

INDEPENDENT AUDITOR'S REPORT

To the Members of Resources Prima Group Limited

Report on the Audit of the Financial Statements

Qualified 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 57 to 112, which comprise the statements of financial position of the Group and the Company as at 31 December 2017, 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, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 2017, 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 Qualified Opinion

Loss from discontinued operations of PT Rinjani Kartanegara ("Rinjani")

As disclosed in Note 9 to the financial statements, the Group lost control over Rinjani on 24 August 2017. Subsequent to the loss of control, management represented that the Group was unable to obtain the audited financial statements of Rinjani for the financial period from 1 January 2017 to 24 August 2017. Accordingly, the unaudited management accounts of Rinjani as at 31 August 2017 were used to prepare the consolidated financial statements of the Group for the financial year ended 31 December 2017.

The loss from discontinued operations (net of tax) included in the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2017 amounted to US\$14,789,000.

We are unable to obtain sufficient information to enable us to form an opinion as to whether the unaudited management accounts of Rinjani used in the preparation of the consolidated financial statements of the Group, were prepared in accordance with Financial Reporting Standards in Singapore and in form and content appropriate and proper for the purpose of preparation of the consolidated financial statements of the Group, in particular, the determination of the respective line items in the analysis of the loss from discontinued operations of the Group. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the following:

- (i) the loss from discontinued operations (net of tax) of US\$14,789,000 and related information as disclosed in Note 9 to the financial statements;
- (ii) the basic and diluted loss per share attributable to equity holders of the Company for loss from discontinued operations as disclosed in Note 8 to the financial statements; and
- (iii) the effects of assets and liabilities disposed of and related classification of the line items of Rinjani on the consolidated statement of cash flows of the Group as disclosed in Note 9 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Resources Prima Group Limited

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

Basis for Qualified Opinion (cont'd)

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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) to the financial statements with respect to the Group's and the Company's ability to continue as going concerns and contingent liabilities as disclosed in Note 29 to the financial statements. During the financial year ended 31 December 2017, the Group incurred a net loss from continuing operations and discontinued operations of US\$1,057,000 (2016: US\$1,237,000) and US\$14,789,000 (2016: US\$1,317,000) respectively and the Company incurred a net loss of US\$46,020,000 (2016: US\$18,453,000). As at 31 December 2017, the Group's and the Company's total liabilities exceeded the total assets by US\$151,000 and US\$484,000 respectively.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3(a) to the financial statements, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2017 is appropriate. Our opinion is not further modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2017, 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section of our report, we are unable to satisfy ourselves as to the loss from discontinued operations of Rinjani. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to the above matter.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2 Summary of significant accounting policies (cont'd)

(x) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

(y) Discontinued operations

The assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and

- (i) represents a separate major line of business or geographical area of operations; or
- (ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is represented as if the operation had been discontinued from the start of the comparative financial year.

3 Critical accounting judgements and key sources of estimation uncertainty

(a) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt in the preceding paragraphs).

Going concern assumption

During the financial year ended 31 December 2017, the Group incurred a net loss from continuing operations and discontinued operations of US\$1,057,000 (2016: US\$1,237,000) and US\$14,789,000 (2016: US\$1,317,000) respectively and the Company incurred a net loss of US\$46,020,000. As at 31 December 2017, the Group's and the Company's total liabilities exceeded the total assets by US\$151,000 and US\$484,000 respectively. These factors and contingent liabilities as disclosed in Note 29 indicate the existence of material uncertainties which may cast doubt about the Group's and the Company's ability to continue as going concerns.

In 2017, the Group's main operating subsidiary, PT Rinjani Kartanegara ("Rinjani"), was adversely affected by the above average rainfall in its operating area and the dewatering issue which arose due to the above average rainfall. This caused a significant reduction in coal production, coal sales quantities, coal sales revenue and cashflows of Rinjani and resulted in Rinjani's inability to pay the waste mining contractor's current waste mining costs on time. The inability of Rinjani to pay the current waste mining costs also triggered a cross default in its agreements with the waste mining contractor as well as the cessation of waste mining operations by the waste mining contractor at Rinjani's mine site with effect from 23 June 2017 and, consequently, the cessation of all coal production from Rinjani.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(a) Critical judgements in applying the entity's accounting policies (cont'd)

Going concern assumption (cont'd)

On 29 August 2017, Rinjani received a letter from the Commercial Court, Jakarta, stating that an application filed by Rinjani's creditors for the suspension of payment of Rinjani, akin to a Scheme of Arrangement under the Singapore Companies Act, had been approved and that the suspension of payment period will be effective for a period of 45 days from 24 August 2017. Since the approval of the suspension of payment on 24 August 2017, the directors and management of Rinjani no longer had sole authority to administer or represent Rinjani or exercise any management or ownership decisions over the assets and operations of Rinjani. It was also no longer entitled to any returns from its investment in Rinjani or able to affect the amount of returns from its investment in Rinjani.

Subsequently, on 9 October 2017, the Composition Plan presented by Rinjani in accordance with the suspension of payment process, was rejected and Rinjani entered into bankruptcy with effect from that date and the Commercial Court of Jakarta appointed 2 curators to administer the bankruptcy estate and a supervisory judge to supervise the bankruptcy process.

Subsequent to the loss of control of Rinjani on 24 August 2017, the remaining active subsidiary of the Group is PT Energy Indonesia Resources which carries out coal hauling activities, an ancillary part of the Group's business rather than its primary business. In November 2017, PT Energy Indonesia Resources entered into a coal hauling service agreement with a third party, PT Coalindo Adhi Nusantara ("CAN"). However, the average quantity of coal hauled is significantly less than the 100,000 tonnes per month as stipulated under the agreement with CAN due to ongoing heavy rainfall and poor condition of the coal hauling road.

As a result of the Rinjani situation (including without limitation the loss of control of Rinjani), the Group has been operating under severe cashflow constraints as there was no operating cashflow for the period from July 2017 to October 2017 and the severe underperformance of the coal hauling agreement with CAN as set out above added more uncertainty to the cash flows that can be generated by the Group.

Given the current cashflow constraints, the directors and management of the Company have been focusing their efforts on generating revenue and rebuilding the Group's business, as well as continuing to evaluate various options (including but not limited to obtaining financial support from the current shareholders and introduction of new investors to the Company). Further to these efforts, the Company had, on 6 August 2018, announced the entry of an investment agreement ("Investment Agreement") whereby the investor, Mr Ang Liang Kim (currently a substantial shareholder of the Company), has committed not less than S\$4 million of investment in the Company by way of a convertible loan (of up to S\$2 million) and rights issue, with the funds to be used for general working capital (excluding salary and fees of directors and management) and where necessary, capital expenditures (including but not limited to potential business opportunities).

In view of the execution of the Investment Agreement and the transactions contemplated therein, management has updated the Group's and Company's cashflow analysis and based on the analysis, the Group and Company will be able to pay its debts as and when they fall due within the next 12 months after the end of the financial year, save for the management remuneration and/or director fees (as an interim measure, the directors and management of the Company will continue not to take any fees/remuneration or to take only nominal salaries until there is more clarity on the Group's and the Company's cashflow situation).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(a) Critical judgements in applying the entity's accounting policies (cont'd)

Going concern assumption (cont'd)

The directors are therefore 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 2017 is appropriate.

If the Group and the Company are unable to continue in operational existence in the foreseeable future or if the Group and the Company are unable to discharge their liabilities in the normal course of business, 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 statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

(b) 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.

Impairment of property, plant and equipment

As at each reporting date, the Group assesses whether there is any objective evidence that property, plant and equipment is impaired. To determine whether there is any objective evidence of impairment, the Group considers the events or circumstances that indicate the carrying amount of the property, plant and equipment may not be recoverable. Recoverable amount is defined as the higher of an asset's fair value less cost to sell and its value-in-use. In making this judgement, the Group evaluates the net present value of future cash flows using cash flow forecasts which have been discounted at an appropriate rate.

At the end of reporting period, the carrying amount of the Group's property, plant and equipment is disclosed in Note 10.

Impairment of investment in subsidiaries

The Company assesses at each reporting date whether there are any indicators of impairment for investment in subsidiaries. Investment in subsidiaries are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of the investment exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the business and a suitable terminal growth rate and discount rate, in order to determine the present value of those cash flows. Impairment loss amounting to US\$34,051,000 (2016: US\$17,216,000) is recognised during the financial year. The carrying amount of investment in subsidiaries is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29 Contingent liabilities

Rinjani - Legal claim

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, Rinjani 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 Coal Mining Production licence, 308.4 ha of which is covered by a Borrow-to-Use Permit for Forestry Areas.

In the petition submitted to the State Court of Tenggara (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 including Coal Mining Production licence 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 court 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. Further 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 9 October 2017, such appeal is under review by the judges of the Supreme Court.

As disclosed in Note 3(a), with the loss of control of Rinjani, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court Jakarta.

Rinjani - Royalty claims

On 19 August 2015, a claim was submitted by a farmers group "Bentuhung" to the District Court of Tenggara against Mr. Nordiansyah Nasrie (director of Rinjani) 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 (Rinjani) and Mr. Erhamsyah, Head of Bentuhung, in which the subsidiary (Rinjani) 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 (Rinjani) with assistance in its field operations. Bentuhung claimed that they have provided assistance to the subsidiary (Rinjani) 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 the claim and appeal of Bentuhung were rejected by the respective courts.

As a follow-up to the above rejections, Bentuhung then made final legal request to the Supreme Court on 13 March 2017. As of 9 October 2017, the status of the claim is ongoing in the Supreme Court and the subsidiary (Rinjani) is in the midst of sourcing alternative legal counsel to represent it in the Supreme Court.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29 Contingent liabilities (cont'd)

Rinjani - Royalty claims (cont'd)

As disclosed in Note 3(a), with the loss of control of Rinjani, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court Jakarta.

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

On 14 November 2016, the subsidiary, Rinjani 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 commenced in the High Court of the Republic of Singapore by way of Suit No. 1211 of 2016. According to the statement of claim, 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.

As of 9 October 2017, legal proceedings were ongoing in the High Court of the Republic of Singapore.

As disclosed in Note 3(a), with the loss of control of Rinjani, the Company and its Board has no authority to administer or represent Rinjani. All litigation matters and decisions will be handled by the curators appointed by the Commercial Court Jakarta.

Rinjani - Matters concerning Agus Sugiono - Arbitration proceedings

Further to the arbitration proceedings commenced by TKS in November 2016 against Agus Sugiono, Executive Chairman and Chief Executive Officer of the Company, in May 2017 TKS served an application to include the Group's subsidiary, Rinjani, as a party to the arbitration proceedings and pursuant thereto to claim against Rinjani. TKS's claim against Rinjani under the arbitration proceedings is for payment of S\$8.5 million, representing fees and expenses allegedly owed in respect of fund raising and other services rendered to the Group pursuant to an agreement allegedly entered into with Rinjani. The claim of S\$8.5 million against Rinjani is additional to the claim of S\$16.1 million against Rinjani as noted above.

The Company has since been advised and has received a copy of the order of the tribunal dated 9 April 2018, wherein the tribunal orders pursuant to Rule 32.10 of the Rules and Articles 30 and 32 of the UNCITRAL Model Law on International Commercial Arbitration that the Arbitration be terminated (the "**Order**"). The Order, which also terminates the joinder application served on Rinjani came into force and effect following the payment of the outstanding costs of SIAC Arbitration No 283 of 2016.

All legal and arbitration costs and fees are to be borne by Agus Sugiono and/or TKS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29 Contingent liabilities (cont'd)

Pilar Mas - Statement of Claim

The Group's subsidiary, Pilar Mas, received a notice dated 24 January 2018 from the State Court of West Jakarta, Indonesia (the "**Notice**") in relation to a statement of claim filed by a former shareholder of Rinjani, being Ruznie Oms., S.H. M.Hum ("**Ruznie**"). The statement of claim is filed against, Pilar Mas, Agus Sugiono, the Group's Executive Chairman and Chief Executive Officer ("**Defendant II**"), Rinjani ("**Defendant III**"), Nordiansyah Nasrie, the Group's Chief Operating Officer ("**Defendant IV**") and other third parties (collectively, the "**Defendants**").

The statement of claim against the Defendants, claims, inter alia, losses arising from events and transactions pertaining to the sale and purchase of Rinjani's shares from its original shareholders prior to the reverse takeover back in 2014, one of which being Ruznie. The amount being claimed of Rp665 billion (approximately US\$50 million), represents, amongst others, Ruznie's loss of rights from the sale of Rinjani's shares and loss of opportunity to profit from the sale of Rinjani coal.

Following a decision of the West Jakarta District Court to exclude Rinjani from the mediation process due to its bankruptcy and unwillingness to participate, the mediation process recommenced with the first mediation hearing scheduled on 3 July 2018. The mediation hearing was before a panel of 3 judges and included Ruznie, Pilar Mas, and Defendants II and IV amongst others.

At the 3 July 2018 mediation hearing, no agreement was reached between the parties and as such an initial hearing was set for 10 July 2018 during which Pilar Mas and Defendants II and IV submitted their response to Ruznie's statement of claim. Following a number of hearings the latest on which was held on 15 August 2018 a further hearing has been scheduled for 29 August 2018 for Pilar Mas and Defendants II and IV to provide their updated response to Ruznie's statement of claim. Following completion of the mediation and hearing process and the presentation of witnesses the panel of judges shall then decide either in favour of Ruznie or Pilar Mas and Defendants II and IV.

30 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company were authorised for issue in accordance with a resolution of the directors dated 7 September 2018.