

RESOURCES PRIMA GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198602949M)

INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the “**Board**”) of Resources Prima Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Group’s independent auditor, Baker Tilly TFW LLP (the “**Independent Auditor**”), has issued its report (“**Independent Auditor’s Report**”) on the audit of the financial statements of the Group for the financial year ended 31 December 2016 (the “**Financial Statements**”).

The Independent Auditor’s Report contains a material uncertainty related to going concern and is appended, together with the relevant notes, to this announcement. The opinion of the Independent Auditor is not modified in respect of this matter.

As indicated in Note 2(y), the directors are satisfied that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2016 is appropriate after taking into consideration the following factors:

- (i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- (ii) The Group is able to generate sufficient cash flows from its operations to meet its current and future obligations.

Shareholders and potential investors of the Company are hereby reminded to exercise caution when dealing in the securities of the Company. Persons who are in doubt to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisors.

BY ORDER OF THE BOARD

Agus Sugiono
Executive Chairman and Chief Executive Officer

6 April 2017

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Advisors Private Limited (the “**Sponsor**”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Sebastian Jones, Director, at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone (65) 6532 3829. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RESOURCES PRIMA GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Resources Prima Group Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 12 to 63, which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(y) to the financial statements with respect to the Group's ability to continue as a going concern and contingent liabilities as disclosed in Note 32 to the financial statements. The Group incurred a net loss of US\$2,554,000 during the financial year ended 31 December 2016 and as at that date, the Group's current liabilities exceeded its current assets by US\$12,973,000. These factors indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RESOURCES PRIMA GROUP LIMITED (cont'd)

Report on the Audit of the Financial Statements (cont'd)

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 financial year. 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Impairment review of the Group's non-financial assets

As highlighted in the *Material Uncertainty Related to Going Concern* section in our report, the Group incurred a net loss of US\$2,554,000 during the financial year ended 31 December 2016 and as at that date, the Group's current liabilities exceeded its current assets by US\$12,973,000. As a result of the net loss and net current liabilities position, management performed an impairment review of the Group's non-financial assets.

The recoverable amount of the non-financial assets has been determined by management based on value-in-use calculation using cash flow forecast derived from the most recent financial forecast approved by management covering a five year period. In calculating the value-in-use, certain key assumptions such as stripping ratio, waste mining rate, projected international coal prices and discount rate are used. These assumptions which are determined by management are judgemental and involves estimations. Impairment review of non-financial assets is a key audit matter because of the significance of the value of the Group's property, plant and equipment and mining properties at the reporting date, and the significant judgement and estimations involved in the calculation of value-in-use.

Our procedures to address the key audit matter

We obtained an understanding of management's impairment assessment process and performed a review of management's financial forecast covering a five year period. We assessed the key assumptions used in the value-in-use calculation, including stripping ratio, waste mining rate, projected international coal prices and discount rate.

We tested the mathematical accuracy of the cash flow forecast and evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the stripping ratio, waste mining rate and projected international coal prices.

Furthermore, we evaluated management's budgeting process by comparing actual results to historical cash flow forecast.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RESOURCES PRIMA GROUP LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

2. Impairment review of the Company's investment in subsidiaries

In performing impairment review of the Group's non-financial assets, management also assessed the recoverable amounts of the Company's investment in subsidiaries [Note 2(y)]. As disclosed in Note 16 to the financial statements, an impairment loss of US\$17,216,000 was recognised in profit or loss of the Company in current financial year to write down the investment in Energy Prima Pte. Ltd., a subsidiary, to its recoverable amount of US\$30,600,000. Energy Prima Pte. Ltd., is the intermediate holding company of PT Rinjani Kartanegara ("PTRK") which holds the mining licences.

The recoverable amount of the investment in Energy Prima Pte. Ltd. has been determined by management based on value-in-use calculation using cash flow forecast derived from the most recent financial forecast approved by management covering a five year period. In calculating the value-in-use, certain key assumptions such as stripping ratio, waste mining rate, projected international coal prices and discount rate are used. These assumptions which are determined by management are judgemental and involves estimations. The impairment review of investment in subsidiaries is significant to our audit because of the significance of the carrying values of investment in subsidiaries on the Company's statement of financial position, and the impairment loss of US\$17,216,000 recognised in the Company's profit or loss which is material to the financial statements of the Company. The calculation of value-in-use for the impairment review also involves significant judgement and uncertainties.

Our procedures to address the key audit matter

We obtained an understanding of management's impairment assessment process and performed a review of management's financial forecast covering a five year period. We assessed the key assumptions used in the value-in-use calculation, including stripping ratio, waste mining rate, projected international coal prices and discount rate.

We tested the mathematical accuracy of the cash flow forecast and evaluated the sensitivity of the outcomes by considering downside scenarios against reasonably plausible changes to the stripping ratio, waste mining rate and projected international coal prices.

Furthermore, we evaluated management's budgeting process by comparing actual results to historical cash flow forecast.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RESOURCES PRIMA GROUP LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the 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 for the 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 FRSSs, 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 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 TO THE SHAREHOLDERS OF
RESOURCES PRIMA GROUP LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

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

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

- Identify and assess the risks of material misstatement of the 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 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 financial statements, including the disclosures, and whether the 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RESOURCES PRIMA GROUP LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

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

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.

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 Lee Chee Sum Gilbert.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

5 April 2017

2 Summary of significant accounting policies

(y) Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has made the following judgements and estimations which have the most significant effect on the amounts recognised in the financial statements.

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following presents the critical accounting estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

The Group incurred a net loss of US\$2,554,000 during the financial year ended 31 December 2016 and as at that date, the Group's current liabilities exceeded its current assets by US\$12,973,000. These factors and contingent liabilities as disclosed in Note 32 indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

The directors are satisfied that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2016 is appropriate after taking into consideration the following factors:

- (i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and
- (ii) The Group is able to generate sufficient cash flows from their operations to meet their current and future obligations.

If the Group is unable to continue in operational existence in the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation and assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

32 Contingent liabilities

Legal claim

Land compensation

On 11 February 2015, a claim was made by H. Adji Mohamad Salehoeddin a.k.a Adji Pangeran Adipati Praboe Anoem Soerya Adiningrat and H. Adji Azuar Poeger bin Adji Anuar a.k.a Adji Pangeran Hario Kesuma Poeger bin Adji Moh Parikesit (the "Claimant") against a subsidiary, PTRK for compensation totaling IDR399,300,000,000 (equivalent to US\$30,518,000). The claim relates to the total land area of 1,933 ha of the subsidiary covered by Licence of Coal Mining Production, 308.4 ha of which is covered by the Borrow-to-Use Permit for Forestry Areas.

In the petition submitted to the State Court of Tenggaraong (the "Court"), the Claimant asserts that such total area of 1,933 ha was crown land of *Kesultanan Kutai*, which now belongs to the Claimant through grant or "*hibah*" and inheritance. The directors of the Company and the subsidiary consider the claim to have no legal standing since the total area of 1,933 ha is located in an active forest area controlled and owned by the Forestry and Environment Ministry of the Republic of Indonesia, and the subsidiary holds valid permits in the form of a Licence of Coal Mining Production and Borrow-to-Use Permit for Forest Areas.

Based on court decision from the Court dated 5 November 2015, the Court has rejected all claims submitted by the Claimant.

Due to such decision, the Claimant then appealed to the Higher Court of Samarinda which issued a decision in the favour of the subsidiary based on decision No. 11/DPT/2016/PT.SMR dated 22 February 2016.

As of 22 February 2016, in its Court decision, the Higher Court of Samarinda rejected all claims submitted by the Claimant. To respond to the Higher Court decision, the Claimant submitted an appeal to the Supreme Court along with the "Memori Kasasi". On 13 May 2016, the subsidiary sent the response for Memori Kasasi to the Supreme Court. As of the date of these financial statements, such appeal is under review by the judges in the Supreme Court and estimated to last for approximately 6 - 12 months forward.

Royalty claims

On 19 August 2015, a claim was submitted by a farmers group "Bentuhung" to the District Court of Tenggaraong against Mr. Nordiansyah Nasrie (director of PTRK) for a total royalty claim of IDR90,720,000,000 (equivalent to US\$6,720,000). Bentuhung claimed that on 27 October 2008, an agreement was entered between the subsidiary and Mr. Erhamsyah, Head of Bentuhung, in which the subsidiary agreed to provide Bentuhung with a royalty fee in the amount of US\$1/MT of the subsidiary's coal production in return for Bentuhung providing the subsidiary with assistance in its field operations. Bentuhung claimed that they have provided assistance to the subsidiary in accordance with the agreement and therefore they have the right to claim the royalty fee.

Based on Court decision from District Court dated 20 April 2016 and Appeal Court dated on 23 November 2016, both Courts have rejected all appeals of Bentuhung. At this point, the subsidiary has a favorable ruling on the claim. Furthermore, the engagement with Ariyanto & Rekan has ended.

Bentuhung then took a final legal effort to the Supreme Court pursuant to the request submitted on 13 March 2017. As of the date of these financial statements, the status of the Claim is ongoing in the Supreme Court and the subsidiary is in the midst of sourcing lawyer to represent the subsidiary in the Supreme Court.

32 Contingent liabilities (cont'd)

Legal proceedings commenced by Mr Tan Kim Sing ("TKS")

On 14 November 2016, PTRK was formally served with a writ of summons and statement of claim. The plaintiff of the claim is Tan Kim Sing (the "Plaintiff"). The legal proceedings against the subsidiary have commenced in the High Court of the Republic of Singapore by way of Suit No. 1211 of 2016. According to the statement of claim against the subsidiary, the Plaintiff claims against the subsidiary for the payment of approximately S\$16.1 million, representing fees and expenses allegedly owed in respect of fund raising and other services rendered to the subsidiary pursuant to an agreement entered into between the subsidiary and Newbreed Capital Limited in or around March 2011 (the "Fund Raising Agreement"), or alternatively damages for breaches of the Fund Raising Agreement. The Plaintiff alleges that he is the current assignee of all the benefits under the Fund Raising Agreement.

Legal proceedings are currently ongoing in the High Court of the Republic of Singapore and the subsidiary continues to take such steps as are necessary to vigorously defend against the plaintiff's claim.

No provision of liabilities is recognised in the financial statements for the 3 matters above as at reporting date.