

GOLDEN ENERGY AND RESOURCES LIMITED



ANNUAL REPORT 2017



VISION

To be the leading coal mining company in Asia and to create value to all our stakeholders

MISSION

1. Develop the best corporate culture centred on human capital
2. Focus on excellence in operations and processes
3. Build sustainable growth through high safety standards, good community development programmes, while maintaining and managing our environment

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CORPORATE PROFILE



Golden Energy and Resources Limited (“**GEAR**”), which owns 66.9998% of PT Golden Energy Mines Tbk, is listed on the SGX-ST Mainboard and is principally engaged in the exploration, mining processing and marketing of thermal coal sourced from its coal mining concession areas, covering an aggregate of approximately 42,904 hectares in South Kalimantan, Central Kalimantan, Jambi (a province in Sumatra) and South Sumatra Basin, Indonesia.

Backed by the Sinar Mas Group; one of Indonesia’s largest conglomerates, GEAR, through its subsidiaries, collectively owns the rights to mine more than 2.4 billion tonnes of thermal coal resources with coal reserves estimates of more than 828 million tonnes. GEAR has reserves of thermal coal with an average calorific value range of between 2,900 kcal/kg (arb) to 6,600 kcal/kg (arb).

In addition to coal production and trading, GEAR is also engaged in the forestry business, owning a forestry concession rights of 265,095 hectares in four regents, located in South Kalimantan, Indonesia. GEAR had recently also completed a strategic acquisition of approximately 10% of Westgold Resources Limited, a top Australian gold producer listed on the Australian Stock Exchange, to diversify the Group’s portfolio to include counter cyclical precious metals.



CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

This year has been a stellar year for Golden Energy and Resources Limited (the “**Company**” or “**GEAR**”) as we were well positioned to take advantage of the progressive improvement in the global economy as well as the favourable dynamics of the coal market.

Our performance in 2017 is our strongest on record. We are pleased to have ended the fiscal year with record revenue, earnings, as well as production output in our coal mining operations. These achievements bear testament to the scale and versatility of our business in being able to ramp up our coal production to take advantage of the buoyant coal price environment, while managing our cash costs.

The robust financial performance we have achieved in FY2017 resulted in a substantial boost to the Company's balance sheet. As at 31 December 2017, GEAR's cash position more than doubled to US\$188.7 million, while our gearing ratio remains at a low of 0.17 times. We believe that our current financial standing places us in a good position to pursue continued expansion in our organic production capacity and inorganic growth opportunities with the objective of continuing to create value for our shareholders.

FINANCIAL AND OPERATING PERFORMANCE

In FY2017, GEAR continued to build on the positive momentum of our production ramp-up to ride the twin waves of rising coal demand and prices globally.

We had, in the course of the year, successfully obtained the Indonesian Government's approval to raise coal production output at our main mining concession, PT Borneo Indobara (“**BIB**”), to 14.4 million tonnes (“**MT**”) per annum, up from 7.5 MT in 2016. This provided the Company with additional headroom to further our production ramp-up in 2017.

In 4Q2017, we were proud to have recorded our strongest quarterly coal production of 5.5 MT and pleased to have ended the full fiscal year with a record 15.6 MT in coal production despite an extended monsoon season. This surpassed the production target of 14.4 MT that we had set out for 2017, and puts us in good stead to achieve over 20 MT in coal production volume for 2018.

The success of GEAR's production ramp-up is a cumulation of our ongoing efforts to prepare the mining infrastructure at our coal mines and steadily expand our production output since the start of the coal market down cycle a few years ago. More importantly, it was due to our ability to be a low cost mining producer that we were able to carry this out profitably through the entire coal industry cycle. Critical success factors for this include our long-standing partnerships with our mining contractors, the lower stripping ratio of our mines and the superior logistics infrastructure, compared to our domestic and international peers.

We are glad to see that our preceding efforts have started to pay off considerably in 2017, following the dramatic recovery in coal prices in the second half of 2016. In FY2017, GEAR turned in record results as our Coal Mining and Coal Trading Divisions continued their strong showing on the back of higher coal sales volume and higher average selling prices achieved.

In the course of the year, GEAR has also explored a number of strategic investments to build up the Company's coal reserves and extend our mining business into counter-cyclical metals to better safeguard the sustainability of the Company's business, while the coal market is still buoyant.

GEAR has always been on an active lookout to acquire earnings accretive coal assets that serve to replenish our coal reserves and support our production ramp-up. In May 2017, our subsidiary PT Golden Energy Mines Tbk (“**GEMS**”) entered into a conditional sales and purchase agreement with GMR Energy (Netherlands) B.V. and GMR Infrastructure (Overseas) Limited (together, the “**GMR Vendors**”) to acquire the entire effective shareholding of PT Barasentosa Lestari (“**BSL**”), which holds a brownfield coal concession in South Sumatra with an estimated coal reserves of 195 MT as at 1 April 2017. The acquisition of BSL is expected to increase GEAR's quantity of higher calorific value coal resources available for production, which dovetails with our planned production ramp-up.

Besides enhancing our current coal operations, we have also taken steps to broaden our mining business into gold production by acquiring a 10% stake in Australia-listed gold miner, Westgold Resources Limited (“**Westgold**”), which owns substantial mining tenure positions and numerous gold production assets in two

provinces in Western Australia, namely the Eastern Goldfields (Kalgoorlie Region) and the Murchison Goldfields (Cue – Meekatharra Regions). The acquisition places GEAR as one of the largest shareholders in Westgold with a board seat and offers the Company a low risk strategy to gain access and insight to gold and other precious metal projects for future diversification.

DIVIDENDS

Generating and returning value to our shareholders has been a clear objective for GEAR. As such, the Company is pleased to propose a final dividend of 1.00 Singapore cent for FY2017 to reward our shareholders for their unwavering support.

The final dividend will bring the total dividend payout for FY2017 to 2.01 Singapore cents after taking into account the two interim dividends of 0.8 Singapore cents and 0.21 Singapore cents that were paid out on 4 September 2017 and 30 November 2017, respectively.

TRENDS IN COAL

Global coal prices have continued its strong uptrend in the course of 2017 and is expected to stay buoyant for longer as import demand from China is expected to remain strong amid limited output growth and robust heating demand in the northern areas. Since the start of 2018, the thermal coal price performance had started to reflect this with the Newcastle Index turning in a better than expected performance, averaging US\$105/t in Feb, up 8.2% from 4Q2017.

Meanwhile closer to home, Southeast Asia is expected to remain the real driver of global coal demand, given its plans to more than double its current coal-fired capacity by 2040 as a cost competitive means to support the region's growing manufacturing sector. This has provided a boost to the Asian trade in the thermal coal market, which has increased significantly in the last six years, growing from about 528 MT in 2010 to about 703 MT in 2016, registering a CAGR of 4.9%.

Domestically, Indonesia's coal consumption alone is expected to exceed 100 MT this year in support of the Indonesian government's ongoing electrification programme to add 35,000 megawatts in power generation capacity across the country by 2019.

In view of these favourable trends, we are confident that the long-term outlook for the coal sector in Indonesia and the region will remain positive and the ongoing supply disruptions are likely to keep coal prices at relatively stable levels going forward.

GEARING UP FOR OPPORTUNITIES

GEAR tapped on alternative sources to diversify our funding mix and better manage our interest cost in light of the rising rate environment. In February 2018, the Company issued US\$150 million of senior secured notes due 2023. The notes carry a coupon of 9% per annum and proceeds from the notes are to be used for prepayment of an existing US\$50 million facility granted by an international bank and for general corporate purposes, including potential acquisitions, joint ventures and investments that are in line with our growth strategy.

In relation to the bond issuance, GEAR also completed its first-time rating exercise with Fitch Ratings and Moody's Investor Services in January 2018. The Company was issued a 'B+' Long-Term Issuer Default Rating (IDR) with Positive Outlook by Fitch Ratings and a 'B1' Corporate Family Rating (CFR) with Stable Outlook by Moody's Investor Services, which attest to the Company's firm financial position.

ACKNOWLEDGEMENTS

In summary, 2017 was a highly successful year for GEAR. We have exceeded our production target, turned in a record financial performance and made significant progress in growing our mining operations.

This is not an easy feat and I would like to take this opportunity to express my heartfelt appreciation to the Board of Directors, the executive leadership team and employees of GEAR for their steadfast commitment and dedication in driving the business forward. I look forward to working alongside all of you in the year ahead to deliver on our commitments and undertakings.

Last but not least, I would like to thank all our shareholders for your continued trust and support.

MR. L. KRISNAN CAHYA

Non-Executive Chairman



SUSTAINING
OUR MOMENTUM

We have established a robust framework by which we conduct our business. Our relentless pursuit of excellence is guided by a dynamic corporate culture that values quality, productivity and passion; all of which are fundamental in our mission to create sustainable and consistent value to our shareholders.

Sustainability means more than just proactive business practices; as is also a long-term investment in intangible growth drivers such as an efficient workforce, an extensive network, and enduring expertise. By actively exploring opportunities and reinforcing our core capabilities, we are able to further strengthen our presence in the coal industry and gather greater momentum for our forward direction.



CEO'S MESSAGE

DEAR SHAREHOLDERS,

Over the past twelve months, GEAR's dedicated team has worked tirelessly to grow our coal mining operations and ramp up our production to meet the robust global coal demand amid the current buoyant coal price environment. I am heartened to say that our efforts have paid off significantly in FY2017 and the Company ended the fiscal year with a record set of operational and financial results.

GEAR has benefitted greatly from the favourable dynamics of the coal industry in FY2017. This has resulted in the Company turning in a record profit for the year ("**net profit**") of US\$104.4 million, which was more than triple our previous record of US\$33.7 million registered in the year before. The net profit also underscores a record revenue of US\$763.8 million that the Company had achieved during this period, which represented a 94.2% upsurge from US\$393.3 million recorded in FY2016.

COAL MINING AND COAL TRADING DIVISIONS

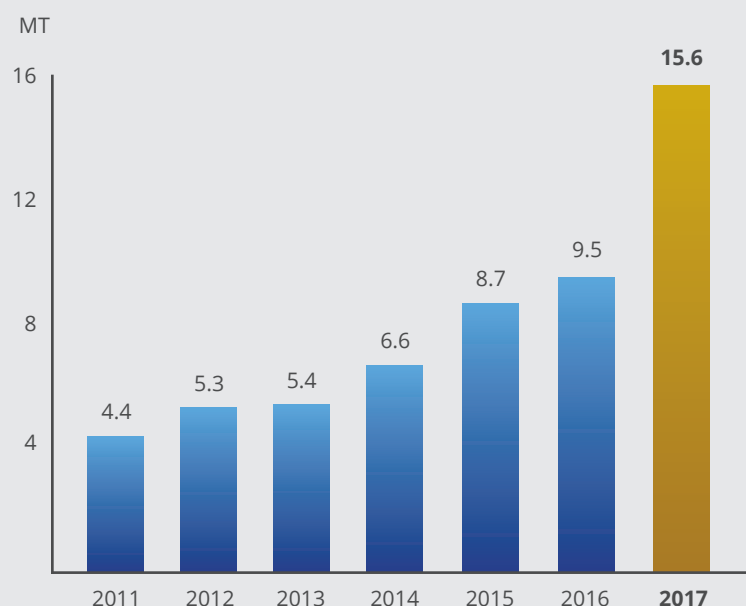
In FY2017, GEAR sold a total of 17.1 MT of coal, a 55.5% increase in sales volume from 11.0 MT in FY2016, at a higher average selling price of approximately US\$44.4 per tonne, compared to US\$34.9 per tonne in FY2016.

The higher sales and average selling price achieved in the course of the year were the key drivers behind the record performance achieved by the Company's Coal Mining and Coal Trading Divisions.

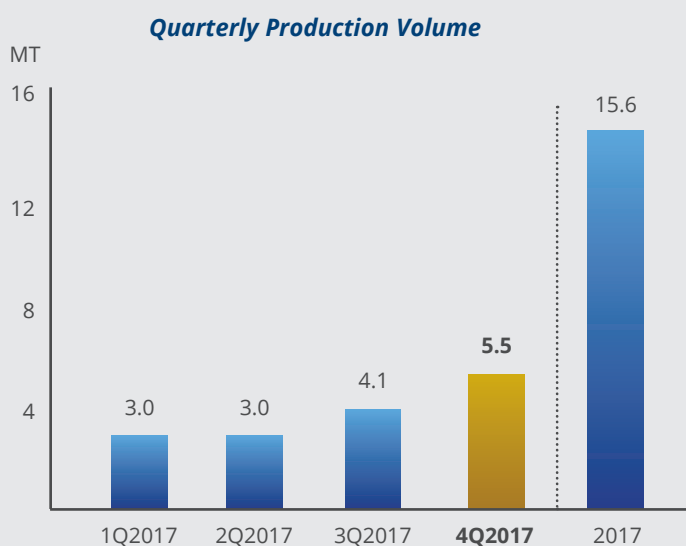
Coal Mining

GEAR's Coal Mining Division continues to be the key revenue driver for the Company. In FY2017, the division contributed US\$645.4 million, or approximately 84.5% of the total revenue. GEAR's annual coal production volume has grown at an exponential rate throughout the entire coal industry cycle, achieving a CAGR of 23.5% between 2011 and 2017.

Annual Production Volume



At the start of last year, we had set out a coal production target of 14.4 MT for 2017 as we seek to continue to ramp up our production to take advantage of the higher coal prices. On this front, I am pleased to report that we have delivered above and beyond our target with a record coal production of 15.6 MT this year despite the year's prolonged monsoon season that lasted past June (FY2016: 9.5 MT). Of note, GEAR achieved its highest ever quarterly production of 5.5 MT in 4Q2017.



Our BIB concession delivered yet another excellent year of performance, contributing 13.3 MT to the total production volume in FY2017. The ramp-up in BIB's output was well supported by our dedicated infrastructure at the concession which has been integral in generating greater cost and time savings in the coal transshipment process. At present, GEAR's infrastructure is capable of supporting over 20 MT per annum in production. Over the next two years, we are looking to expand the processing capacities of the concession's stockpile area, coal crusher and barge loading facilities, as well as its two existing sets of coal conveyor belts to a processing capacity of 4,200 tonnes per hour each, to provide additional headroom as we seek to ramp up our production volume over the existing production capacity in the years ahead.

To support our coal production growth and to add to our coal reserves, we are also on an active lookout to acquire earning accretive coal concessions. We will also continue to evaluate opportunities in counter cyclical commodities to widen our coal-focused mining business, which can potentially bring additional value to our shareholders.

The Company has since grown a sizeable war chest in the course of the year. As at 31 December 2017, GEAR has a robust cash position of US\$188.7 million with a low gearing ratio of 0.17 times. The Company has also successfully issued its maiden bond in February 2018, raising US\$150 million. Part of these proceeds are to be used for general corporate purposes including potential acquisitions.

Coal Trading

Revenue from GEAR's Coal Trading Division more than doubled to US\$114.0 million in FY2017 from US\$54.8 million achieved in the previous year.

Demand for BIB's coal continues to experience strong and continuous demand from both domestic markets in Indonesia as well as international markets, including China, India and Southeast Asia. GEAR's low cost structure

CEO'S MESSAGE

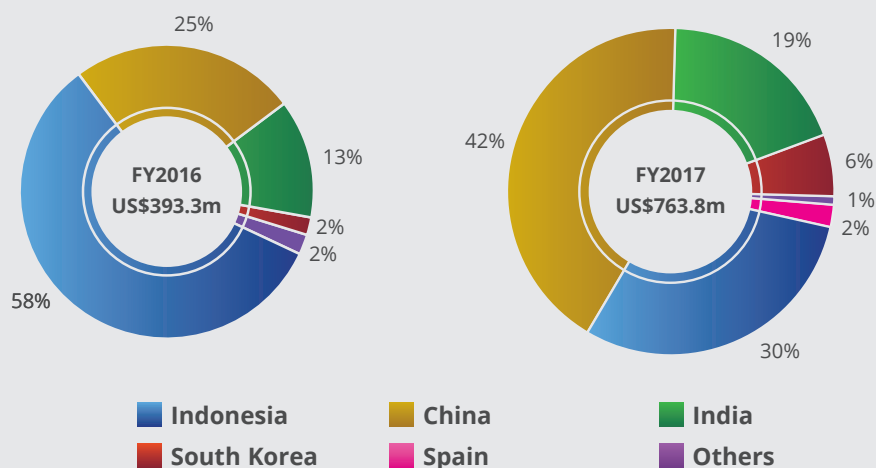
also allows the Company to sell further afield and compete effectively in international markets despite the higher transportation costs.

In FY2017, the Company made considerable headway in selling our coal to new international markets through our strong existing relationships with commodity trading houses. The most notable example was South Korea, which now accounts for 6% of our increased revenue, up from 2% in FY2016. In addition, our marketing team continues to be active in seeking new opportunities to further diversify our coal sales from the traditional export markets of China and India. In this front, GEAR has also started selling its coal to new markets, such as Spain and the Philippines.

GEAR's Global Distribution Reach



Geographical Revenue Breakdown



PRICE CAP ON DOMESTIC MARKET OBLIGATIONS

On 9 and 12 March 2018, Indonesia's Ministry of Energy and Mineral Resources issued a new decree relating to the pricing for coal sold under the Domestic Market Obligations ("DMO"). The DMO stipulates that coal mining companies are required to sell at least 25% of their total production within the domestic market. Under the new decree which would be in effect from 12 March 2018 to 31 December 2019, coal mining companies which sell coal to domestic power plants have a maximum price cap of \$70 per tonne for 6,322 kilocalorie/kilogram coal. In the event that the government's benchmark coal price ("HBA") falls below this level, then the selling price will conform to the HBA.

Prior to this recent regulatory change, GEAR has been closely monitoring the developments on this front and has been taking active mitigation steps by focusing on growing our export sales in order to achieve a higher selling price and maximise shareholder value. We were successful in achieving this, as can be evidenced by the reduction in our domestic sales from 58% in FY2016 to 30% in FY2017.

NON-COAL BUSINESSES

Our Non-Coal businesses comprises forestry business, management consultancy service business and investment holding companies.

The forestry business holds a forestry concession rights of 265,095 hectares in four regents at South Kalimantan, Indonesia. The Group sold a total volume of approximately 84,971.37m³ of logs to a domestic pulp and paper factory operator.

IN CONCLUSION

We believe that the current positive operating environment for the coal industry presents an opportunity for us to develop and transform our business to a more resilient and sustainable model that is capable of weathering the cyclical nature of the industry.

Our achievements in 2017 have been an encouraging step for us in this direction as the fundamentals of our coal mining operations continue to grow from strength to strength. With this, we stand ready to further our pursuit of profitable growth.

We are excited to build on the current momentum we have generated over the past fiscal year and we look forward to the opportunities that lie ahead. With this, I would like to thank all of you for your continued support.

MR FUGANTO WIDJAJA

Executive Director, Group Chief Executive Officer

BOARD OF DIRECTORS



MR. LAY KRISNAN CAHYA

Non-Executive Chairman

Mr. Lay Krisnan Cahya was appointed as a non-Executive Director and non-Executive Chairman on 20 April 2015 following the completion of the acquisition of 66.9998% equity interest in the share capital of PT Golden Energy Mines Tbk ("**GEMS**") from PT Dian Swastatika Sentosa Tbk ("**DSS**") ("**DSS Completion**"). Mr. Cahya is a member of both the Audit Committee and Nominating Committee. Except as provided below, Mr. Cahya does not have any relationships including immediate family relationships with the Directors or the Company as defined in the Code of Corporate Governance 2012 ("**Code**").

Mr. Cahya has over 30 years working experience in banking and corporate. He is currently the President Director of DSS and President Commissioner of GEMS.

Mr. Cahya graduated with a Bachelor of Economics (Accounting) from Tarumanagara University, Indonesia in 1986.



MR. FUGANTO WIDJAJA

Executive Director, Group CEO

Mr. Fuganto Widjaja was appointed as an Executive Director and the Group Chief Executive Officer on 20 April 2015 following DSS Completion. Mr. Widjaja is a member of the Remuneration Committee. Mr. Widjaja is the son of Mr. Indra Widjaja and nephew of Mr. Franky Oesman Widjaja and Mr. Muktar Widjaja. Mr. Indra Widjaja, Mr. Franky Oesman Widjaja and Mr. Muktar Widjaja are the ultimate controlling shareholders of the Company. Except as provided above, Mr. Widjaja does not have any relationships including immediate family relationship with the Directors or the Company as defined in the Code. Mr. Widjaja was re-elected to the Board on 28 April 2017.

Mr. Widjaja has more than 10 years of experience in general management and supervisory responsibilities in the coal industry. Mr. Widjaja is a Commissioner of GEMS and PT Sinar Mas Multiartha Tbk and President Director of PT Berau Coal Energy Tbk.

Mr. Widjaja graduated with a Bachelor of Arts (Computer Science and Economics) from Cornell University in 2003 and obtained a Master's Degree in Philosophy (Finance) from the University of Cambridge in 2004.



MR. DWI PRASETYO SUSENO

Executive Director, Deputy Group CEO

Mr. Dwi Prasetyo Suseno was appointed as an Executive Director and the Deputy Group Chief Executive Officer on 26 October 2015. He does not have any relationships including immediate family relationship with the Directors, the Company or its 10% shareholders as defined in the Code. Mr. Suseno was re-elected to the Board on 29 April 2016.

Mr. Suseno has over 20 years of experience in mining, commodities and oil & gas related industries with exposures in operations, general management, trading, finance, business development, merger and acquisitions, corporate legal and international taxation. He has worked with PT Indo Straits Tbk, Straits Asia Resources Limited, Baker Hughes Inc., Arthur Andersen and Ernst & Young LLP Australia.

Mr. Suseno obtained his Bachelor of Commerce degree from the University of Western Australia, Postgraduate Diploma in Business degree from Curtin University, Western Australia and Executive MBA degree from Kellogg School of Management & HKUST. He holds a Graduate Diploma degree in Taxation Law Masters from the University of Melbourne, Australia. Mr. Suseno is a Fellow Certified Public Accountant of CPA Australia. He is also a Chartered Accountant and member of Institute of Singapore Chartered Accountants.



MR. MOCHTAR SUHADI

Executive Director

Mr. Mochtar Suhadi was appointed as an Executive Director of the Company on 20 April 2015 following DSS Completion. He does not have any relationships including immediate family relationship with the Directors, the Company or its 10% shareholders as defined in the Code. Mr. Suhadi was re-elected to the Board on 29 April 2016.

Mr. Suhadi has many years of experience in general management of operations, merger and acquisitions, exploration, joint ventures and joint operations of coal mines in Indonesia.

Mr. Suhadi was previously a non-executive director of the Company from January 2011 to August 2011 and a director of GEMS from 3 May 2013 to 15 March 2018. Mr. Suhadi graduated with a Bachelor of Science from University of Michigan in 2004.

BOARD OF DIRECTORS



MR. PAUL LIM YU NENG

Lead Independent Director

Mr. Paul Lim Yu Neng is the Lead Independent Director of the Company. Mr. Lim was appointed as a Non-Executive Director of the Company on 3 August 2007 and was re-designated as an Independent Director on 26 February 2009. He is presently the Chairman of the Audit Committee and member of both the Nominating Committee and the Remuneration Committee of the Company. Mr. Lim does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code. Mr. Lim was re-elected to the Board on 29 April 2016.

Mr. Lim has over 25 years of banking experience with international investment banks including Morgan Stanley, Deutsche Bank, Solomon Smith Barney and Bankers Trust. He is currently the Managing Director and Head of Private Equity of SBI Ven Capital Pte Ltd. Mr. Lim is an Independent Director of China Everbright Water Limited and Nippecraft Limited. Mr. Lim graduated with a Bachelor of Science in Computer Science in 1985 and obtained his Master of Business Administration in Finance in 1986 from the University of Wisconsin, Madison, USA. He is also a Chartered Financial Analyst.



MR. LEW SYN PAU

Independent Director

Mr. Lew Syn Pau was appointed as an Independent non-Executive Director of the Company on 20 April 2015 following DSS Completion. He is presently the Chairman of the Nominating Committee and the Remuneration Committee and member of the Audit Committee of the Company. He does not have any relationships including immediate family relationship with the Directors, the Company or its 10% shareholders as defined in the Code. Mr. Lew was re-elected to the Board on 28 April 2017.

Mr. Lew prior work experience includes being Managing Director of NTUC Comfort (a transport enterprise), Executive Director of NTUC Fairprice (a supermarket co-operative), Assistant Secretary-General of NTUC and Country Manager of Banque Indosuez.

Mr. Lew is an Independent Director of SUTL Enterprise Ltd, Broadway Industrial Group Limited, Food Empire Holdings Ltd, and Golden Agri-Resources Ltd. He is also Chairman of SUTL Enterprise Ltd and Broadway Industrial Group Limited.

Mr. Lew was a Singapore Government scholar, and has a Bachelor (1977) and Master (1981) of Engineering from Cambridge University, UK and a Master of Business Administration from Stanford University, USA (1984). He was a member of the Singapore Parliament from 1988 to 2001, during which he chaired the Singapore Government Parliamentary Committees for Education, Finance, Trade and Industry and National Development.



MR. IRWANDY ARIF

Independent Director

Mr. Irwandy Arif was appointed as an Independent non-Executive Director of the Company on 20 April 2015 following DSS Completion. He does not have any relationships including immediate family relationship with the Directors, the Company or its 10% shareholders as defined in the Code. Mr. Arif was re-elected to the Board on 28 April 2017.

Mr. Arif has over 30 years of experience in the mining industry. He is an Independent Commissioner of GEMS and PT Vale Indonesia Tbk, member of audit committee on the Board of Commissioners of GEMS, PT Adaro Energy Tbk and PT Tobabara Sejahtera Tbk.

Mr. Arif graduated with a Bachelor of Engineering in Mining Engineering from the Bandung Institute of Technology in 1976, obtained his Master of Science in Industrial Engineering from the Bandung Institute of Technology in 1985 and was conferred a Doctoral Degree from the Ecole des Mines de Nancy, France in 1991.



MR. DJUANGGA MANGASI MANGUNSONG

Independent Director

Mr. Djuangga Mangasi Mangunsong was appointed as an Independent non-Executive Director of the Company on 18 January 2018. He does not have any relationships including immediate family relationship with the Directors, the Company or its 10% shareholders as defined in the Code.

Mr. Mangunsong has many years of experience in the mining industry. He is a Director of PT Tambang Mas Sangihee, the Vice Chairman of PT Indo Minerba Insani (Indonesian Mining Institute), a non-Executive Director of PT Media Bakti Tambang (Tambang Magazine) and member of the Working Group on Energy and Mineral Resources of Indonesia's National Committee for Economy and Industry.

Mr. Mangunsong holds a Bachelor of Engineering degree in Mining Engineering from the Bandung Institute of Technology.

OUR AREAS OF OPERATIONS



SINGAPORE

Corporate Office

- Corporate, finance, human resource, IT and purchasing functions
- Oversees Group's growth strategy, M&A, funding and investor relations

Marketing office

- Coal trading for international market

JAKARTA

Coal Divisions Head office

- Finance, legal, human resource, IT, marketing and purchasing functions
- Oversees Group's businesses and operations

SOUTH KALIMANTAN

BIB Coal Mining Concession

- 24,100 hectares mining concession
- Coal resources estimates of more than 1.8 billion tonnes, inclusive of coal reserves
- Coal reserves estimates of more than 677 million tonnes
- Calorific value of 3,866 kcal/kg - 6,528 kcal/kg (arb)

Forestry Concession

- 265,095 hectares of forestry concession rights
- Approximately 4,496 hectares are planted with Acacia Mangium; Jabon; Sengon; Rubber trees; and 1,358 hectares of natural forest plantation.

CENTRAL KALIMANTAN

TKS Coal Mining Concession

- 11,455 hectares mining concession
- Coal resources estimates of more than 74 million tonnes
- Calorific value of 5,726 kcal/kg (adb)

SUMATRA

JAMBI

KIM Coal Mining Concession

- 2,610 hectares mining concession
- Coal resources estimates of 264 million tonnes, inclusive of coal reserves
- Coal reserves estimates of more than 64 million tonnes
- Calorific value of 4,741 kcal/kg - 4,980 kcal/kg (arb)

SOUTH SUMATRA BASIN

WRL Coal Mining Concession

- 4,739 hectares mining concession
- Coal resources estimates of 316 million tonnes, inclusive of coal reserves
- Coal reserves estimates of more than 87 million tonnes
- Calorific value of 2,835 - 2,939 kcal/kg (arb)

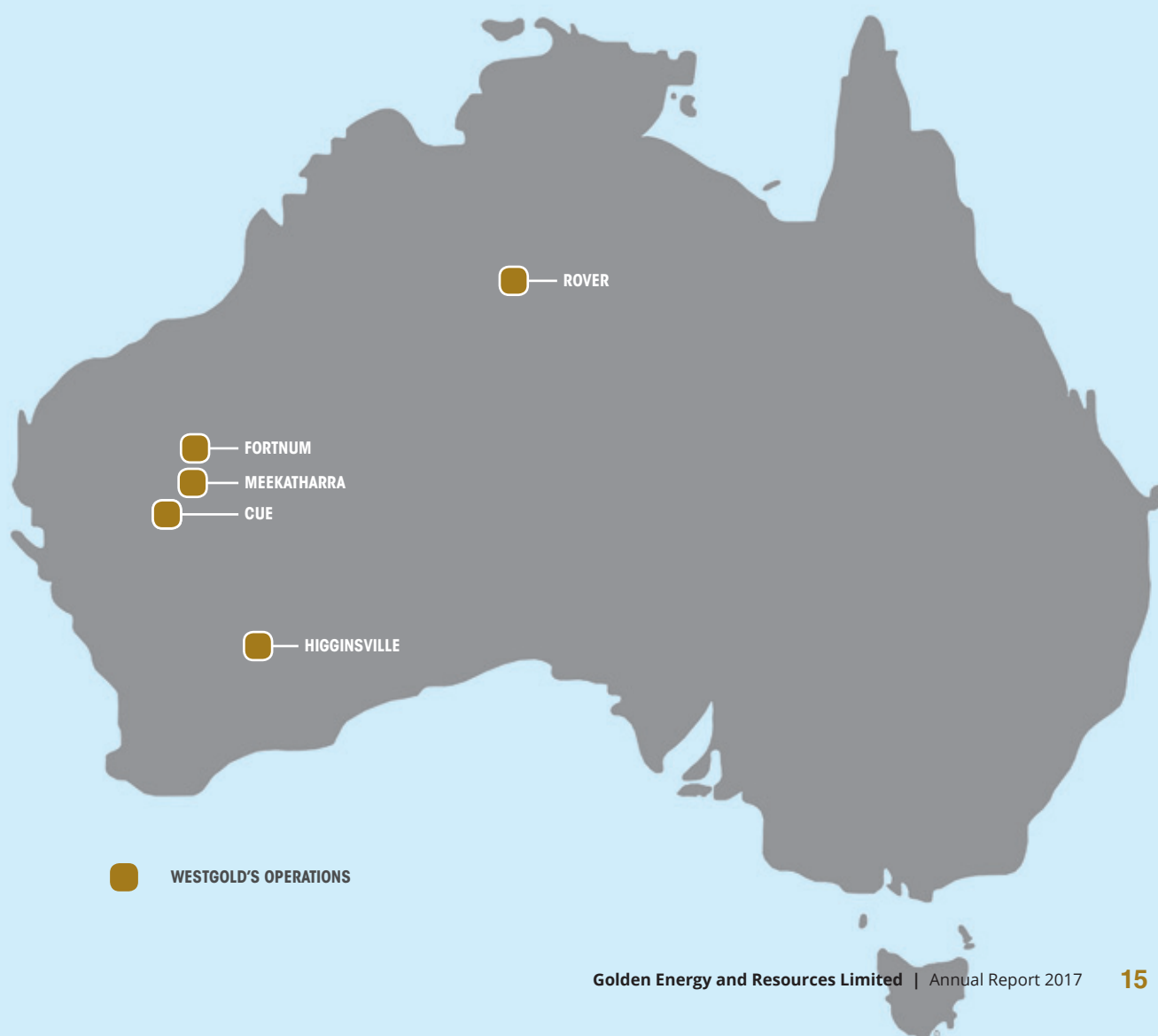
AUSTRALIA

WESTERN AUSTRALIA

Westgold Resources Limited

(Approximately 10% Strategic Investment)

- At 30 June 2017, 15.96 million ounces of gold resources and 3.38 million ounces of gold reserves
- Gold processing facilities of up to 5.5 million tonnes per annum
- Westgold is currently the 6th largest domestic gold producer in Australia, producing approximately 300,000oz per annum of gold and has production capabilities of well over 400,000oz per annum



OPERATIONS REVIEW

COAL MINING DIVISION

Our Coal Mining Division is principally engaged in the exploration, mining, processing and marketing of thermal coal sourced from its principal coal mining concession areas in Indonesia, which are in South Kalimantan, Central Kalimantan, Jambi (a province in Sumatra) and South Sumatra Basin, Indonesia. Under the concessions issued by the authorities, our Coal Mining Division has exclusive mining rights over concession areas covering an aggregate of approximately 42,904 hectares. These concessions are held through the Group's subsidiaries, namely PT Borneo Indobara, PT Kuansing Inti Makmur, PT Trisula Kencana Sakti and PT Wahana Rimba Lestari. Since March 2012, PT Trisula Kencana Sakti has been placed under temporary care and maintenance whilst awaiting a sustainable recovery of the coal market.

As at 31 December 2017, our Coal Mining Division collectively owns the rights to mine more than 2.4 billion tonnes of thermal coal resources, with coal reserves estimates of more than 828 MT. In all our concession areas, our Coal Mining Division uses the open cut mining method, which includes the exploration, planning and clearing of required surface areas, mining, transportation, distribution of coal and rehabilitation. Third party contractors play important roles in performing the mining operations under the supervision of our management of our Coal Mining Division.

Our Coal Mining Division produced a total volume of 15.6 MT of thermal coal in 2017, an increase of 64.2% from 2016 production volume of 9.5 MT. Our BIB's production volume which contributed 85.3% from the overall 2017 production volume, showed an increase in volume by 77.3% from 7.5 MT in 2016 to 13.3 MT in 2017, nearly reaching the maximum output limit approved by the Indonesian Government in 2017. KIM's production volume increased by 15.0% from 2.0 MT in 2016 to 2.3 MT in 2017.

COAL TRADING DIVISION

Our Coal Trading Division commenced its coal trading business in April 2010 and with it, the Group was able to access different varieties of coal which facilitated blending opportunities with our own mined coal. The ability to blend coal provided the Group an avenue for improved value addition and also helped cater to a wider market segment. Currently, our coal trading business consists of procuring sales orders from customers and sourcing for domestic suppliers. The thermal coal in the Group's coal trading business is generally of higher calorific value than those mined by our Coal Mining Division.

Our Coal Trading Division sold a total volume of 1.9 MT in 2017, a 52.0% increase from 2016 sales volume of 1.25 MT. The international customers of our Coal Mining and Coal Trading Divisions typically consist of traders and end users. The markets include China, India, Thailand, Philippines, Korea and Malaysia. Domestic customers of these Divisions include power plant operators, pulp and paper factory operators, cement industry and coal trading companies that purchase coal for resale purposes.

NON-COAL BUSINESSES

The Group holds a forestry concession right of 265,095 hectares in four regents at South Kalimantan, Indonesia. Out of the total concession rights, approximately 3,564 hectares of the forestry concession area is planted with Acacia Mangium; Jabon; Sengon; and 933 hectares with Rubber trees; and 1,358 hectares of natural forest plantation. The Group sold a total volume of approximately 84,971.37m³ of logs for an aggregated value of US\$3.2 million in 2017 to its sole customer, a domestic pulp and paper factory operator.

Other than the forestry business, the Group renders management consultancy services and received approximately US\$0.5 million as consultancy fees income from its services rendered.

FINANCIAL REVIEW

FINANCIAL PERFORMANCE REVIEW

“Revenue” comprises mainly revenue generated from our Coal Mining and Coal Trading Divisions as well as Non-Coal Businesses.

On the back of the strong demand in coal, our Group delivered a strong financial showing in FY2017, reporting a record revenue of US\$763.8 million for FY2017 as compared to US\$393.3 million in FY2016. Our Coal Mining Division continued on its production expansion path in FY2017 increasing coal production from 9.5 million tonnes in FY2016 to a record level of 15.6 million tonnes in FY2017. Revenue contributed by our Coal Mining Division increased from US\$329.5 million in FY2016 to US\$645.4 million in FY2017, as a result of higher sales volumes as well as higher average selling prices on the back of a buoyant coal market. Revenue from our Coal Trading Division increased from US\$54.8 million in FY2016 to US\$114.0 million in FY2017 mainly due to increased trading volumes and higher average selling prices. Revenue from Non-coal Business decreased from US\$8.9 million in FY2016 to US\$4.4 million in FY2017 due to a decrease in log sales volume and management fee income received.

Our coal customers comprise domestic and international traders as well as end-users. Domestic sales contributed 29.7% of our Group’s revenue in FY2017. As for export sales, our customers from China and India accounted for 41.6% and 18.8% of our total sales respectively in FY2017 as compared to 24.7% and 13.4% respectively in FY2016. In recent years, our Group has commenced sales to new markets such as Spain, South Korea and Philippines to diversify and increase our geographical reach and customer base.

“Cost of sales” increased from US\$249.2 million in FY2016 to US\$447.9 million in FY2017, mainly due to increases in (i) mining services, coal freight, mining overhead and royalty as a result of an higher coal production and sales activities; and (ii) coal purchases

from our Coal Trading Division, partly offset by lower amortization expenses resulting from lower depletion of mine properties for stripping activity asset in our Coal Mining Division.

“Gross profit” increased from US\$144.1 million in FY2016 to US\$315.9 million in FY2017 as a result of the aforementioned.

“Other income” increased from US\$13.8 million in FY2016 to US\$17.4 million in FY2017, mainly due to an increase in write back of withholding tax expense of US\$3.0 million, interest income of US\$0.7 million, compensation income of US\$1.2 million and an increase in others of US\$3.0 million as a result of tax amnesty and gain on disposal of short term investments partly offset by an absence of foreign exchange gain of US\$0.3 million and reversal of prior year interest expense of US\$4.0 million.

“Selling and distribution expenses” increased from US\$56.4 million in FY2016 to US\$99.2 million in FY2017, mainly due to increase in freight and stockpile expenses in line with the increase in coal sales volume from Coal Mining and Coal Trading Divisions.



FINANCIAL REVIEW

“Administrative expenses” increased from US\$34.8 million in FY2016 to US\$55.1 million in FY2017 mainly due to increases in (i) repair and maintenance expenses for road development within our coal concessions; (ii) salaries, benefits and employee welfare expenses as a result of a higher employee headcount; and (iii) legal and professional fees incurred for various corporate exercises.

“Other operating expenses” increased from US\$3.9 million in FY2016 to US\$8.7 million in FY2017 mainly due to (i) foreign exchange loss recorded in FY2017; (ii) increase in amortization expense; and (iii) increase in other taxes.

The Group recorded a “Fair value loss on biological asset” of US\$0.6 million in FY2017. This was attributed to the harvesting of the logs during the financial year, partly offset by a marginal increase of US\$0.3 million in the valuation of the biological asset as a result of an increase in plantation area and improved pricing.

“Finance costs” remained relatively stable.

“Income tax expenses” increased from US\$15.5 million in FY2016 to US\$53.2 million in FY2017 as a result of (i) higher taxable profit in FY2017; and (ii) an increase in withholding tax expense due to higher dividend income from our subsidiary, PT Golden Energy Mines Tbk.

Due to the factors above, our Group reported a net profit of US\$104.4 million in FY2017 as compared to US\$33.7 million in FY2016.

FINANCIAL POSITION REVIEW

“Property, plant and equipment” increased by US\$5.5 million as a result of additions to property, plant and equipment, partly offset by depreciation.

“Biological asset” increased by US\$0.3 million due to the marginal increase in the valuation of the biological asset as a result of an increase in plantation area and improved pricing.

“Deferred tax assets” decreased by US\$2.3 million due to the de-recognition of deferred tax assets from tax losses carried forward in subsidiaries.

“Investment securities” increased by US\$23.3 million due to our initial payment for our investment in Westgold.

“Restricted funds” increased by US\$4.0 million due to an increase in reclamation guarantee placed with banks as well as funds deposited in the interest reserve account relating to our loan facility with Credit Suisse.

“Inventories” increased by US\$7.5 million due to an increase in coal production.

“Trade and other receivables” increased by US\$54.7 million mainly due to higher sales volume in 2017.

“Other current assets” increased by US\$31.5 million mainly due to an increase of advance payment of US\$22.8 million to coal suppliers and a down payment of US\$8.0 million to the vendors for the proposed acquisition of BSL.



"Cash and cash equivalents" increased by US\$109.6 million mainly due to net cash flows generated from operating activities partly offset by net cash flows used in investing activities and net cash flows used in financing activities.

"Trade and other payables" due within the next twelve months increased by US\$100.0 million mainly due to increased coal mining activities in 2017 in line with higher production volume.

"Provision for taxation" increased US\$26.5 million as a result of the increase in taxable income during the year.

"Loans and borrowings" due within the next twelve months increased by US\$22.9 million as a result of drawdown of working capital loan facility during the year.

"Post-employment benefits" increased by US\$0.5 million mainly due to provision for employees benefit liability during the year.

"Loans and borrowings" due after the next twelve months increased by US\$22.4 million due to the Credit Suisse loan facility for Westgold investment partially offset by the refinancing of an existing loan facility at a lower interest rate.

As at 31 December 2017, our Group's net assets stood at US\$443.1 million with loans and borrowings totaling US\$95.0 million, out of which US\$25.2 million are due within the next twelve months.

CASH FLOW REVIEW

"Net cash generated from operating activities" of US\$168.9 million comprised of operating cash flows before working capital changes of US\$176.7 million, net working capital inflow of US\$9.7 million, income tax paid of US\$15.5 million; interest and other financial charges paid of US\$9.3 million, partly offset by interest income received of US\$7.4 million.

"Net cash flows used in investing activities" of US\$56.5 million was mainly due to (i) down payment for proposed acquisition of BSL of US\$8.0 million; (ii) purchase of property, plant and equipment of US\$11.6 million; (iii) changes in restricted fund of US\$4.0 million; (iv) initial payment for Westgold investment of US\$24.1 million; and (v) an increase in other non-current assets of US\$4.7 million and (vi) additions to mining properties of US\$3.1 million.

"Net cash flows used in financing activities" of US\$3.5 million was mainly due to (i) repayment of loans and borrowings of US\$103.4 million; (ii) payment of dividend of US\$17.8 million; and (iii) payment of dividend to non-controlling interest of subsidiaries of US\$31.5 million; partly offset by proceeds from loans and borrowings of US\$149.1 million.

As a result of the above, our Group's cash and cash equivalents position increased from US\$79.1 million at 31 December 2016 to US\$188.7 million at 31 December 2017.



FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT (US\$'000)	2017	Restated 2016	Restated 2015	2014	2013
Revenue	763,806	393,272	359,771	435,953	424,152
Gross profit	315,908	144,105	111,729	146,783	82,402
EBITDA ⁽¹⁾	183,627	86,157	37,251	43,027	44,300
Net Profit/(Loss) after Tax ⁽⁴⁾	104,435	33,664	(8,657)	10,819	21,412
Core Net Profit/(Loss) ⁽²⁾	69,102	24,282	(1,423)	9,005	6,297
Net Profit/(Loss) Attributable to Owners of the Company	62,950	22,006	(9,395)	10,791	21,228
Weighted Average Number of Shares ⁽¹⁰⁾ ('000)	2,353,100	2,181,650	2,433,169	3,050,971	3,050,971
Core Net Profit/(Loss) ⁽²⁾ per Share (US Cents)	2.94	1.11	(0.06)	0.30	0.21
Earnings per Share (US Cents)	2.68	1.01	(0.39)	0.35	0.70

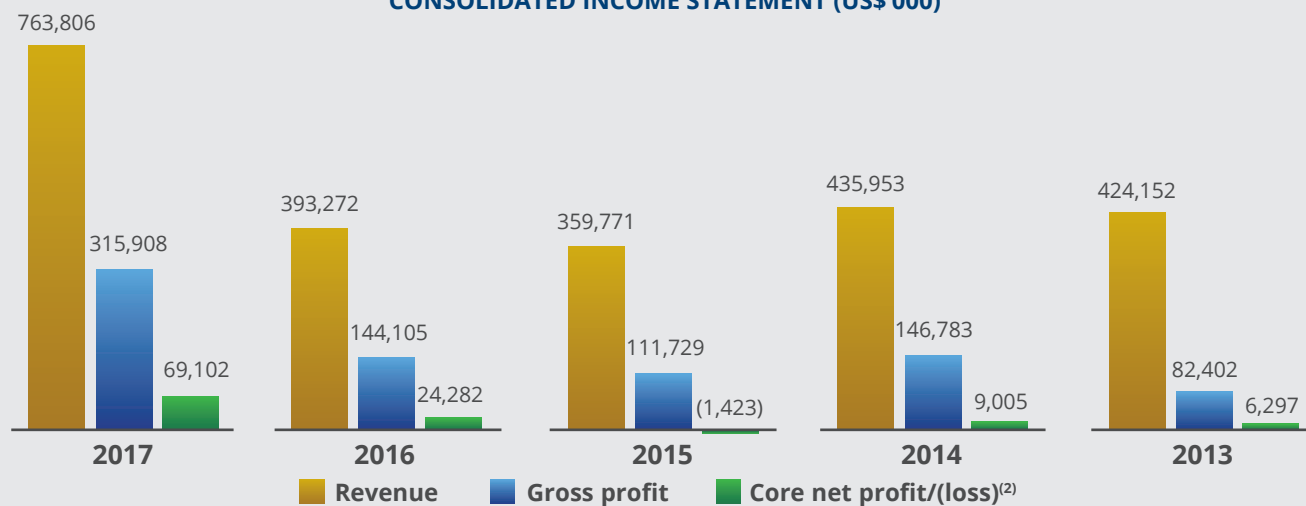
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (US\$'000)	2017	Restated 2016	Restated 2015	2014	2013
Total Assets	753,077	521,865	493,494	315,639	327,965
Total Current Assets	431,086	226,713	198,276	141,302	152,758
Total Current Liabilities	222,560	73,063	108,671	64,053	83,337
Total Non-Current Liabilities	87,462	64,598	111,663	3,528	2,829
Net Tangible Assets	284,887	225,536	143,855	222,771	217,357
Non-Controlling Interests	97,326	87,730	82,085	716	530
Equity Attributable to Owners of the Company	345,729	296,474	191,075	247,342	241,269
Number of Shares ⁽¹¹⁾ ('000)	2,353,100	2,353,100	2,170,120	3,864,251	3,864,251

RATIOS	2017	Restated 2016	Restated 2015	2014	2013
Gross profit margin	41%	37%	31%	34%	19%
EBITDA ⁽¹⁾ margin	24%	22%	10%	10%	10%
Core net profit/(loss) ⁽²⁾ margin	9%	6%	0%	2%	1%
Net profit/(loss) ⁽³⁾ margin	8%	6%	-3%	2%	5%
Return on equity ⁽⁵⁾	18%	7%	-5%	4%	9%
Return on assets ⁽⁶⁾	8%	4%	-2%	3%	6%
Current ratio (times)	1.94	3.10	1.82	2.21	1.83
Gearing Ratio ⁽⁷⁾ (times)	0.17	0.11	0.47	0.01	0.08
Net Tangible Assets per share (Cents)	12.11	9.58	6.63	5.76	5.62
Receivable turnover (days) ⁽⁸⁾	35	48	49	41	49
Inventory turnover (days) ⁽⁹⁾	10	18	19	14	11

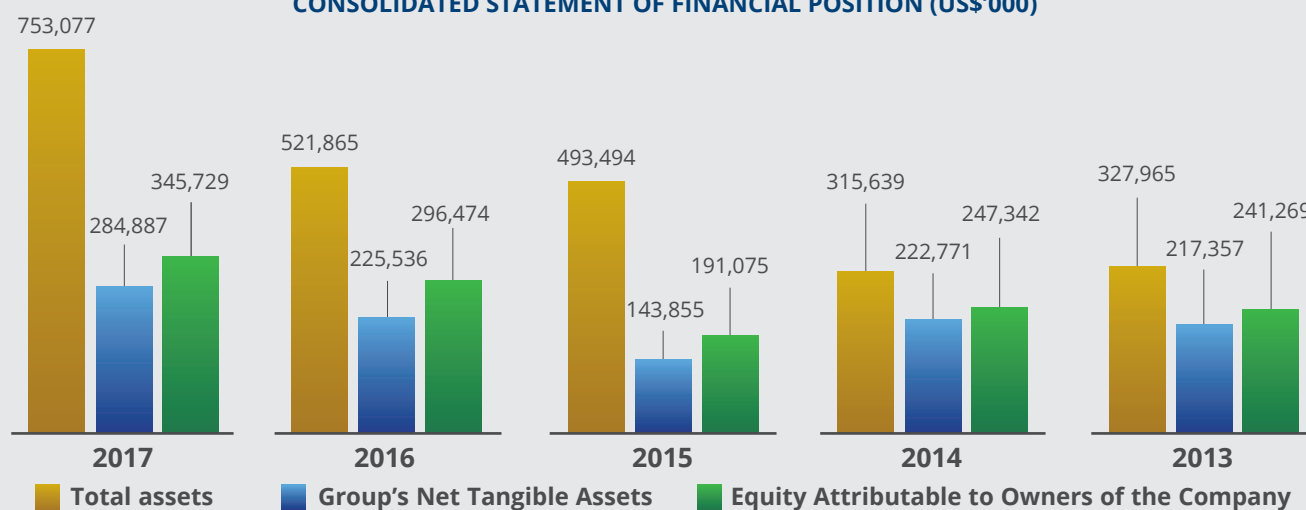
Notes:

- ⁽¹⁾ EBITDA = profit for the year + finance costs + income tax expense + depreciation and amortisation - reversal of prior year interest expense - income tax benefit.
- ⁽²⁾ Core net profit/(loss) = net profit/(loss) attributable to owners of the Company excluding the net effect of net gain or loss from changes in fair value of biological assets, foreign exchange gain or loss and exceptional items (net of tax and non-controlling interests)
- ⁽³⁾ Net profit/(loss) = net profit/(loss) attributable to owners of the Company
- ⁽⁴⁾ Net profit/(loss) after tax = profit/(loss) before tax - income tax (expense)/benefit
- ⁽⁵⁾ Return on equity = net profit/(loss) attributable to owners of the Company / equity attributable to owners of the Company
- ⁽⁶⁾ Return on assets = net profit/(loss) attributable to owners of the Company / total assets
- ⁽⁷⁾ Gearing ratio = (total liabilities excluding taxes - cash and cash equivalents) / (equity attributable to owners of the Company + total liabilities excluding taxes - cash and cash equivalents)
- ⁽⁸⁾ Receivable turnover = average trade receivables / revenue * 365
- ⁽⁹⁾ Inventory turnover = average inventory / cost of sales * 365
- ⁽¹⁰⁾ Refer to Note 9 of Financial contents for explanation
- ⁽¹¹⁾ Refer to Note 27 of Financial contents for explanation

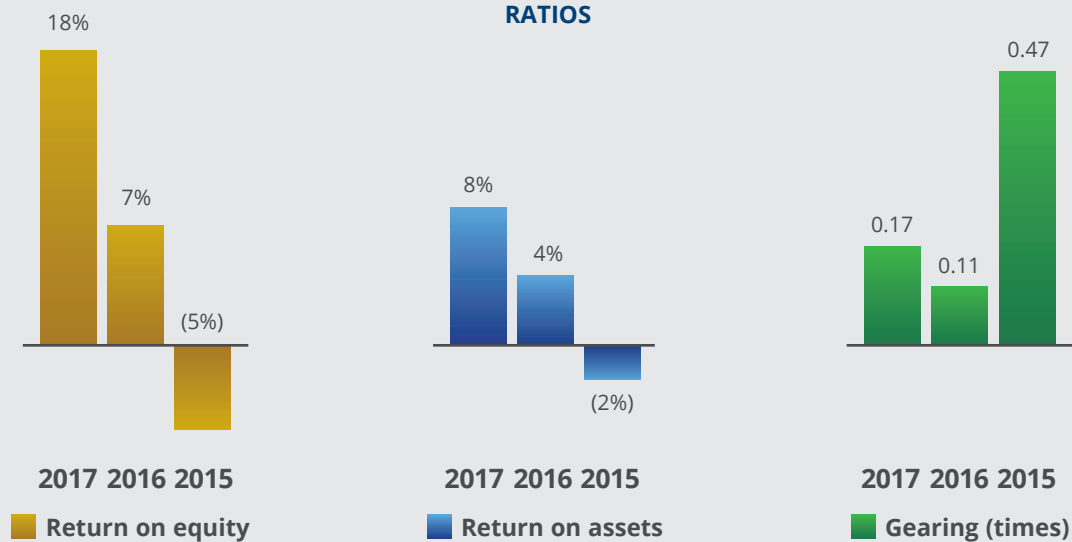
CONSOLIDATED INCOME STATEMENT (US\$'000)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (US\$'000)

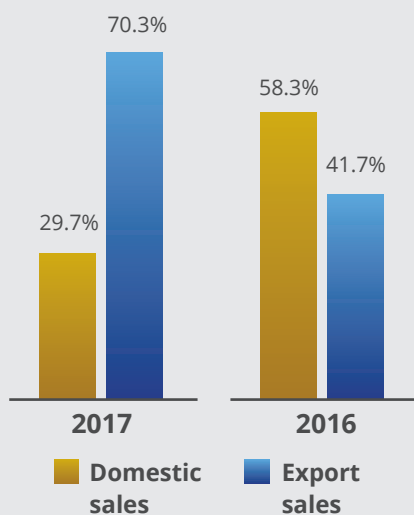


RATIOS

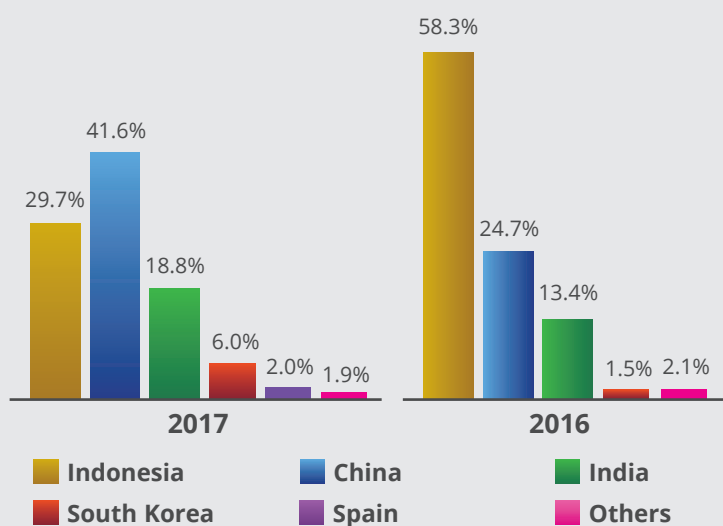


FINANCIAL HIGHLIGHTS

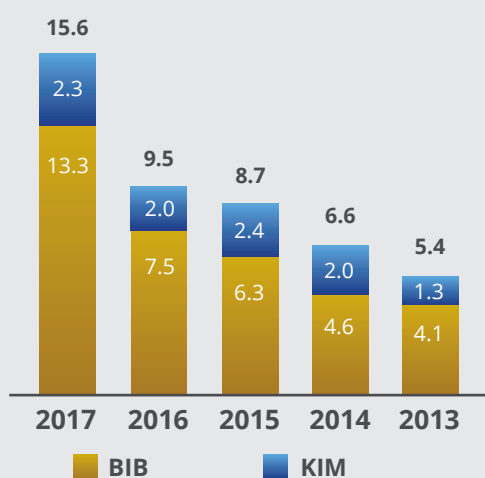
REVENUE MIX



GEOGRAPHICAL REVENUE MIX



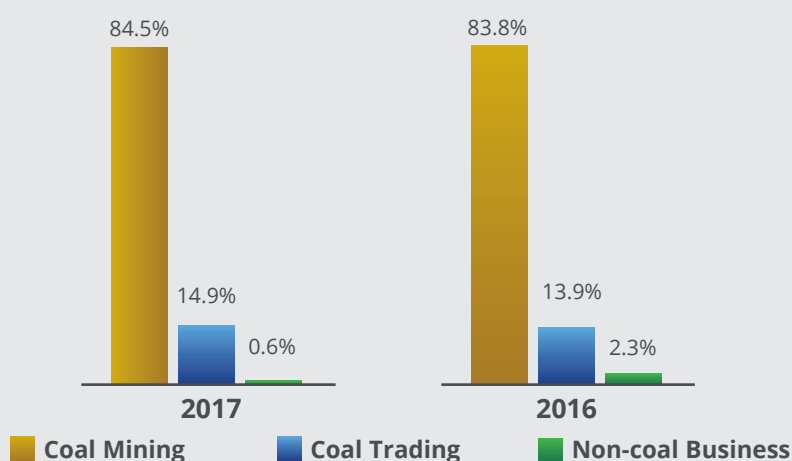
PRODUCTION VOLUME (MILLION TONNES)



SALES VOLUME (MILLION TONNES)



REVENUE MIX BUSINESS SEGMENT



COAL RESOURCES & RESERVES STATEMENT

As at 31 December 2017

1. Name of Asset / Country: BIB Coal Mining Concession / Indonesia

Gross Attributable to Licence ⁽¹⁾				Net Attributable to the Company		
Category	Mineral Type	Tonnes (Millions) ⁽⁴⁾	Grade	Tonnes (Millions) ⁽⁴⁾	Grade	Change from previous update (%) ⁽²⁾
Reserves						
Proved	Coal	586.4	Sub-bituminous B	385.4	Sub-bituminous B	13.62%
Probable	Coal	90.8	Sub-bituminous B	59.7	Sub-bituminous B	-33.15%
Total		677.2		445.1		3.87%
Resources ⁽³⁾						
Measured	Coal	992	Sub-bituminous B	652	Sub-bituminous B	8.31%
Indicated	Coal	333	Sub-bituminous B	218.9	Sub-bituminous B	-0.50%
Inferred	Coal	504	Sub-bituminous B	331.2	Sub-bituminous B	-10.73%
Total		1,830		1,202.7		0.73%

Notes:

- (1) CCoW license issued by the Government of the Republic of Indonesia which was represented by Ministry of Mining and Energy (formerly the Ministry of Energy and Mineral Resources).
- (2) Previous coal resources and coal reserves estimates were reported as at 31 December 2016
- (3) Coal resources are inclusive of coal reserves
- (4) Individual totals may differ due to rounding

The increase in resources and reserves estimates are mainly due to additional drillholes.

The movement in resources and reserves estimates are mainly due to production, coal prices and cost parameters.



COAL RESOURCES & RESERVES STATEMENT

As at 31 December 2017

2. Name of Asset / Country: KIM Coal Mining Concession / Indonesia

Gross Attributable to Licence ⁽¹⁾				Net Attributable to the Company		
Category	Mineral Type	Tonnes (Millions) ⁽⁴⁾	Grade	Tonnes (Millions) ⁽⁴⁾	Grade	Change from previous update (%) ⁽²⁾
Reserves						
Proved	Coal	51	Sub-bituminous B	34.2	Sub-bituminous B	20.85%
Probable	Coal	13.1	Sub-bituminous B	8.8	Sub-bituminous B	-6.38%
Total		64.1		42.9		13.49%
Resources ⁽³⁾						
Measured	Coal	116	Sub-bituminous B	77.7	Sub-bituminous B	2.24%
Indicated	Coal	56	Sub-bituminous B	37.5	Sub-bituminous B	-6.25%
Inferred	Coal	92	Sub-bituminous B	61.6	Sub-bituminous B	8.07%
Total		264		176.9		2.85%

Notes:

⁽¹⁾ IUP license issued by the Governor of Jambi.

⁽²⁾ Previous coal resources and coal reserves estimates were reported as at 31 December 2016

⁽³⁾ Coal resources are inclusive of coal reserves

⁽⁴⁾ Individual totals may differ due to rounding

The increase in resources and reserves estimates are mainly due to additional drillholes. The movement in resources and reserves estimates are mainly due to production, coal prices and cost parameters.



3. Name of Asset / Country: WRL Coal Mining Concession / Indonesia

Gross Attributable to Licence ⁽¹⁾				Net Attributable to the Company		
Category	Mineral Type	Tonnes (Millions) ⁽⁴⁾	Grade	Tonnes (Millions) ⁽⁴⁾	Grade	Change from previous update (%) ⁽²⁾
Reserves						
Proved	Coal	33.8	Sub-bituminous B	22.6	Sub-bituminous B	41.25%
Probable	Coal	53.4	Sub-bituminous B	35.8	Sub-bituminous B	16.23%
Total		87.2		58.4		24.79%
Resources ⁽³⁾						
Measured	Coal	54.5	Sub-bituminous B	36.5	Sub-bituminous B	40.38%
Indicated	Coal	100.2	Sub-bituminous B	67.1	Sub-bituminous B	72.05%
Inferred	Coal	161	Sub-bituminous B	107.9	Sub-bituminous B	89.30%
Total		316		211.7		72.11%

Notes:

⁽¹⁾ IUPOP license issued by the provincial government of South Sumatra

⁽²⁾ Previous coal resources and coal reserves estimates were reported as at 31 December 2016

⁽³⁾ Coal resources are inclusive of coal reserves

⁽⁴⁾ Individual totals may differ due to rounding

The increase in resources and reserves estimates are mainly due to additional drillholes.



COAL RESOURCES & RESERVES STATEMENT

As at 31 December 2017

4. Name of Asset / Country: TKS Coal Mining Concession / Indonesia

Gross Attributable to Licence ⁽¹⁾				Net Attributable to the Company		
Category	Mineral Type	Tonnes (Millions) ⁽³⁾	Grade	Tonnes (Millions) ⁽³⁾	Grade	Change from previous update (%) ⁽²⁾
Reserves						
Proved	Coal	-	Sub-bituminous B	-	Sub-bituminous B	-
Probable	Coal	-	Sub-bituminous B	-	Sub-bituminous B	-
Total		-		-		-
Resources ⁽³⁾						
Measured	Coal	24.7	Sub-bituminous B	11.6	Sub-bituminous B	-3.33%
Indicated	Coal	26	Sub-bituminous B	12.2	Sub-bituminous B	1.67%
Inferred	Coal	24	Sub-bituminous B	11.3	Sub-bituminous B	2.73%
Total		74.7		35		0.00%

Notes:

(1) 2 IUP licenses issued by the Keputusan Bupati Barito Utara and 1 IUP license issued by Bupati Barito Timur

(2) Previous coal resources estimates were reported as at 31 December 2016

(3) Individual totals may differ due to rounding

No change in the resource estimates

EXPLORATION (INCLUDING GEOPHYSICAL SURVEYS), DEVELOPMENT AND PRODUCTION ACTIVITIES

The Group has conducted infill exploration drilling including geophysical surveys during the financial year in BIB and KIM mines. The purpose of the drilling was to identify the subsurface geological conditions in detail and to improve the production planning. The Group has also carried out exploration drilling in WRL to identify the extension of the coal seams and increase the resources and reserves.

The Group has done project infrastructure expansion in BIB coal mining concession during the period under review.

The mines had processed an aggregate of 15,586,745 metric tonnes of Sub-bituminous B coal for the financial year ended 31 December 2017. No mines under construction have been transferred to producing mines during the period under review.

The Group has capitalised approximately US\$1.3 million in exploration activities, and expensed US\$0.7 million in the ordinary course of regional exploration and US\$237.5 million in production activities.

CORPORATE SOCIAL RESPONSIBILITY

Our corporate social responsibility (“CSR”) programs are an integral part of our sustainability policy and assist in the development of the communities surrounding our mining concession areas. As part of our CSR initiative, we carry out various activities, including implementing an environmental conservation program and community development program to provide guidance to local communities surrounding our mining concession areas relating to health and safety and environmental sustainability, educational opportunities, economic assistance, social, labor and infrastructure development. We believe that these programs will create long-term benefits that will ensure the sustainability of our business growth.

Our CSR program can be categorized into four main areas: manpower and occupational health and safety, environment, social development, education and community relations, as well as responsibility on goods and services.

MANPOWER AND OCCUPATIONAL HEALTH AND SAFETY (“OHS”)

We aim to achieve sustainable development through the implementation of high safety standards, proper community development programs and strong environmental management. We take responsibility for operational safety and the prevention of environmental pollution to achieve the best performance in health, occupational safety and the environment.

We are committed to complying with international standards of industrial health and safety, including the rules and regulations on Health, Safety and Environment (“K3LH”). We have certain risk management systems in place to identify hazards that may arise in the course of carrying out mining activities in order to prevent accidents and we set measurable K3LH goals to enable us to strive for sustainable performance.

We have received several awards recognizing our OHS achievements. KIM received charter awards for achieving zero accidents from 2009 to 2016 in recognition of its occupational health and safety (“K3”) compliance, and BIB received a PRATAMA award in recognition of its K3 compliance and environmental practices for 2016.

We hold regular meetings with employees regarding our K3 activities and provide regular training to enable employees to understand and adhere to our OHS standards and identify risks in our mining operations, and we have standard operating procedures to ensure that our operational workforce wear personal protective equipment at all times in our mining areas. We have established health clinics and an emergency response team and we work with local doctors to cover emergencies in our mining operational areas.



CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

We are mindful that certain aspects of our mining operations may have an environmental impact on the surrounding land and communities. We have therefore made sustainable development an integral part of our CSR program and we strive to implement environmental protection policies with a view to conserving the land and communities surrounding our mining concession areas. We are committed to managing any environmental impact resulting from our mining operations by preventing pollution, implementing reclamation programs in all of our mining areas and preserving protected animals pursuant to government regulation.

We comply with Indonesian environmental standards and submit our operations to environmental monitoring and surveillance by Government authorities at least twice a year. We are also required to prepare and submit a quarterly report on environmental management and performance to the MEMR and the Indonesian Ministry of Environment.

We have standard operating procedures to respond to emergencies and disasters which may cause environmental pollution, such as chemical leaking, fuel leaking and other damages arising from incidents in the mining environment. We also carry out the following activities on a regular basis:

- developing sustainable and clean water infrastructure for local communities surrounding our mining concession areas, including carrying out quality testing on waste water and river water;
- implementing effective air and water pollution control measures, including regularly testing the water quality of rivers, wells and mining waste water and continuously monitoring air quality in our concession areas and along hauling roads to our ports;
- implementing a palm oil cultivation program for the communities in the vicinity of BIB's operational area;
- running zero waste program in KIM's mining area, which ensures minimal waste by processing all waste into fertilizers;
- manufacturing fertilizers to support our "go green" activities surrounding our mining areas;
- recycling;
- planting fruit crops; and
- implementing an empowerment program for small and medium enterprises on products made from rags.

Our environment superintendent of our technical services and engineering department, assisted by our technical head of mining, is responsible for implementing our environmental policies, and we have a special officer to monitor the environment, rehabilitation and mine vegetation on a daily basis.



In recognition of our efforts in maintaining and preserving the environment, both KIM and BIB have received awards on environmental management, including “PROPER BLUE” certificates from the Ministry of Environment for our achievement and performance in mining environment management and monitoring for 2016-2017. BIB also received awards for mineral and coal mining environmental management in 2015-2016 and for mineral and coal mining safety management in 2015-2016.

SOCIAL DEVELOPMENT, EDUCATION AND COMMUNITY RELATIONS

We prioritize our relationship with local communities and believe that strong relationships with these communities are integral to the stability and development of our business. We engage in activities aimed at fostering community relationships, enhancing education and empowering local communities through the implementation of programs for local residents and communities focused on economic, technical, social, infrastructure, educational and healthcare assistance. We provide local communities with employment opportunities by employing and training local residents and provide capital, technical, training and marketing support to assist local residents to set up small businesses, such as livestock farms, or seek employment in local industries.

We are also committed to contributing to the social and cultural welfare of local communities. We meet with representatives from communities surrounding our mining operations on a regular basis to receive feedback on how we can improve the lives of those communities. We carry out public works development and maintenance, collect donations to organize religious celebrations and benefit orphans and underprivileged families, and sponsor and participate in traditional events and social functions. We also provide economic assistance to help communities improve their quality of life through activities such as cattle farming, goat farming, freshwater fish farming, and oyster mushroom and hydroponic vegetables farming.

We also supported “Program Sejuta Jamban” in Muara Bungo, Jambi, for the procurement of clean water facilities and the establishment of praying facilities, schools and medical services. Some of our other major CSR activities include our chicken farming program, which is currently being implemented in three villages by our BIB CSR team, and our cattle farming program, which has been implemented through KIM.

We recognize the importance of education and aim to enhance education in local communities by sponsoring scholarships, hosting tutoring programs and organizing computer courses. We make donations to learning institutions, improve the infrastructure of local libraries and conduct competency improvement for teachers in local communities. We are committed to continuing to develop community relations by expanding our diverse CSR initiatives.

RESPONSIBILITY ON GOODS AND/OR SERVICES

We strive to maintain coal quality in line with customer demands and to implement timely coal transportation practices by establishing specific terminals for coal transportation through BIB. We also perform regular evaluation of our corporate social responsibility programs in order to continue to improve and ensure the success and welfare of our company and the communities in which we operate.

ACCOLADES RECEIVED BY GEMS GROUP



“One of 50 Largest Companies by Market Capitalization with the Best Good Corporate Governance Award

Period: 2017
Organizer: Institute for Corporate Directorship
Award Date: November 27th, 2017



Corporate Social Responsibility Award for KIM for Participation in Ensuring the Success of Jambi Provincial Administration's Development Program through Corporate Social Responsibility Activities

Organizer: Jambi Governor
Award Date: October 2017



“Pramata” Mining Safety Management Award in the Category of Contract of Work and Coal Contract of Work Holders for BIB

Period: 2015-2016
Organizer: The Energy and Mineral Resources Ministry's Mineral and Coal Directorate General
Award Date: May 18th, 2017



“Utama” Mining Safety Management Award in the Category of Contract of Work and Coal Contract of Work Holders for BIB

Period: 2015-2016
Organizer: The Energy and Mineral Resources Ministry's Mineral
Award Date: 18 May 2017



PROPER Awards “Blue” Rating in Environmental Performance Assessment for BIB

Certification
Period: 2016-2017
Organizer: The Ministry of Environment and Forestry



PROPER Awards “Blue” Rating in Environmental Performance Assessment for KIM

Certification
Period: 2016-2017
Organizer: The Ministry of Environment and Forestry



“100 Fastest Growing Companies” Award for the Company for its ability to maintain sustainability and rapid growth

Period: 2012-2016
Organizer: Infobank Magazine
Award Date: 25 January 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Lay Krisnan Cahya

Non-Executive Chairman

Mr. Fuganto Widjaja

Executive Director, Group Chief Executive Officer

Mr. Dwi Prasetyo Suseno

Executive Director, Deputy Group Chief Executive Officer

Mr. Mochtar Suhadi

Executive Director

Mr. Lim Yu Neng Paul

Lead Independent Director

Mr. Irwandy Arif

Independent Director

Mr. Lew Syn Pau

Independent Director

Mr. Djuangga Mangasi Mangunsong

Independent Director

AUDIT COMMITTEE

Mr. Lim Yu Neng Paul

Chairman

Mr. Lay Krisnan Cahya

Mr. Lew Syn Pau

NOMINATING COMMITTEE

Mr. Lew Syn Pau

Chairman

Mr. Lay Krisnan Cahya

Mr. Lim Yu Neng Paul

REMUNERATION COMMITTEE

Mr. Lew Syn Pau

Chairman

Mr. Lim Yu Neng Paul

Mr. Fuganto Widjaja

COMPANY SECRETARY

Ms. Pauline Lee

EXTERNAL AUDITOR

Ernst & Young LLP

One Raffles Quay

North Tower, Level 18

Singapore 048583

Tel: 6535 7777

Fax: 6532 7662

AUDIT PARTNER-IN-CHARGE

Mr. Vincent Toong Weng Sum

(appointed with effect from financial year ended 31 December 2017)

REGISTERED OFFICE

20 Cecil Street

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Singapore 049705

Tel: 6838 7500

Fax: 6838 0074

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte Ltd

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

Tel: 6535 5355

Fax: 6535 1360

PRINCIPAL BANKERS

BNP Paribas Singapore Branch

Credit Suisse AG, Singapore Branch

ICICI Bank Limited, Singapore Branch

PT Bank Central Asia Tbk

PT Bank CIMB Niaga Tbk

PT Bank Danamon Tbk

PT Bank Mandiri (Persero) Tbk

PT Bank Rakyat Indonesia (Persero) Tbk

CORPORATE STRUCTURE

Golden Energy And Resources Limited*
Listed on the Mainboard of SGX-ST since 15 May 1997



GOLDEN ENERGY AND
RESOURCES LIMITED

COAL MINING AND TRADING

66.9998%

PT Golden Energy Mines Tbk (Listed on Indonesia
Stock Exchange, since 17 November 2011) **

COAL MINING DIVISION

65.7235%

PT Borneo Indobara**⁽¹⁾

66.9997%

PT Kuansing Inti Makmur **⁽¹⁾

66.9997%

PT Karya Cemerlang Persada**⁽¹⁾

66.9997%

PT Bara Harmonis Batang Asam **⁽¹⁾

66.9997%

PT Bungo Bara Utama **⁽¹⁾

66.9997%

PT Berkat Nusantara Permai **⁽¹⁾

66.9997%

PT Tanjung Belit Bara Utama **⁽¹⁾

66.9998%

PT Era Mitra Selaras **⁽¹⁾

66.9998%

PT Wahana Rimba Lestari **⁽¹⁾

66.9998%

PT Berkat Satria Abadi **⁽¹⁾

66.9997%

PT Bungo Bara Makmur **⁽¹⁾

66.9997%

PT Kuansing Inti Sejahtera **⁽¹⁾

46.8999%

PT Trisula Kencana Sakti **⁽¹⁾

COAL TRADING DIVISION

66.3404%

PT Roundhill Capital Indonesia **⁽¹⁾

66.9998%

GEMS Trading Resources Pte Ltd *⁽¹⁾

66.9998%

Shanghai Jingguang Energy Co. Ltd ***⁽¹⁾

NON-COAL BUSINESS

66.9932%

PT GEMS Energy Indonesia **⁽¹⁾

66.9997%

PT Karya Mining Solution
(formerly known as PT Bumi Anugerah Semesta) **⁽¹⁾

99.98%

PT Mangium Anugerah Lestari **

100%

PT Hutan Rindang Banua **

100%

PT Marga Buana Bumi Mulia **

100%

Anrof Singapore Limited @

100%

Able Advance Limited @@

100%

Shinning Spring Resources Limited @@

100%

Pacificwood Investment Ltd @

100%

Poh Lian (Cambodia), Ltd. @@@

⁽¹⁾ Subsidiaries of PT Golden Energy Mines Tbk

*Singapore

**Indonesia

***PRC

@Mauritius

@@BVI

@@@Cambodia

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Golden Energy and Resources Limited (the “**Company**”) are committed to continually enhancing shareholders value by maintaining high standards of corporate governance, business integrity and professionalism in all its activities.

This Report sets out the corporate governance processes of the Company and its subsidiaries (the “**Group**”) with specific reference to the principles of the Code of Corporate Governance 2012 (the “**Code**”) and the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Manual**”), to the extent that there are deviations, explanations have been provided in this Report. For easy reference, the principles of the Code are set out in italics in this Report.

A. BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The primary function of the Board of Directors of the Company (the “**Board**”) is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has the responsibility to fulfill its role which includes the following:-

- (a) ensuring that the long-term interests of the shareholders are being served and safeguarding the Company's assets;
- (b) assessing major risk factors relating to the Company and its performance, and reviewing measures, including internal controls, to address and mitigate such risks;
- (c) reviewing and approving Management's strategic and business plans, including developing a depth of knowledge of the business being served, understanding and questioning the assumptions upon which plans are based, and reaching an independent judgement as to the probability that the plans can be realised;
- (d) monitoring the performance of Management against plans and goals;
- (e) reviewing and approving significant corporate actions and major transactions, such as major changes to the Group's management and control structure; material acquisitions and disposal of assets or investments; major funding proposals; financial reporting and dividends; and any other matters which requires board or shareholders approval pursuant to the SGX-ST Listing Manual, the Companies Act, Cap. 50 or other applicable rules and regulations;
- (f) assessing the effectiveness of the Board;
- (g) ensuring ethical behaviour (including ethical standards) and compliance with laws and regulations, auditing and accounting principles and the Company's own governing documents;
- (h) identifying key stakeholder groups and recognising that their perceptions affect the Company's reputation;
- (i) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and
- (j) performing such other functions as are prescribed by law, or assigned to the Board in the Company's governing documents.

All Directors are expected to fulfill their duties to objectively take decisions in the interests of the Company.

CORPORATE GOVERNANCE REPORT

The Board currently consists of eight members, as shown below together with their membership on the Board committees of the Company (collectively, the “**Board Committees**” or individually, the “**Board Committee**”) as of the date of this Report:

Name	Board Appointment	Board Committees Appointment(s)
Lay Krisnan Cahya	Non-Executive Chairman	Member of AC and NC
Fuganto Widjaja	Executive Director and Group Chief Executive Officer	Member of RC
Dwi Prasetyo Suseno	Executive Director and Deputy Group Chief Executive Officer	N.A.
Mochtar Suhadi	Executive Director	N.A.
Lim Yu Neng Paul	Lead Independent Director	Chairman of AC and member of NC and RC
Lew Syn Pau	Independent Director	Chairman of NC and RC and member of AC
Irwandy Arif	Independent Director	N.A.
Djuangga Mangasi Mangunsong	Independent Director	N.A.

Abbreviation: N.A. : Not Applicable
 NC : Nominating Committee
 RC : Remuneration Committee
 AC : Audit Committee

To assist the Board, the Board has delegated certain functions to the three Board Committees, namely, the AC, the NC and the RC, at the same time recognising that the ultimate responsibility on all matters rest with the Board. Each of the Board Committee has its own written terms of reference. Please refer to this Report for further information on the three Board Committees.

To facilitate Directors’ attendance at meetings, the dates of the Board, Board Committees’ meetings and annual general meeting (“**AGM**”) are scheduled at the beginning of each financial year, with Directors’ meetings each quarter. In addition to the regular scheduled meetings, ad-hoc meetings are held whenever required. If a physical meeting is not possible, the Constitution of the Company provides for the Board to conduct meetings by telephone conference. The Board and the Board Committees may also make important decisions concerning the Group by way of circular resolutions under the Company’s Constitution and their respective terms of reference.

Details on the number of Board and Board Committees’ meetings held in 2017, and the attendance of Directors and Board Committees’, members respectively at those meetings are disclosed below:

Type of Meeting	Board	AC	RC	NC
Total number of meetings held	5	4	2	1
Name of Director	Number of meetings attended			
Lay Krisnan Cahya	5	4	2	N.A.
Fuganto Widjaja	5	N.A.	N.A.	1
Dwi Prasetyo Suseno	5	N.A.	N.A.	N.A.
Mochtar Suhadi	5	N.A.	N.A.	N.A.
Irwandy Arif	5	N.A.	N.A.	N.A.
Lew Syn Pau	5	4	2	1
Lim Yu Neng Paul	5	4	2	1
Djuangga Mangasi Mangunsong ¹	N.A.	N.A.	N.A.	N.A.

N.A.: Not Applicable

¹ Mr Djuangga Mangasi Mangunsong was appointed as an Independent Director with effect from 18 January 2018

CORPORATE GOVERNANCE REPORT

The Company has adopted and documented internal guidelines setting forth matters that require the Board's approval. Material transactions which are specifically reserved for the Board's approval are as follows:

- major changes to the Group's Management and control structure;
- material acquisitions and disposal of assets or investments;
- major funding proposals;
- financial reporting and dividends; and
- any other matters which requires the Board or shareholders' approval pursuant to the SGX-ST Listing Manual, the Companies Act, Cap. 50 or other applicable rules and regulations.

Procedures are in place whereby newly appointed Directors are provided with a formal appointment letter setting out the terms of appointment, duties and obligations. They are also given the relevant governing documents of the Company and contact particulars of the Senior Management. Those who do not have prior experience as Director of a Singapore listed company are required to undergo externally conducted training on their roles and responsibilities as a Director of a listed company in Singapore.

Newly appointed Non-Executive Directors who are not familiar with the Group's business may, upon recommendation of the Chairman of the NC, be provided with orientation through overseas trips to familiarise them with the Group's operations. Management will brief the new Directors on the Group's business as well as governance practices.

Directors are provided with updates and briefings from time to time by professional advisers, auditor and Management on relevant practices, new laws, rules and regulations, Directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors.

Directors are also informed and encouraged to attend relevant training programmes organised by the Singapore Institute of Directors and/or the relevant regulators and may suggest training topics that are relevant to his duties as a Director. The training programmes are funded by the Company.

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The size and composition of the Board are reviewed from time to time by the NC which strives to ensure that the size of the Board is conducive to effective discussions and decision-making and that the Board has an appropriate balance of Independent Directors.

As a Group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, banking, finance, business and management. The diversity of the Directors' experience allows for the useful exchange of ideas and views as well as provide for effective decision-making. Key information regarding the Directors are set out in pages 10 to 13 and pages 39 to 40 of this Annual Report.

The Board comprises eight Directors, four of whom are Independent Directors and one Non-Executive Non-Independent Director. Taking into account the scope and nature of the current operations of the Group, the Board considers that the current board size of eight Directors is appropriate to facilitate decision making.

CORPORATE GOVERNANCE REPORT

The NC and Board have considered the following Directors as Independent Directors of the Company:-

Mr Irwandy Arif
Mr Lew Syn Pau
Mr Lim Yu Neng Paul
Mr Djuangga Mangasi Mangunsong

The ensuing paragraphs set out the criteria for independence and processes to determine a Director's independence.

The Board has adopted guidelines set out in the Code on relationships, the existence of which, would deem a Director not to be independent. A Director who has no relationship with the Company, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company, that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company, is considered to be independent.

The NC is tasked to determine on an annual basis and, as and when the circumstances require, whether or not a Director is independent, bearing in mind the Code and any other salient factors which would render a Director to be deemed not independent. In addition, consideration is given to Guideline 2.4 of the Code which requires that the independence of any Director who has served on the Board beyond nine years, be subject to particularly rigorous review. Presently, Mr Lim Yu Neng Paul has served on the Board as an Independent Non-Executive Director for more than nine years.

In reviewing the independence of Mr Lim Yu Neng Paul who has been appointed as a director since 2007, the NC considered that the Company has experienced changes in controlling shareholder and the management team after the reverse takeover in 2015. Although Mr Lim Yu Neng Paul has served more than nine years from the date of his appointment, he has demonstrated independence in character and judgment in the discharge of his responsibilities as a Director of the Company, and has been forthcoming in expressing his independent views, debates issues and objectively scrutinises and challenges Management at the Board and Board Committee meetings. During the review, Mr Lim had excused himself and abstained from all deliberations and discussion.

The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging Management in the interests of the Group as he performs his duties in good faith, are more critical measures in ascertaining a Director's independence than the number of years served on the Board. Having considered the factors, the Board is of the view that Mr Lim continue to be considered as an Independent Director, notwithstanding that he has served on the Board for more than nine years.

Each Independent Director duly abstained from the NC and Board determination of his independence.

Non-Executive Directors are encouraged, in line with the corporate governance practice, to constructively challenge and help develop proposals on strategy; to review the performance of Management in meeting agreed goals and objectives; and to monitor the reporting of performance.

To facilitate a more effective check on the Management, the Non-Executive Directors shall meet at least annually without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

There is a clear separation of the roles and responsibilities of the Chairman and the Group Chief Executive Officer ("CEO"). This is to ensure appropriate balance of power and authority, accountability and decision-making.

CORPORATE GOVERNANCE REPORT

Mr Lay Krisnan Cahya, who is the Non-Executive Chairman, and Mr Fuganto Widjaja, the Group CEO of the Company are not related to each other. Mr Fuganto Widjaja is related to the ultimate controlling shareholders of the Company. Mr Fuganto Widjaja is responsible for the day-to-day management of the affairs of the Company. He ensures that the Board is kept updated and informed of the Group's business operations.

The Chairman is responsible for:-

- (a) leading the Board to ensure its effectiveness on all aspects of its role;
- (b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (c) reviewing key proposals and board papers before they are presented to the Board and ensures that Board members are provided with accurate and timely information;
- (d) promoting a culture of openness and encourage Board members to engage Management in constructive debate on various matters including strategic issues and business planning processes;
- (e) encouraging constructive relations within the Board and between the Board and Management;
- (f) facilitating the effective contribution of Non-Executive and Independent Directors in particular; and
- (g) ensuring effective communication with shareholders.

As at 31 December 2017, the Board comprises four Non-Executive Directors, of whom three are independent. The Company has begun reviewing its Board composition so as to work towards complying with Guideline 2.2 of the Code for the financial year commencing 1 January 2017. In the interim, the three Independent Directors continue to uphold good corporate governance at the Board level and their presence facilitates the exercise of independent and objective judgement on corporate affairs. Their participation and input also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, always taking into account the long-term interest of the Company and its shareholders.

With the appointment of Mr Djuangga Mangasi Mangunsong as Independent Director on 18 January 2018, the current Board, with independent Non-Executive Directors making up one half of the Board, provides a strong element of independence on the Board. The Board is capable of exercising objective judgement on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision-making.

In order to ensure good corporate governance practice and that there is no concentration of power and authority vested in any one individual, the Company has appointed Mr Paul Lim Yu Neng since 20 April 2015 as the Lead Independent Director. The Lead Independent Director will be available to the shareholders when they have concerns which cannot be resolved through the normal channels of the Non-Executive Chairman, the CEO or the CFO, or where such contact is not possible or inappropriate.

The Independent Directors will also meet periodically without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Non-Executive Chairman after such meetings.

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following three Directors, two of whom, including the NC Chairman are Independent Directors. The NC members are:-

Mr Lew Syn Pau	(NC Chairman)
Mr Lim Yu Neng Paul	(Member)
Mr Lay Krisnan Cahya ⁽¹⁾	(Member)

⁽¹⁾ Mr Lay Krisnan Cahya was appointed as member on 24 July 2017 in place of Mr Fuganto Widjaja.

CORPORATE GOVERNANCE REPORT

The NC's duties as set out in the terms of reference include the following:

1. review and assess all candidates for directorships before making recommendation to the Board for appointment of Directors;
2. review and recommend to the Board the re-election of Directors retiring in accordance with the Company's Constitution at each AGM;
3. review the composition of the Board annually to ensure that the Board has appropriate balance of Independent Directors and to ensure an appropriate balance of expertise, skills, attributes and ability among the Directors;
4. review the independence of Directors annually;
5. review Board succession plans for Directors, in particular, Chairman and CEO;
6. evaluate the performance and effectiveness of the Board as a whole; and
7. review the training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing of commercial risk.

The NC reviews and assesses candidates for directorship before making recommendations to the Board. In recommending new Directors to the Board, the NC takes into consideration the skills and experience and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability. In evaluating a Director's contribution and performance for the purposes of re-nomination, the NC takes into consideration a variety of factors such as attendance, preparedness, participation and candour. The NC makes recommendation for new Directors' retirement and re-election of Directors. The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Company's Constitution provides that one-third of the Board, or the number nearest to one-third is to retire by rotation at every AGM. In addition, the Company's Constitution also provides that newly appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM of the Company.

In its deliberation on the re-election/re-appointment of retiring Directors, the NC takes into consideration the Directors' contribution and performance during the past year. Mr Lay Krisnan Cahya and Mr Dwi Prasetyo Suseno will retire from office by rotation at the forthcoming AGM under Article 107 of the Constitution, and Mr Djuangga Mangasi Mangunsong under Article 117 of the Constitution, and, being eligible, have offered themselves for re-election. The NC has recommended their re-election at the forthcoming AGM.

The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. The NC will assess each Director relative to his abilities and known commitments and responsibilities.

The Board has not engaged any external facilitator to conduct the assessment of the performance of the Board and each individual Director.

There are no alternate directors appointed to the Board and the Board does not encourage the appointment of alternate Directors to the Board.

CORPORATE GOVERNANCE REPORT

The dates of initial appointment and last re-election of each Director are set out as follows:

Name of Director	Appointment	Date of initial appointment	Date of last re-election
Lay Krisnan Cahya	Non-Executive Director and Chairman	20 April 2015	N.A.
Fuganto Widjaja	Executive Director and Group CEO	20 April 2015	28 April 2017
Dwi Prasetyo Suseno	Executive Director and Deputy Group CEO	26 October 2015	29 April 2016
Mochtar Suhadi	Executive Director	20 April 2015	29 April 2016
Lim Yu Neng Paul	Lead Independent Director	26 February 2009	29 April 2016
Irwandy Arif	Independent Director	20 April 2015	28 April 2017
Lew Syn Pau	Independent Director	20 April 2015	28 April 2017
Djuangga Mangasi Mangunsong	Independent Director	18 January 2018	N.A.

All Directors have declared their board representations and principal commitments including their directorships in other listed companies both current and those held over in the preceding three (3) years from 1 January 2015 to 31 December 2017) as follows:

Mr Lay Krisnan Cahya	Mr Fuganto Widjaja
Current Directorships in other Listed Companies / Principal Commitments - PT Dian Swastatika Sentosa Tbk - PT Golden Energy Mines Tbk - PT DSSE Energi Mas Utama - PT Innovate Mas Indonesia - PT Rolimex Kimia Nusamas	Current Directorships in other Listed Companies / Principal Commitments - PT Golden Energy Mines Tbk - PT Berau Coal Energy Tbk - PT Sinar Mas Multiartha Tbk - PT Super Wahana Tehno - PT Roundhill Capital Indonesia - PT Bumi Anugerah Semesta (resigned on 2 March 2018) - PT Borneo Indobara
Past Directorships in other Listed Companies / Principal Commitments - PT DSSP Power Mas Utama - PT DSSP Power Sumsel - PT DSSP Power Kendari - PT SKS Listrik Kalimantan	Past Directorships in other Listed Companies / Principal Commitments - PT DSSP Power Sumsel

CORPORATE GOVERNANCE REPORT

Mr Dwi Prasetyo Suseno	Mr Mochtar Suhadi
Current Directorships in other Listed Companies / Principal Commitments - Nil	Current Directorships in other Listed Companies / Principal Commitments - PT Golden Energy Mines Tbk (resigned on 15 March 2018) - PT Trisula Kencana Sakti (resigned on 28 February 2018) - PT GEMS Energy Indonesia (resigned on 2 March 2018) - PT Karya Mining Solutions (resigned on 2 March 2018) - PT Era Mitras Selaras (resigned on 8 March 2018) - PT Wahana Rimba Lestari (resigned on 8 March 2018) - PT Berkas Satria Abadi (resigned on 8 March 2018)
Past Directorships in other Listed Companies / Principal Commitments - PT Golden Energy Mines Tbk - Straits Corporation Pte Ltd - PT Indo Straits Tbk - PT Geobara Indonesia - Vallar Investment UK Limited	Past Directorships in other Listed Companies / Principal Commitments - PT JGC Coal Fuel - PT Roundhill Capital Indonesia
Mr Lim Yu Neng Paul	Mr Lew Syn Pau
Current Directorships in other Listed Companies / Principal Commitments - China Everbright Water Limited - Nippecraft Limited	Current Directorships in other Listed Companies / Principal Commitments - Poh Tiong Choon Logistics Limited (delisted from SGX-ST on 4 January 2018) - SUTL Enterprise Ltd - Food Empire Holdings Ltd - Golden-Agri Resources Ltd - Broadway Industrial Group Ltd
Past Directorships in other Listed Companies / Principal Commitments - Intrepid Mines Limited	Past Directorships in other Listed Companies / Principal Commitments Nil
Mr Irwandy Arif	Mr Djuangga Mangasi Mangunsong (appointed on 18 January 2018)
Current Directorships in other Listed Companies / Principal Commitments - PT Golden Energy Mines Tbk - PT Adaro Energy Tbk - PT Vale Indonesia Tbk - PT Tobabara Sejahtera Tbk - PT Indexim Coalindo - Institute Teknologi Bandung	Current Directorships in other Listed Companies / Principal Commitments - PT Tambang Mas Sangihe
Past Directorships in other Listed Companies / Principal Commitments - Nil	Past Directorships in other Listed Companies / Principal Commitments - PT Nusantara Smelting Corporation

CORPORATE GOVERNANCE REPORT

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has established a formal assessment process to assess the effectiveness of the Board as a whole and the Board Committees through a performance evaluation questionnaire circulated and completed by each Director. The performance criteria for Board evaluation are based on financial and non-financial indicators such as an evaluation of the size and composition of the Board, the Board's access to information, Board processes, strategy and planning, risk management, accountability, Board's performance in relation to discharging its principal functions, communication with Senior Management and standards of conduct of the Directors. The performance criteria do not change from year to year, unless the NC is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code. The Company has also established a set of qualitative criteria to evaluate the contribution of each individual Director to the effectiveness of the Board.

The objective of such evaluation is to ensure that the Board, the Chairman of the Company and the individual Directors continues to act effectively in fulfilling the duties and responsibilities expected of them. The NC has reviewed and is satisfied that the Board, the Chairman of the Company and the individual Directors have met its performance objectives. A summary report will be compiled by the Chairman of NC and submitted to the Chairman of the Board for analysis and discussion with a view to implement certain recommendations to further enhance the effectiveness of the Board. The Board has strived to ensure that Directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The Chairman, in consultation with the NC, will, if necessary, propose new members to be appointed to the Board or seek the resignation of directors.

The Board has not engaged any external facilitator to conduct the assessment of the performance of the Board and each individual Director.

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board members are provided with adequate and timely information prior to Board meetings. In addition, Management provides the Board with proper information which includes Board papers, disclosure documents, budgets and related materials, background or explanatory information relating to matters to be brought up before the Board.

Management provides the Board with financial statements and management reports of the Group on a quarterly basis, and upon request as and when required. Explanations are given by Management for material variances.

The Board has separate and independent access to the Senior Management and the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations including requirements of the Singapore Securities Futures Act, Singapore Companies Act and SGX-ST Listing Manual, are complied with. The Company Secretary attends all Board meetings and prepares minutes of Board meetings and assists the Chairman of the Company in ensuring good information flows within the Board and its Board Committees and between Management and Non-Executive Directors. The appointment and removal of the Company Secretary is subject to approval of the Board as a whole.

The Board takes independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Subject to the approval of the Chairman, the Directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties at the expense of the Company.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following three Directors, two of whom, including the RC Chairman, are independent:-

Mr Lew Syn Pau	(RC Chairman)
Mr Lim Yu Neng Paul	(Member)
Mr Fuganto Widjaja ⁽¹⁾	(Member)

⁽¹⁾ Mr Fuganto Widjaja was appointed as member on 24 July 2017 in place of Mr Lay Krisnan Cahya.

The Board recognises that the current composition of the RC is not in accordance with the Code that the RC should be made up entirely of Non-Executive Directors. However, the Board is of the view that the current composition of the RC is adequate as a majority of its members are independent and the Chairman is non-executive and independent. The Board is also of the view that the current composition of the RC is able to provide the necessary objective inputs to the various decisions made by the Board. In addition, Mr Fuganto Widjaja has a better understanding of the Group's operations and therefore, is in an appropriate position to advise and recommend on the remuneration packages that would commensurate with the level of responsibilities of each key executive. Mr. Fuganto Widjaja, a member of the RC and Executive Director and Group CEO, shall abstain from all discussions, deliberations and decision of his own remuneration.

The RC's roles and responsibilities are described in the terms of reference.

The duties of the RC including reviewing and recommending to the Board, the following:-

1. general framework of remuneration for the Board and key management personnel;
2. the specific remuneration package for each Executive Director and key management personnel, taking into account factors including remuneration packages of Executive Directors and/or key management personnel in comparable industries as well as the performance of the Company and that of the Executive Directors and/or key management personnel;
3. the fees of Independent Directors;
4. the remuneration policies and framework of the Group to support its objectives and strategies; and
5. the Company's obligations arising in the event of termination of Executive Directors and key management personnel's contracts of service, to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC may, during its annual review of remuneration of Directors and key management personnel, seek advice from external professional consultants as and when it deems necessary.

None of the members of the RC is involved in deliberations in respect of any remuneration, compensation, incentive or any form of benefits to be granted to him.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate.

The remuneration structure for Executive Directors and key management personnel consists of (a) fixed remuneration, (b) variable bonus and/or (c) benefits-in-kind.

The use and application of clawback provisions in remuneration contracts of Executive Directors and key management personnel is subject to further consideration by the Company.

The Non-Executive Director does not receive director's fees or any form of compensation from the Group. Independent Directors receive Directors' fees, which are subject to shareholders' approval at AGMs.

Principle 9: Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Directors' remuneration for the year ended 31 December 2017 ("FY2017") in bands of S\$250,000 is set out in the table below:-

Name of Directors	Fixed Salary	Variable Bonus	Benefits -in-kind	Directors' Fees	Total
S\$1,000,001 to below S\$1,250,000					
Dwi Prasetyo Suseno	43%	37%	22%	–	100%
S\$500,001 to below S\$750,000					
Fuganto Widjaja	65%	35%	–	–	100%
Below S\$250,000					
Lay Krisnan Cahya*	–	–	–	–	–
Mochtar Suhadi*	–	–	–	–	–
Irwandy Arif	–	–	–	100%	100%
Lew Syn Pau	–	–	–	100%	100%
Lim Yu Neng Paul	–	–	–	100%	100%

* Received remuneration from related companies outside of the Group.

Variable bonus is based on the Company's, the Group's and individual's performance.

The Company believes that the current format of disclosure is sufficient indication, for the time being, of each Director's remuneration package, given that remuneration continues to be a sensitive subject.

CORPORATE GOVERNANCE REPORT

The top 5 key management personnel who are not Directors or the CEO of the Company ("KMP") for FY2017 and their remuneration falling in bands of S\$250,000, are as follows:-

Bonifasius
Kumar Krishnan
Retno Nartani
Hartana
Pauline Lee

<u>KMP's Remuneration Band</u>	<u>Number of KMP</u>
S\$750,001 to S\$1,000,000	1
S\$500,001 to S\$750,000	2
Below S\$250,000	2

The total remuneration paid to the top 5 KMP for FY2017 amounted to US\$1,467,949.

The Company believes that it is not in the Group's interest to disclose the remuneration of the KMP to the full extent recommended, due to continuing confidentiality and sensitivity of executives' remuneration and, moreover, such disclosure may hamper its ability to retain the Group's talent pool in a competitive environment.

There are no employees within the Group who are immediate family members of a Director and/or CEO whose remuneration exceeds S\$50,000 during FY2017.

Currently, the Company does not have any employee share option scheme in place.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board reviews and approves the results announcement before its release. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including establishing written policies where applicable.

Management provides the Board with management accounts and such explanation and information on quarterly basis. In addition, information on salient developments and material transactions are also provided to directors as and when they arise to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

In preparing the financial statements, the Directors have:-

- (i) selected suitable accounting policies and applied them consistently;
- (ii) made judgments and estimates that are reasonable and prudent;

CORPORATE GOVERNANCE REPORT

- (iii) ensured that all applicable accounting standards have been followed; and
- (iv) prepared financial statements on the basis that the Directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

For the financial year under review, the Group CEO and Chief Financial Officer (“CFO”) have provided assurance to the Board on the integrity of the financial statements of the Group. For quarterly financial statements, the Board provided a negative assurance confirmation to the shareholders, in line with the Listing Manual.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board and the AC are responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the Group’s assets. They also determine the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

Management is responsible for designing, implementing and monitoring the risk management and internal control systems of the Group. The Board with the assistance of the AC, annually, review the adequacy and effectiveness of the Group’s risk management and internal control systems addressing financial, operational, compliance and information technology controls. The review and assessment considered the Group’s business and operational environment in order to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board (with concurrence of the AC) are of the opinion that the Group’s internal control systems addressing financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2017.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The Board has received assurance from the Group CEO and CFO:

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and
- (b) the Company’s risk management and internal control systems are adequate and effective .

The Group CEO and CFO have in turn obtained relevant assurance from Management of the business operations of the Group.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

The AC comprises the following three Directors, two of whom including the AC Chairman, are independent and one Non-Executive Director:-

Mr Lim Yu Neng Paul	(AC Chairman)
Mr Lay Krisnan Cahya	(Member)
Mr Lew Syn Pau	(Member)

The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC, having relevant accounting and related financial management expertise and experience.

The AC has explicit authority to investigate any matter within its terms of reference. In addition, the AC has full access to and co-operation by Management and full discretion to invite any Director or executive officer to attend its meetings. Reasonable resources are made available to enable the AC to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC, having relevant accounting and related financial management expertise and experience.

In addition to the statutory functions, the AC considers and reviews any other matters as may be agreed to by the AC and the Board. In particular, the duties of the AC as set out in its terms of reference include:-

- a. reviewing significant financial reporting issues and judgement to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- b. reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- c. reviewing the adequacy and effectiveness of the Company's internal audit function;
- d. recommending to the Board the appointment / reappointment of the external auditor including their remuneration and terms of engagement;
- e. reviewing the scope and results of the external audit including the examination of the financial statements and evaluation of the system of financial controls of the Company; and the independence and objectivity of the external auditors;
- f. reviewing with the internal auditor their audit plans, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems including financial, operational and compliance control as well as risk management of the Group;
- g. reviewing the quarterly and full year results announcements and annual financial statements and the auditor's report on the annual financial statements of the Company before submission to the Board for approval;
- h. reviewing any significant audit findings and recommendations of the internal and external auditors together with Management's responses thereto so as to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- i. reviewing interested party transactions as defined in the Listing Manual of the SGX-ST;

CORPORATE GOVERNANCE REPORT

- j. reviewing the Company's accounting policies and reporting requirements in consultation with the external auditor and assess the adequacy of management reporting;
- k. undertaking such other reviews and projects as may be requested by the Board, and to report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- l. generally undertaking such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC meets with the external auditors and the internal auditors, at least annually without the presence of Management.

The AC has conducted an annual review of all non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment. The AC has conducted an annual review of all non-audit services provided by the independent auditors and is satisfied that the nature and extent of such services do not affect the independence of the independent auditors.

After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the Group's size and structure, the AC and the Board are of the view that Ernst & Young LLP has been able to assist the Company in meeting its audit obligations and the Company is in compliance with Rule 712 of the Listing Manual.

In accordance with Rule 1207 (6) of the Listing Manual, the fees paid to Ernst & Young LLP for their audit and non-audit services for the financial year under review are found in Note 7 "Profit before tax" in the Financial Statements of this Annual Report. Ernst & Young LLP is an audit firm registered with the Singapore Accounting & Corporate Regulatory Authority and its appointment as the Company's external auditors have been approved by the Company's shareholders.

Accordingly, the Company is in compliance with Rule 715 (when read with Rule 716) and Rule 717 of the Listing Manual.

The Company has in place a whistle-blowing framework where staff of the Company and another person can raise concerns about improprieties in matters of financial reporting or other matters to the AC. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up. The AC is responsible for the review of the whistle-blowing policy and any concern raised through the whistle-blowing arrangements. All whistle-blower complaints, if any, will be reviewed by the AC at its quarterly meetings. Details of the policy have been made available to all employees and public via the Company's website, who may raise concerns, if any, directly to the Chairman of the AC.

The AC has reviewed with Management, and where relevant, the auditors, the quarterly and full year results announcements, annual report and financial statements as well as the auditor's report thereon, interested person transactions and corporate governance report, before submission to the Board for approval and adoption.

CORPORATE GOVERNANCE REPORT

The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the AC:-

Significant matters

How the AC reviewed these matters and what decisions were made

Business combinations

The AC considered the competence, objectivity, and capabilities of the independent accountant, and the approach and methodology applied to the measurement of fair value of the acquired assets and liabilities arising from the acquisition of PT Era Mitra Selaras and its subsidiaries ("**EMS Group**") in September 2016. It reviewed the reasonableness of the purchase price allocation ("**PPA**") report of EMS Group's fair value of identifiable assets, including mining assets and their measurement at fair value, and liabilities, cash flows and discount rate.

The PPA exercise review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Please refer to The Independent Auditor's Report contained in this Annual Report.

Impairment assessment of goodwill, intangible assets and investment in a subsidiary

The AC considered the approach and methodology applied to the valuation model in the impairment assessment. It reviewed the reasonableness of the cash flow forecasts, key assumptions and discount rate used in the valuation model.

The impairment review was also an area of focus for the external auditor. The external auditor has included this as a key audit matter in its audit report for the financial year ended 31 December 2017. Please refer to The Independent Auditor's Report contained in this Annual Report.

Impairment assessment of assets from coal mining and trading segments

The AC considered the approach and methodology applied to the valuation model in the impairment assessment. The AC reviewed the reasonableness of cash flow forecast, key assumptions and discount rate used in the valuation model.

The impairment review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Please refer to The Independent Auditor's Report contained in this Annual Report.

Following the review and discussions, the AC recommended to the Board to approve the full year financial statements.

In performing its functions, the AC met with the internal and external auditors, and reviewed the audit plans and overall scope of both internal and external audits, and the co-operation and assistance given by Management.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have direct impact on financial statements with updates from the external auditors on a yearly basis.

None of the members nor the Chairman of the AC is a former partner or director of the Group's auditing firm.

CORPORATE GOVERNANCE REPORT

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

PT Golden Energy Mines Tbk ("**GEMS**"), a 66.9998% subsidiary of the Company, has an in-house internal audit department. The role of the internal auditors is to assist the AC of GEMS and AC of the Company to ensure that the subsidiaries maintain a sound system of internal controls.

The Head of Internal Audit Work Unit ("**HIAWU**") reports to AC of GEMS and AC of the Company. On administrative matters, the HIAWU reports to the President Director of GEMS. The Internal Audit Work Unit ("**IAWU**") is staffed with persons with the relevant qualifications and experience. The IAWU carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The IAWU has unfettered access to the Group's documents, records, properties and personnel, including access to the AC.

Every quarter, the AC and Management review and discuss GEMS internal audit findings, recommendations and status of remediation, at AC meetings. The IAWU, in the course of its audit, review the adequacy and effectiveness of Group's material internal controls, including financial, operational, compliance and information technology controls system, and risk management. Material non-compliance, internal control weaknesses and key business risks noted during its audit and alignment plans to address these risks and weaknesses are communicated to Management accordingly and tabled for discussion at AC meetings with updates by Management on the status of these action plans. The AC has reviewed and is satisfied that the existing controls in the Group are adequate and effective.

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company strives for timeliness and consistency in its disclosure to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable.

Shareholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all shareholders via SGXNET. The Company encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are also informed of voting procedures governing general meetings.

The Constitution of the Company allows a member of the Company to appoint up to two proxies to attend and vote at general meetings. A shareholder who is a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

CORPORATE GOVERNANCE REPORT

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company recognises that effective communication leads to transparency and enhances accountability. The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is announced within the mandatory period. The Company does not provide selective disclosure. The views of shareholders are gathered at shareholder meetings where shareholders are permitted to ask questions and seek a better understanding of the Group.

The Company has put in place an investor relations policy to ensure effective communications with shareholders. Updates and amendments (as appropriate) will be made to reflect best practices in our communication with shareholders and the investment community. The Company also has a dedicated investor relations team which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns in a timely basis.

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on, *inter alia*, the Group's earnings, financial position, results of operations, capital needs, and other factors as the Board may deem appropriate.

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

All shareholders of the Company receive the Annual Report and the notices of the general meetings. The notice will also be advertised in a local newspaper and be made available on SGXNET. The Company encourages shareholders' participation at general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of each of the Board committees. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. The Company also ensures that there are separate resolutions at general meetings on each distinct issue. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

The Board supports the Code's principle of encouraging shareholder participation. Shareholders are given opportunities to vote at general meetings. As the authentication of shareholder identity and other related integrity issues remain a concern, the Company will not implement voting in absentia by mail or electronic means for the time being. The Company has implemented electronic poll voting for all resolutions passed at general meetings for greater transparency in the voting process. Before commencement of the proceedings at the general meetings, the independent scrutineer appointed by the Company will disclose the voting and vote tabulation procedures. Votes cast for, or against, each resolution will be tallied and displayed live-on-screen to shareholders at the meeting. The total numbers and percentage of votes cast for or against the resolutions are announced at the meetings. The same information is also included in the announcement on SGXNET after the conclusion of the general meeting. GEAR will continue to use the electronic poll voting system at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the AC.

The aggregate value of interested person transactions entered into during the financial year under review which fall under Chapter 9 of the Listing Manual of the SGX-ST are as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (US\$'000)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (US\$'000)
Sales:		
PT Indah Kiat Pulp & Paper Tbk	–	83,712
PT Lontar Papyrus Pulp and Paper Industry	–	28,154
PT Sinar Mas Agro Resources & Technology Tbk	–	6,044
GMR Infrastructure Ltd	2,796 [@]	–
PT Pabrik Kertas Tjiwi Kimia Tbk	–	9,393
PT SOCI Mas	–	3,785
Hainan Jinhai Trading (Hong Kong) Co., Ltd **	–	55,526
PT Ivo Mas Tunggal	2,496**	–
PT Energi Sejahtera Mas	2,276**	–
PT Pindo Deli Pulp and Paper Mills	–	9,714
Interest income:		
PT Bank Sinarmas Tbk	–	11
Purchases:		
PT Rolimex Kimia Nusamas	–	70
Rental expenses:		
PT Royal Oriental	–	906
Repair and maintenance:		
PT Wirakarya Sakti	–	1,040
Insurance expenses:		
PT Kalibesar Raya Utama	–	19
PT Asuransi Sinar Mas	–	3,525

** Coal sale contracts (include contracts pursuant to a coal sale agreement) entered into with PT Energi Sejahtera Mas and PT Ivo Mas Tunggal on or before 28 April 2017 and delivered during the year under review.

@ Amendments to the Coal Sale Agreement of August 2011 with GMR Coal Resources Pte Ltd was approved by Shareholders on 21 August 2017.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

The Company has adopted an internal policy ("**Policy**") with regard to dealings in securities to provide guidance for its Directors and employees in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST.

The Policy provides that Directors and employees are prohibited from dealing in the securities of the Company whenever they are in possession of unpublished price-sensitive information on the Group and during the period commencing two weeks before the announcement of the Company's financial results for the first three quarters and one month before the announcement of the Company's full year results and ending on the date of the announcements of the relevant results.

Directors and employees are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities for short-term considerations.

MATERIAL CONTACTS

From 1 January 2017 to 31 December 2017, the Group and PT Ivo Mas Tunggal ("**IMT**") entered into 3 coal sale contracts under a general coal sale agreement dated 6 February 2017, pursuant to which the Group agreed to sell thermal coal to IMT in FY2017. In addition to the above, during the year under review, the Group also sold and delivered thermal coal to IMT under 2 coal sale contracts entered into between the Group and IMT in December 2016. In aggregate for FY2017, the Group sold 37,625.93 metric tonnes ("**MT**") of thermal coal for US\$2.5 million to IMT under the sales contracts as provided above. The transactions were entered into on an arm's length basis and on normal commercial terms. IMT is an associate of our immediate holding company and ultimate controlling shareholders.

From 1 January 2017 to 28 April 2017, the Group and PT Energi Sejahtera Mas ("**ESM**") entered into 2 coal sale contracts pursuant to which the Group agreed to sell to ESM 36,140.77 MT of thermal coal for an aggregate value of US\$2.3 million. The transactions were entered into on an arm's length basis and on normal commercial terms. ESM is an associate of our immediate holding company and ultimate controlling shareholders.

On 28 April 2017, amongst others, the definitions of the "Mandated Interested Persons" in the Sinar Mas IPT Mandate were amended to refer to (a) each of the Ultimate Controlling Shareholders (namely Messrs. Franky Oesman Widjaja, Indra Widjaja and Muktar Widjaja) and their associates; and (b) PT Dian Swastatika Sentosa Tbk and its associates. Pursuant to the modification on the definitions of the "Mandated Interested Persons", transactions arising from coal sale contracts or agreements entered into with IMT and ESM after 28 April 2017 would be considered "Mandated Interested Persons Transactions".

From 1 October 2017 to 31 December 2017, under the coal sale agreement entered into between GEMS and GMR Infrastructure Ltd of 11 August 2011, the Group delivered and sold 75,000 metric tonnes of thermal coal for an aggregate value of US\$2.8 million. The coal sale agreement of 11 August 2011 was amended on 14 September 2017 pursuant to the general meeting of 21 August 2017. The transaction was entered into in accordance with the coal sale agreement (as amended on 14 September 2017) and on normal commercial terms. GMR Infrastructure Ltd is the 30% shareholder of GEMS and is considered to be an interested person by SGX-ST.

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

On 9 December 2016, the Company raised S\$121,270,000 (or net proceeds of S\$120,093,000) from the placement of 181,000,000 new ordinary shares at S\$0.67 each in the issued and paid-up share capital of the Company (the “Placement”). As announced by the Company on 9 March 2018, the Company has utilized the net proceeds as follows:

Intended use of proceeds	Amount reallocated	Amount utilised	Amount unutilised
	S\$'000	S\$'000	S\$'000
Repayment of loans owing to creditors	92,535	92,535	–
Working Capital (including, <i>inter alia</i> , manpower expenses, office running expenses, payment to tax authorities, professional fees for compliance placement and various corporate exercises, internal and external audit fees, fees for tax agents; share registrar and corporate secretarial service providers)	23,958	16,182	7,776
Repayments for RTO expenses (including, <i>inter alia</i> , professional fees paid to external auditors; financial advisers and legal counsels)	3,600	2,749	851
Total reallocated / utilised / balance	120,093	111,466	8,627

On 25 July 2017, the Company has reallocated approximately S\$7,465,000 of the net proceeds from the Placement which was initially allocated for the repayment of loans and borrowings to general working capital purposes as a result of early settlement of loans owing to creditors as previously estimated and impact of the exchange forecasted.

CORPORATE GOVERNANCE REPORT

MAJOR PROPERTIES

Held by	Effective Group Interest	Location	Description & Approximate Land Area	Tenure	Usage
PT Borneo Indobara	65.7235%	Bunati Village, Angsana District, Tanah Bumbu Regency, South Kalimantan Province	49,234 m ²	30 years (until 21 January 2039)	Docks, stock pile and mining facilities
PT Borneo Indobara	65.7235%	Angsana Village, Angsana District, Tanah Bumbu Regency, South Kalimantan Province	49,991 m ²	30 years (until 28 October 2039)	Base camp for exploitation of coal and its infrastructure
PT Borneo Indobara	65.7235%	Karang Indah Village, Angsana District, Tanah Bumbu Regency, South Kalimantan Province	15,350 m ²	25 years (until 24 January 2033)	For exploitation of coal and its infrastructure
PT Borneo Indobara	65.7235%	Karang Indah Village, Angsana District, Tanah Bumbu Regency, South Kalimantan Province	9,886 m ²	30 years (until 23 July 2039)	For exploitation of coal and its infrastructure
PT Tanjung Belit Bara Utama	66.9997%	Teluk Nilau Village, Pangabuan District, Tanjung Jabung Barat, Jambi	54,460 m ²	20 years (until 14 July 2034)	For Port infrastructure
PT Tanjung Belit Bara Utama	66.9997%	Teluk Nilau Village, Pangabuan District, Tanjung Jabung Barat, Jambi, Indonesia	13,240 m ²	19 years (until 1 April 2034)	For Port infrastructure
PT Tanjung Belit Bara Utama	66.9997%	Teluk Nilau Village, Pangabuan District, Tanjung Jabung Barat, Jambi, Indonesia	46,620 m ²	20 years (until 1 July 2035)	For Port infrastructure



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DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of Golden Energy and Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2017.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement or during the year are:

Lay Krisnan Cahya
Fuganto Widjaja
Dwi Prasetyo Suseno
Mochtar Suhadi
Lim Yu Neng Paul
Lew Syn Pau
Irwandy Arif
Djuangga Mangasi Mangunsong (appointed on 18 January 2018)

In accordance with Article 107 of the Company's Constitution, Messrs Lay Krisnan Cahya and Dwi Prasetyo Suseno will retire and being eligible, offer themselves for re-election.

In accordance with article 117 of the Company's Constitution, Mr Djuangga Mangasi Mangunsong will retire and being eligible, offer himself for re-election.

3. Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interest in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Fuganto Widjaja *	-	-	-	-
Lim Yu Neng Paul	-	-	20,000	320,000

* Mr Fuganto Widjaja is the son of Mr Indra Widjaja and the nephew of Messrs Franky Oesman Widjaja and Muktar Widjaja.

Messrs Indra Widjaja, Franky Oesman Widjaja and Muktar Widjaja, by virtue that each of them has a direct interest in more than 20% of the voting shares in PT Sinarindo Gerbangmas, are deemed to be interested in the shares held by PT Dian Swastatika Sentosa Tbk, the immediate holding company of the Company pursuant to Section 7 of the Act.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in any shares, share options, warrants or debentures of the Company, or of any related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

There are no options granted by the Company and its subsidiaries to take up unissued shares in the Company and its related corporations.

6. Audit committee

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

DIRECTORS' STATEMENT

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Fuganto Widjaja
Director

Dwi Prasetyo Suseno
Director

Singapore
28 March 2018

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Golden Energy and Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flow of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Business combinations

The Group acquired PT Era Mitra Selaras ("EMS") on 20 September 2016 and had provisionally accounted for its acquisition in the consolidated financial statements for the year ended 31 December 2016 as the Purchase Price Allocation ("PPA") exercise had not been completed. The purchase price is required to be allocated between the acquired identifiable assets and liabilities, identified intangible assets and contingent liabilities (if any), and the determination of the resultant recognition of goodwill as at the date of acquisition. Given the significance of the acquisition to the Group, an independent professional valuer was engaged by management to perform the PPA exercise and determine the fair value of acquired assets and liabilities. The PPA exercise was finalised and the fair values of the identifiable assets and liabilities were restated to their finalised values retrospectively. The identification of such assets and liabilities, including mining assets and their measurement at fair value is inherently judgemental and requires estimates, thus we considered this area to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Key Audit Matters (cont'd)

1. Business combinations (cont'd)

We have obtained the PPA valuation prepared by the independent professional valuer engaged by management and involved our internal specialist to assess the competence, capabilities and objectivity of the valuer and to review the valuation. We have assessed the valuation of the mining assets having regard to the reasonableness and appropriateness of the key assumptions used in the discounted cash flows, including the estimated coal price, future production level, production costs, and the discount rate. We have reviewed the appropriateness of the restatements made and determined if it reflects new information obtained about facts and circumstances that existed as of the acquisition date. We also considered the adequacy of disclosures in respect of the acquisition in Note 15 to the financial statements.

2. Impairment assessment of goodwill, intangible assets and investment in a subsidiary

Management performed an impairment assessments as at 31 December 2017 on the following:

- (i) Group's assets attributable to the forestry and pulp cash-generating unit ("CGU"):
 - goodwill from Reverse Acquisition of US\$97,868,000; and
 - intangible assets from Reverse Acquisition of US\$11,699,000 (net of amortisation).
- (ii) Company's investment in Anrof Singapore Limited which has a carrying amount of US\$68,421,000 (net of an impairment of US\$66,446,000).

We considered management's impairment assessments of these assets to be a key audit matter due to the magnitude of the amounts recognised in the financial statements. In addition, the assessment process involved significant management estimate and based on assumptions that are affected by future market and economic conditions. Management determined the recoverable amounts of these assets based on their value-in-use calculations using discounted cash flows over the remaining forest concession period.

Our audit procedures included assessing the valuation methodology used by management, evaluating the reasonableness and appropriateness of the key assumptions used in the impairment analysis, in particular the discount rate with the assistance of our valuation specialist, comparing estimated log prices, production costs and average plantations yield to historical data and market comparable data. We also evaluated management's forecasting process by comparing previous forecasts to actual results, and assessed the adequacy of the disclosures made on the impairment test in Notes 13 and 14 to the financial statements.

3. Impairment assessment of assets from coal mining and trading segments

Management performed impairment assessments on the Group's mining properties held by loss making subsidiaries. Management also performed impairment assessment on the Company's investment in PT Golden Energy Mines Tbk, a listed company in Indonesia, which although profitable, the cost of investment in the Company's account are higher than its share of market capitalisation.

We considered the audit of management's impairment assessment of these assets to be a key audit matter due to the magnitude of the amounts recognised in the financial statements. In addition, the assessment process involved significant management estimate and was based on assumptions that are affected by future market and economic conditions. Management determined the recoverable amounts of these assets based on their value-in-use calculation using discounted cash flows over the various remaining tenures for the various mining concession rights.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters (cont'd)

3. Impairment assessment of assets from coal mining and trading segments (cont'd)

Our audit procedures included, assessing the valuation methodology used by management and evaluating the reasonableness and appropriateness of the key assumptions used in the impairment analysis, in particular the estimated coal price, future production level, production costs, and the discount rate. We compared the estimated coal price to market available data, agreed the coal reserves estimates to the independent qualified person's reserve report and discussed with management and external expert to gain an understanding on the reasons for the change in the coal reserves estimates as compared to last year. We assessed the appropriateness of discount rate with the assistance of our valuation specialist. We also evaluated management's forecasting process by comparing previous forecasts to actual results and assessed the adequacy of the disclosures made on the impairment test in Note 15 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors on the Consolidated Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2017

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

As part of an audit in accordance with SSA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Vincent Toong Weng Sum.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

(In United States Dollars)

	Note	2017 US\$'000	2016 Restated US\$'000
Revenue	4	763,806	393,272
Cost of sales		(447,898)	(249,167)
Gross profit		315,908	144,105
Other income	5	17,353	13,796
Selling and distribution expenses		(99,202)	(56,443)
Administrative expenses		(55,110)	(34,767)
Fair value loss on biological assets	10	(644)	(2,531)
Finance costs	6	(11,949)	(11,112)
Other operating expenses		(8,715)	(3,908)
Profit before tax	7	157,641	49,140
Income tax expense	8	(53,206)	(15,476)
Profit for the year		104,435	33,664
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net actuarial gain/(loss) on post-employment benefits		73	(46)
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets		(838)	-
Foreign currency translation		4,476	(1,129)
Other comprehensive income for the year		3,711	(1,175)
Total comprehensive income for the year		108,146	32,489
Profit for the year attributable to:			
Owners of the Company		62,950	22,006
Non-controlling interests		41,485	11,658
		104,435	33,664
Total comprehensive income for the year attributable to:			
Owners of the Company		67,032	21,220
Non-controlling interests		41,114	11,269
		108,146	32,489
Earnings per share attributable to owners of the Company (cents per share)			
Basic and diluted	9	2.68	1.01

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED BALANCE SHEETS

As at 31 December 2017

(In United States Dollars)

	Note	Group 2017 US\$'000	Group 2016 Restated US\$'000	Company 2017 US\$'000	Company 2016 US\$'000
Non-current assets					
Biological assets	10	316	-	-	-
Property, plant and equipment	11	64,435	58,940	196	9
Mining properties	12	85,848	88,836	-	-
Intangible assets	13	11,699	12,204	-	-
Goodwill	14	103,679	103,707	-	-
Investment in subsidiaries	15	-	-	1,337,613	1,203,073
Investment securities	21	23,340	14	23,310	-
Deferred tax assets	16	4,667	7,006	-	-
Amounts due from subsidiaries	17	-	-	2,063	217
Other receivables	18	204	258	-	-
Restricted funds		4,664	639	1,310	-
Other non-current assets	19	23,139	23,548	-	-
		321,991	295,152	1,364,492	1,203,299
Current assets					
Inventories	20	16,135	8,637	-	-
Trade and other receivables	18	133,736	79,046	37,453	1,714
Other current assets	19	91,491	59,954	128	91
Investment securities	21	1,023	-	1,023	-
Cash and cash equivalents	22	188,701	79,076	13,579	20,354
		431,086	226,713	52,183	22,159
Current liabilities					
Trade and other payables	23	162,003	61,985	7,516	11,170
Loans and borrowings	24	25,209	2,270	-	-
Provision for taxation		35,348	8,808	6	52
		222,560	73,063	7,522	11,222
Net current assets		208,526	153,650	44,661	10,937
Non-current liabilities					
Trade and other payables	23	123	112	-	-
Loans and borrowings	24	69,774	47,388	30,000	-
Deferred tax liabilities	16	13,007	13,084	103	95
Post-employment benefits	25	2,837	2,338	-	-
Provision for mine closure	26	1,721	1,676	-	-
		87,462	64,598	30,103	95
Net assets		443,055	384,204	1,379,050	1,214,141
Equity attributable to equity holders of the Company					
Share capital	27	305,528	316,253	1,230,107	1,631,352
Reserves		40,201	(19,779)	148,943	(417,211)
		345,729	296,474	1,379,050	1,214,141
Non-controlling interests		97,326	87,730	-	-
Total equity		443,055	384,204	1,379,050	1,214,141

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

(In United States Dollars)

Group 2017	Attributable to owners of the Company				Non- controlling interests US\$'000	Total equity US\$'000
	Share capital (Note 27) US\$'000	Foreign currency translation ⁽¹⁾ US\$'000	Other reserves ⁽²⁾ US\$'000	Retained earnings US\$'000		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2017, restated	316,253	(50,841)	1,281	29,781	(19,779)	384,204
Profit for the year	-	-	-	62,950	41,485	104,435
<u>Other comprehensive income</u>						
Net actuarial gain on post-employment benefits	-	-	37	-	36	73
Net fair value loss on available-for-sale assets	-	-	(838)	-	-	(838)
Foreign currency translation	-	4,883	-	-	(407)	4,476
Other comprehensive income for the year	-	4,883	(801)	-	(371)	3,711
Total comprehensive income for the year	-	4,883	(801)	62,950	41,114	108,146
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	(31,518)	(31,518)
Capital reduction	(10,725)	-	-	10,725	-	-
Dividend paid (Note 34)	-	-	-	(17,777)	-	(17,777)
At 31 December 2017	305,528	(45,958)	480	85,679	97,326	443,055

⁽¹⁾ Foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency.

⁽²⁾ Other reserves pertains reserve that arose from movements in non-controlling interest ("NCI") of certain subsidiaries and net actuarial gain/loss in post-employment benefits and net fair value gain/loss on available-for-sale assets.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the financial year ended 31 December 2017

(In United States Dollars)

Group 2016	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital (Note 27) US\$'000	Foreign currency translation ⁽¹⁾ US\$'000	Other reserves ⁽²⁾ US\$'000	Retained earnings US\$'000	US\$'000	US\$'000
At 1 January 2016	232,076	(50,046)	1,270	7,775	82,085	273,160
Profit for the year	-	-	-	22,006	11,658	33,664
<u>Other comprehensive income</u>						
Net actuarial gain/(loss) on post-employment benefits	-	-	9	-	(55)	(46)
Foreign currency translation, restated	-	(795)	-	-	(334)	(1,129)
Other comprehensive income for the year, restated	-	(795)	9	-	(389)	(1,175)
Total comprehensive income for the year, restated	-	(795)	9	22,006	11,269	32,489
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	(5,622)	(5,622)
Difference arising from transaction with non-controlling interest	-	-	2	-	(2)	-
Issuance of shares pursuant to Compliance Placement	85,098	-	-	-	-	85,098
Share issuance expenses	(921)	-	-	-	-	(921)
At 31 December 2016, restated	316,253	(50,841)	1,281	29,781	87,730	384,204

⁽¹⁾ Foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency.

⁽²⁾ Other reserves pertains reserve that arose from movements in NCI of certain subsidiaries and net actuarial gain/loss in post-employment benefits.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

(In United States Dollars)

	2017 US\$'000	2016 US\$'000
Cash flows from operating activities		
Profit before tax	157,641	49,140
Adjustments for:		
Provision for mine closure	45	280
Depreciation of property, plant and equipment	5,111	4,952
Gain on disposal of short term investment	(1,018)	-
Defined post-employment benefit expense	462	558
Fair value loss on biological assets	644	2,531
Impairment loss on property, plant and equipment	993	85
Amortisation of mining properties	5,773	21,382
Amortisation of land exploitation	2,504	2,856
Amortisation of intangible assets	505	505
Amortisation of software	144	239
Amortisation of loans and borrowings	-	325
Interest and other financial charges	9,556	10,494
Interest income	(6,790)	(6,099)
Inventories written down	56	38
Reversal of prior year interest expense	-	(4,029)
Write back of withholding tax expense	(4,846)	(1,851)
Net exchange differences	5,903	(2,042)
Operating cash flows before changes in working capital	176,683	79,364
<u>Changes in working capital:</u>		
(Increase)/decrease in inventories	(7,554)	7,868
Increase in trade, other receivables and prepayments	(80,043)	(309)
Increase/(decrease) in trade and other payables	97,301	(24,907)
Cash flows generated from operations	186,387	62,016
Interest and other financial charges paid	(9,333)	(9,647)
Interest income received	7,425	5,190
Income taxes paid	(15,554)	(3,734)
Net cash flows generated from operating activities	168,925	53,825

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT (CONT'D)

For the financial year ended 31 December 2017

(In United States Dollars)

	2017 US\$'000	2016 US\$'000
Cash flows from investing activities		
Proceeds from disposal of other investment	1,018	-
Net cash outflows on acquisition of subsidiaries	-	(36,440)
Additions to biological assets	(960)	(505)
Purchase of investment securities	(25,165)	-
Advance payment for proposed acquisition of subsidiaries	(8,000)	-
Proceeds from disposal of property, plant and equipment	29	-
Purchase of property, plant and equipment	(11,633)	(2,488)
Additions to mining properties	(3,099)	(5,644)
Loan to third parties	-	7
(Increase)/decrease in other non-current assets	(4,699)	19,643
Changes in restricted fund	(4,025)	(325)
Net cash flows used in investing activities	(56,534)	(25,752)
Cash flows from financing activities		
Payment of dividend	(17,777)	-
Payment of dividend to NCI of subsidiaries	(31,518)	(5,622)
Proceeds from compliance placement, net of expenses	-	84,177
Proceeds from loans and borrowings	149,140	18,131
Repayment of loans and borrowings	(103,377)	(92,562)
Net cash flows (used in) / generated from financing activities	(3,532)	4,124
Net increase in cash and cash equivalents	108,859	32,197
Effect of exchange rate changes on cash and cash equivalents	766	2,392
Cash and cash equivalents at 1 January	79,076	44,487
Cash and cash equivalents at 31 December (Note 22)	188,701	79,076

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. General information

1.1 Corporate information

Golden Energy and Resources Limited ("GEAR" or the "Company") is a limited liability company, incorporated and domiciled in Singapore and it is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The immediate holding company of the Company is PT Dian Swastatika Sentosa Tbk ("DSS"), incorporated in Republic of Indonesia, and its ultimate holding company is PT Sinarindo Gerbangmas.

The registered office of the Company is located at 20 Cecil Street, #05-05 PLUS, Singapore 049705.

The principal activities of the Company are those of an investment holding company and provision of management services to unrelated entities and entities within the Group. The principal activities of the subsidiaries are set out in Note 15.

1.2 Reverse acquisition

On 4 June 2013, the Company entered into a non-legal binding heads of agreement ("HoA") with DSS (the "Vendor") to set out the proposed commercial terms in respect of the proposed acquisition of 66.9998% in DSS's investment in PT Golden Energy Mines Tbk ("GEMS") and its subsidiaries (collectively, the "GEMS Group") ("DSS Acquisition").

On 11 July 2013, the Company and DSS entered into a share purchase agreement following the HoA on 4 June 2013 to acquire 3,941,166,500 ordinary shares or approximately 66.9998% of the total issued and paid-up share capital of GEMS. The purchase consideration of the acquisition shall be satisfied by way of issuance and allotment of new ordinary shares in the Company which represent approximately 94.4745% of the enlarged Company's ordinary share capital. The acquisition resulted in a reverse takeover of the Company.

On 5 July 2014, the Company entered into a supplemental agreement ("SPA Supplemental Agreement") with DSS to amend certain terms and conditions of the Share Purchase Agreement. The Company and DSS agreed to extend the Acquisition Long-Stop Date to 31 March 2015 and also amend such other terms in the Share Purchase Agreement that were affected by the extended timeline for the acquisition ("SPA Amendments").

On 21 January 2015, the Company obtained the in-principle approval from the Singapore Exchange Securities Trading Limited in respect of, *inter alia*, the listing and quotation of new shares to be issued pursuant to or in connection with the acquisition.

On 23 January 2015, the Company and DSS entered into a supplemental agreement to, *inter alia*, extend the Acquisition Long-Stop Date to 3 June 2015 and amend certain terms in the SPA that were affected by the extended timeline for the acquisition and to allow both the Company and DSS to accommodate the satisfaction of the remaining conditions precedent.

The Company completed the DSS Acquisition on 20 April 2015 ("Completion Date").

The DSS Acquisition was accounted for as a reverse acquisition in accordance with FRS 103, Business Combinations. Accordingly, GEMS Group was identified to be the accounting acquirer and the Company was deemed to be the accounting acquiree. Accordingly, the consolidated statement of comprehensive income, consolidated balance sheets, consolidated statement of changes in equity and consolidated statement of cash flow of the Group (comprising the Company and GEMS Group) for the financial year ended 31 December 2015 has been presented as a continuation of GEMS Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

1. General information

1.2 Reverse acquisition (cont'd)

Since such consolidated financial statements represent a continuation of the financial statements of GEMS Group:

- the assets and liabilities of GEMS Group were recognised and measured in the consolidated balance sheets at their carrying amounts prior to the DSS Acquisition;
- the assets and liabilities of the Company and its subsidiaries were recognised and measured in the consolidated balance sheets at their fair values on Completion Date;
- the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of GEMS Group prior to the DSS Acquisition;
- the amount recognised as issued equity interest in the consolidated financial statements were determined by adding the issued equity interest of GEMS, outstanding immediately before the DSS Acquisition to the fair value of the GEAR Group at the Completion Date. However, the equity structure appearing in the balance sheets (i.e. the number and type of equity interests issued) shall reflect the equity structure of GEAR, including the equity interests issued to DSS to effect the Acquisition. Accordingly, the equity structure of GEMS Group is restated using the exchange ratio established in the acquisition agreement to reflect the number of shares of GEAR issued in the DSS Acquisition.
- the consolidated statement of comprehensive income reflects the full year results of GEMS Group together with the post-acquisition results of the Company and its subsidiaries; and
- the non-controlling interest's proportionate share of GEMS Group's pre-acquisition carrying amount of retained earnings and other equity interests.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars ("USD" or "US\$") and all values in the tables are rounded to the nearest thousand (US\$'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Improvements to FRSs (December 2016)	
- Amendments to FRS 28: <i>Measuring an Associate or Joint Venture at fair value</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103: <i>Business Combinations</i>	1 January 2019
- Amendments to FRS 111: <i>Joint Arrangements</i>	1 January 2019
- Amendments to FRS 12: <i>Income Taxes</i>	1 January 2019
- Amendments to FRS 23: <i>Borrowing Costs</i>	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 and FRS 116 are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement

For equity securities, the Group will continue to measure its currently held-for-trading equity securities of US\$1,023,000. The Group does not expect any significant impact arising from these changes. The Group will elect to measure its currently held available-for-sale quoted equity securities amounting to US\$23,310,000 at fair value through other comprehensive income ("FVOCI"). The impairment loss previously recognised in other comprehensive income will continue be adjusted against other comprehensive income when the Group applies FRS 109.

In addition, the Group currently measures one of its investments in unquoted equity securities at cost of \$30,000. Under FRS 109, the Group will be required to measure the investment at fair value. The Group does not expect any significant impact to arise from these changes.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a significant impact on its equity.

The Company expects to apply the full approach and record 12-month expected credit loss on its loan to subsidiaries. Upon application of the expected credit loss model, the Company has determined that, due to the unsecured nature of its loan to subsidiaries, the loss allowance would increase.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 Leases (cont'd)

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 Basis of consolidation and business combination

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combination (cont'd)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency

The financial statements are presented in United States Dollar ("USD"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Company's functional currency is Singapore Dollar ("SGD"), which reflects the economic substance of the underlying events and circumstances of the Company.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of local and foreign operations are translated into USD at the rate of exchange ruling at the reporting date and their profit and loss are translated at the average exchange rate for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a local and foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Biological assets

Biological assets mainly include trees in a timber plantation.

Trees in a timber plantation comprise Acacia, Jabon and Sengon trees, which are stated at fair value less estimated point-of-sale costs at harvest, with any resultant gain or loss recognised in the profit or loss. The valuation of the biological assets is calculated by the independent professional valuer based on the discounted cash flow model whereby the fair value is calculated using cash flows from continuous operations, assuming sustainable forest management plans, taking into account the growth potential from their forest plantations. The yearly harvest made from the forecasted tree growth is multiplied by the actual wood pines and the cost of fertilizer, before the deduction of harvesting. The fair value is measured as the present value of the harvest from one growth cycle based on the productive forest lands.

Deferred tax liability arising from the temporary difference between the tax base of biological assets and its carrying amount is accounted for in accordance with the accounting policy stated in Note 2.22(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment and furniture and fixtures are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives as follows:

Leasehold land, infrastructure and buildings	-	3 to 20 years
Plant and machinery	-	4 to 16 years
Motor vehicles	-	4 to 8 years
Computers and office equipment	-	3 to 8 years
Furniture and fittings	-	3 to 8 years
Bearer plants	-	25 years

Leasehold land, infrastructure and buildings include buildings, forestry and fire protection infrastructures. Plant and machinery includes field equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Bearer plants comprise rubber trees and are classified as immature and mature. Immature bearer plants are stated at cost, which consist mainly of the accumulated cost of land clearing, planting, fertilizing and up-keeping/maintaining the plantations and allocations of indirect overhead costs up to the time the trees become mature and available for harvest. Mature bearer plants are stated at cost, and are amortised using the straight-line method over their estimated useful lives.

Constructions in-progress are stated at cost, including capitalised borrowing costs and other charges incurred in connection with the financing of the said asset constructions. The accumulated costs will be reclassified to the appropriate "Property and Equipment" account when the construction is completed. Assets under construction are not depreciated as these are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the assets is included in profit or loss in the year the asset is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.9 Mining properties

Pre-license Costs

Pre-license costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures are capitalised and recognised as “exploration and evaluation assets” for each area of interest when mining rights are obtained and still valid and;

- (i) the costs are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) where activities in the area of interest have not reached the stage that allow a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing. These expenditures include materials and fuel used, surveying costs, drilling and stripping costs before the commencement of production stage and payments made to contractors.

Exploration and evaluation assets are subsequently measured using cost model and classified as tangible assets, unless they are qualified to be recognised as intangibles.

The ultimate recoupment of deferred exploration expenditure is dependent upon successful development and commercial exploitation of the related area of interest. Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. In such case, an entity shall measure, present and disclose any resulting impairment loss in profit or loss.

Exploration and evaluation assets are transferred to “Mines under construction” in the “Mining properties” account after the mines are determined to be economically viable to be developed.

Expenditures for Mines under Construction

Expenditures for mines under construction and incorporated costs in developing an area of interest subsequent to the transfer from exploration and evaluation assets but prior to the commencement of production stage in the respective area are capitalised to “Mines under construction” as long as they meet the capitalisation criteria.

Producing Mines

Upon completion of mine construction and the production stage is commenced, the “Mines under construction” are transferred into “Producing mines” in the “Mining properties” account, which are stated at cost, less depletion and accumulated impairment losses.

Depletion of producing mines are based on using unit-of-production method from the date of commercial production of the respective area of interest over the lesser of the life of the mine and the remaining terms of the mining licenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.9 Mining properties (cont'd)

Stripping Costs

Stripping costs are the costs of removing overburden from a mine. Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of developing the mine, and are subsequently depreciated or amortised using a unit-of-production method on the basis of proven and probable reserves, once production starts.

Stripping activity conducted during the production phase may provide two benefits:

- (i) Ore that is processed into inventory in the current period and
- (ii) Improved access to the ore body in future periods.

To the extent that benefit from the stripping activity is realised in the form of inventory produced, the Group accounts for the costs of that stripping activity to Inventories. To the extent the benefit is improved access to ore, the Group recognises these costs as a stripping activity asset in the "Mining properties" account, if and only if, all the following criteria are met:

- it is probable that the future economic benefits (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measure reliably.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, the costs associated with these incidental operations are not included in the costs of the stripping activity asset.

When the costs of the stripping activity asset and the inventory produced are not separately identifiable, the Group allocates the production stripping asset by using an allocation basis that is based on a relevant production measure. This production measure is calculated for the identified component of the ore body, and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the actual versus expected volume of waste extracted.

Subsequently, the stripping activity asset is carried at cost less amortisation and any impairment losses, if any. The stripping activity asset is depreciated or amortised using the units of production method over the expected useful life of the identified component if the ore body that becomes more accessible as a result of the stripping activity unless another method is appropriate.

2.10 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Forest concession license

The forest concession license was acquired as a result of the Reverse Acquisition. The forest concession license has a finite useful life and is amortised on a straight line basis over the concession period until 2041.

2.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of non-financial assets (cont'd)

Except for goodwill, an assessment on the asset is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.13 Financial Instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.13 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and demand deposits readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

2.16 Inventories

The inventories comprise coal and logs.

(a) Coal inventories

Coal inventories are stated at the lower of cost or net realisable value. The cost of inventories is determined using the moving average method. Cost of mining inventories consists of material, labour, depreciation and overhead cost related to mining activities. Allowances for inventory obsolescence and decline in values of inventories are provided to reduce the carrying values of inventories to their net realisable values.

(b) Logs inventories

Logs inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present locations and conditions are accounted for as follows:

- Raw materials refer to purchase cost
- Agricultural produce comprises logs. Agricultural produce at the point of harvest is measured on initial recognition at its fair value less estimated point-of-sale costs. Thereafter, the inventory is carried at the lower of costs and net realisable value. Cost is determined using weighted average method

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Post-employment benefits

The post-employment pension benefit obligation is the present value of the defined benefit obligation at end of the reporting period less the fair value of plan assets, together with the adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are directly recognised in other comprehensive income and reported in other reserves.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield at the end of the reporting period of long term government bonds denominated in Indonesian Rupiah in which the benefits will be paid and that have terms to maturity similar to the related pension obligation.

2.20 Leases – as lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of logs and coals

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(d) Management fee income

Revenue from consulting services is recognised in the accounting period in which the services are rendered.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- (i) Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

2.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheets of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the opinion that the instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates.

3.2 Key sources of estimation uncertainty

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 year are discussed below.

(a) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that non-financial assets are impaired.

Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. Any significant changes in the assumptions used in determining the fair value may materially affect the assessment of recoverable values and any resulting impairment loss could have a material impact on results of operations.

The carrying amount of the Group's property, plant and equipment and mining properties as at 31 December 2017 were US\$64,435,000 and US\$85,848,000 (2016: US\$58,940,000 and US\$88,836,000), respectively.

(b) Impairment of goodwill and intangible assets

As disclosed in Notes 13 and 14, the recoverable amounts of the cash generating units to which goodwill and intangible assets have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14.

The carrying amount of goodwill and intangible assets as at 31 December 2017 were US\$103,679,000 and US\$11,699,000 (2016: US\$103,707,000 and US\$12,204,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there is an indication that the investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash generating units. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rates in order to calculate the present value of those cash flows. The recoverable amount of the investment in subsidiaries is sensitive to the valuation inputs such as log price, coal price and discount rate. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 15.

The carrying amount of the Company's investment in subsidiaries as at balance sheet date as at 31 December 2017 was US\$1,337,613,000 (2016: US\$1,203,073,000).

(d) Recoverability of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unutilised tax losses. The carrying value of recognised tax losses at 31 December 2017 amounted to US\$11,272,000 (2016: US\$19,320,000).

(e) Coal reserve and resource estimates

Coal reserves and resource estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. Such reserves and resource estimates and changes to these may impact the Group's reported financial position and results, in the following way:

- The carrying value of mining properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows
- Amortisation charges in the statement of comprehensive income may change where such charges are determined using the Unit of Production ("UOP") method
- Capitalised stripping costs recognised in the balance sheets as either part of mine properties or inventory or charged to profit or loss may change due to changes in stripping ratios

The Group estimates its coal reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the coal body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the coal body.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(e) Coal reserve and resource estimates (cont'd)

The Group determines and reports its coal reserves under the principles incorporated in the Code for Reporting of Mineral Resources and Ore Reserves of the Joint Ore Reserves Committee (the "JORC Code"), which is sponsored by the Australian mining industry and its professional organisations.

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate coal reserves and resources under the JORC Code. Lower price assumptions generally result in lower estimates of reserves.

The coal reserves and resource estimate may change as a result of changes in the economic assumptions used and as additional geological information is produced during the mining operations.

4. Revenue

	Group	
	2017 US\$'000	2016 US\$'000
Coal Mining	645,421	329,523
Coal Trading	114,027	54,817
Non-coal business	4,358	8,932
	763,806	393,272

5. Other income

	Group	
	2017 US\$'000	2016 US\$'000
Interest income	6,790	6,099
Write back of withholding tax expense	4,846	1,851
Compensation income	1,673	485
Reversal of prior year interest expense	-	4,029
Foreign exchange gain, net	-	255
Others	4,044	1,077
	17,353	13,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Finance costs

	Group	
	2017 US\$'000	2016 US\$'000
Interest expense on bank loans	9,556	10,494
Amortisation of discounted loans and borrowings	-	325
Others	2,393	293
	11,949	11,112

Included in interest expense on bank loans is US\$4,021,000 (2016: US\$4,028,000) arising from utilisation of the Group's trade finance facilities.

7. Profit before tax

Profit before tax is derived after charging the following:

	Group	
	2017 US\$'000	2016 US\$'000
Mining services and overheads	224,405	110,095
Freight and stockpile	125,187	67,397
Inventories recognised as an expense in cost of sales	101,995	56,916
Royalty fees	69,789	33,883
Legal and professional fees	11,205	4,874
Land exploitation expenses	3,032	2,604
Provision for mine closure	45	280
Depreciation of property, plant and equipment	5,111	4,952
Amortisation of:		
- mining properties	5,773	21,382
- land exploitation	2,504	2,856
- intangible assets	505	505
- software	144	239
Audit fees:		
- Auditors of the Company	101	127
- Other auditors	285	203
Non-audit fees:		
- Auditors of the Company	33	16
- Other auditors	-	30
Directors' fees	173	164
Staff costs:		
- Salaries, wages, bonuses and other costs	18,333	14,576
- Contributions to defined contribution plans	391	400
Gain on disposal of other investment	(1,018)	-
Fair value loss on biological assets	644	2,531
Impairment loss on property, plant and equipment	993	85
Foreign exchange loss, net	5,508	-
Withholding tax expenses	-	906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December are:

	Group	
	2017 US\$'000	2016 Restated US\$'000
Consolidated Statement of Comprehensive Income		
Current income tax		
- Current year's income tax	(42,826)	(12,265)
- Under provision in respect of previous years	(1,287)	(718)
Deferred income tax (Note 16)		
- Current year	(2,586)	(983)
Withholding tax expense	(6,507)	(1,510)
Income tax expense	(53,206)	(15,476)
Other comprehensive income		
Deferred tax relate to other comprehensive income:		
- Net actuarial gain on post-employment benefits	366	21

Relationship between tax expense and accounting profit

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December is as follows:

	Group	
	2017 US\$'000	2016 Restated US\$'000
Profit before tax	157,641	49,140
Tax expenses at the domestic rates applicable in the countries where the Group operates	(41,969)	(12,041)
<i>Adjustments:</i>		
Income not subject to tax	1,560	322
Expenses not deductible for tax purposes	(1,733)	(446)
Deferred tax assets not recognised	(3,272)	(1,271)
Under provision in respect of previous years	(1,287)	(718)
Utilisation of previously unrecognised deferred tax assets	-	141
Withholding tax expense	(6,507)	(1,510)
Others	2	47
Income tax expense	(53,206)	(15,476)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. Income tax expense (cont'd)

The corporate income tax rate applicable to the entities in Singapore is 17% (2016: 17%). The corporate income tax rate applicable to the subsidiaries in Indonesia is 25% (2016: 25%).

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

9. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the financial year, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following reflects the earnings and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2017 US\$'000	2016 Restated US\$'000
Profit for the year attributable to owners of the Company	62,950	22,006
Weighted average number of ordinary shares for basic and diluted earnings per share ('000)	2,353,100	2,181,650
Basic and diluted earnings per share attributable to owners of the Company (cents per share)	2.68	1.01

10. Biological assets

	Group	
	2017 US\$'000	2016 US\$'000
Movement in biological assets:		
At 1 January	-	3,766
Costs incurred during the year	960	505
Reclassification of rubber plantation to property, plant and equipment (Note 11)	-	(1,740)
	960	2,531
Net change in fair value less estimated costs to sell	(644)	(2,531)
At 31 December	316	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Biological assets (cont'd)

	Group			
	2017		2016	
	Hectares	US\$'000	Hectares	US\$'000
Existing Plantation Forest	3,564	162	2,309	-
Utilisable Natural Forest	1,358	154	1,480	-
	4,922	316	3,789	-

Biological assets relate to timber plantation, majority of which are Acacia Mangium, Jabon and Sengon trees, which when mature will be harvested for timber and further processed into products such as sawn logs and pulpwood. The trees have an average lifespan of up to 15 years, and take up to 6 to 7 years to reach the maturity for harvesting. During the financial year, the Group harvested approximately 90,057 m³ (2016: 141,800 m³) of logs.

Fair value measurements

The fair value of biological assets is estimated with reference to an independent professional valuation using discounted cash flows of biological assets. The expected cash flows from the biological assets are determined using the market price and the estimated yield of the trees, net of maintenance and harvesting costs, and any costs required to bring the plantations to maturity. The estimated yield of the trees is dependent on the age of the trees, the location of the plantations and infrastructure. The market price of the produce is largely dependent on the prevailing market price. Point-of-sale costs include all costs that would be necessary to sell the assets.

The following table shows the key unobservable inputs used in the valuation models:

Key unobservable inputs	Range of unobservable inputs (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement
Discount rate per annum	10% (2016: 10%)	The higher the discount rate, the lower the fair value
Average plantations yield, in metric tonne (m ³ /ha) - Acacia Mangium, Sengon and Jabon	19.2 m ³ /ha to 199.2 m ³ /ha (2016: 19.2 m ³ /ha to 199.2 m ³ /ha)	The higher the plantation yields, the higher the fair value
Selling price of: - Sawn logs	US\$ 41.1 /m ³ to US\$ 57.9 /m ³ (2016: US\$37.5 /m ³ to US\$52.5 /m ³)	The higher the selling price, the higher the fair value
- Pulpwood	US\$ 53.4 /m ³ (2016: US\$39.8 /m ³)	

Financial risk management strategies related to agricultural activities

The Group is exposed to financial risk in respect of its agricultural activities, which primarily arises due to length of time between expending cash planting trees, through the maintenance of the trees until maturity, harvesting of the trees, and ultimately receiving cash from the sale of the product. The Group plans for cash flow requirements for such activities and manage its debts actively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Property, plant and equipment

Group	Leasehold land and buildings US\$'000	Plant and machinery US\$'000	Motor vehicles US\$'000	Computers, office equipment, furniture and fittings US\$'000	Bearer Plants US\$'000	Construction in progress US\$'000	Total US\$'000
Cost							
At 1 January 2016	40,552	21,442	2,107	2,944	-	8,785	75,830
Transfer from biological assets	-	-	-	-	1,740	-	1,740
Additions	75	77	20	535	451	1,330	2,488
Reclassification	4,878	1,603	116	66	-	(6,663)	-
Exchange differences	34	-	-	(1)	-	-	33
At 31 December 2016 and 1 January 2017	45,539	23,122	2,243	3,544	2,191	3,452	80,091
Reclassification	-	200	-	4	-	(204)	-
Additions	518	2,283	37	1,018	449	7,328	11,633
Disposals	-	-	(74)	-	-	-	(74)
Exchange differences	(11)	-	-	18	-	-	7
At 31 December 2017	46,046	25,605	2,206	4,584	2,640	10,576	91,657
Accumulated depreciation							
At 1 January 2016	8,963	3,912	899	2,329	-	-	16,103
Charge for the financial year	2,871	1,488	286	307	-	-	4,952
Impairment loss	85	-	-	-	-	-	85
Exchange differences	12	-	-	(1)	-	-	11
At 31 December 2016 and 1 January 2017	11,931	5,400	1,185	2,635	-	-	21,151
Charge for the financial year	2,595	1,771	287	458	-	-	5,111
Disposals	-	-	(45)	-	-	-	(45)
Impairment loss	-	993	-	-	-	-	993
Exchange differences	(7)	-	-	19	-	-	12
At 31 December 2017	14,519	8,164	1,427	3,112	-	-	27,222
Net carrying amount							
At 31 December 2016	33,608	17,722	1,058	909	2,191	3,452	58,940
At 31 December 2017	31,527	17,441	779	1,472	2,640	10,576	64,435

Included in property, plant and equipment is a wood chip mill valued at scrap value of US\$3,566,000 (2016: US\$4,070,000) as at 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Property, plant and equipment (cont'd)

Bearer plants comprise of immature rubber plantations. The rubber plantation presently consist of trees aged between 1 to 5 years as at 31 December 2017, the Group's total plantation area is approximately 933 (2016: 941) hectares.

Company	Computers, office equipment, furniture and fittings	
	2017 US\$'000	2016 US\$'000
Cost		
At 1 January	234	230
Additions	219	9
Net exchange differences	19	(5)
At 31 December	472	234
Accumulated depreciation		
At 1 January	225	225
Charge for the financial year	32	5
Net exchange differences	19	(5)
At 31 December	276	225
Net carrying amount		
At 31 December	196	9

(a) Assets pledged as security

Certain property and equipment of the Group with carrying value of US\$12,649,000 (2016: US\$13,647,000) as at 31 December 2017 have been pledged as collateral for bank loans (Note 24).

(b) Depreciation charge

Details of the depreciation charge for the financial year ended are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Charged to profit or loss		
- cost of sales	1,843	1,921
- selling and distribution expenses	1,134	1,046
- administrative expenses	1,507	1,542
- other operating expenses	627	443
Depreciation for the financial year ended	5,111	4,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Mining properties

	Mines under construction Restated US\$'000	Producing mines US\$'000	Stripping activity US\$'000	Total Restated US\$'000
Cost				
At 1 January 2016	4,118	41,822	82,799	128,739
Additions	7	–	5,637	5,644
Acquisition of a subsidiary (Note 15)	42,118	–	–	42,118
Net exchange differences	55	(1,121)	–	(1,066)
At 31 December 2016 and 1 January 2017	46,298	40,701	88,436	175,435
Additions	25	1,253	1,821	3,099
Net exchange differences	(17)	(321)	25	(313)
At 31 December 2017	46,306	41,633	90,282	178,221
Accumulated amortisation				
At 1 January 2016	–	22,439	42,776	65,215
Charge for the financial year	–	11,858	9,524	21,382
Net exchange differences	–	1	1	2
At 31 December 2016 and 1 January 2017	–	34,298	52,301	86,599
Charge for the financial year	–	786	4,987	5,773
Net exchange differences	–	1	–	1
At 31 December 2017	–	35,085	57,288	92,373
Net carrying amount				
At 31 December 2016	46,298	6,403	36,135	88,836
At 31 December 2017	46,306	6,548	32,994	85,848

Details of the amortisation expenses for the financial year ended are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Charged to profit or loss		
- cost of sales	5,650	21,345
- other operating expenses	123	37
Amortisation expenses for the financial year ended	5,773	21,382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Intangible assets

Group	Forest concession license	
	2017 US\$'000	2016 US\$'000
Cost:		
At 1 January and 31 December	<u>13,046</u>	<u>13,046</u>
Accumulated amortisation:		
At 1 January	842	337
Amortisation	<u>505</u>	<u>505</u>
At 31 December	<u>1,347</u>	<u>842</u>
Net carrying amount		
At 31 December	<u>11,699</u>	<u>12,204</u>

Forest concession license

Forest concession license was acquired as a result of the Reverse Acquisition. Forest concession license has remaining concession period of 24 years (2016: 25 years).

The Group owns forestry concession rights of 265,095 hectares, which includes 14,127 hectares of land rent-use rights.

Land rent-use rights represent the areas of overlapping mining permits with third parties, who have encroached onto the Group's forestry concession land to carry out mining activities. Based on the regulation issued by Indonesia Ministry of Forestry, the Group is allowed to be compensated for the estimated loss of existing plantations, infrastructure, increase in operational costs and loss of income from plantations over the remaining concession license period (opportunity costs) due to overlapping mining permits on the same forestry concession plantable area.

The Group has entered into an agreement with third parties, to compensate the Group based on their future mining production. As at balance sheet date, the compensation income was recognised as part of other income in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Goodwill

Group	Goodwill	
	2017 US\$'000	2016 Restated US\$'000
At 1 January	103,707	98,562
Acquisition of subsidiaries (Note 15)	-	5,144
Exchange differences	(28)	1
At 31 December	103,679	103,707

Impairment testing of goodwill and Forest concession license

Goodwill acquired through business combinations and brands have been allocated to the following CGUs for impairment testing as follows:

	Forestry and pulp CGU		Coal mining CGUs	
	2017 US\$'000	2016 Restated US\$'000	2017 US\$'000	2016 US\$'000
Goodwill	97,868	97,868	5,811	694
Forest concession license	11,699	12,204	-	-

The recoverable amount of the forestry and pulp CGU and coal mining CGUs have been determined based on value-in-use ("VIU") calculation using cash flow projections from financial budgets approved by management covering their concession tenure for forestry and coal mining operations.

Key assumptions used in the value in use calculations

	Forestry and pulp CGU		Coal mining CGUs	
	2017	2016	2017	2016
Projected logs / coal prices	US\$37 – US\$150/m ³	US\$36 – US\$139/m ³	US\$32 – US\$80/tonne	US\$34 – US\$54/tonne
Discount rate	10%	10%	8%	9%

Sensitivity to changes in assumptions

Changes to the assumptions used by the management to determine the recoverable amount, in particular the discount rate, would have significant impact on the results of the assessment. Management believes that no reasonably possible changes in any of the key assumptions that would cause the carrying amount of the goodwill to materially exceed its respective recoverable value.

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For the financial year ended 31 December 2017

15. Investment in subsidiaries

	Company	
	2017 US\$'000	2016 US\$'000
Shares, at cost	1,299,159	1,326,892
Exchange differences	104,900	(27,733)
	1,404,059	1,299,159
Impairment loss	(66,446)	(96,086)
	1,337,613	1,203,073
Movement in allowance accounts:		
At 1 January	96,086	98,137
Reversal of impairment loss	(36,185)	–
Net exchange differences	6,545	(2,051)
At 31 December	66,446	96,086

Certain investment in subsidiaries were pledged to secure loans and borrowings (Note 24).

During the financial year, management performed an impairment test on the investment in subsidiaries as the subsidiaries were making losses or the carrying amount of the investment in subsidiaries exceeds the carrying amounts of the investee's net assets.

The recoverable amounts of the subsidiaries have been determined based on a value in use calculation using cash flow projections based on a financial budget approved by management covering up to the end of the mining concession licenses or forest concession tenure.

During the financial year, the Company made a US\$36,185,000 partial reversal of previously recognised impairment losses in respect of its investment in Anrof Singapore Limited ("Anrof"). Prior to the Reverse Acquisition in 2015, the Company's investment in Anrof was impaired as the Group had insufficient funding to support the forestry and pulp business. Post Reverse Acquisition, the Group has the requisite funding to support the plan to rejuvenate its forestry and pulp business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Investment in subsidiaries (cont'd)

(a) Composition of the Group

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal business activities	Proportion (%) of ownership interest	
			2017	2016
<u>Held by the Company</u>				
Anrof Singapore Limited ⁽²⁾	Mauritius	Investment holding	100.0000	100.0000
Poh Lian (Cambodia), Ltd ⁽³⁾	Cambodia	Dormant	100.0000	100.0000
Able Advance Limited ⁽³⁾	British Virgin Islands	Dormant	100.0000	100.0000
PT Golden Energy Mines Tbk ⁽²⁾	Indonesia	Investment holding	66.9998	66.9998
<u>Held through Anrof Singapore Ltd</u>				
PT Hutan Rindang Banua ⁽²⁾	Indonesia	Forestry operation	100.0000	100.0000
PT Marga Buana Bumi Mulia ⁽⁵⁾	Indonesia	Dormant	100.0000	100.0000
PT Mangium Anugerah Lestari ⁽⁵⁾	Indonesia	Inactive	99.9800	99.9800
Pacificwood Investment Ltd ⁽²⁾	Mauritius	Investment holding and trading	100.0000	100.0000
Shinning Spring Resources Limited ⁽³⁾	British Virgin Islands	Investment holding	100.0000	100.0000
<u>Held through PT Golden Energy Mines Tbk</u>				
PT Roundhill Capital Indonesia ⁽²⁾	Indonesia	Holding company and trading	99.0158	99.0158
PT Kuansing Inti Makmur ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998
PT Trisula Kencana Sakti ⁽²⁾	Indonesia	Coal mining	70.0000	70.0000
GEMS Trading Resources Pte Ltd ⁽¹⁾	Singapore	Trading	100.0000	100.0000
PT Karya Mining Solution (formerly known as PT Bumi Anugerah Semesta) ⁽³⁾	Indonesia	Trading	99.9999	99.9999
PT Borneo Indobara ⁽²⁾	Indonesia	Coal mining	98.0951	98.0951
PT Karya Cemerlang Persada ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998
PT Bungo Bara Utama ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998

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For the financial year ended 31 December 2017

15. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name	Country of incorporation	Principal business activities	Proportion (%) of ownership interest	
			2017	2016
Held through PT Golden Energy Mines Tbk				
PT Bara Harmonis Batang Asam ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998
PT Berkat Nusantara Permai ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998
PT Tanjung Belit Bara Utama ⁽²⁾	Indonesia	Coal mining	99.9998	99.9998
PT GEMS Energy Indonesia ⁽⁴⁾	Indonesia	Trading	99.9902	99.9902
Shanghai Jingguang Energy Co. Ltd ⁽⁴⁾⁽⁶⁾	People's Republic of China	Coal trading	100.0000	100.0000
PT Era Mitra Selaras ⁽²⁾	Indonesia	Holding company	100.0000	100.0000
PT Wahana Rimba Lestari ⁽²⁾	Indonesia	Coal mining	100.0000	100.0000
PT Berkat Satria Abadi ⁽²⁾	Indonesia	Coal mining	100.0000	100.0000
PT Kuansing Inti Sejahtera ⁽⁴⁾	Indonesia	Coal mining	100.0000	–
PT Bungo Bara Makmur ⁽⁴⁾	Indonesia	Coal mining	100.0000	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of Ernst & Young Global in the respective countries.

(3) Exempted/not required to be audited by the law of its country of incorporation.

(4) Not audited since its incorporation as deemed not material to the Group.

(5) Audited by KAP Kosasih, Nurdyaman, Mulyadi, Tjahjo & Rekan

(6) In the process of de-registration

(b) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiary that has NCI that are material to the Group:

Name	Principal place of business	Proportion (%) of ownership interest held by NCI	Profit allocated to NCI during the reporting period US\$'000
31 December 2017:			
PT Golden Energy Mines Tbk	Indonesia	33.0002	41,485

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For the financial year ended 31 December 2017

15. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including consolidation adjustments but before company eliminations of subsidiaries are as follows:

Summarised balance sheets

	2017 US\$'000	2016 US\$'000
Current		
Assets	414,783	203,412
Liabilities	(246,554)	(53,894)
Net current assets	168,229	149,518
Non-current		
Assets	175,687	173,496
Liabilities	(51,697)	(58,857)
Net non-current assets	123,990	114,639
Net assets	292,219	264,157
Summarised statement of comprehensive income		
Revenue	759,448	384,340
Profit before tax	167,308	48,917
Income tax expense	(47,202)	(14,690)
Profit after tax	120,106	34,227
Other comprehensive income	(989)	(1,200)
Total comprehensive income	119,117	33,027
Other summarised information		
Cash flows generated from operating activities	157,717	50,024
Acquisition of significant property, plant and equipment	(9,522)	(1,864)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. Investment in subsidiaries (cont'd)

(d) Acquisition of subsidiaries

Acquisition of EMS

On 20 September 2016, the Group's subsidiaries, PT Golden Energy Mines Tbk ("GEMS") and PT Kuansing Inti Makmur ("KIM") acquired 100% share ownership in EMS and its subsidiaries.

The fair values of identifiable assets and liabilities as of acquisition date were as follows:

	Fair value recognised on acquisition Restated US\$'000
Mining properties	42,118
Other non-current assets	104
Cash and cash equivalents	744
Other payables and accruals	(503)
Deferred tax liabilities	(10,423)
Total identifiable net assets at fair value	32,040
Fair value of purchase consideration	(37,184)
Goodwill arising from acquisition	(5,144)
<u>Effect of the acquisition of EMS on cash flow</u>	
Total consideration for 100% equity interest acquired	37,184
Less: Cash and cash equivalents of subsidiary acquired	(744)
Net cash outflow on acquisition	36,440

The Group appointed an independent valuer to perform a review of the Purchase Price Allocation ("PPA"). On 18 September 2017, the Purchase Price Allocation has been finalised with reduction in goodwill by US\$2,015,000, to give total goodwill arising on the acquisition of US\$5,144,000. As a result, goodwill arising from this acquisition has been adjusted accordingly on a retrospective basis to reflect the above.

The effects of the adjustment on business combination on the balance sheet and comprehensive income in the prior period are summarised below.

	As previously reported US\$'000	Prior period adjustments US\$'000	As Restated US\$'000
Balance sheets			
Mining properties	84,123	4,713	88,836
Other non-current assets	23,567	(19)	23,548
Goodwill (Note 14)	105,722	(2,015)	103,707
Deferred tax liabilities	(9,820)	(3,264)	(13,084)
Reserves	19,194	585	19,779

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For the financial year ended 31 December 2017

16. Deferred tax

The deferred tax as at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheets		Consolidated comprehensive income		Balance sheets	
	2017	2016	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets:						
Unutilised tax losses	2,818	4,830	(2,303)	(1,868)	-	-
Stripping activity asset	775	776	(1)	2	-	-
Post-employment benefits liability	627	684	(57)	127	-	-
Provision for mine closure	433	419	15	79	-	-
Others	14	297	(285)	31	-	-
	4,667	7,006			-	-
Deferred tax liabilities:						
Mining properties from business combinations	(10,836)	(10,895)	31	(8)	-	-
Biological assets	11	(20)	31	653	-	-
Fair value adjustments	(1,989)	(2,074)	86	141	-	-
Others	(193)	(95)	(103)	(140)	(103)	(95)
	(13,007)	(13,084)			(103)	(95)
			(2,586)	(983)		

Unutilised tax losses

At the end of reporting year, the Group has tax losses of approximately US\$15,501,000 (2016: US\$6,309,000) for which no deferred tax asset is recognised due to uncertainty of its recoverability. These tax losses are available to offset future taxable income generated by the Group's subsidiaries over a maximum 5 year period allowed under Indonesian tax regulation and subject to the approval by the Indonesia tax authorities.

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting year, no deferred tax liability (2016: nil) has been recognised for taxes that would potentially be payable on the undistributed earnings of the certain Group's subsidiaries if these were to be distributed in the future, as the Group has determined that undistributed earnings of its subsidiaries from prior years will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregate to US\$48,062,000 (2016: US\$29,540,000). The deferred tax liability is estimated to be US\$4,806,000 (2016: US\$2,954,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. Amounts due from subsidiaries

	Company	
	2017 US\$'000	2016 US\$'000
Amount due from subsidiaries	132,194	126,366
Less: Impairment loss	(130,131)	(126,149)
	2,063	217
Movement in impairment loss:		
At 1 January	126,149	127,118
Reversal for the year	-	(272)
Charge for the year	-	249
Net exchange differences	3,982	(946)
At 31 December	130,131	126,149

The amounts due from subsidiaries are deemed as part of the Company's net investments in the respective subsidiaries. They are unsecured, interest-free and not expected to be repaid within the next twelve months.

Amounts due from subsidiaries denominated in foreign currencies as at year end are as follows:

	Company	
	2017 US\$'000	2016 US\$'000
USD	55,114	55,013
IDR	12,652	12,067

The Company had impaired in full the amounts due from subsidiaries in the previous year as the subsidiaries had been persistently making losses and were in net liability positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. Trade and other receivables

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current				
Trade receivables				
- Related parties	30,415	7,383	-	-
- Third parties	69,552	37,815	125	127
Receivables due from subsidiaries:				
- Non-trade	-	-	1,038	1,510
Other receivables	33,867	33,946	36,290	77
	133,834	79,144	37,453	1,714
Less: Allowance for doubtful debts	(98)	(98)	-	-
	133,736	79,046	37,453	1,714
Non-current				
Other receivables				
- Related parties	96	84	-	-
- Third parties	108	174	-	-
	204	258	-	-
Total trade and other receivables (current and non-current)	133,940	79,304	37,453	1,714
<u>Add:</u>				
Cash and cash equivalents (Note 22)	188,701	79,076	13,579	20,354
Other current assets (Note 19)				
- Deposits	376	1,013	68	58
Other non-current assets (Note 19)				
- Deposits	1,388	945	-	-
Amounts due from subsidiaries (Note 17)	-	-	2,063	217
Total loans and receivables	324,405	160,338	53,163	22,343

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables due from subsidiaries are non-trade related, unsecured, non-interest bearing, repayable upon demand and are to be settled in cash.

Included in other receivables is a US\$31,579,000 (2016: US\$31,579,000) short term loan granted to Asia Coal Energy Ventures Limited ("ACEV") by the Group. The rate of interest on the loan for each relevant interest period is the percentage rate per annum which is the aggregate of (a) 7.5% per annum, and (b) London Interbank Offered Rate ("LIBOR") (as defined in the Facility Agreement). The loan is secured by a share charge in favour of the Group over ASM Administration Limited's ("ASM") shares in ACEV representing 10.0% of the entire issued shares of ACEV as at the date, and at all times during the tenure, of the Facility Agreement. Under the Facility Agreement, the Group may on or after the date on which the loan is to be repaid elect to exchange all or part of the outstanding amount of the Loan for shares that are the subject of the share charge. The maturity of the facility was extended until 16 August 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. Trade and other receivables (cont'd)

Trade receivables that are past due but not impaired

The Group has trade receivables amounted to US\$12,095,000 (2016: US\$18,954,000) that are past due at the balance sheet date but not impaired as follows:

	2017 US\$'000	2016 US\$'000
Trade receivables past due:		
1 to 60 days	6,343	10,993
61 to 90 days	4,129	3,743
More than 90 days	1,623	4,218
	12,095	18,954

Trade receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	2017 US\$'000	2016 US\$'000
Trade receivables - nominal amount	98	98
Less: Allowance for impairment	(98)	(98)
	-	-
Movement in allowance account:		
At 1 January	98	10
Charged during the year	-	88
At 31 December	98	98

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade and other receivables denominated in foreign currencies as at year end are as follows:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
IDR	41,392	38,007	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Other current and non-current assets

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current				
Advances ⁽¹⁾	89,803	58,403	-	-
Prepayments	1,312	538	60	33
Deposits	376	1,013	68	58
	91,491	59,954	128	91
Non-current				
Land exploitation	14,987	13,251	-	-
Deposits: ⁽²⁾	5,378	5,323	-	-
Prepayments ⁽³⁾	782	822	-	-
Advances	696	723	-	-
Software	197	276	-	-
Others ⁽⁴⁾	1,099	3,153	-	-
	23,139	23,548	-	-

(1) Advances consist mainly of advance paid to suppliers for the purchase of coal. This includes an advance of US\$8,000,000 made during the financial year for the proposed acquisition of PT Barasentosa Lestari. The acquisition is still in the process as at 31 December 2017.

(2) Deposits mainly consist deposits paid to third parties to secure reclamation guarantee, land damage and mining service in connection with the Group's mining activities. A portion of the deposits of US\$1,388,000 (2016: US\$945,000) are refundable as at 31 December 2017.

(3) Prepayments mainly consist of prepayments of rental for building.

(4) Others mainly consist of estimated claim for tax refund.

The movement in the software and land exploitation are as follows:

	Software		Land exploitation	
Group	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Cost:				
At beginning of the year	2,104	2,051	21,796	20,053
Addition	65	53	4,240	1,743
At end of the year	2,169	2,104	26,036	21,796
Accumulated amortisation:				
At beginning of the year	1,828	1,589	8,545	5,689
Amortisation	144	239	2,504	2,856
At end of the year	1,972	1,828	11,049	8,545
Net carrying amount				
At 31 December	197	276	14,987	13,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Other current and non-current assets (cont'd)

Other current and non-current assets denominated in foreign currencies as at year end are as follows:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
IDR	39,646	21,844	-	-

20. Inventories

	Group	
	2017 US\$'000	2016 US\$'000
Balance sheets:		
Coal	14,486	7,366
Coal in transit	747	518
Spare parts	262	188
Others	640	565
Total inventories at lower of cost and net realisable value	16,135	8,637
Consolidated Statement of Comprehensive Income:		
Inventories recognised as an expense in cost of sales	101,995	56,916
Inventories written down	56	38

Coal inventories owned by the Group was used as fiduciary collateral to guarantee the payment of Omnibus Trade Non Cash Backed loan facility obtained by the Group from a Bank (Note 24).

As at 31 December 2017, the coal inventory at our Group's port and at concession mine are insured by a related party, PT Asuransi Sinarmas, for a total of US\$13,482,000 (2016: US\$11,127,000). Management believes that the inventory is adequately insured to cover the risk of loss and damage.

21. Investment securities

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current:				
Held for trading investment				
- Money market fund	1,023	-	1,023	-
Non-current:				
Available-for-sale financial assets				
- Equity securities (quoted)	23,310	-	23,310	-
- Equity securities (unquoted)	30	14	-	-
	23,340	14	23,310	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Investment securities (cont'd)

Equity securities (quoted)

On 30 November 2017, the Group entered into a subscription agreement ("Agreement") with Westgold Resources Limited ("WGRL") to subscribe for up to 36,000,000 new ordinary shares ("Subscription Shares") in the capital of WGRL at the cash consideration of A\$67,860,000. The subscription is payable over three tranches and represents approximately 10% ownership of WGRL. The Group has paid for the first tranche of the Subscription Shares, comprising 16,900,000 new ordinary shares for US\$24,148,000 (or equivalent A\$31,856,000).

During the financial year, the Group recognised net fair value loss of US\$838,000 in other comprehensive income, due to the decline in the fair market value.

22. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Cash on hand	112	153	1	-
Cash at banks	179,837	65,636	13,076	20,354
Short-term deposits	8,752	13,287	502	-
	188,701	79,076	13,579	20,354

Short term deposits are made for varying periods of between one and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The effective interest rates as at 31 December for the Group were as follows:

	Group		Company	
	2017	2016	2017	2016
	%	%	%	%
IDR	6.75%	6.75% - 8.00%	-	-
USD	1.00% - 1.51%	0.20% - 1.25%	1.21% - 1.51%	-

Cash and cash equivalents denominated in foreign currencies as at year ended are as follows:

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
IDR	77,750	42,651	4	6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. Trade and other payables

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current				
Trade payables: ⁽¹⁾				
- Related parties	567	1,513	-	-
- Third parties	108,363	34,049	-	-
Other payables:				
- Dividend payable ⁽²⁾	17,712	-	-	-
- Related parties	9	9	-	-
- Subsidiaries ⁽³⁾	-	-	1,041	1,796
- Third parties ⁽⁴⁾	3,038	2,915	-	-
Accrued expenses ⁽⁵⁾	22,126	9,281	334	256
Accrual for directors' fee and bonus	263	315	263	315
Non-trade payables ⁽⁴⁾	8,443	11,891	5,878	8,803
Advances received ⁽⁶⁾	1,115	1,915	-	-
Others	367	97	-	-
	162,003	61,985	7,516	11,170
Non-current				
Guarantee deposits	123	112	-	-
Total trade and other payables	162,126	62,097	7,516	11,170
Add: Loans and borrowings (Note 24)	94,983	49,658	30,000	-
Less: Advances received	(1,115)	(1,915)	-	-
Total financial liabilities carried at amortised costs	255,994	109,840	37,516	11,170

(1) Trade payables are non-interest bearing and normally settled on 30 to 120 days' terms.

(2) Dividend payable to non-controlling interests

(3) Other payables to subsidiaries are unsecured, non-interest bearing and repayable on demand.

(4) Other payables and non-trade payables to third parties are generally non-interest bearing and repayable on demand.

(5) Accrued expenses from third parties in relate to professional fees, rental and royalty.

(6) Advances received from third parties in relate to logs and coal sales.

Trade and other payables denominated in foreign currencies as at year ended are as follows:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
IDR	97,825	30,130	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Loans and borrowings

		Group		Company	
	<u>Maturity</u>	<u>2017 US\$'000</u>	<u>2016 US\$'000</u>	<u>2017 US\$'000</u>	<u>2016 US\$'000</u>
Current:					
5.5% p.a fixed rate USD bank loan	30 June 2018	506	2,270	-	-
6% p.a fixed rate USD bank loan	2018	20,000	-	-	-
6.5% p.a fixed rate USD bank loan	2018	4,703	-	-	-
		25,209	2,270	-	-
Non-Current:					
6.5% p.a fixed rate USD bank loan	2019 – 2024	39,774	-	-	-
9.5% p.a fixed rate USD bank loan	-	-	47,388	-	-
LIBOR + 7% p.a USD bank loan	2019 – 2020	30,000	-	30,000	-
		69,774	47,388	30,000	-
Total loans and borrowings		94,983	49,658	30,000	-

5.5% p.a fixed rate USD bank loan

This loan has been drawn down under Omnibus Trade Non Cash Backed loan facility which is used as Open Account Financing ("OAF"). The repayment period for this facility is maximum 90 days.

This loan facility is secured by trade receivable balances and/or inventories of US\$11,000,000 and margin deposit of US\$1,750,000.

6% p.a fixed rate USD bank loan

This loan is secured by trade receivables, property and equipment of the Group and pledge of a subsidiary's shares. GEMS Group is required to comply with certain covenants relating to its Articles of Association, the nature of the business, dividends, corporate actions, financing activities and other matters.

6.5% p.a fixed rate USD bank loan

This loan is secured by trade receivables, property and equipment of the Group and pledge of a subsidiary's shares and is repayable on quarterly instalments due on 23 December 2024. The loan includes a financial covenant which requires GEMS Group to maintain a debt to equity ratio not exceeding 150%, and a minimum current ratio of 150%.

9.5% p.a fixed rate USD bank loan

As at 31 December 2017, the loan had been fully paid.

LIBOR + 7% p.a USD bank loan

This loan is secured by pledge of a subsidiary's shares, interest reserve account and certain collateral accounts and is repayable in four instalments commencing 30 May 2019 to 30 November 2020. The loan includes a financial covenant which requires the Group to maintain a minimum debt service cover of 1.4, net debt cover ratio not exceeding 2.5, and total debt of the Group shall not exceeding US\$300,000,000. On 15 February 2018, the Company has fully paid the outstanding loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. Loans and borrowings (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	2016 US\$'000	Cash Inflows US\$'000	Cash outflows US\$'000	Non-cash changes Others* US\$'000	2017 US\$'000
Loans and borrowings					
- current	2,270	70,974	(51,737)	3,702	25,209
- non-current	47,388	78,166	(51,640)	(4,140)	69,774
	49,658	149,140	(103,377)	(438)	94,983

* Others pertains to reclassification of non-current portion of loans and borrowings and amortisation of transaction costs.

25. Post-employment benefits

The Group recognised liabilities for post-employment benefits based on the actuarial calculation by an independent actuary. The post-employment benefits arise from subsidiaries domiciled in Indonesia.

The present value of the defined post-employment benefit obligations, and the related current service cost and past service cost, were measured using the projected unit credit method. No funding has been made to this defined benefit scheme.

The principal assumptions used in determining post-employment benefits as at reporting date were as follows:

	Group	
	2017	2016
Normal retirement age	55 years	55 years
Salary increment rate per annum	7.0%	7.0%
Discount rate per annum	7.0%	8.0%
Mortality rate *	TMI 2011	TMI 2011
Disability level	10.0% of TMI 2011	10.0% of TMI 2011
Resignation level per annum	10.0% up to age 25 reducing linearly to 1.0% at age 45 and thereafter	10.0% up to age 25 reducing linearly to 1.0% at age 45 and thereafter

* Standard Ordinary Mortality table in Indonesia ("TMI").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Post-employment benefits (cont'd)

The amount recognised in the balance sheets is determined as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Present value of defined benefit obligations and total post-employment benefits	2,837	2,338
Movements in the account are as follows:		
At 1 January	2,338	1,907
Remeasurement recognised in other comprehensive income	293	67
Post-employment benefits expenses recognised in profit or loss	462	558
Transferred liability for transferred employees	(284)	(135)
Exchange difference	28	(59)
At 31 December	2,837	2,338

The components of post-employment benefits expense recognised in profit or loss:

	Group	
	2017 US\$'000	2016 US\$'000
Current service cost	344	470
Interest cost on defined benefit obligations	168	185
Employment benefit directly paid during the year	(50)	(97)
Post-employment benefits expense	462	558

Post-employment benefits expense is recognised in the "Administrative expenses" line item in the consolidated statement of comprehensive income.

The following table summarises the components of post-employment benefits expense recognised in other comprehensive income:

	Group	
	2017 US\$'000	2016 US\$'000
Before tax	(293)	(67)
Tax charge	366	21
After tax	73	(46)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Post-employment benefits (cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of significant assumption on the post-employment benefits as of the end of the reporting period, assuming if all other assumptions were held constant.

	Present value of obligation		Current service cost	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
As reported using discount rate of 7% (2016: 8%) per annum	2,837	2,338	423	495
Increase by 100 basis points	2,467	2,309	614	589
Decrease by 100 basis points	3,038	2,509	614	589

26. Provision for mine closure

Provision for mining closure is for restoration and rehabilitation of mining areas.

	Group	
	2017	2016
	US\$'000	US\$'000
At 1 January	1,676	1,396
Charged to profit or loss	45	280
At 31 December	1,721	1,676

27. Share capital

	Group		Company	
	Number of shares '000	US\$'000	Number of shares '000	US\$'000
Issued and fully paid:				
At 1 January 2016	2,170,120	232,076	2,170,120	1,546,171
Issuance of shares pursuant to Compliance Placement	181,000	85,098	181,000	85,098
Issuance of shares	1,980	–	1,980	1,004
Share issuance expenses	–	(921)	–	(921)
At 31 December 2016 and 1 January 2017	2,353,100	316,253	2,353,100	1,631,352
Capital reduction	–	(10,725)	–	(401,245)
At 31 December 2017	2,353,100	305,528	2,353,100	1,230,107

The ordinary shares of the Company have no par value. The holders are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. All issued ordinary shares are fully paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Share capital (cont'd)

Capital reduction

On 31 October 2017, the Company obtained approval from the shareholders to carry out a capital reduction exercise to write off accumulated losses of the Company up to 31 December 2015 amounting to US\$401,245,000. The capital reduction was completed on 13 December 2017, and the issued share capital of the Company decreased from US\$1,631,352,000 to US\$1,230,107,000 accordingly.

28. Operating lease commitments - as lessee

The Group leases certain motor vehicle, office equipment and property under lease agreements that are non-cancellable with no renewal option or escalation clauses included in the contracts. Lease terms do not contain restrictions concerning dividend, additional debts or further leasing.

	Group	
	2017 US\$'000	2016 US\$'000
Minimum lease payments under operating leases recognised as an expense in the financial year	4,348	2,952

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	2017 US\$'000	2016 US\$'000
Within one year	1,760	1,674
After one year but not more than five years	1,046	1,216
	2,806	2,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. Related party disclosures

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017 US\$'000	2016 US\$'000
Sales to related parties	203,896	118,397
Management fee income from a related party	-	668
Reversal of prior year interest expense	-	4,029
Interest income from related parties	11	69
Purchases paid to related parties	(70)	(18,459)
Rental expenses paid to related parties	(906)	(745)
Repair & maintenance paid to related parties	(1,040)	(1,042)
Insurance expenses paid to related parties	(3,544)	(1,091)
Interest expenses paid to related parties	-	(48)

Related parties are subsidiaries and associates of Sinarmas Group and its subsidiaries and other related parties, excluding entities within the Group.

(b) Compensation of key management personnel

	Group	
	2017 US\$'000	2016 US\$'000
Short-term employee benefits	4,800	3,796
Central Provident Fund contributions	38	53
Other short-term benefits	469	153
	5,307	4,002
Comprises amounts paid and payable to:		
- directors of the Company	2,258	1,900
- other key management personnel	3,049	2,102
	5,307	4,002

Included in the compensation paid or payable to key management personnel are contributions to defined contribution plan amounted to US\$38,000 (2016: US\$53,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Fair value measurement that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities carried at fair value at the end of the reporting period:

	Group		
	Fair value measurements at the end of the reporting period using		
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
			Total US\$'000
Recurring fair value measurements:			
31 December 2017			
Assets			
Non-financial assets			
Biological assets (Note 10)	-	-	316
			316
Financial assets			
Held for trading Investment (Note 21)	-	1,023	-
Available-for-sale financial assets – quoted equity securities (Note 21)	23,310	-	-
			23,310
31 December 2016			
Assets			
Non-financial assets			
Biological assets (Note 10)	-	-	-
			-

There has been no transfer from Level 1 and Level 2 and Level 3 for the financial years ended 31 December 2017 and 2016 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

Methods and assumption used to determine fair value

Fair value of biological assets has been determined based on valuations by an independent professional valuer using discounted cash flows of the underlying biological assets.

Valuation policies and procedures

The Group's Chief Financial Officer (CFO) oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO reports to the Group's Audit Committee. For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations. These are reviewed by the Audit Committee for submission to the Board of Directors for approval. Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables (Note 18), excluding the amount disclosed in Note 30(d), cash and cash equivalents (Note 22), trade and other payables (Note 23), and loans and borrowings (Note 24).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follow. These financial assets are categorised within Level 3 of the fair value hierarchy.

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets:				
Available-for-sale financial assets – unquoted equity securities (Note 21)	30	*	14	*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Fair value of assets and liabilities (cont'd)

(d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)

Determination of fair value

The financial assets are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending or leasing arrangements at the date of statements of financial position.

- * Other investments are investments in other unquoted ordinary shares representing equity ownership interest of below 20% are carried at cost as their fair values cannot be reliably measured. The Group does not intend to dispose this investment in foreseeable future.

31. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, credit risk, foreign currency risk and commodity price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks except as described below.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from its floating interest rate loans and borrowings.

Currently the Group does not have an interest rate policy. At the balance sheet date, the Group and the Company has loans and borrowings of which majority of the loans carried fixed interest rate except for one loan that is subject to floating interest rate. The floating interest rate does not vary significantly with the movements in the market interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if the interest rates had been 75 (2016: 75) basis points lower/higher with all other variables held constant, the Group's profit after tax would have been approximately US\$615,000 (2016: US\$407,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility in prior years.

Information relating to the Group's interest rate exposure is also disclosed in various notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Group and the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Group and the Company is exposed to liquidity risk in respect of its cash flow management to fund its ongoing operations as well as settlement of its short-term loans and borrowings and all of its current liabilities. The Group's and the Company's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short term.

The Group and the Company manage its liquidity needs by monitoring its forecasted cash inflows and outflows from its day to day operations. Liquidity needs are then monitored in various time bands such as daily, weekly as well as on a rolling of 30 days rolling projection. Net cash requirements are then compared to available cash and cash equivalents in order to determine the cash shortfalls.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	Group			
	1 year or less US\$'000	2 to 5 years US\$'000	More than 5 years US\$'000	Total US\$'000
2017				
Financial assets:				
Trade and other receivables	133,736	204	-	133,940
Cash and bank balances	188,701	-	-	188,701
Other current assets	376	-	-	376
Other non-current assets	-	1,388	-	1,388
Total undiscounted financial assets	322,813	1,592	-	324,405
Financial liabilities:				
Trade and other payables	160,888	123	-	161,011
Loans and borrowings	33,121	89,852	15,522	138,495
Total undiscounted financial liabilities	194,009	89,975	15,522	299,506
Total net undiscounted financial assets/ (liabilities)	128,804	(88,383)	(15,522)	24,899
2016				
Financial assets:				
Trade and other receivables	79,046	258	-	79,304
Cash and bank balances	79,076	-	-	79,076
Other current asset	1,013	-	-	1,013
Other non-current assets	-	945	-	945
Total undiscounted financial assets	159,135	1,203	-	160,338
Financial liabilities:				
Trade and other payables	60,070	112	-	60,182
Loans and borrowings	7,092	46,593	22,640	76,325
Total undiscounted financial liabilities	67,162	46,705	22,640	136,507
Total net undiscounted financial assets/ (liabilities)	91,973	(45,502)	(22,640)	23,831

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

	1 year or less US\$'000	Company 2 to 5 years US\$'000	Total US\$'000
2017			
Financial assets:			
Trade and other receivables	37,453	–	37,453
Cash and bank balances	13,579	–	13,579
Other current assets	–	68	68
Amounts due from subsidiaries	–	2,063	2,063
Total undiscounted financial assets	51,032	2,131	53,163
Financial liabilities:			
Trade and other payables	7,516	–	7,516
Loans and borrowings	2,633	33,725	36,358
Total undiscounted financial liabilities	10,149	33,725	43,874
Total net undiscounted financial assets	40,885	(31,594)	10,289
2016			
Financial assets:			
Trade and other receivables	1,714	–	1,714
Cash and bank balances	20,354	–	20,354
Other current assets	–	58	58
Amounts due from subsidiaries	–	217	217
Total undiscounted financial assets	22,068	275	22,343
Financial liabilities:			
Trade and other payables	11,170	–	11,170
Total undiscounted financial liabilities	11,170	–	11,170
Total net undiscounted financial assets	10,898	275	11,173

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and compensation income expected to be receivable from mining licensees.

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. For international trade transaction of significant value, the Group accepts letter of credit issued by a reputable international bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(c) Credit risk (cont'd)

Exposure to credit risk

The carrying amount of trade and other receivables and cash and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade and other receivables and deposits on an on-going basis. The credit risk concentration profile of the Group's trade and other receivables and deposits at the balance sheet date is as follows:

	2017		2016	
	US\$'000	% of total	US\$'000	% of total
By country				
Singapore	36,415	27%	204	0%
Indonesia	99,290	73%	81,058	100%
Total	<u>135,705</u>		<u>81,262</u>	
By industry sector				
Coal	98,177	72%	80,328	99%
Non-coal business	37,528	28%	934	1%
Total	<u>135,705</u>		<u>81,262</u>	

As at 31 December 2017 and 2016, there were no significant concentrate of credit risk with any single customer.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors. Cash and cash equivalents that are neither past due nor impaired are placed with reputable local or international banks with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired are disclosed in Note 18.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily IDR. Approximately 30% (2016: 58%) of the Group's sales are denominated in foreign currency. The Group hold cash and cash equivalents primarily denominated in foreign currencies for working capital purposes (Note 22). The Group's trade receivable and payable balances at the reporting date have similar exposure. The foreign currency in which these transactions are denominated is mainly in IDR. Currently, there is no policy to reduce currency exposure through forward currency contracts, derivatives transactions or other arrangements. However the Group relies on its operational cash flow to hedge against the foreign currency exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk (cont'd)

The Group is also exposed to currency translation risk arising from its net investments in foreign operations in countries such as Indonesia and Singapore. The Group does not hedge this currency exposure.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the IDR against USD, with all other variables held constant.

			Group	
			Profit net of tax	
			2017	2016
			US\$'000	US\$'000
IDR/USD	-	strengthened 7% (2016: 7%)	3,692	4,619
	-	weakened 7% (2016: 7%)	(4,248)	(5,315)

(e) Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices arising from changes in market value of coal.

The Group has mitigating controls in place to monitor the trend of coal price, mine plan and performance of coal production in addition to strategic direction and implementation plans.

Sensitivity analysis for commodity price risk

At the balance sheet date, if the coal price had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's profit before tax would have been US\$37,972,000 (2016: US\$19,132,000) lower/higher.

32. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. The Group is required to comply with financial covenants, if any, imposed by financial institutions. No changes were made in the objectives, policies or processes between the years ended 31 December 2017 and 2016 respectively.

The Group monitors capital using gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loans and borrowings, trade and other payables, less cash and cash equivalents. Total capital includes equity attributable to the equity holders of the parent, capital reserves and other reserves plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. Capital management (cont'd)

	2017 US\$'000	2016 US\$'000
Loans and borrowings	94,983	49,658
Trade and other payables	161,011	60,182
Less: Cash and cash equivalents	(188,701)	(79,076)
Net debts	67,293	30,764
Equity attributable to equity holders of the Company	345,729	296,474
Capital and net debts	413,022	327,238
Gearing ratio	16.29%	9.40%

33. Segment information

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed below including the factors used to identify the reportable segments and the measurement basis of segment information.

During the financial year, the management decided to remove the forestry and pulp business as a separate reportable segment as its size of the operations and contributions to the Group's revenues, results and assets are not significant and thus do not warrant separate disclosure. The previously disclosed segmental revenues, results and assets of the forestry and pulp segment have been combined into the other segment for the years ended 31 December 2017 and 2016. Accordingly, the Group is organised into three reportable operating segments as follows:

- Coal Mining is engaged in exploration, mining, processing and marketing of thermal coal from its coal mining concession areas.
- Coal Trading is engaged in procuring sales orders from customers and sourcing for domestic suppliers.
- Non-coal Business segment comprises forestry, investment holding company and provision of management services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information (cont'd)

	Coal Mining			Coal Trading			Non-coal Business			Elimination		Note	Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2016		2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		US\$'000	US\$'000
Revenue:														
Revenue from external customers	645,421	329,523	114,027	54,817	4,358	8,932	-	-	-	-	-		763,806	393,272
Inter segment revenue	-	-	114	525	27	108	(141)	(633)	A	-	-		-	-
	645,421	329,523	114,141	55,342	4,385	9,040	(141)	(633)					763,806	393,272
Results:														
Segment results	174,726	52,123	235,535	41,859	118,822	40,108	(366,283)	(79,937)	B,C				162,800	54,153
Interest income													6,790	6,099
Finance costs													(11,949)	(11,112)
Profit before tax													157,641	49,140
Income tax expense													(53,206)	(15,476)
Profit for the year													104,435	33,664
Compensation income	-	-	-	-	(1,673)	(485)	-	-					(1,673)	(485)
Depreciation expenses	4,251	4,357	233	151	627	444	-	-					5,111	4,952
Amortisation expenses	8,299	24,259	121	218	506	505	-	-					8,926	24,982
Fair value loss on biological assets	-	-	-	-	644	2,531	-	-					644	2,531
Inventories written down	-	-	-	-	56	38	-	-					56	38
Assets and Liabilities:														
Segment assets	295,373	199,288	519,862	358,348	228,956	94,828	(339,224)	(242,300)	D				650,967	410,164
Segment liabilities	187,336	112,972	216,803	86,476	4,392	7,514	(192,590)	(103,761)	E				215,941	103,201

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information (cont'd)

- A Inter-segment revenues are eliminated on consolidation.
- B The following items are added to/(deducted from) segment results net of intra-segment elimination to arrive at "Profit/(Loss) before tax" present in the consolidated statement of comprehensive income:

	Coal Mining US\$'000	Coal Trading US\$'000	Non-coal Business US\$'000	Total US\$'000
2017				
Other income	1,796	7,251	8,306	17,353
Selling and distribution expenses	(96,842)	(1,361)	(999)	(99,202)
Administrative expenses	(37,049)	(9,036)	(9,025)	(55,110)
Other operating (expenses)/ income	(1,702)	160	(7,174)	(8,716)
2016				
Other income	1,298	5,768	6,730	13,796
Selling and distribution expenses	(52,844)	(2,488)	(1,111)	(56,443)
Administrative expenses	(23,688)	(7,692)	(3,387)	(34,767)
Other operating (expenses)/income	(4,400)	4,913	(5,676)	(5,163)

- C Elimination is relating to intra-group transactions which are eliminated on consolidation.
- D Goodwill, prepaid taxes and deferred tax assets amounting to US\$103,679,000, US\$646,000 and US\$4,667,000 respectively, were excluded from segment assets.
- E Non-trade payables, provision for taxation and deferred tax liabilities amounting to US\$8,443,000, US\$35,348,000 and US\$13,007,000 respectively, were excluded from segment liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Indonesia	226,570	229,113	321,795	295,143
China	317,523	96,965	-	-
India	143,590	52,569	-	-
South Korea	53,636	5,926	-	-
Singapore	-	-	196	9
Spain	13,572	-	-	-
Taiwan	6,543	-	-	-
Philippines	1,828	-	-	-
Malaysia	564	1,535	-	-
Vietnam	-	1,859	-	-
Thailand	(20)	4,627	-	-
United Kingdom	-	678	-	-
	763,806	393,272	321,991	295,152

Non-current assets information presented above consists of biological assets, property, plant and equipment and mining properties.

Major customer information

The Group's revenue derived from customers who individually account for 6% (2016: 5%) or more of the Group's revenue is detailed below:

	Coal Mining		Coal Trading	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Customer				
Top 1st	78,295	81,357	5,417	1,885
Top 2nd	75,585	52,277	-	-
Top 3rd	71,787	25,929	-	-
Top 4th	54,201	24,578	-	-
Top 5th	45,609	22,372	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. Dividends

	Group	
	2017 US\$'000	2016 US\$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
- 1st interim dividend for 2017 of S\$0.0080 per share	14,080	-
- 2nd interim dividend for 2017 of S\$0.0021 per share	3,697	-
	17,777	-
Proposed but not recognised as a liability as at 31 December		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM</i>		
- Final dividend for 2017 of S\$0.01 per share	17,601	-

35. Events occurring after the reporting period

In January 2018, the Company made 2nd and 3rd tranche payments totalling A\$36,004,000 to complete the Subscription Shares (Note 21) in respect of the investment in WGR. Accordingly, the Company owns approximately 10% ownership of WGR.

On 14 February 2018, the Company issued US\$150,000,000, 9.00% fixed rate senior secured notes due 2023. These secured notes were issued to repay the outstanding loan under the Credit Suisse Facility and for general purposes, including potential acquisitions, joint ventures and investment.

On 21 March 2018, the long stop date in relation to a Conditional Share and Mandatory Convertible Bonds ("MCB") Purchase Agreement ("Agreement") with GMR Energy (Netherland) B.V and GMR Infrastructure (Overseas) Limited ("GMR Vendors") to acquire PT Barasentosa Lestari and MCB issued by PT Dwikarya Sejati Utama ("DSU") was extended to 30 June 2018.

36. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors dated on 28 March 2018.

STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

SHARE CAPITAL

Number of issued shares*	2,353,100,380*
Class of shares	Ordinary
Voting Rights	1 vote per ordinary share

* The Company does not hold any treasury shares and subsidiary holdings as at 16 March 2018.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2,645	24.68	96,034	0.00
100 - 1,000	4,022	37.53	1,822,960	0.08
1,001 - 10,000	2,942	27.45	11,595,949	0.49
10,001 - 1,000,000	1,083	10.11	55,307,229	2.35
1,000,001 AND ABOVE	25	0.23	2,284,278,208	97.08
TOTAL	10,717	100.00	2,353,100,380	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	PT DIAN SWASTATIKA SENTOSA TBK	2,044,145,469	86.87
2	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	77,409,500	3.29
3	PHILLIP SECURITIES PTE LTD	25,569,090	1.09
4	RHB SECURITIES SINGAPORE PTE. LTD.	24,539,075	1.04
5	CITIBANK NOMINEES SINGAPORE PTE LTD	21,445,958	0.91
6	DBS NOMINEES (PRIVATE) LIMITED	14,062,318	0.60
7	HSBC (SINGAPORE) NOMINEES PTE LTD	12,282,714	0.52
8	CITIGROUP GLOBAL MARKETS SINGAPORE SECURITIES PTE. LTD.	11,511,482	0.49
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,835,337	0.29
10	FIRST CAPITAL INSURANCE LIMITED - INSURANCE FUND A/C	6,181,381	0.26
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,568,239	0.24
12	OCBC SECURITIES PRIVATE LIMITED	5,463,615	0.23
13	RAFFLES NOMINEES (PTE) LIMITED	5,375,020	0.23
14	NG WEE HAN	4,340,000	0.18
15	UOB KAY HIAN PRIVATE LIMITED	4,221,445	0.18
16	RHB BANK NOMINEES PTE LTD	3,389,616	0.14
17	TAY CHEW LAN	2,238,000	0.10
18	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,631,011	0.07
19	TAN WAI SEE	1,284,000	0.05
20	LOY KERN SIANG	1,200,000	0.05
	TOTAL	2,278,693,270	96.83

STATISTICS OF SHAREHOLDINGS

As at 16 March 2018

SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders as at 16 March 2018)

Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
PT Dian Swastatika Sentosa Tbk	2,044,145,469	86.87%	–	–
PT Sinar Mas Tunggal ⁽¹⁾	–	–	2,044,145,469	86.87%
PT Sinar Mas ⁽¹⁾	–	–	2,044,145,469	86.87%
PT Sinar Mas Cakrawala ⁽¹⁾	–	–	2,044,145,469	86.87%
PT Sinarindo Gerbangmas ⁽¹⁾	–	–	2,044,145,469	86.87%
Franky Oesman Widjaja ⁽²⁾	–	–	2,044,145,469	86.87%
Muktar Widjaja ⁽²⁾	–	–	2,044,145,469	86.87%
Indra Widjaja ⁽²⁾	–	–	2,044,145,469	86.87%

Notes:

- (1) PT Sinar Mas Tunggal is deemed interested in 2,044,145,469 shares held by PT Dian Swastatika Sentosa Tbk ("DSS") by virtue of its shareholding of no less than 20% of the voting shares in DSS. PT Sinar Mas is deemed interested in 2,044,145,469 shares held by DSS by virtue of its shareholding of no less than 20% of the voting shares in PT Sinar Mas Tunggal. PT Sinar Mas Cakrawala is deemed interested in 2,044,145,469 shares held by DSS by virtue of its shareholding of no less than 20% of the voting shares in PT Sinar Mas. PT Sinarindo Gerbangmas is deemed interested in 2,044,145,469 shares held by DSS by virtue of its shareholding of no less than 20% of the voting shares in PT Sinar Mas Cakrawala.
- (2) Mr Franky Oesman Widjaja, Mr Muktar Widjaja and Mr Indra Widjaja are deemed interested in 2,044,145,469 shares held by DSS by virtue of their individual shareholdings of no less than 20% of the voting shares in PT Sinarindo Gerbangmas.

The percentage of shareholding above is computed based on the total number of issued voting shares of 2,353,100,380.

Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires that at least 10% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public. The Company has complied with this requirement. As at 16 March 2018, approximately 13.11% of its shares listed on the SGX-ST were held in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Golden Energy and Resources Limited (the “Company”) will be held at NTUC CENTRE, No 1 Marina Boulevard, Level 7, Room 701, One Marina Boulevard, Singapore 018989 on Monday, 30 April 2018 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2017 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To declare a final tax exempt (one-tier) dividend of \$0.01 per share for the financial year ended 31 December 2017. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Constitution of the Company:

Mr Lay Krisnan Cahya [See Explanatory Note (i)] **(Resolution 3)**
Mr Dwi Prasetyo Susento [See Explanatory Note (ii)] **(Resolution 4)**
4. To re-elect Mr Djuangga Mangasi Mangunsong, a Director retiring pursuant to Article 117 of the Constitution of the Company. [See Explanatory Note (iii)] **(Resolution 5)**
5. To approve the payment of Directors’ fees of S\$325,600.00 for the year ending 31 December 2018 (previous year: S\$239,000.00). **(Resolution 6)**
6. To re-appoint Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. Authority to issue new shares

“That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the capital of the Company (“Shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub- paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be based on the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (iv)]

(Resolution 8)

9. **Proposed Renewal of the Sinar Mas IPT Mandate for Interested Person Transactions**

"That:

- (a) approval be and is hereby given, for the purpose of Chapter 9 of the Listing Manual of the SGX-ST ("Chapter 9"), for the Company, its subsidiaries and associated companies that are entities at risk as defined under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix dated 13 April 2018 (the "**Appendix**"), with any person who falls within the classes of interested person described in the Appendix, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and in accordance with the review procedures for interested person transactions as set out in the Appendix (the "**Sinar Mas IPT Mandate**");
- (b) the Sinar Mas IPT Mandate shall, unless revoked or varies by the Company in general meeting, continue in force until the date that the next AGM of the Company is held or required by law to be held, whichever is the earlier; and

NOTICE OF ANNUAL GENERAL MEETING

- (c) the Directors be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Sinar Mas IPT Mandate and/or this Resolution.”

[See Explanatory Note (v)]

(Resolution 9)

By Order of the Board

Pauline Lee
Company Secretary

Singapore, 13 April 2018

Explanatory Notes:

- (i) Mr Lay Krisnan Cahya will, upon re-election as a Director of the Company, continue to serve as Non-Executive Chairman of the Company. Mr Cahya is a member of both the Audit Committee and the Nominating Committee. Detailed information on Mr Cahya can be found under the section entitled “**Board of Directors**” in pages 10 and 13 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr Cahya and the other directors or the Company.
- (ii) Mr Dwi Prasetyo Suseno will, upon re-election as a Director of the Company, continue to serve as Executive Director and Deputy Group CEO of the Company. Detailed information on Mr Dwi Prasetyo Suseno can be found under the section entitled “**Board of Directors**” in pages 10 and 13 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr Suseno and the other directors or the Company.
- (iii) Mr Djuangga Mangasi Mangunsong will, upon re-election as a Director of the Company, continue to serve as Independent Director of the Company and will be considered independent. Detailed information on Mr Mangunsong can be found under the section entitled “**Board of Directors**” in pages 10 and 13 of the Annual Report. There are no material relationships (including immediate family relationships) between Mr Mangunsong and the other directors or the Company.
- (iv) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares) will be calculated based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

- (v) The Ordinary Resolution 9 in item 9 above, if passed, will renew the Sinar Mas IPT Mandate to allow the Company, its subsidiaries and associated companies that are entities at risks as defined in Chapter 9 of the Listing Manual of the SGX-ST, or any of them, to enter into the interested person transactions as described in the Appendix. This authority will, unless revoked or varies by the Company in a general meeting, expire at the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A member who is not a Relevant Intermediary, is entitled to appoint one or two proxies to attend and vote in his/her stead at the Annual General Meeting (the “**Meeting**”).
- (b) A member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote instead of the member at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

“**Relevant Intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. Each of the resolutions to be put to the vote of members at the Meeting (and at any adjournment thereof) will be voted on by way of a poll.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at 20 Cecil Street, #05-05 PLUS, (formerly known as GSH Plaza), Singapore 049705 not less than seventy-two (72) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warrant.

GOLDEN ENERGY AND RESOURCES LIMITED

(Company Registration No. 199508589E)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of Golden Energy and Resources Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at NTUC CENTRE, No 1 Marina Boulevard, Level 7, Room 701, One Marina Boulevard, Singapore 018989 on Monday, 30 April 2018 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For*	Number of Votes Against*
	Ordinary Business		
1	Adoption of Directors' Statement and Audited Financial Statements for the year ended 31 December 2017 together with the Independent Auditor's Report thereon		
2	Approval of final tax exempt (one-tier) dividend		
3	Re-election of Mr Lay Krisnan Cahya as a Director		
4	Re-election of Mr Dwi Prasetyo Suseno as a Director		
5	Re-election of Mr Djuangga Mangasi Mangunsong as a Director		
6	Approval of Directors' fees amounting to S\$325,600.00 for the year ending 31 December 2018		
7	Re-appointment of Ernst & Young LLP as Auditor		
	Special Business		
8	Authority to issue new shares		
9	Proposed Renewal of the Sinar Mas IPT Mandate for Interested Person Transactions		

* If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

	Total number of Shares in:
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/ her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the Meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 20 Cecil Street, #05-05 PLUS, (formerly known as GSH Plaza), Singapore 049705 not less than seventy-two (72) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 13 April 2018.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



GOLDEN ENERGY AND RESOURCES LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No : 199508589E)

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#05-05 PLUS,

(formerly known as GSH Plaza)

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