started from December 10, 2014 and will automatically renewed every year with interest rate 0.5% per annum.

Deposit placed in PT Bank SBI Indonesia represents cash deposit as a restricted deposit for reclamation liabilities with government. As of March 31, 2018 and 2017, restricted deposits placed in PT Bank SBI are amounted to US$ 164,996 and US$ 129,296, respectively. The restricted deposits period is between 1 month and 3 month from the given date with interest rate ranged from 1% - 1.5% per annum, respectively.

12. TAXATION

a. Taxes payable

	2018	2017
Income taxes :		
Article 21	5,408	20,231
Article 4 (2) and 23	196,815	161,693
Total	**202,223**	**181,924**

b. Income tax

Income tax expenses for the twelve-month periods ended March 31, 2018 and 2017 are nil.

The Company does not make reconciliation between income before tax per statements of comprehensive income and taxable income as per March 31, 2018 and 2017 because the fiscal year of the Company is from period January 1 up to December 31.

The Company has accumulated corporate income tax losses which are available to be carried forward and offset against future taxable income for five years following fiscal years:

	December 31, 2017	December 31, 2016
December 31, 2012	-	460,336
December 31, 2013	569,847	569,847
December 31, 2014	462,569	462,569
December 31, 2015	285,738	285,738
December 31, 2016	341,292	341,292
December 31, 2017	330,567	-
Total	**1,990,013**	**2,119,782**
Correction of tax losses carried forward from tax amnesty	(1,318,154)	-
Tax losses carried forward	**671,859**	**2,119,782**

(Expressed in US Dollar, unless otherwise stated)

12. TAXATION (continued)

c. Deferred tax liabilities

	2018			
	As of March 31, 2017	**Charged to the consolidated statement of profit or loss and other comprehensive income for the period**	**Credited to equity**	**As of March 31, 2018**
Deferred tax assets (liabilities)				
Depreciation of fixed assets	(1,166)	-	23,233	22,107
Post-employment benefits	(1,125)	3,100	-	1,935
Total	**(2,291)**	**3,101**	**23,234**	**24,042**

	2017			
	As of March 31, 2016	**Charged to the consolidated statement of profit or loss and other comprehensive income for the period**	**Credited to equity**	**As of March 31, 2017**
Deferred tax assets (liabilities)				
Depreciation of fixed assets	(2,977)	1,811	-	(1,166)
Post-employment benefits	869	-	(1,994)	(1,125)
Total	**(2,108)**	**1,811**	**(1,994)**	**(2,291)**

As of March 31, 2018 and 2017, the Company have unrecognized deferred tax asset in respect of the 2017 and 2016 tax losses of US$ 167,965 and US$ 529,945, respectively. Tax assets have not been recognized on the basis that there is significant uncertainty as to whether the tax losses will be offset by sufficient taxable profits in the future.

d. Administration

As of September 2016 the Company has submitted the Statement of Assets for Tax Amnesty that accepted on March 25, 2017 by KPP Pratama Jakarta Setiabudi Dua with Receipt No. 0180001434. The Company was received the Certificate of Tax Amnesty No. KET-4057/PP/WPJ.04/2017 dated March 29, 2017 and approving the value of assets amounted to US$ 52,572 or equivalent to Rp 717,082,080 with penalty of 5% equivalent to Rp 35,854,104 (or equivalent to US$ 2,678.31).

(Expressed in US Dollar, unless otherwise stated)

13. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

	2018	2017
General investigation expenses		
Feasibility study	3,053,634	3,053,634
Rental	1,249,660	1,239,215
Exploration extension	949,438	949,438
Drilling expenses	888,091	888,091
Airborne and digital expenses	601,546	601,546
Detailed mine study	441,511	441,511
Survey expenses	275,625	275,625
Analysis expenses	206,591	206,591
Geophysical services	145,865	145,865
Geological mapping	145,737	145,737
Desk study	81,592	81,592
Sub-contractor	80,569	80,569
	8,119,859	8,109,414
Other exploration expenses		
Consultation	20,652,750	16,899,311
Manpower cost	19,792,490	18,620,603
Interest expense	16,550,127	13,100,496
Transport and traveling	3,125,701	2,705,516
Other finance charge	2,966,380	1,975,263
Manpower outsourcing	2,150,944	1,769,975
Office expenses	1,750,978	1,037,555
Post-employment benefit (Note 19)	1,255,472	1,208,683
Licenses and regional tax	788,021	739,269
Communications	570,337	539,966
Socialization & business promotion	198,384	189,305
Depreciation	36,246	31,544
Other expenses	2,750,573	2,629,713
Pre-production revenue	(1,808,350)	(1,421,150)
	70,780,053	60,026,049
Total	**78,899,912**	**68,135,463**

14. ACCRUED EXPENSES

	2018	2017
Related parties:		
Interest (Note 25b)	2,625,941	1,707,148
Third parties:		
Interest	787,400	738,600
Insurance	5,946	-
Professional fees	-	61,259
Outsourced manpower	-	45,939
Transportation	-	18,168
Others	-	3,360
Total	**3,419,287**	**2,574,474**

(Expressed in US Dollar, unless otherwise stated)

15. OTHER PAYABLES

	2018	2017
Related party:		
PT Duta Sarana Internusa (DSI)	31,250,254	31,250,254
Third parties:		
PT Bintang Sukses Energi	430,061	-
PT Lobunta Kencana Raya	218,815	-
PT Tata Kurnia Pratama	178,661	-
PT Yosindo Jaya Raya	135,058	-
PT Ganendra Paraka Satria	99,275	40,069
PT Waletindo Setia Persada	77,368	-
PT Lancarjaya Mandiri Abadi	53,009	-
PT Bumi Tata Khatulistiwa	47,788	-
PT PP London Sumatra, Tbk	40,069	45,791
PT Kalidareh Prima Mandiri	33,484	-
PT Lematang Anugrah Sejahtera	27,442	-
PT Kalibesar Raya Utama	14,357	-
PT Lemantang Anugerah Sejahtera	13,031	-
PT Putra Laskar Merdeka	10,074	-
Others	110,429	125,836
Total	**32,739,175**	**31,461,950**
Less other payables – short-term	**(1,488,921)**	**(211,696)**
Other payables – long-term	**31,250,254**	**31,250,254**

On November 1, 2009, the Company has entered into loan agreement with DSI, the Company's stockholder. Based on the loan agreement, DSI should provide an unsecured loan with a revolving line of credit in which DSI may make advance provided that the aggregate amount of all loan outstanding under the line of credit at any one time shall not exceed US$ 10,000,000.

The above loan agreement has been amended several times, in which DSI should provide an unsecured loan with a revolving line of credit in which DSI may make advance provided that the aggregate amount of all loan outstanding under the line of credit at any one time shall not exceed US$ 40,000,000.

The details of the loan are as follow:

Interest rate	:	2.05%
Settlement date	:	March 31, 2020
Amount of installment repayment	:	USD 40 million/outstanding amount as on that date plus any interest as due on this date

The loan agreement has been amended several time, the settlement date has been extended recently to March 31, 2020.

In March 31, 2018 and 2017, the outstanding long term portion other payables amounted to US$ 31,250,254, respectively.

(Expressed in US Dollar, unless otherwise stated)

16. ADVANCE FROM CUSTOMER

	2018	2017
Related party:		
PT Golden Energy Mines Tbk.	5,092,552	1,614,938
Third party:		
Pine Energy Pte, Ltd.	14,000,000	-
Total	**19,092,552**	**1,614,938**

PT Golden Energy Mines Tbk.

Based on Coal Sales Agreement No.224/GEMS/PJB-BB/LM/IV/2017, between the Company and PT Golden Energy Mines Tbk. (GEMS), the Company agreed to sell and deliver the coal to GEMS in quantity up to 100,000 MT, quantity tolerance ± 10% at GEMS option. This agreement shall be effective until June 30, 2018. If there is no shipment during term of agreement, the Company will be charged with interest rate 3 month LIBOR plus margin of 10% of advance payment which has been received. The outstanding advance as per March 31, 2018 and 2017 are amounted to US$ 5,092,552 and US$ 1,614,938, respectively.

Pine Energy Pte Ltd

On May 15, 2017, the Company has entered into coal sales agreement with Pine Energy Pte Ltd. Under this agreement Pine Energy Pte Ltd hereby agree to purchase the coal procedure from the Company and the Company hereby agree to supply and sell the coal to Pine Energy Pte Ltd. During term of agreement, the Company agrees to sell and deliver the coal to the Pine Energy Pte Ltd the coal up to 1,000,000 MT quantity tolerance ±10% (approximately ten percent) at the Company's option.

The sales price of coal as agreed by the parties here to shall be agreed in the purchase order which will be issued by Pine Energy Pte Ltd to the Company. Pine Energy Pte Ltd shall make refundable advance down payment up to US$ 10,000,000 (ten million United States Dollar) to the Company ("advance payment") in single or several payments to secure the supply of coal under this agreement. Inspection and acceptance of quantity and specifications/quality of coal shall be performed by independent surveyor to be appointed by Pine Energy Pte Ltd at the expense of the Company at the point of delivery. The outstanding advance as per March 31, 2018 are amounted to US$ 14,000,000.

17. BANK LOAN

	2018	2017
ICICI Bank Limited	36,000,000	40,000,000

Based on facility agreement dated March 22, 2017 with ICICI Bank limited sanctioned US$ 40 Million Term loan with a final maturity date 9 years from the first drawn date and bears interest at 6.07% above six months USD LIBOR per annum. The facility is secured by the securities as per facility agreement and also by the corporate guarantee from the holding Company. Based on the amendment agreement the Company shall ensure the repayment amount equal to 10% of all outstanding loan every 6 months.

(Expressed in US Dollar, unless otherwise stated)

18. CONVERTIBLE BONDS

	2018	2017
Related party:		
PT Duta Sarana Internusa (DSI)	9,939,403	9,939,403

Based on Mandatory Convertible Bond Subscription Agreement, the Company shall have an option to redeem the Bonds at any time before receiving the Conversion Notice. As of March 31, 2018 and 2017, the difference between convertible bonds at origination of the loan compared with its fair value (using current market rates for similar convertible bond) is recorded as other capital contribution in equity and represents as further investment of holdings, amounted to US$ 225,900, respectively.

19. POST-EMPLOYMENT BENEFITS OBLIGATION

The Company provides post-employment benefits for its qualifying employees in accordance with Labor Law No. 13/2003 and PSAK 24 (Amendment 2015) “Employee Benefits”. The number of employees entitled to the benefits is 16 and 14 people as of March 31, 2018 and 2017, respectively.

Current period expense in respect of these post-employment benefits are as follows:

	2018	2017
Current service cost	23,192	37,885
Interest cost	21,272	28,951
Past service cost	(2,425)	32,531
Total expense	**42,039**	**99,367**

The amounts included in the statements of financial position arising from BSL’s obligation in respect of these post-employment benefits are as follows:

	2018	2017
Present value obligation	322,110	478,921
Unrecognized past service cost	(95,477)	(156,811)
Net obligation	**226,633**	**322,110**

Movements in the net liability recognized in the statements of financial position are as follows:

	2018	2017
Beginning balance	322,110	478,921
Provision	42,039	99,367
Post-employment benefit payment	(227,493)	(225,832)
Unrealized actuarial gain (loss)	92,936	(7,978)
Foreign exchange gain on post-employment benefit obligation	(2,959)	(22,368)
Ending balance	**226,633**	**322,110**

(Expressed in US Dollar, unless otherwise stated)

19. POST-EMPLOYMENT BENEFITS OBLIGATION (continued)

	2018	2017
Employee benefits provision is allocated to:		
Deferred exploration and development Expenditures (Note 13)	42,039	99,367
Total	**42,039**	**99,367**
Beginning balance	145,783	137,805
Other comprehensive income (loss) for the year period	(92,936)	7,978
Total	**52,847**	**145,783**

The cost of providing post–employment benefits is calculated by independent actuary, PT Dian Artha Tama as of March 31, 2018 and 2017, respectively.

The actuarial valuation was carried out using the following key assumptions:

		2018	2017
Discount rate	:	7%	7.6% per annum
Salary increment rate	:	8%	8% per annum
Mortality rate	:	Indonesian -III (2011)	Indonesian -III (2011)
Resignation rate	:	3% p.a. for age 18-44 years old and 1% p.a. for age 45-54 years old	3% p.a. for age 18-44 years old and 1% p.a. for age 45-54 years old
Normal pension	:	55 years	55 years

The sensitivity analysis as of March 31, 2018, the changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the Company's obligation for post-employment benefits as shown on the table below:

	Increase	Decrease
Discount rate (1% movement)	310,597	335,306
Future salary increase rate (1% movement)	335,033	310,619

	March 31 2018	March 31 2017	March 31, 2016	March 31, 2015	March 31, 2014
Present value obligation	226,633	322,110	478,921	507,804	622,246
Fair value of plan assets	-	-	-	-	-
Deficit in the plan	**226,633**	**322,110**	**478,921**	**507,804**	**622,246**

20. CAPITAL STOCK

The composition of the Company stockholder as of March 31, 2018 and 2017 are as follows:

Stockholders	Number of shares	Par value	Par value	Percentage of ownership
		(Rp thousand)	US$	%
PT Duta Sarana Internusa	3,324	3,324,000	853,540	94.97
PT GMR Energy (Mauritius) Limited	175	175,000	44,937	5.00
PT Unsoco	1	1,000	257	0.03
Total	**3,500**	**3,500,000**	**898,734**	**100.00**

21. GENERAL RESERVE

The Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in December 1995 requires the establishment of a general reserve from net profits amounting to at least 20% of a Company's issued and paid up capital. This regulation has been amended by Indonesian Limited Company Law No. 40 year 2007 which also requires companies to set up a general reserve amounting to at least 20 % of the issued and paid-up share capital.

As of March 31, 2018 and 2017, the Company has not yet established a general reserve as it is in accumulated loss position.

22. MANDATORY CONVERTIBLE BONDS

	2018	2017
Related party:		
PT Unsoco	113,180	113,180

PT Unsoco

On December 4, 2012, the Company and PT Unsoco, the affiliated Company, has entered into Mandatory Convertible bonds Issuance Agreement. PT Unsoco agreed to subscribe the bonds for the aggregate value of remittance made in each trance by PT Unsoco, the Company shall issue the bond in the amount equal to the amount received substantially. Outstanding mandatory convertible bond of this agreement as of March 31, 2018 and 2017 amounted to US$ 113,180.

Based on amendment agreement dated December 1, 2017, this convertible bond should be converted into shares at maximum of 7 years starting from the date of issuance of the bonds, the outstanding bonds shall be automatically converted into the conversion shares and the holder shall be deemed to have given the conversion notice to convert bond.

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Depreciation (Note 9)	152,879	155,047
Taxes and licences	110,078	101,762
Professional fees	46,797	31,436
Deadrent	-	19,380
Total	**309,754**	**307,625**

(Expressed in US Dollar, unless otherwise stated)

24. OTHER INCOME (EXPENSES)

	2018	**2017**
Foreign exchange gain, net	89,786	34,467
Interest income	9,087	3,962
Loss on disposal of fixed assets	-	(65,158)
Donations	(25,203)	(18,461)
Bank administration charges	(21,221)	(15,962)
Other expenses, net	-	(1,780)
Total	**52,449**	**(62,932)**

25. RELATED PARTIES TRANSACTIONS AND BALANCES

In conducting its business, the Company entered into certain business and financial transactions with its related parties.

Related parties	**Nature of related parties**	**Transactions/Balance**
PT Duta Sarana Internusa	Stockholder	Other payables, convertible bonds, accrued expense,
PT Unsoco	Stockholder	Mandatory convertible bond
PT Golden Energy Mines Tbk.	Affiliated company	Other receivables, Advance from customer
GMR Infrastructure Singapore Limited	Affiliated company	Other receivables, bank guarantee
Emco Energy Limited	Affiliated company	Advance payments

a. Other payables (Note 15)

	2018	**2017**
PT Duta Sarana Internusa	31,250,254	31,250,254
Percentage from total other payables	**100%**	**100%**

b. Accrued expenses (Note 14)

	2018	**2017**
PT Duta Sarana Internusa	2,356,173	1,707,148
PT Golden Energy Mines, Tbk	269,768	
Total	**2,625,941**	**1,707,148**
Percentage from total accrued expenses	**77%**	**66%**

c. Mandatory convertible bonds (Note 22)

	2018	**2017**
PT Unsoco	113,180	113,180
Percentage from mandatory convertible bonds	**100%**	**100%**

(Expressed in US Dollar, unless otherwise stated)

25. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

d. Advance from customers (Note 16)

	2018	2017
PT Golden Energy Mines Tbk.	5,092,552	1,614,938
Percentage from advance from customers	**27%**	**100%**

f. Advance payments (Note 7)

	2018	2017
Emco Energy Limited	-	300,000
Percentage from total advance payments	**-**	**48%**

g. Convertible bonds (Note 17)

	2018	2017
PT Duta Sarana Internusa	9,939,403	9,939,403
Percentage from total convertible bonds	**100%**	**100%**

26. SIGNIFICANT AGREEMENT, COMMITMENT AND CONTINGENCIES

a. Coal barging contract agreement

On November 11, 2014, the Company has entered into coal barging, transport and transshipment agreements with PT Bintang Kartika Segara to provide coal transportation services from the Company mine area to Intermittent Jetty and from Intermittent Jetty to Anchorage point. The Company is required to pay contractors a service fee, calculated on a monthly basis, based on a formula which includes the amount of coal transported. The term of this agreement shall be for 2 years commencing from the commencement date. On January 18, 2016 these agreement has been amended that the contract will be valid until the outstanding advance is fully refunded to the Company.

b. Special coal terminal services agreement

On November 25, 2014, the Company has entered into special coal terminal services agreement with PT Energate Prima Indonesia. Under the agreement PT Energate Prima Indonesia will provide special coal terminal facilities, heavy equipment and truck for unloading process, and stockpile area for stocking coal. The agreement has been extended until November 23, 2018.

c. Mining Law No. 4/2009

On December 16, 2008, the Indonesian Parliament passed a new Law on Mineral and Coal Mining (the “Law”), which received the assent of the President on 12 January 2009, becoming Law No. 4/2009. The Work Agreement on Coal Mining Concession (PKP2B) system under which the Company, operates, will no longer be available to investors. However, the Law indicates that existing PKP2B, such as that held by the Company, will be honored. There are a number of issues which existing PKP2B holders, including the Company, are currently analyzing. Among others these include:

- The Law notes that existing PKP2B will be honored until their expiration. However, it also states that existing PKP2B must be amended within one year to conform to the provisions of the Law (other than terms relating to state revenue - which is not defined, but presumably includes royalties and taxes); and

26. SIGNIFICANT AGREEMENT, COMMITMENT AND CONTINGENCIES (continued)

c. Mining Law No. 4/2009 (continued)

- the requirement for PKP2B holders which have already commenced some form of activities, within one year of enactment of the Law, to submit a mining activity plan for the entire contract area. If this plan is not fulfilled, the contract area may be reduced to that allowed for mining business licenses ("Izin Usaha Pertambangan" or "IUP") under the Law.

In February 2010, the Government of Indonesia released two implementing regulations for Mining Law No. 4/2009, i.e. Government Regulation No. 22/2010 and 23/2010 ("GR No. 22" and "GR No. 23"). GR No. 22 deals with the establishment of the mining areas under the new mining business license ("IUP"). GR No. 23 provides clarifications surrounding the procedures to obtain the new IUP. GR No.23 indicates that existing PKP2B will be honored by the Government although any extension of existing PKP2B will be through the issue of an IUP.

On February 21, 2012, the Government of Indonesia amended GR No. 23 by issuing Government Regulation No. 24/2012 ("GR No. 24"), which regulates the transfer of IUPs, divestment and mining areas.

The Company is closely monitoring the progress of the implementing regulations for the Law and will consider the impact on its operations, if any, as these regulations are issued.

d. Coal Hauling and Port Facilities

On March 23, 2017, the Company has entered into coal hauling and port facilities agreement with PT Atlas Resources, Tbk, PT Musi Mitra Jaya, and PT Sriwijaya Bara Logistic. Under this agreement regarding coal hauling road the parties agree that the coal hauling road will be utilized by the Company to perform a coal hauling activities which shall not be ceased with any reason whatsoever, in relation with coal hauling road utilization, PT Musi Mitra Jaya shall maintain the coal hauling road so that can be used properly to support the Company mine operation activity.

The Company may use the port facilities to load and stock the coal in the storage (stockpile) with capacity 2,500,000 MT per year from total port facilities capacity around 5,000,000 -6,000,000 MT per year. Should the Company require to increase port facilities capacity, PT Sriwijaya Bara Logistic shall give a priority allocations of the additional port facilities capacity as required by the Company.

In connection with PT Atlas Resources, Tbk assets utilization the Company shall be charged individually per metric ton as follows:
1. Coal hauling road utilization fee : Average JISDOR rate in current month x Rp 53,900
2. Port facilities utilization fee: Average JISDOR rate in current month x Rp 40,425

In relating with PT Atlas Resources, Tbk assets utilization as mentioned above, the Company shall submit performance bond to owner in the amount of US$ 2.5 million as refundable deposits (Note 10).

e. Coal Hauling

On Augustus 16, 2017, the Company has entered into coal hauling agreement with PT Duta Lemantang Jaya. Under this agreement regarding coal hauling road the parties agree that the coal hauling road will be utilized by the Company to perform a coal hauling activities which shall not be ceased with any reason whatsoever, in relation with coal hauling road utilization, PT Duta Lemantang Jaya shall maintain the coal hauling road so that can be used properly to support the Company mine operation activity. This agreement shall be effective until August 16, 2020.

26. SIGNIFICANT AGREEMENT, COMMITMENT AND CONTINGENCIES (continued)

e. Coal Hauling (continued)

In connection with PT Duta Lemantang Jaya assets utilization the Company shall be charged as follows:

1. For road 1, the price is Rp 1,450 / MT / KM
2. For road 2, the price is Rp 1,250 / MT / KM
3. For road 3, the price is Rp 1,250 / MT / KM

f. Mining Support

On June 19, 2017, the Company has entered into mining service agreement with PT Lobunta Kencana Raya. Under this agreement PT Lobunta Kencana Raya shall perform any and all works also provide all equipment and facilities and fixtures required by the contractor to perform the work in according with this contract.

The Company prepare indicative production targets at or before the commencement of work in the work area. The parties agree that the indicative production target for coal hauling is 1,388,988 MT. Indicative production targets may change based on government approval, by giving notice 90 days before.

The unit price specified in the job price list. The unit price referred to in the price list is affirmed and stipulated during the term of the contract. The price is determined in Rupiah. The method of measuring the payments of the completed work will be done in accordance with the provisions described in article 3 - the method of calculation and payment. If the Company requires a contractor to carry out work activities outside the scope of work or other activities that are the responsibility of the Company, then the free will arise will be agreed later by the parties.

g. Land Use

On October 16, 2017, the Company has entered into land use agreement with PT PP London Sumatra Indonesia Tbk. Under this agreement PT PP London Sumatra Indonesia, Tbk. has agreed to grant the Company a right to use parts of the HGU Area for the purpose of conducting certain coal Mining activities and other supporting activities under the terms and conditions of the land use agreement. The Company wishes to construct access road for supporting its mining activities within HGU area.

The parties agree that term of this agreement and the Company right to use parts of locations and access road accordance with article 2 of this agreement and shall subject to article 7 , continue until the date is 11 years after the effective date, unless terminated earlier in accordance with article 7 of this agreement. If agreed by the parties, the term of this agreement may be extended by parties with consideration the mine plan of the Company and progress of mining activities in the location.

27. ACCUMULATED DEFICIT

The Company's accumulated deficits due to recurring operating losses up to March 31, 2018 and 2017 were US$ 4,503,933 and US$ 4,249,729, respectively. The Company will be supported financially by its ultimate shareholders.

The Company is dependent upon the continuing financial support of its ultimate controlling stockholder. The accompanying financial statements do not include the effect of any adjustments that may be required if the Company cannot continue as a going concern. Management considers that its ongoing plans will allow it to continue as a going concern for the foreseeable future. These plans include the ability to defer payment of current liabilities to the Company's ultimate controlling stockholder, which has confirmed to management that it will not recall these current liabilities to the detriment of the Company.

27. ACCUMULATED DEFICIT (continued)

The financial statements have been prepared on going concern basis, and do not include any adjustment that might results from the outcome of the uncertainties. Related effects will be reported in the financial statement as they become known and can be estimated.

There are no events subsequent to statement of financial position date until the date of this report occur that give rise to the uncertainties of the Company's going concern as an impact of the worsening current economy of Indonesia.

28. RECLAMATION GUARANTEE

On May 29, 2008, the Minister of Energy and Mineral Resources announced a new regulation regarding mine reclamations and mine closures, as detailed in Ministerial Regulation No. 18/2008. It is stated that a company is required to provide mine reclamation and mine closure guarantees which may be in the form of a time deposit, bank guarantee, insurance or accounting reserve, all of which have a duration corresponding to the reclamation schedule.

On December 20, 2010, the Government of Indonesia released an implementing regulation for Mining Law No. 4/2009, i.e. GR No. 78 that deals with reclamations and post-mining activities for both IUP-Exploration and IUP-Production Operation holders. This regulation updates Ministerial Regulation No. 18/2008 issued by the Minister of Energy and Mineral Resources on 29 May 2008. The transitional provisions in GR No. 78 make it clear that PKP2B holders are also required to comply with this regulation.

An IUP-Exploration holder, among other requirements, must include a reclamation plan in its exploration work plan and budget and provide a reclamation guarantee in the form of a time deposit placed at a state-owned bank.

An IUP-Production Operation holder, among other requirements, must (1) prepare a five-year reclamation plan; (2) prepare a post-mining plan; (3) provide a reclamation guarantee which may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or an accounting provision (if eligible); and (4) provide a post-mine guarantee in the form of a time deposit at a state-owned bank.

The requirement to provide a reclamation guarantee and a post-mining guarantee does not release the IUP holder from the requirement to perform reclamation and post-mining activities.

29. FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to the following risks from its use of financial instruments:

<u>Market Risk</u>

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

29. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk

Changes in exchange rates have affected and may continue to affect the Company's results operations and cash flows. Some of the Company's obligations and capital expenditures are, and expected will continue to be, denominated in Rupiah.

Interest rate risk

Interest rate exposure is monitored to minimize any negative impact to the Company. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

To measure market risk fluctuations in interest rates, the Company primarily uses interest margin and spread analysis.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Fair value risk

The fair value of the financial assets and liabilities are included at the amount at which instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying amounts of trade receivables, cash and cash equivalents, refundable deposits, restricted deposits, other payables and accrued expenses, bank loan, convertible bond approximate their fair values due to their short-term nature.

Capital Management

The primary objective of the Company capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize stockholders' value.

The Company manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to stockholders, return capital to stockholders or issue new shares.

There were no changes in the Company approach to capital management during the year.

The Company, being a limited liability company, is subject to externally-imposed capital requirement. Per the Laws of the Republic of Indonesia No. 40 of 2007 concerning Limited Liability Company, the minimum capital requirement to qualify as a limited liability company is Rp 50 million or equivalent with US$ 3,634 and US$ 3,754 in March 31, 2018 and 2017, respectively. As at March 31, 2018 and 2017, the Company has complied with the minimum requirement having a paid in capital of US$ 108,992.

30. APPROVAL AND AUTHORIZATION TO ISSUE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Company's Directors on May 11, 2018.