SAKARI RESOURCES LIMITED

ANNUAL REPORT 2017

CONTENTS

1	Corporate Directory
2	Five Year Financial Summary
3	Chairman’s Statement
5	Board of Directors
7	Chief Executive Officer's Review
9	Financial Review
11	Operations’ Review
13	Marketing and Sales Review
16	Sustainability Report
23	Director’s Statement
27	Independent Auditor’s Report
31	Consolidated Income Statement
32	Consolidated Statement of Comprehensive Income
33	Balance Sheets
35	Consolidated Statement of Changes in Equity
36	Consolidated Statement of Cash Flows
38	Notes to the Financial Statements
116	Notice of Annual General Meeting
118	Glossary

CORPORATE DIRECTORY

DIRECTORS

Mr Surong Bulakul, *Chairman*
Ms Rosaya Teinwan, *Chief Executive Officer*
Mr Wirat Uanarumit, *Non-Executive Director*
Mr Thanakorn Poolthavee, *Non-Executive Director*
Mr Han Eng Juan, *Non-Executive Director*
Ms Julie Therese Hall, *Non-Executive Director*

AUDIT, RISK & COMPLIANCE COMMITTEE

Mr Han Eng Juan, *Chairman*
Mr Thanakorn Poolthavee, *Member*

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr Wirat Uanarumit, *Chairman*
Ms Julie Therese Hall, *Member*

COMPANY SECRETARIES

Seow Han Chiang Winston
Lee Sock Wei

REGISTERED & HEAD OFFICE

391B Orchard Road
Ngee Ann City Tower B 17-01
Singapore 238874
Tel (65) 6499 4100
Fax (65) 6327 4222

SHARE REGISTER

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower,
Singapore 048623

WEBSITE

www.sakariresources.com

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower Level 12
Singapore 018936

Audit Partner: Debra Ann Ker

FIYE YEAR SUMMARY

Y/E 31 Dec ($ million)	2013	2014	2015	2016	2017
Coal sales volume (Mt)	11.2	9.8	7.3	9.8	8.3
Coal revenue	811.2	632.7	401.5	459.1	578.3
Other revenue	1.7	2.2	4.1	6.5	2.3
COGS	(746.0)	(568.5)	(363.1)	(401.9)	(447.0)
Gross profit	66.9	66.4	42.5	63.7	133.5
Other operating income/(expense)	(7.6)	4.6	(153.6)	(14.5)	(18.6)
Administrative, Corp & Technical	(27.4)	(21.7)	(14.3)	(5.2)	(11.4)
Operating profit	**31.9**	**49.3**	**(125.4)**	**44.0**	**103.5**
Financial expenses	(11.9)	(8.2)	(4.1)	(5.6)	(3.9)
Profit before Tax	20.0	41.1	(129.5)	38.4	99.6
Tax	(10.6)	(34.2)	(49.3)	(23.1)	(10.5)
Net profit	**9.4**	**7.0**	**(178.8)**	**15.3**	**89.1**
Dividend	-	(1.7)	-	-	-
Dividend Payout %	0%	25%	0%	0%	0%
EBITDA	187.5	145.7	77.2	110.5	185.7

Balance Sheet					
Total current assets	269.0	215.7	130.1	158.1	202.6
Total long-term assets	855.2	819.8	683.5	647.3	601.9
Total current liabilities	337.3	261.6	197.2	263.4	182.2
Total long-term liabilities	163.0	143.5	166.4	73.3	63.3
Total equity	624.0	630.4	450.0	468.7	559.2
Net debt / (Net cash)	214.4	154.6	161.7	115.6	(9.2)

CHAIRMAN'S STATEMENT

Dear Shareholders

After the pick-up of coal price in late 2016, the thermal coal industry has progressively restored its balance between demand and supply throughout 2017. With the strong foundation that the management team has laid in the past few years, Sakari was well positioned to benefit from the price recovery of the coal market. The good results that Sakari achieved in 2017 underlined the robust potential of the Group to keep up its positive momentum. I would like to thank our management team and all employees for their efforts and commitments that they have made to achieve the 2017 results.

Sakari in 2017

2017 was a very active year for Sakari. In late December 2016, there was a failure of mud cell causing a landslide at the Sebuku Mine. Sakari management carried out prompt actions to investigate and remedy the situation and took this as an opportunity to revisit the long term plans and operating model of the Sebuku Mine. This review resulted in an improved outcome. Sakari's sales team has also been very active. It has successfully secured long term coal supply contracts with power utilities in the South East Asia market where going forward the potential in this market appears very promising. As for organizational development, Sakari continued to develop the Jakarta office as its Head Office in Indonesia with centralization of key functions to enhance operational efficiency and alignment.

Sakari ended 2017 with stronger financial results at all key levels. Despite the lower coal production at the Sebuku Mine, Sakari achieved revenue growth at around 25% from 2016. The Group's EBITDA margin increased from 24% in 2016 to 32% in 2017 and net profit after tax in 2017 reached $89.1 million, more than five times the net profit after tax of $15.3 million in 2016. These achievements were the result of robust planning, prompt actions to changing circumstances and commitment to continuous improvement and cost control across the Group as well as improved pricing.

Outlook and Conclusion

Developing countries, especially in Southeast Asia, share a common challenge to meet a growing demand in energy in a secure, affordable and sustainable manner. Despite an expected increase in energy supply from gas and renewables, coal remains the fuel of choice primarily because of affordability and abundance. We believe that the long term fundamental for coal is still promising, with Southeast Asia being the main demand driver. Nevertheless, we are mindful of the changing environment, particularly changes in China's coal policy or economic circumstances, which

CHAIRMAN'S STATEMENT (cont'd)

could feed volatility in global coal market in the short and the medium term. We will keep a careful watch on threats that might affect our business.

In closing, I take this opportunity to thank the many public officers and communities that we deal with in Indonesia and elsewhere for their diligent approach to overcoming the issues that arise in the course of Sakari's daily business. My thanks also go to the entire management team and staff of Sakari for their efforts and hard work. I would also like to offer my sincere appreciation to my fellow directors for their continued support.

Mr Surong Bulakul
Chairman

BOARD OF DIRECTORS

Surong Bulakul
Chairman

Mr Surong was appointed to the Board of Sakari in February 2013, became Acting CEO in September 2013 and Chairman in June 2014. He holds a BSc in Industrial Engineering and Operations Research, a Master of Engineering in Operations Research and an MBA from Cornell University, USA. He joined PTT Group in 1973 where he had held senior management positions including Chief Operating Officer Infrastructure, PTT Public Company Limited. In addition to being Chairman of Sakari, he is also the Chairman of Global Power Synergy Company Limited, PTT Group's Power flagship, and a Director of the Provincial Electricity Authority of Thailand.

Rosaya Teinwan
Acting Chief Executive Officer

Ms Rosaya, who was appointed to the Board and the position of Acting CEO on 1 December 2015. She has been employed by PTT Group since 1991. She holds a BSc in Electrical Engineering, a Master of Business Administration and specializes in organizational development and planning. Ms Rosaya has been involved in the upstream and downstream business of PTT Group for many years, her last appointment being Executive Vice President of PTT and the acting President of PTT Green Energy Pte Ltd and PTT Energy Resources Company Limited.

Han Eng Juan
Non-Executive Director

Mr Han who holds a Bachelor of Accountancy (Hon)(NUS) is a qualified accountant. He was a Director of the Singapore Deposit Insurance Corporation Limited for eleven years until 2017 and is a member of the finance commission of the Singapore Red Cross Society having previously served as its Council Member and Chairman of the Audit Committee. Mr Han has been awarded the Public Administration Medal (Silver) for service in the public sector and the Public Service Medal for community work. In the public sector, Mr Han has held senior positions in the Board of Commissioners of Currency Singapore and the Monetary Authority of Singapore. His last position in the private sector was as Senior Managing Director and Singapore and Regional Country Head of Dexia Banque Internationale à Luxembourg.

Julie Therese Hall
Non-Executive Director

Ms Hall is a qualified geologist and also holds several diplomas in corporate directorship and financial planning. She is a Senior Fellow of the Corporate Directors Association, a member of the Australian Institute of Directors and a Senior Fellow of the Financial Securities Institute. Ms Hall has almost 30 years' experience in mining projects in Australia and Asia, including 13 years at BHP Ltd. She is an Executive Director of Far East Energy Corporate Pty Limited and its subsidiaries, and a Director of Pegnel Resources Pty Limited, a private resources consultancy company.

BOARD OF DIRECTORS (cont'd)

Wirat Uanarumit
Non-Executive Director

Mr Wirat holds a Bachelor Degree in Electrical Engineering from Chulalongkorn University and an MBA from Pennsylvania State University, USA. During his career, he has moved over from the position of Chief Financial Officer (CFO) to Chief Operating Officer - Upstream Petroleum and Gas Business Group (COOU) at PTT Public Company Limited. He had had over 10 years of experience as CFO within PTT Group, including Thai Oil Public Company Limited and IRPC Public Company Limited during 2005-2012. He started his career in 1988 with Shell Company of Thailand. With his engineering training and business background, he worked in various capacities, including his last position as Refinery Project Business Manager of Rayong Refinery. Prior to joining Shell Company, Mr Wirat held several executive positions in the finance sector over a span of 15 years at Nomura Securities and ABN AMRO Bank N.V. Mr Wirat was appointed as a director of Sakari in October 2016.

Thanakorn Poolthavee
Non-Executive Director

Mr Thanakorn holds a B. Eng. in Mining from Chulalongkorn University, Thailand. He has extensive experience in the energy industry in a career that has included his holding the position of Deputy Governor, Fuel for The Electricity Generating Authority of Thailand (EGAT). He was formerly a Director of EGAT International Company Limited and Ratchaburi Electricity Generating Holding Public Company Limited. Mr Thanakorn was appointed to Sakari's Board in May 2014.

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders

Coal markets in 2017 were influenced by both fundamental and sentimental factors and we saw a swing in Newcastle coal prices ranging from $71/t to $104/t. The fundamental factors came from the ongoing reform of the Chinese coal industry while most sentimental factors resulted from sudden disruptions of coal supply such as cyclones, strikes of coal miners in Australia and heavy rain in Indonesia.

Overall, Sakari has responded well to the changing environment with focus on cost reduction initiatives and efficiency improvement. The operational platform that Sakari has built in recent years helped the Group to face the volatile circumstances with confidence and to produce another year of positive outcomes.

Operations

In 2017, the Jembayan Mine produced 7.9 Mt of coal (2016: 7.1 Mt). The increase in Jembayan production was in response to the improved coal prices in 2017. Mining operations at the Sebuku mine had been suspended for 10 months in 2017, as a result of the mud-slide incident in late December 2016. We took advantage of this adversity to review the economic viability and long term production plan of the Sebuku Mine. After a thorough review, Sebuku operations restarted in November 2017 on a smaller operation size to optimize the overall outcomes. The Sebuku Mine produced 35 kt of coal in 2017 (2016: 1.8 Mt).

The Group's average cash cost increased by around 30% on a year-on-year basis which was mainly attributable to higher cost of mining associated with the increase in the Newcastle price. Linking production cost to Newcastle price movement is part of our initiatives to be responsive to the volatile market and to strengthen the partnership with our mining contractor by sharing mutual risks and benefits.

We continued to raise our operational standards with our main focus on safety, operating best practices and efficiency improvements. We are very proud of our zero loss time from injuries at both mines in 2017.

Marketing

In line with the global coal price, Sakari's weighted average selling price (ASP) moved upward to $69.57/t in 2017 (2016: $46.3/t). Total coal sales volume in 2017 was 8.3 Mt (2016: 9.8 Mt), mainly supplied from Jembayan coal and third party coal. The decrease in total coal sales volume was due to lower coal production at the Sebuku Mine.

Sakari continued to focus on improving efficiency within its supply chain to ensure timely delivery to customers as well as actively pursue revenue optimization through third-party coal blending and trading.

CHIEF EXECUTIVE OFFICER'S REVIEW (cont'd)

Financial Performance

Sakari's financial performance in 2017 considerably improved from the previous year, highlighted by the Group's EBITDA of $185.7 million (2016: $110.5 million) and net profit after tax of $89.1 million (2016: $15.3 million). The improvement in overall financial performance was attributable to higher revenue from higher average selling prices and tight control over production and overhead costs.

Improvement in profitability was accompanied by sound cash generation. Over the year, Sakari successfully reduced total borrowings from $150 million to $40 million with the aim to reduce interest cost and overall debt level.

Sustainability

Sakari's Sustainability Report for 2017 is included in this Annual Report.

Outlook

Despite the improvement in coal prices in 2017 as compared to 2016, uncertainties surrounding the coal market continue to exist. China's regulatory actions to fix its domestic coal industry have been a key driver of price volatility in seaborne coal market over recent years, especially in the Pacific basin. Besides uncertainties of external environment, we will continue to encounter internal challenges in the coming years where we anticipate elevated stripping ratios at both mines when our mining operations move deeper and also operational challenges at the Sebuku mine.

Sakari Management is well prepared to deal with such external and internal challenges and will continue to work hard to ensure that Sakari's performance remains fully competitive and to deliver the best possible outcomes for all stakeholders.

Rosaya Teinwan
Chief Executive Officer

FINANCE REVIEW

Revenue and Profit

($ million)	2017	2016	YoY Change
Revenue	**580.6**	465.6	25%
EBITDA	**185.7**	110.5	68%
Net Profit/(Loss) After Tax	**89.1**	15.3	482%
EBITDA Margin (%)	**32%**	24%	33%

Overall, Sakari registered a much improved financial performance for 2017, mainly driven by the continued recovery of global coal prices. Group revenue increased 25% to $580.6 million. Gross profits margin from coal sales improved by 13.7% to 22.8% whilst net profits after taxes increased 482% to $89.1 million. EBITDA remained strong improving by 68% to $185.7 million. The overall improvement in the financial performance further improved the Group balance sheet position with total equity increasing to $559.2 million whilst reversing the net debt position of the Group of $115.6 million to a net cash position of $9.2 million.

During the year the Group has repaid fully the balance of $100 million of a term loan borrowed from a related party whilst short term loan decreased to $40 million. Despite the significant reduction in loans, the Group will continue to monitor its cash flow in view of the continued rise in interest rates.

FINANCE REVIEW (cont'd)

Balance Sheet

($ million)	2017	2016
Total current assets	**202.6**	158.1
Total long-term assets	**601.9**	647.3
Total current liabilities	**182.2**	263.4
Total long-term liabilities	**63.3**	73.3
Total equity	**559.2**	468.7

Overall, the Group balance sheet improved significantly. Total equity increased 19.3% to $559.2 million mainly attributed to the reduction in total liabilities by 27.1% to $245.5 million whilst total assets remained level at $804.5 million. Most significantly, the past years commitment by management with the support of the shareholders to focus on cost rationalization and cash flow management has enabled the Group to overcome the past few years' bearish coal market and position the company in a much better footing to face future challenges.

Mike Koay
Chief Financial Officer

OPERATIONS' REVIEW

Production and Sales Volumes

Kt	Year Ended 31 December	
Sebuku	**2017**	**2016**
Coal mined	**31**	2,222
Product coal	**35**	1,775
Own coal sales	**119**	1,940
Jembayan		
Coal mined	**7,852**	7,015
Product coal	**7,873**	7,141
Own coal sales	**7,739**	7,076
Total		
Coal mined	**7,883**	9,230
Product coal	**7,908**	8,916
Own coal sales	**7,858**	9,016

Overview

Due to relatively low coal prices, 2016 was a challenging year and required significant efforts to improve operational performance. These efforts continued into 2017 and aided by improved coal prices the Group has emerged stronger.

Jembayan

Production volume at Jembayan increased from 7.1 Mt in 2016 to 7.9 Mt in 2017, corresponding to the improvement in coal prices. Understanding the volatile behavior of coal prices, we put our effort in negotiation with our mining contractor and barging contractors to incorporate a factor of coal price movement into the contracts in order to share coal price risk and to protect from excessive negative outcomes caused by any downward movements in coal prices. After almost one year of negotiation, we successfully achieved a new partnership contract with our mining contractor which is estimated to have saved the company a significant amount in 2017, compared to the rate in the previous contract.

Transportation of coal has always remained a challenge in our supply chain. In 2017, a monitoring system was set up for better control and to improve communications with both the internal and external parties. The system has contributed to a more effective resources management, resulting in significant cost reductions.

OPERATIONS' REVIEW (cont'd)

Sebuku

Operational challenges in Sebuku escalated when a mud slide incident occurred at the end of December 2016, which caused all operations to halt. Operations plans were then reviewed and new strategies were introduced in order to prolong the mine life while working towards the future possibility to develop coal resources in Western Lease. We also worked with existing and new vendors to derive lower mining and other operational costs. The mine resumed operation in November 2017 and produced 35 kt in 2017.

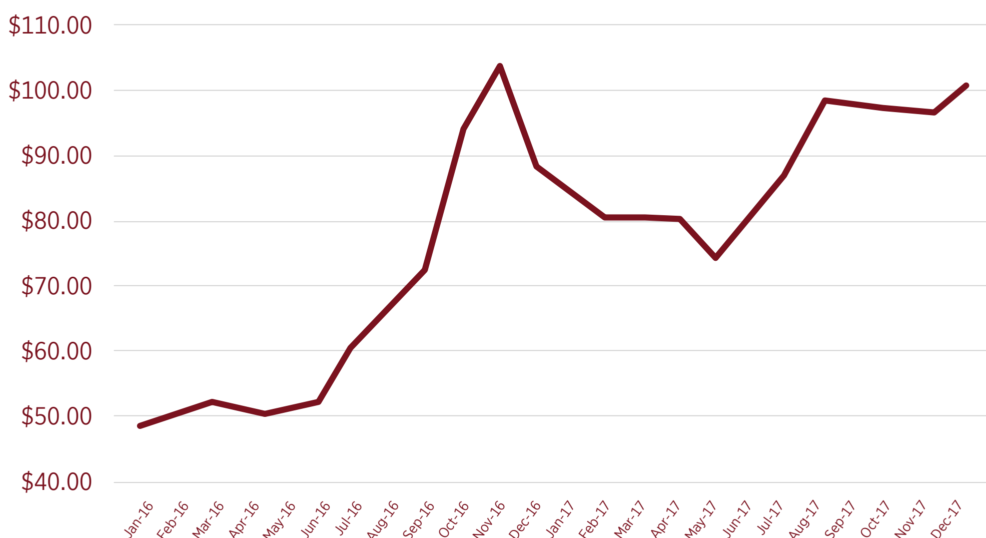
Quality Security Safety Health Environment (QSSHE)

The Group has a strong focus on the safety and environmental management standard of its operations. We aim to continuously improve our standard to achieve the highest award from Ministry of Energy and Mineral Resources (ESDM). In 2017, PT. Jembayan Muara Bara has received the Mining Safety Trophy award, which indicating it was the best company chosen among companies which already received the Aditama goal certificate. We are pleased with these results and we will keep moving forward along our journey to maintain the highest standard in Safety and Environmental Management in coal mining. For more information and other sustainable business initiatives, please see our Sustainability Report later in this Annual Report.

Visit Coothongkul
Chief Operating Officer

MARKETING AND SALES REVIEW

Tiger Energy Trading achieved a year of strong performance in 2017 with the Average Selling Price (ASP) of $69.57/t (50% up from 2016). The team focused on delivering strong ASP numbers relative to our peers as well as managing price risk through derivative hedging. Our continuous improvement focused on developing appropriate tools to manage enterprise coal price risk, counterparty risk management and credit control. Through the volatile commodity cycle, we believe this will provide a strong and sustainable foundation for Sakari's future growth in coal business.



The 2017 Newcastle coal price was strong but also volatile. From the winter peak, thermal coal prices slowly fell during the transition into summer on Chinese restriction on imports, with Cyclone Debbie providing a modest but temporary plunge in mid-March and April. Approximately 2 Mt of Australian Hunter valley coal were impacted from weather disruption. In May, with the conclusion of annual contract negotiations between Japanese utilities and Australian miners and with the prospect of import restrictions in China, the Pacific market lost its price support.

However, prices began to rebound in June, on strong demand in China caused by warm weather, weak hydro output, and domestic supply weakness in Inner Mongolia and Shaanxi. Hotter-than-average temperatures and weak hydro generation drove coal consumption higher and increased imported coal demand. Additionally, supply hurdle in major exporter countries added to the bullish price support during the summer. The threat of continued industrial action at Glencore mines delayed the Australian shipment out of Hunter valley region in New South Wales, impacting

MARKETING AND SALES REVIEW (cont'd)

deliveries and limiting the availability of spot sales. A prolonged and heavier monsoon season in July hampered coal availability from Kalimantan, Indonesia, resulting in a long backlog of coal shipment orders from August to September.

Events in China and India, including import demand variations, rather than supply restriction elsewhere, led to stable prices at the current prices from September through November. However, thermal coal prices ended the year riding a winter rally. Winter Chinese restocking activities to match with new 30 days minimum stock policy and gas shortage, slow production recovery, a petroleum coke ban in India, and nuclear outages in Japan, South Korea, and France combined to lift seaborne prices to yearly highs of over $100/t.

The major influencer of the global coal industry in 2017 was Chinese policy, not fundamental. Intensive supply-side reforms in China had helped drive prices to high levels and subsequent government policy relaxation had not created enough additional production to relieve the price pressure. China eliminated 150 Mt of coal production capacity, while it enacted environmental policy that eliminated 160 Mt of outdated coal capacity and added in new 270 Mt coal capacity in major cities and industrial regions, a net jump of 7.5% year on year. In addition, government intervention lowered coal import potential, causing flat demand for thermal coal imports in 2017 as compared with 2016. Some tier-2 ports were banned from importing coal, stricter customs inspections were implemented and a quota was set at the ports to limit imports. In late December, China suspended restrictions on coal import until expectedly end February 2018 if the coal is to be used for electricity generation.

Factors outside China also played a significant role in the global coal industry in 2017. For coal in India, 2017 market was divided into two halves. During the first half, Coal India Limited suffered a huge inventory of coal that forced it to reduce production and focus on lowering stockpiles, resulting in slightly fallen imports. In the second half, the unexpected decline in hydro and nuclear power generation lifted coal-based generation therefore the need to increase production encouraged the government to allow operating mines to expand production by up to 40% in stages without conducting a public hearing. Due to the late implementation of the new policy, some plants had to switch to imported coal. Furthermore, given Coal India Limited's focus on replenishing power plants stock, coal supply to the non-power sector fell and caused even higher import dependence. 2017 Thermal coal imports were down 13% in the first half of the year but up 7% in the second half on year.

Moreover, the higher Pacific price environment and limited supply opened opportunity supply (despite minimal) from US, South Africa and Colombia to market in Asia regions.

MARKETING AND SALES REVIEW (cont'd)

Tiger Energy's Performance

Tiger Energy's 2017 pricing performance was achieved through a combination of good pricing strategy and strong teamwork. The balance of 50:50 sales portfolio on fixed price and index-linked pricing enabled us to protect our operating margin in the market downturn and on the other hand removing the price cap during the market upside.

The Group ASP in 2017 was $69.57/t (trading and derivative transactions inclusive), an increase of 50% year-on-year while the Newcastle price average increased 33% year-on-year.

During the global coal market downturn in 2014-2015, Tiger Energy, as well as the Sakari Group, has proven our strong performance through consistent and reliable deliveries. This has become an additional strength, of benefit to the end users who focus on engaging long term suppliers.

In 2017, our marketing team has successfully increased our sales volumes into the USA, introduced our sub-bituminous shipment into Japan and concluded multiple long term contracts with end users in South East Asia, including Indonesia (as a part of our commitment to fulfil a domestic market obligation).

On a business expansion note, Tiger Energy continues to identify coal trading opportunity in order to increase sales revenues; as well as to optimize our product quality and specification. In 2017 we sold a total of 0.5Mt of coal that we sourced from third party mines.

Rosaya Teinwan
President
Tiger Energy Trading Pte Ltd

SUSTAINABILITY

Overview

Sakari aspires to conduct business in line with the principles of sustainable development through providing leadership, building trust and creating a sustainable future for the society and the environment in which it operates through innovation, excellence and transparency.

We encourage stakeholders to actively share information with us to provide feedback on any issue affecting our relationships.

This Sustainability Report covers the period 1 January 2017 to 31 December 2017.

Community

Sakari is integrally involved with, and sees itself as part of, the local communities in the area of our mines who are key stakeholders in Sakari's operations. An objective of our work with communities is to offer development opportunities, education and training so that they may be more self-sufficient after mining in their area (with its consequential benefits) has finished. We recognize the rights of community members and treat them with respect and equality.

Each of our mines has a Community Development Department, whose purpose is to ensure that we implement our Community Social Responsibility (CSR) programmes to achieve the goal of enriching the lives of local community members who are affected by, or interact with, our operations.

To ensure engagement with communities is effective, social mapping programmes have been undertaken at both Jembayan and Sebuku in prior years: the data obtained has greatly assisted us to identify areas where our sustainability efforts may best be applied. Regular meetings are held with community members, village leaders and local politicians to discuss current and potential programmes. During 2017 Sakari staff also participated in local government strategic planning sessions to ensure our efforts are synchronized with those of local government bodies.

Below is a summary of the major initiatives that Sakari supported during 2017 :

1. **Infant mortality and maternal health:** We have built on prior years' work to reduce infant mortality and improve maternal health. Sakari continued to regularly donate food supplements to infants and pregnant mothers in our local communities. We provide a midwife at the Puskesmas in Sebuku to assist the doctor in maternal and health care for pregnant mothers and their children.

2. **Farming and Livestock Farming:** We continued to devote resources to the Integrated Farming System (IFS) programmes that we have promoted and we have increased the self-sufficiency of many local community members. The farms are starting to generate modest amounts of regular income.

   Jembayan continuously cooperated with the Department of Agriculture and

Animal Husbandry at both provincial and district level in developing agriculture and livestock programs. Mined land area of 100 hectares has been developed and provided as forage area. In 2016 there were 70 cows under management by farmer groups, Jadi Makmur Bersama, whose members consist of employees and communities. In 2017 the number of cows increased to 78 from reproduction. Similarly in 2017 the number of goats in Mulawarman has increased to 1200 goats. Mulawarman has been proclaimed as Kampung Ternak, which is expected to be a superior area for goat farming. This program received various awards including the Indonesian Sustainable Development Award 2017 (ISDA Award 2017), Platinum Award in the Indonesian Sustainable Development Goals Awards (ISDA Award 2017), CSR Best Practice for MDGs to SDGs with Category of SDGs 2, Pillar: Social Development (End Hunger, Achieving Food Security and Improved Nutrition, and Promote Sustainable Agriculture), CSR Program Title: Livestock Village Mulawarman Village.

In 2017, Jembayan continued to do crop maintenance for 12 hectares of land used for cultivation of "Doyo", a local crop of East Kalimantan to support and promote local knowledge. Jembayan has started Paddy Field Programme in Separi and Segihan village since 2015. Additional of 42 hectares of Paddy Field were added in two locations at Desa Loa Raya 20 hectares and Desa Giri Agung 22 hectares. This program has attracted community's interest to engage in agriculture, especially food crops. Similarly, Sebuku participated in a local government's project, Project Cetak Sawah, to create new rice paddy fields in Madin and Sekapung village. During 2015 - 2016, there were 32 hectares and 65 hectares of rice paddy created as pilot project, some of which used Sebuku's mined-out land that we have finished rehabilitation and additional 35 hectares of rice paddy field created in 2017 in Belambus and Sekapung village. The harvest yield at Mandin was satisfactory at an average yield of 4.5 tons per hectare.

3. **Education:** The education program in 2017 included provision of assistance for education costs for underprivileged students in the surrounding villages and provision of teaching and learning equipment for schools. We provided many books to local libraries and encouraged reading. We also awarded several scholarships to various higher educational institutions for their outstanding achievers and also conducted apprenticeship programme for local students. We also undertook several projects to build new schools and facilitate repairs to existing schools.

4. **Health awareness:** We again promoted healthcare awareness in many villages by having regional doctors providing health screening and training on general health and hygiene. Sakari also donated and helped improve infrastructure such as

roads, bridges, sewers and drains in an effort to improve the living conditions in villages around our mine sites. As blood is needed to save lives in times of emergencies and to sustain the lives of those with medical conditions. Jembayan continued to collaborate with the Indonesian Red Cross Society to carry out quarterly blood donation drive around the mine site. In 2017, the Red Cross Society collected as many as 779 bags of blood and Jembayan was awarded with the highest blood donors company. Sebuku, through a routine free extension, provided check-up and treatment programme in 5 villages in cooperation with medical staff and physicians.

5. **Disaster relief assistance:** Sakari staff continued providing general ad-hoc disaster relief assistance to victims of fires and floods on a wider basis than just those living near our mines. This ranged from giving blood to donating food, small household items and care packages.

6. **Social activities and community bonding:** We continued participating in social activities and promoting community bonding by sponsoring local community cultural, religious, sporting and educational activities. In this programme, Sakari contributed food and household items and our staff volunteered to assist the community organizers who hosted these events. Another way we support this goal was by building community halls for general use by villagers.

7. **Youth and sport:** Jembayan continued donating sport equipment such as balls, nets and other means to sport groups at village level. Jembayan also sponsored events organised by the provincial and district government, such as football tournament of Governor of East Kalimantan. Meanwhile, Sebuku supported the youth activities, and cultural events such as the traditional fishing boats competitions and provincial, district and sub-district competitions.

Consumer

We have considered our coal products carefully and concluded that nothing we sell is inherently dangerous to customers in the form in which it is sold. It is organically and chemically stable and can be handled, stored and stockpiled safely with low risk to the environment and people, given that normal industry safety standards are followed.

Sakari discloses specifications for its products in a clear and transparent manner. Independent analysis of the products prior to sale ensures that customers are certain about quality and that a fair price is achieved for each sale. Any discrepancies between quoted and actual specifications are openly resolved with customers.

Many of Sakari's customers request multi-year contracts so that they can enjoy stable supplies and a long-term relationship with Sakari. These long-term relationships evidence the value we place on consumer service, support and responsibility when making sales.

SUSTAINABILITY (cont'd)

Environment

Minimizing the effect our operations have on the environment is another of the Sakari's sustainability focuses. Our goal is to reduce the impact of our footprint on the local flora and fauna so as to preserve the ecosystem and protect biodiversity in areas under our care. Ensuring that our environmental impact is minimal will contribute to the long-term livelihoods of local communities who rely on a well-balanced environment for their day to day living. We ensure that we are achieving our goals through diligent monitoring of air and water quality and look to the future targets through ongoing environmental impact assessments.

Both mines are regularly visited by staff from the Department of Mines and Energy and other state and local government agencies that undertake environmental audits and reviews. The results of the 2017 audits and reviews were positive, with only minor items raised, most of which have been rectified at the date of this report.

Independent audits of Environmental Management Systems at Jembayan site by an independent third party consultant, Environment Resource Management (ERM) Indonesia are conducted every 2 years. The last ERM audit was the year of November 2015 and was closed by May 2017.

The overall audit results in 2017 were satisfactory. Minor matters arising from the audit are in the process of being rectified and will be revisited by ERM Indonesia during 2018 audit. In collaboration with ERM Indonesia, Jembayan conducted a preliminary energy audit on the total amount of energy we consumed and saved during the last 3 years. The preliminary energy audit has been done and based on data of Jembayan energy used not reach 6,000 ton so it is not obliged to do energy audit. The biggest use of energy in Jembayan exceeding 6,000 tons is from Jembayan's mining contractor. The mining contractor is in the process to conduct an energy audit.

In 2017, revegetation achieved 100% of target (or total: 195 hectares), and increased the total rehabilitated area over Jembayan's life of mine to 1,282 hectares as of December 2017. According to carbon stock calculation, these areas can reduce 25,902 tons of carbon and provide 60,902 tons of biomass.

During the year, Sebuku focused on rehabilitation of MBRS outpit mudcell, KM and central pit of BCS area. To accelerate planting and less topsoil, Sebuku used planting without spreading topsoil. Total area of 23.54 hectares has been re-vegetated. This brings the total rehabilitated area over Sebuku's life of mine to 744.54 hectares as of December 2017.

In 2016 and 2017, Sebuku conducted revision of a Feasibility Study and Environmental Impact Assessment regarding changing of Dungun River Diversion. Presentation and approval from the authority are scheduled by Q1 2018. This is our effort to proactively manage and minimize the impact on area being prepared for future mining at Sebuku.

SUSTAINABILITY (cont'd)

Awards and Certifications

In 2017, Jembayan again received a Platinum Award in the Indonesian Sustainable Development Goals Awards (ISDA Indonesian Sustainable Development Award 2017), Gold CSR Award 2017 (Doyo Plant Program), Silver CSR 2017 for Kampung Ternak (Goat Breeding), and Paddy Field from KUKAR. Environmental and Safety award for period 2017 is still in the process by the competition committees - ESDM RI and is expected to be announced in 2018.

In 2017, Sebuku retained the level of Blue National PROPER Award from Environmental and Forestry Ministry, whilst the assessment of Mine Environment Management Award 2017 period was awarded the 'UTAMA" (silver).

Both mines remained certified under ISO 14001:2004 Environmental Management Systems throughout the year. Recertification of ISO 14001 for Jembayan was completed in 2016 and it will be effective until 2018. There was no major finding in the recertification audit. ISO 14001 version 2004 certification from Llyod will be ended mid-year 2018, the recertification with updated version ISO 14001 (version 2015) will be done by TCL (Trans Pacific Certification Limited) that target to be awarded in Q1 2018. Recertification audit of ISO 14001 for Sebuku was conducted in early 2017 and will be effective until January 2020.

Fair Operating Practices

Fair Operating Practices (FOP) relates to Sakari applying ethical practices in dealings with all other entities. FOP consists of five key areas; anti-corruption, responsible political involvement, fair competition, promoting social responsibility and respect for property rights. FOP is a core area that Sakari monitors at the corporate level and reports upon annually.

Sakari has a long history of conducting its operations in accordance with the principles of FOP and we operated all business units with the ethics and transparency expected by our Corporate Code of Conduct. Each year, all staff are required to confirm they have read the code and agree to comply with its terms.

A central contracts register has been established to assist in confirming that Sakari has complied with FOP in the negotiation of key contracts.

Human Rights

Sakari has a solid reputation for upholding international human rights' principles. Supporting Sakari's adherence to these principles are our Corporate Code of Conduct, our Whistleblower Policy, policies for equal opportunity of employment, training procedures, our Occupational Health and Safety Policy, anti-discrimination procedures, local community procedures, purchasing procedures, marketing procedures and our Legal and Anti-Corruption Policy.

SUSTAINABILITY (cont'd)

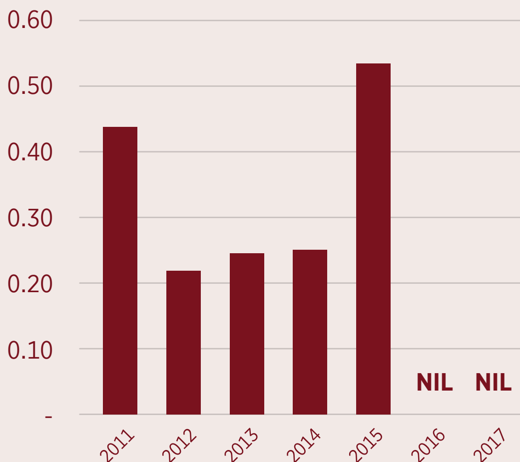
A statement on human rights has been adopted by senior management and staff has been made aware of this statement. Ongoing business operations with communities, suppliers and customers have not revealed any indication of possible breaches of the commitment to human rights. Should Sakari become aware that a breach may have occurred, Sakari would immediately review the matter and determine appropriate remedial action.

Safety

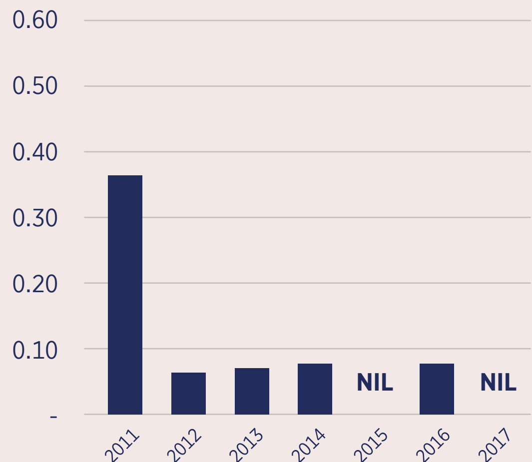
Safety of all personnel is of paramount importance to Sakari. Management is fully committed to creating a workplace that places safety as the primary objective, striving to achieve zero injuries. Occupational health and safety is an integral part of employee culture at all levels of the Group. A comprehensive framework of health and safety policies and procedures has been implemented to protect our staff and ensure that Sakari complies with all relevant laws and regulations. Sakari encourages our key stakeholders to exercise the highest levels of safety standards relevant to their area of operations. Personal safety equipment is readily available for all persons.

The primary indicator of safety is the Lost Time Injury Frequency Rate (LTIFR), which is set out below for the two mines for the last seven years.

Sebuku Mine



Jembayan Mine



In 2017, both site achieved zero LTIFR, showing our determined efforts in achieving safety targets. This was an improvement over prior years, indicating a tangible improvement in safety at its operations. The Safety Award Program by Department of Mines and Energy for 2017 period and will be conducted in 2018.

FINANCIAL CONTENTS

23 Director's Statement
27 Independent Auditor's Report
31 Consolidated Income Statement
32 Consolidated Statement of Comprehensive Income
33 Balance Sheets
35 Consolidated Statement of Changes in Equity
36 Consolidated Statement of Cash Flows
38 Notes to the Financial Statements

DIRECTOR'S STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of Sakari Resources Limited and its subsidiaries ("the Group") for the financial year ended 31 December 2017 and the balance sheet of Sakari Resources Limited ("the Company") as at 31 December 2017.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 114 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) 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.

Directors

The directors of the Company in office at the date of this statement are as follows:

Mr Surong Bulakul	Non-executive Chairman
Mr Han Eng Juan	Independent Director
Ms Julie Therese Hall	Independent Director
Mr Thanakorn Poolthavee	Independent Director
Ms Rosaya Teinwan	Chief Executive Officer/Executive Director
Mr Wirat Uanarumit	Non-executive Director

Arrangements to enable directors to acquire shares or debentures

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

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later	At 31.12.2017	At 1.1.2017 or date of appointment, if later
PTT Public Company Limited				
Ultimate holding corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**118,183**	118,183	-	-
Ms Rosaya Teinwan	**19,096**	19,096	-	-
Mr Wirat Unaraunit	**15,500**	15,500	-	-
(No. of unsecured bonds)				
Ms Rosaya Teinwan	**100**	100	-	-
PTT Exploration and Production Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**14,349**	14,349	-	-
PTT Global Chemical Plc				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**27,584**	27,584	-	-
IRPC Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**35,000**	35,000	-	-
Ms Rosaya Teinwan	**40,000**	40,000	-	-

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later	At 31.12.2017	At 1.1.2017 or date of appointment, if later
Thai Oil Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**64,700**	64,700	-	-
Ms Rosaya Teinwan	**6,800**	6,800	-	-
Dhipaya Insurance Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**7,500**	7,500	-	-
Global Power Synergy Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Mr Surong Bulakul	**73,000**	73,000	36,800	36,800
Ms Rosaya Teinwan	**15,000**	15,000	-	-

Directors' interests in shares or debentures (continued)

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year hold any interests in options to subscribe for ordinary shares of the Company.

Share options

There were no options granted during the period by the Company to any person to take up unissued shares in the Company.

No options have been granted during the financial year ended 31 December 2017 to subscribe for unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Rosaya Teinwan	Surong Bulakul
Director	Director

9 February 2018

INDEPENDENT AUDITOR'S REPORT

To The Members of Sakari Resources Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Sakari Resources Limited ("the Company") and its subsidiaries ("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 flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

Other Information

Management is responsible for the other information. The other information refers to the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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 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 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.

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.

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.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 9 February 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	Group 2017 US$'000	Group 2016 US$'000
Revenue	4	**580,570**	465,616
Cost of sales	7	**(447,040)**	(401,959)
Gross profit		**133,530**	63,657
Other income	5	**4,105**	612
Other losses - net	6	**(22,720)**	(15,019)
Expenses			
- Finance	9	**(3,895)**	(5,552)
- Corporate and technical support	7	**(11,404)**	(5,243)
Profit before income tax		**99,616**	38,455
Income tax expense	10	**(10,509)**	(23,108)
Profit for the year		**89,107**	15,347
Profit attributable to:			
Equity holders of the Company		**89,110**	15,350
Non-controlling interests		**(3)**	(3)
		89,107	15,347
Earnings per share attributable to equity holders of the Company (US$ per share):			
Basic and diluted	11	**0.08**	0.01

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	Group	
		2017	2016
		US$'000	US$'000
Profit for the year		**89,107**	15,347
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans		**(306)**	1,541
Item that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gain	17	**1,650**	1,768
Other comprehensive income, net of tax		**1,344**	3,309
Total comprehensive income		**90,451**	18,656
Total comprehensive income attributable to:			
Equity holders of the Company		**90,454**	18,659
Non-controlling interests		**(3)**	(3)
		90,451	18,656

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**US$'000**	US$'000	**US$'000**	US$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**49,209**	34,391	**939**	2,280
Trade and other receivables	13	**70,924**	80,566	**343,956**	448,875
Inventories	14	**28,777**	17,019	**-**	-
Tax receivables	15	**52,972**	25,235	**-**	-
Derivative financial instruments	22	**756**	873	**-**	-
		202,638	158,084	**344,895**	451,155
Non-current assets					
Other receivables	16	**13,538**	12,206	**-**	-
Available-for-sale financial assets	17	**5,392**	3,742	**-**	-
Investments in subsidiaries		**-**	-	**67,202**	67,202
Property, plant and equipment	18	**564,134**	604,413	**541**	153
Exploration and evaluation	19	**12,463**	12,463	**-**	-
Tax receivables	15	**13**	9,056	**-**	-
Deferred income tax assets	20	**6,430**	5,397	**-**	-
		601,970	647,277	**67,743**	67,355
Total assets		**804,608**	805,361	**412,638**	518,510
LIABILITIES					
Current liabilities					
Trade and other payables	21	**117,491**	90,432	**891**	1,664
Current income tax liabilities		**21,859**	19,046	**1,138**	387
Derivative financial instruments	22	**1,147**	2,034	**-**	-
Borrowings	23	**40,000**	150,000	**40,000**	150,000
Provisions	24	**1,663**	1,867	**380**	366
		182,160	263,379	**42,409**	152,417

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Note	**US$'000**	US$'000	**US$'000**	US$'000
Non-current liabilities					
Deferred income tax liabilities	26	**50,633**	59,772	**726**	2,205
Provisions	25	**12,660**	13,506	**-**	-
		63,293	73,278	**726**	2,205
Total liabilities		**245,453**	336,657	**43,135**	154,622
NET ASSETS		**559,155**	468,704	**369,503**	363,888
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**328,767**	328,767	**328,767**	328,767
Treasury shares	27	**(286)**	(286)	**(286)**	(286)
Other reserves	28	**(7,522)**	(8,866)	**8,403**	8,403
Retained profits	29	**238,409**	149,299	**32,619**	27,004
		559,368	468,914	**369,503**	363,888
Non-controlling interests		**(213)**	(210)	**-**	-
Total equity		**559,155**	468,704	**369,503**	363,888

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		← Attributable to equity holders of the Company →						
		Share capital	Treasury shares	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
	Note	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2017								
Beginning of financial year		**328,767**	**(286)**	**(8,866)**	**149,299**	**468,914**	**(210)**	**468,704**
Profit for the year		**-**	**-**	**-**	**89,110**	**89,110**	**(3)**	**89,107**
Other comprehensive income for the year		**-**	**-**	**1,344**	**-**	**1,344**	**-**	**1,344**
Total comprehensive income for the year		**-**	**-**	**1,344**	**89,110**	**90,454**	**(3)**	**90,451**
End of financial year		**328,767**	**(286)**	**(7,522)**	**238,409**	**559,368**	**(213)**	**559,155**
2016								
Beginning of financial year		328,558	(286)	(11,966)	133,949	450,255	(207)	450,048
Profit for the year		-	-	-	15,350	15,350	(3)	15,347
Other comprehensive income for the year		-	-	3,309	-	3,309	-	3,309
Total comprehensive income for the year		-	-	3,309	15,350	18,659	(3)	18,656
Transferred to share capital		209	-	(209)	-	-	-	-
Total transactions with owners, recognised directly in equity		209	-	(209)	-	-	-	-
End of financial year		328,767	(286)	(8,866)	149,299	468,914	(210)	468,704

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	Group	
		2017	2016
		US$'000	US$'000
Cash flows from operating activities			
Receipts from customers		**593,638**	423,309
Receipt of security bond placed with a bank		**1,200**	-
Payments to suppliers and employees		**(385,268)**	(318,036)
Payments for derivative financial instruments		**(5,717)**	(9,259)
Cash generated from operations		**203,853**	96,014
Interest received		**4,105**	612
Income taxes paid		**(44,420)**	(22,265)
Income taxes refunded		**7,567**	2,782
Net cash provided by operating activities	35	**171,105**	77,143
Cash flows from investing activities			
Additions to property, plant and equipment		**(42,480)**	(26,193)
Disposal of property, plant and equipment		**-**	7
Repayment of loans by a related corporation		**-**	650
Net cash used in investing activities		**(42,480)**	(25,536)
Cash flows from financing activities			
Proceeds from borrowings		**30,000**	35,000
Repayment of borrowings		**(140,000)**	(80,000)
Interest paid		**(3,470)**	(5,050)
Net cash used in financing activities		**(113,470)**	(50,050)
Net increase in cash and cash equivalents		**15,155**	1,557
Cash and cash equivalents at beginning of the financial year		**34,391**	33,245
Effect of exchange rate movements on cash and cash equivalents		**(337)**	(411)
Cash and cash equivalents at end of the financial year	12	**49,209**	34,391

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

Reconciliation of liabilities arising from financing activities

	1 January 2017 US$'000	Proceeds US$'000	Repayments US$'000	31 December 2017 US$'000
Borrowings	150,000	30,000	(140,000)	40,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 391B Orchard Road, Ngee Ann City, Tower B #17-01, Singapore 238874. Sakari Resources Limited and its subsidiaries together are referred to in these financial statements as the Group.

The principal activity of the Company is that of investment holding. The Group is principally engaged in the exploration for and mining and marketing of coal.

The Company's immediate parent company is PTT Mining Ltd, a company incorporated in Hong Kong. The Company's ultimate parent company is PTT Public Company Limited, a company incorporated in Thailand. The address of PTT Public Company Limited is 555 Vibhavadi Rangsit Road, Chatuchak, Bangkok 10900, Thailand.

2. Summary of significant accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

(b) Group accounting

(i) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

2. Summary of significant accounting policies (continued)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

Acquisitions (continued)

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any noncontrolling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill. Please refer to the paragraph "Intangible assets" for the subsequent accounting policy on goodwill.

Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

Disposals (continued)

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(ii) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance date are recognised in profit or loss.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within other losses – net.

2. Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

(d) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue are presented, net of value added tax, rebates, discounts, and after eliminating sales within the Group.

2. Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) *Sale of goods – Coal*

Revenue from these sales are recognised when a Group entity has delivered the products to locations specified by its customers and the customers have accepted the products in accordance with the sales contract and the collectability of the related receivable is reasonably assured.

(ii) *Provisional pricing*

Revenue from the sale of coal where the coal is provisionally priced pending a renegotiation of the sales contract is initially recognised at the invoiced provisional price. Subsequently, a best estimate based on the final benchmark price adjustment using an appropriate benchmark calculation is made. The difference between the carrying amount of the revenue recognised for the sale and the estimated price adjustment is recognised in revenue. This adjustment will continue until the contract price is negotiated.

(iii) *Rendering of services*

Revenue from logistic services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.

(iv) *Interest income*

Interest income is recognised using the effective interest method.

(v) *Dividend income*

Dividends are recognised when the right to receive payment is established.

(e) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2. Summary of significant accounting policies (continued)

(e) Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. Summary of significant accounting policies (continued)

(f) Leases

The Group leases office space, residential properties and office equipment under operating leases from non-related parties. Leases of office space, residential properties and office equipment where substantially all the risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(g) Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(h) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

2. Summary of significant accounting policies (continued)

(i) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in cost of sales. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other losses - net in profit or loss.

(j) Inventories

Run of mine coal and finished product coal is valued at the lower of cost and net realisable value. The cost of coal inventories is determined using the weighted average cost method. Costs includes direct material, overburden removal, mining, processing, labour incurred in the extraction process and an appropriate proportion of variable and fixed overhead costs directly related to mining activities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Inventories are classified as follows:

(i) Run of mine: This is material extracted through the mining process.
(ii) Finished product coal: These are products that have passed through all stages of the production process.
(iii) Consumables: These are goods or supplies to be either directly or indirectly consumed in the production process.

2. Summary of significant accounting policies (continued)

(k) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (including derivative financial instruments), loans and receivables and available-for-sale financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (note 13), "other receivables" (note 16) and "cash and cash equivalents" (note 12) on the balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

2. Summary of significant accounting policies (continued)

(k) Financial assets (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade date the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs of financial assets carried at fair value through profit or loss are recognised immediately as expenses.

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

2. Summary of significant accounting policies (continued)

(k) Financial assets (continued)

Impairment

The Group assesses at the end of each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2(k)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2. Summary of significant accounting policies (continued)

(l) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(m) Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at fair value on the date the derivative contract is entered into and are subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of the trading derivative is presented as a current asset or liability.

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment

(i) Measurement

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of cost

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, as well as the estimated future costs of dismantling and removing the asset. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

(iii) Mining properties

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure and exclude physical assets, which are recorded in property, plant and equipment.

Once a development decision has been taken, the carrying amount of the exploration and evaluation assets relating to the area of interest is transferred to "mines under development" within mining properties and aggregated with the subsequent development expenditure.

A "mine under development" is reclassified to "mines in production" within mining properties at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(iii) Mining properties (continued)

Mining properties comprise:

- Capitalised exploration and evaluation assets for properties now in production
- Development expenditure (including pre-production stripping)
- Acquisition costs and mineral rights acquired
- Production stripping (as described below in "deferred stripping costs")

No amortisation is recognised in respect of development properties until they are reclassified as "mines in production".

When further development expenditure is incurred in respect of a mining property after the commencement of production, such expenditure is carried forward as part of the "mines in production" asset when it is probable that additional future economic benefits associated with the expenditure will flow to the Group. Otherwise, such expenditure is classified as a cost of production.

"Mines in production" are amortised using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in an amortisation charge proportional to the depletion of proved and probable reserves.

Identifiable mining properties acquired in a business combination are recognised as assets at their fair value. Development expenses incurred subsequent to the acquisition of the mining properties are accounted for in accordance with the policy outlined above.

These assets are tested for impairment in accordance with the policy in Note 2(q).

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(iii) Mining properties (continued)

Deferred stripping costs

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs are capitalised under mining properties. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine and these costs are depreciated over the life of the mine using the units-of-production method.

Production stripping commences from the point saleable materials are being extracted from the mine. Stripping costs incurred during the production phase might benefit current period production and improve access to ore bodies in future periods. Where benefits are realised in the form of inventory produced in the current period, these costs are accounted for as part of the cost of producing inventory. Where a benefit of improved access exists, the costs are recognised as part of mine properties when the following criteria are met:

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

In identifying the components of the ore body, mining operations personnel will analyse the Group's mine plans. Generally a component will be subset of the total ore body and a mine may have several components, for example, certain quantities of coal within separate mining pits.

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(iii) Mining properties (continued)

Deferred stripping costs (continued)

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, plus an allocation of directly attributable overhead costs. This is accounted for as an addition to an existing asset, which the Group has determined to be "Mining properties".

When the costs of stripping to improve access to an ore body are not clearly distinguishable from the costs of producing current inventories, i.e., there is a mixture of waste and ore being removed, the stripping costs are allocated based on a relevant measure of production. This production measure is calculated for the identified component of the ore body. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production.

The stripping activity asset is subsequently amortised using the units of production method over the life of the identified component of the ore body for which access has been improved. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and impairment losses, if any.

(iv) Depreciation of plant, property and equipment

The depreciable amount of items of property, plant and equipment are depreciated over their useful lives, or over the remaining life of the mine if shorter. Depreciation commences when an asset is available for use. The major categories of property, plant and equipment are depreciated either on a units-of-production and/or straight-line basis as follows:

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(iv) Depreciation of plant, property and equipment (continued)

Units-of-production basis

For mining properties and land rights and certain mining equipment, the economic benefits from the asset are consumed in a pattern which is linked to the production level. Except as noted below, such assets are depreciated on a units-of-production basis.

Straight line basis

Assets which have a physical life shorter than the related mine or whose usage is not directly related to production levels, are depreciated on a straight line basis as follows:

- Buildings — 20 years
- Plant and equipment — 3 – 15 years
- Capital work in progress — Not depreciated

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively. In applying the units-of- production method, depreciation/amortisation is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves. Non-reserve material may be included in depreciation/ amortisation calculations where there is a high degree of confidence in its economic extraction. Reserves/resources and life of mine estimates are reviewed on an annual basis and depreciation calculations are adjusted accordingly where necessary.

2. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(v) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(vi) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other losses – net".

(o) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement. Exploration and evaluation expenditure are capitalised in respect of each area of interest for which the rights to tenure are current and where:

(i) The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or

(ii) Exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence (or otherwise) of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation expenditure comprises costs that are directly attributable to: acquisition of rights to explore, researching and analysing existing exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource, examining and testing extraction and treatment methods, surveying transportation and infrastructure requirements, compiling pre-feasibility and feasibility studies and/or gaining access to areas of interest including occupancy and relocation compensation.

2. Summary of significant accounting policies (continued)

(o) Exploration and evaluation expenditure (continued)

General and administration costs are allocated to, and included in, the cost of an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to mining properties, a component of property, plant and equipment, when the technical feasibility and commercial viability of extracting the mineral resource are demonstrable and sanctioned by the Board.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration and evaluation asset is attributable. To the extent that capitalised exploration and evaluation expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

(p) Intangible assets

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

2. Summary of significant accounting policies (continued)

(q) Impairment of non-financial assets

(i) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) Property, plant and equipment
Investments in subsidiaries

Property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. Summary of significant accounting policies (continued)

(q) Impairment of non-financial assets (continued)

(ii) Property, plant and equipment
Investments in subsidiaries
(continued)

The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in profit and loss.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

(r) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

2. Summary of significant accounting policies (continued)

(t) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of property, plant and equipment. This includes those costs on borrowings acquired specifically for the construction or development of property, plant and equipment, as well as those in relation to general borrowings used to finance the construction or development of property, plant and equipment.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

Provision for rehabilitation and dismantling

The Group has present obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment and mining pits. The Group recognises the estimated costs of dismantlement, removal or restoration or rehabilitation of items of property, plant and equipment arising from the acquisition or use of assets. The provisions are estimated based on the best estimate of the expenditure required to settle or transfer the obligation, taking into consideration the time value of money.

The estimated costs are measured at the present value of the expenditure expected to be required to settle the obligation using the pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the income statement under finance expenses. Changes in the estimated timing or amount of the expenditure or discount rate are accounted for as a change in the corresponding capitalised cost of the related assets, in which case the capitalised cost is reduced to nil and the remaining adjustment is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(v) Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(i) Wages and salaries

Liabilities for wages and salaries expected to be settled within 12 months of the reporting date are recognised under Trade and other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

2. Summary of significant accounting policies (continued)

(v) Employee compensation (continued)

(v) Defined benefit plans

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans, which the Group pays to an employee on termination of employment, whether the termination is voluntary or not. These benefits are mandatory under certain jurisdictions the Group operates within.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (considering there is no deep market for high-quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses arising from changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss.

(vi) Share-based compensation

The Group operated equity-settled share-based compensation plans. Share-based payment benefits were provided to employees via the Executive Share Acquisition Plan ("ExSAP") and Employee Share Option Plan ("ESOP").

2. Summary of significant accounting policies (continued)

(v) Employee compensation (continued)

(vi) Share-based compensation (continued)

The fair value of the employee services received in exchange for the grant of options under the ESOP was recognised as an expense with a corresponding increase in the share-based payment reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions were included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revised its estimates of the number of shares under option that are expected to become exercisable on the vesting date and recognised the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share-based payment reserve over the remaining vesting period.

Upon the exercise of options, the proceeds received (net of transaction costs) and the balance previously recognised in the share-based payment reserve relating to those options was transferred to the share capital account.

Share-based compensation benefits were also provided to employees via the ExSAP by allowing participants to purchase shares in the Company at a price approved by the Board by way of a Company provided interest free loan. The subscription price of an award under ExSAP was the last traded share price of the Company on the Singapore Exchange before the date of grant of the award, rounded to nearest whole cent. A holding lock was placed over the shares in the Company until the loan is repaid in full. The fair value of the employee services received in exchange for the grant of shares under the ExSAP was recognised as an expense with a corresponding increase in the sharebased payment reserve. When the loan under the ExSAP was fully repaid, the proceeds received (net of transaction costs) and the related balance previously recognised in the share-based payment reserve were credited to the share capital account when the ordinary shares were paid up.

At the annual general meeting of the Company held on 9 May 2014, the shareholders of the Company approved the termination of the ExSAP in respect of further issues of ExSAP shares and the Company shall continue to administer any outstanding ExSAP shares. Options under the ESOP Scheme which have not been exercised or surrendered for cancellation by the Company shall lapse and become null and void. As at 31 December 2017, all share options have been cancelled by the Group.

2. Summary of significant accounting policies (continued)

(v) Employee compensation (continued)

(vii) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(w) Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(x) Dividends to the Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2. Summary of significant accounting policies (continued)

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit after income tax attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(i) Estimation for the provision for rehabilitation and dismantling

Provisions for rehabilitation and dismantling of property, plant and equipment and mining pits are estimated taking into consideration facts and circumstances of the Group's mining properties available at the balance sheet date. These estimates are based on the expenditure required to transfer or settle the obligation for rehabilitation and dismantling, taking into consideration the time value of money. Cost estimates can vary in response to many factors including changes to the relevant legal or local/national government ownership requirements, the Group's environmental policies, the emergence of new restoration techniques, the timing of the expenditures and the effects of inflation. Experience gained at other mine or production sites is also a significant consideration. Cost estimates are updated throughout the life of the operation.

The expected timing of expenditure included in cost estimates can also change, for example in response to changes in ore reserves, production rates, operating license or economic conditions. Cash flows are discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgement.

3. Critical accounting estimates, assumptions and judgements (continued)

(i) Estimation for the provision for rehabilitation and dismantling (continued)

Changes in these estimates and assumptions may impact the carrying value of the provision for rehabilitation and dismantling of property, plant and equipment and mining pits. The provision recognised is reviewed at each reporting date and updated based on the facts and circumstances available at that time.

(ii) Estimated impairment of nonfinancial assets

Property, plant and equipment, exploration and evaluation and investment in subsidiaries, are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of assets and where applicable, cash generating units, are determined based on value-in-use calculations which require the use of estimates.

The determination of fair value and value-in-use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in profit or loss. Management expects that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of non-financial assets to exceed its recoverable amount.

3. Critical accounting estimates, assumptions and judgements (continued)

(iii) Uncertain tax positions

The Group is subject to income taxes in Singapore and Indonesia. The Group operates in these jurisdictions where legislative applications can give rise to uncertain tax positions. Management believe that the current tax positions taken by the Group are appropriate and supportable by expert advice where relevant. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. Details of the uncertain tax positions are disclosed in Note 10.

Deferred tax assets, including those arising from unrecouped tax losses, capital allowances and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production, sales volumes or sales of service, commodity prices, reserves, operating costs, restoration and reclamation costs, capital expenditure, dividends and other capital management transactions.

(iv) Determination of coal reserves

Judgement is required in determining the Group's coal reserves taking into account various assumptions regarding mining costs and the sale price of the particular resource concerned. The Group's economically recoverable coal reserves are sensitive to the cost and revenue assumptions used due to the geological structure of the deposits, which means that, all other factors remaining the same, higher cost assumptions or lower price assumptions will result in lower estimated reserves, and lower cost assumptions or higher price assumptions will result in higher estimated reserves. The Group bases all assumptions on geological reports and uses only measured reserves.

Additional geological data is gathered during the course of mining operations and this, in conjunction with the various assumptions used, could result in a change in estimated coal reserves from period to period. Changes in estimated coal reserves could affect the Group's financial results in a numbers of ways, including the rate of depreciation and amortisation of plant, property and equipment as well as the carrying value of certain mine assets due to change in estimates of mine life and future discounted cash flows.

3. Critical accounting estimates, assumptions and judgements (continued)

(v) Deferred stripping costs

Certain mining costs, principally those that relate to the stripping of waste and which relate to future economically recoverable coal to be mined, are capitalised and included in mining properties, which is classified in the balance sheet under property, plant and equipment. These costs are deferred and subsequently taken to the cost of production through the amortisation of mining properties. The waste to ore ratio and the remaining life of the mine are regularly assessed by the Board and senior management to ensure the carrying value and rate of deferral is appropriate taking into consideration the available facts and circumstances from time to time.

Significant judgement is required to distinguish between stripping costs related to the extraction of inventory and that which relates to the creation of a stripping activity asset.

The carrying value of the deferred stripping cost as at 31 December 2017 is US$70 million (2016: US$70 million) respectively.

(vi) Capitalisation and impairment of exploration and evaluation assets

Exploration and evaluation expenditures are capitalised on the balance sheet, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped or exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves. The carrying value of assets within each area of interest are reviewed regularly taking into consideration the available facts and circumstances, and to the extent to which the capitalised value exceeds its recoverable value, the excess is provided for or written off in the year in which this is determined.

4. Revenue

	Group	
	2017	2016
	US$'000	US$'000
Coal sales	**578,283**	459,113
Logistics service revenue	**2,271**	6,456
Other revenue	**16**	47
	580,570	465,616

5. Other income

	Group	
	2017	2016
	US$'000	US$'000
Interest income	**4,105**	612

6. Other losses – net

	Group	
	2017	2016
	US$'000	US$'000
Allowance for impairment of exploration and evaluation (note 19)	**-**	(1,080)
Fair value losses on derivative financial instruments	**(4,947)**	(9,933)
Foreign exchange gains/(losses) – net	**680**	(1,163)
Impairment of property, plant and equipment (note 18)	**-**	(3,586)
Write-off of property, plant and equipment (note 18)	**(18,453)**	-
Gain on sale of property, plant and equipment	**-**	5
Others	**-**	738
	(22,720)	(15,019)

7. Expenses by nature

	Group	
	2017	2016
	US$'000	US$'000
Depreciation and amortisation (note 18)	**34,579**	38,027
Deferred stripping amortisation (note 18)	**29,178**	23,746
Mining	**238,078**	175,720
Processing	**7,311**	10,265
Movement in inventories	**20,749**	49,890
Barging and shipping	**28,619**	35,001
Agency fees and royalties	**42,408**	32,256
Direct site support	**9,405**	7,946
Employee compensation (note 8)	**15,103**	11,618
Corporate, consulting and technical services fees	**12,005**	878
Operating leases rentals	**766**	735
Other expenses	**20,243**	21,120
Total cost of sales and corporate and technical support expenses	**458,444**	407,202

8. Employee compensation

	Group	
	2017	2016
	US$'000	US$'000
Wages and salaries	**13,453**	12,093
Over provision of termination benefits in prior years	**-**	(2,385)
Employer's contributions to defined contribution plans	**490**	575
Other staff benefits	**1,160**	1,335
	15,103	11,618

9. Finance expenses

	Group	
	2017	2016
	US$'000	US$'000
Interest expense	**3,470**	5,089
Bank charges	**425**	463
	3,895	5,552

10. Income taxes

	Group	
	2017	2016
	US$'000	US$'000
Income tax expense		
Tax expense attributable to profit is made up of:		
Current income tax	**42,779**	17,673
Deferred income tax	**(7,418)**	975
	35,361	18,648
(Over)/Under provision in prior financial years:		
Current income tax	**(22,098)**	769
Deferred income tax	**(2,754)**	3,691
	(24,852)	4,460
Total income tax expense	**10,509**	23,108
Deferred income tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 20)	**278**	10,228
Decrease in deferred tax liabilities (note 26)	**(10,450)**	(5,562)
	(10,172)	4,666

10. Income taxes (continued)

The tax on the Group's profit differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017	2016
	US$'000	US$'000
Profit before income tax	**99,616**	38,455
Tax calculated at tax rate of 17% (2016: 17%)	**16,935**	6,537
Effects of:		
- expenses not deductible for tax purposes	**5,704**	4,974
- lower tax rate under incentive scheme	**1,428**	1,308
- different tax rates in other countries	**11,294**	5,829
- (over)/under provision in prior years	**(24,852)**	4,460
Income tax expense	**10,509**	23,108

The Group has unrecognised tax losses of US$41,959,000 (2016: US$40,913,000) at the balance sheet date which can be carried forward and used to offset against future taxable income for up to five years subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their country of incorporation.

Tax Audits of Subsidiaries

The Group's Indonesia subsidiaries are regularly subjected to routine tax audits in accordance with tax law of Indonesia. These routine audits cover Corporate Income Tax ("CIT"), Value Added Taxes ("VAT") and Withholding Taxes ("WHT"). Additional assessments are given upon completion of these audits and these subsidiaries may disagree with any additional tax assessments and may submit objections to the Director General of Tax ("DGT"), Indonesia, failing which the company may proceed to appeal to the Indonesian Tax Court.

Management is currently disputing certain additional assessments arising from the tax audits for the following fiscal years and has either submitted objections to the DGT or proceeded to the Indonesian Tax Court for appeal.

10. Income taxes (continued)

Tax Audits of Subsidiaries (continued)

Indonesia subsidiaries	Fiscal year	Status	Nature of tax dispute	Dispute amount	Provision	Potential exposure
				US$'000	US$'000	US$'000
PT Bahari Cakrawala Sebuku	2007	Tax Court appeal	VAT	270	-	270
PT Jembayan Muarabara	2008	Tax Court appeal	CIT	3,280	-	3,280
	2009	Tax Court appeal	CIT	13,788	2,540	11,248
	2011	Tax Court appeal	CIT	14,703	3,266	11,437
	2015	Objection (DGT)	CIT	5,275	5,275	-
PT Arzara Baraindo Energitama	2015	Objection (DGT)	CIT	707	707	-
PT Metalindo Bumi Raya	2015	Objection (DGT)	CIT	8,702	-	8,702
				46,725	11,788	34,937

* Assessments denominated in Indonesia Rupiah were translated to United States Dollar based on exchange rate as at 31 December 2017

Management has engaged tax consultants and where necessary, legal advisors to evaluate each case prior to submission for Tax Court appeal. Management, in consultation with tax consultants and legal advisors, believes that the Group has good technical grounds to defend the challenges from the tax authorities.

The above disclosures relate only to those fiscal years which have been subject to tax audit and for which additional assessments were made. Additional assessments may arise for other fiscal years in subsequent financial years when the respective fiscal years become subject to audit.

11. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. There are no dilutive potential ordinary shares at balance sheet date.

	Group	
	2017	2016
Basic and diluted earnings per share		
Net profit attributable to equity holders of the Company (US$'000)	**89,110**	15,350
Weighted average number of ordinary shares outstanding ('000)	**1,137,052**	1,137,052
Basic and diluted earnings per share (US$)	**0.08**	0.01

12. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**49,209**	31,637	**939**	2,280
Short term bank deposits	**-**	2,754	**-**	-
	49,209	34,391	**939**	2,280

13. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables				
Non-related parties	**59,492**	70,193	**-**	-
Less: Allowance for impairment	**(784)**	(784)	**-**	-
Trade receivable - net	**58,708**	69,409	**-**	-
Other receivables				
Immediate holding corporation	**1**	-	**1**	-
- Related corporation	**103**	103	**52**	52
- Subsidiaries	**-**	-	**343,665**	448,528
- Non-related parties	**10,780**	9,103	**789**	784
	10,884	9,206	**344,507**	449,364
Less: Allowance for impairment	**-**	-	**(832)**	(832)
Other receivables - net	**10,884**	9,206	**343,675**	448,532
Accrued income	**196**	1,097	**-**	-
Prepayments	**1,136**	854	**281**	343
	1,332	1,951	**281**	343
	70,924	80,566	**343,956**	448,875

Other receivables due from subsidiaries are unsecured, interest-bearing at the London Interbank Offered Rate ("LIBOR") plus 2.44% (2016: 2.44% to 3.44%) and are repayable on demand.

Other receivables due from a related corporation and immediate holding corporation are non-trade in nature, interest-free and repayable on demand.

14. Inventories

	Group	
	2017	2016
	US$'000	US$'000
Run of mine stockpiles	**7,735**	3,642
Finished product coal	**17,885**	10,217
Consumables	**3,157**	3,160
	28,777	17,019

15. Tax receivables

Tax receivables represent advance tax payments made by the Group for certain fiscal years. Tax receivables are presented as current assets if they are expected to be realised within 12 months after balance sheet date.

16. Other receivables

	Group	
	2017	2016
	US$'000	US$'000
Security deposits	**13,538**	12,206

Long term security bonds and deposits are placed with various agencies, which will be settled on completion of certain governmental or legal requirements.

17. Available-for-sale financial assets

	Group	
	2017	2016
	US$'000	US$'000
Beginning of financial year	**3,742**	1,974
Fair value gain recognised in other comprehensive income [note 28(e)]	**1,650**	1,768
End of financial year	**5,392**	3,742

17. Available-for-sale financial assets (continued)

Available-for-sale financial assets are analysed as follows:

	Group	
	2017	2016
	US$'000	US$'000
Listed securities		
Equity securities – Australia	**5,392**	3,742

18. Property, plant and equipment

	Capital work in progress	Mining properties	Buildings	Plant and equipment	Land rights	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
2017						
Beginning of financial year	**13,449**	**455,083**	**455**	**54,430**	**80,996**	**604,413**
Additions	**11,105**	**29,417**	**529**	**346**	**534**	**41,931**
Transfers (to)/from other classes	**(2,758)**	**222**	**-**	**129**	**2,407**	**-**
Depreciation/ amortisation charge (note 7)	**-**	**(24,014)**	**(49)**	**(4,408)**	**(6,108)**	**(34,579)**
Deferred stripping amortisation (note 7)	**-**	**(29,178)**	**-**	**-**	**-**	**(29,178)**
Disposal/write-off	**-**	**(18,130)**	**-**	**(117)**	**(206)**	**(18,453)**
End of financial year	**21,796**	**413,400**	**935**	**50,380**	**77,623**	**564,134**
At 31 December 2017						
Cost	**21,796**	**932,418**	**4,300**	**142,984**	**112,100**	**1,213,598**
Accumulated depreciation/ amortisation	**-**	**(511,204)**	**(3,365)**	**(92,604)**	**(34,477)**	**(641,650)**
Accumulated impairment	**-**	**(7,814)**	**-**	**-**	**-**	**(7,814)**
Net book amount	**21,796**	**413,400**	**935**	**50,380**	**77,623**	**564,134**

18. Property, plant and equipment (continued)

	Capital work in progress US$'000	Mining properties US$'000	Buildings US$'000	Plant and equipment US$'000	Land rights US$'000	Total US$'000
Group						
2016						
Beginning of financial year	16,653	492,849	509	59,406	73,773	643,190
Additions	6,649	16,011	-	1,148	3,416	27,224
Transfers (to)/from other classes	(9,853)	1,082	-	470	8,301	-
Depreciation/ amortisation charge (note 7)	-	(26,889)	(54)	(6,590)	(4,494)	(38,027)
Deferred stripping amortisation (note 7)	-	(23,746)	-	-	-	(23,746)
Disposal/write-off	-	(638)	-	(4)	-	(642)
Impairment	-	(3,586)	-	-	-	(3,586)
End of financial year	13,449	455,083	455	54,430	80,996	604,413
At 31 December 2016						
Cost	13,449	1,049,006	3,771	143,003	109,711	1,318,940
Accumulated depreciation/ amortisation	-	(519,548)	(3,316)	(88,573)	(28,715)	(640,152)
Accumulated impairment	-	(74,375)	-	-	-	(74,375)
Net book amount	13,449	455,083	455	54,430	80,996	604,413

18. Property, plant and equipment (continued)

Included within additions for mining properties in the consolidated financial statements are deferred stripping costs amounting to US$29 million (2016: US$14 million).

Mining properties are amortised on a units-of-production basis. The units-of-production calculation is based on estimated coal reserves.

	Plant and equipment	Capital work in progress	Total
	US$'000	US$'000	US$'000
Company			
2017			
Beginning of financial year	**140**	**13**	**153**
Additions	**92**	**387**	**479**
Transfers from/(to) other classes	**2**	**(2)**	**-**
Depreciation charge	**(91)**	**-**	**(91)**
End of financial year	**143**	**398**	**541**
At 31 December 2017			
Cost	**3,183**	**398**	**3,581**
Accumulated depreciation	**(3,040)**	**-**	**(3,040)**
Net book amount	**143**	**398**	**541**
2016			
Beginning of financial year	106	101	207
Additions	68	2	70
Transfers from/(to) other classes	90	(90)	-
Depreciation charge	(124)	-	(124)
End of financial year	140	13	153
At 31 December 2016			
Cost	3,089	13	3,102
Accumulated depreciation	(2,949)	-	(2,949)
Net book amount	140	13	153

19. Exploration and evaluation

	Group	
	2017	2016
	US$'000	US$'000
Beginning and end of financial year	**12,463**	17,619
Less: Impairment	**-**	(5,156)
Exploration and expenditure – net	**12,463**	12,463

20. Deferred income tax assets

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
To be recovered after one year	**6,386**	6,664	**448**	1,417
Set-off of deferred tax assets pursuant to set-off provisions (note 26)	**44**	(1,267)	**(448)**	(1,417)
Net deferred income tax assets	**6,430**	5,397	**-**	-

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

20. Deferred income tax assets (continued)

Movement in deferred income tax assets account is as follows:

	Tax losses	Depreciation and amortisation	Interest payable	Provisions	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
2017					
Beginning of financial year	**2,003**	**(378)**	**1,427**	**3,612**	**6,664**
Tax credited/(charged) to the income statement	**1,788**	**(677)**	**(974)**	**(287)**	**(150)**
Over provision in respect of prior year	**(106)**	**-**	**-**	**(22)**	**(128)**
End of financial year	**3,685**	**(1,055)**	**453**	**3,303**	**6,386**
2016					
Beginning of financial year	10,016	1,980	394	3,200	15,590
Tax (charged)/credited to the income statement	(6,085)	(666)	(270)	484	(6,537)
Transfer from current income tax liabilities	-	-	1,302	-	1,302
(Over)/under provision in respect of prior year	(1,928)	(1,692)	1	(72)	(3,691)
End of financial year	2,003	(378)	1,427	3,612	6,664

20. Deferred income tax assets (continued)

	Depreciation and amortisation	Interest payable	Provisions	Total
	US$'000	US$'000	US$'000	US$'000
Company				
2017				
Beginning of financial year	**(24)**	**1,427**	**14**	**1,417**
Tax charged to the income statement	**6**	**(974)**	**(1)**	**(969)**
End of financial year	**(18)**	**453**	**13**	**448**
2016				
Beginning of financial year	(19)	395	415	791
Tax charged to the income statement	(5)	(270)	(401)	(676)
Transfer from current income tax liabilities	-	1,302	-	1,302
End of financial year	(24)	1,427	14	1,417

21. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**45,767**	26,619	**-**	-
Other payables				
- Ultimate holding corporation	**226**	395	**-**	93
- Related corporations	**898**	233	**112**	49
- Non-related parties	**9,540**	7,934	**745**	348
Accrued expenses	**61,060**	55,251	**34**	1,174
	117,491	90,432	**891**	1,664

Other payables to the ultimate holding corporation and related corporations are unsecured, non-interest bearing and repayable on demand.

22. Derivative financial instruments

	Group	
	Fair value	
	Asset	Liability
	US$'000	US$'000
2017		
Currency forwards		
- Non-related party	**315**	**-**
Coal swaps		
- Related corporation	**175**	**(193)**
- Non-related parties	**266**	**(954)**
Total	**756**	**(1,147)**
2016		
Currency forwards		
- Non-related party	48	(248)
Coal and gas-oil options		
- Related corporation	64	-
- Non-related parties	129	(1,786)
Coal swaps		
- Related corporation	295	-
- Non-related party	337	-
Total	873	(2,034)

The derivatives used by the Group are over-the-counter commodity derivatives which are measured at fair value and which will settle within 12 months of balance sheet date. The Group did not apply hedge accounting in 2016 and 2017.

23. Borrowings

	Group and Company	
	2017	2016
	US$'000	US$'000
Borrowings from a related corporation		
- Current	**40,000**	150,000

23. Borrowings (continued)

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group and Company	
	2017	2016
	US$'000	US$'000
6 months or less	**40,000**	150,000

(i) On 17 October 2013, the Group entered into a US$100 million working capital facility agreement with PTT Regional Treasury Center ("PTTRTC"), a related corporation. The facility had a tenor of 12 months from 17 October 2013. This facility was further extended by 12 months yearly from 17 October 2013 to 17 October 2017. On 17 October 2017, the facility was reduced to US$99 million and further extended by 12 months.

As at 31 December 2017, US$40 million (2016: US$50 million) was drawn down under this facility. This facility is unsecured and interest-bearing at the 1-month London Interbank Offered Rate ("LIBOR") plus 1.4% (2016: 1.4%).

(ii) On 11 December 2014, the Group entered into a US$200 million loan facility agreement with PTTRTC. The facility has a tenor of 36 months. As at 31 December 2017, the loan under this facility was fully repaid (2016: US$100 million). This loan was unsecured and interest-bearing at the 6-months LIBOR plus 1.94% (2016: 1.94%).

Fair value of borrowings

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Fair value of borrowings				
Borrowings from a related corporation	**40,000**	150,000	**40,000**	150,000

The carrying amounts of borrowings approximate their fair values as these are variable rate borrowings with repricing within 1 to 6 months from the balance sheet date.

24. Provisions – current

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Employee benefits	**1,663**	1,867	**380**	366

Movements in provisions

Movements in provision for employee benefits are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**1,867**	2,567	**366**	1,039
Provision made/(written back)	**2,198**	(695)	**501**	(673)
Provision utilised during the year	**(2,402)**	(5)	**(487)**	-
End of financial year	**1,663**	1,867	**380**	366

25. Provisions – non-current

	Group	
	2017	2016
	US$'000	US$'000
Employee benefits (a)	**2,771**	3,947
Rehabilitation and dismantling (b)	**9,889**	9,559
	12,660	13,506

(a) Employee benefits

Provision for employee benefits represents the amounts provided for in respect of defined benefit plans required by certain jurisdictions the Group operates in. The Group is required to pay these benefits on termination of employment, whether the termination was voluntary or not. These amounts are disclosed as non-current as they are not expected to be paid within 12 months from the balance sheet date.

25. Provisions – non-current (continued)

(b) Rehabilitation and dismantling

Provision for rehabilitation and dismantling represents the expected cost to dismantle and remove or restore and rehabilitate properties and mining pits which the Group utilises. This provision represents the best estimate of the present value of the expenditure required to settle the obligation at the balance sheet date. This amount represents provisions that are expected to be settled more than 12 months from the balance sheet date.

(c) Movements in provisions

Movements in each class of provision are as follows:

	Employee benefits	Rehabilitation and dismantling	Total
	US$'000	US$'000	US$'000
Group			
2017			
Beginning of financial year	**3,947**	**9,559**	**13,506**
Provision made	**2,269**	**330**	**2,599**
Provision utilised during the year	**(3,445)**	**-**	**(3,445)**
End of financial year	**2,771**	**9,889**	**12,660**
2016			
Beginning of financial year	4,141	8,241	12,382
Provision made	117	1,318	1,435
Provision utilised during the year	(311)	-	(311)
End of financial year	3,947	9,559	13,506

26. Deferred income tax liabilities

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
To be settled after one year	**50,589**	61,039	**1,174**	3,622
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	**44**	(1,267)	**(448)**	(1,417)
Net deferred income tax liabilities	**50,633**	59,772	**726**	2,205

Movement in deferred income tax liabilities account is as follows:

Group	Mining properties US$'000	Other US$'000	Total US$'000
2017			
Beginning of financial year	**57,418**	**3,621**	**61,039**
Tax credited to the income statement	**(5,120)**	**(2,448)**	**(7,568)**
Over provision in respect of prior year	**(2,882)**	**-**	**(2,882)**
End of financial year	**49,416**	**1,173**	**50,589**
2016			
Beginning of financial year	62,417	970	63,387
Tax credited to the income statement	(4,999)	(563)	(5,562)
Transfer from current income tax liabilities	-	3,214	3,214
End of financial year	57,418	3,621	61,039

26. Deferred income tax liabilities (continued)

Company	**Other US$'000**
2017	
Beginning of financial year	**3,622**
Tax credited to the income statement	**(2,448)**
End of financial year	**1,174**
2016	
Beginning of financial year	971
Tax credited to the income statement	(563)
Transfer from current income tax liabilities	3,214
End of financial year	3,622

27. Share capital and treasury shares

	No. of ordinary shares		**Amount**	
	Issued share capital	**Treasury shares**	**Share capital**	**Treasury shares**
			US$'000	**US$'000**
Group & Company				
2017				
Beginning and end of financial year	**1,137,052,220**	**7,908,101**	**328,767**	**(286)**
2016				
Beginning of financial year	1,137,052,220	5,270,195	328,558	(286)
Additions to treasury shares pursuant to termination of ExSAP	-	2,637,906	-	-
Transfer from share-based compensation reserve (note 28)	-	-	209	-
End of financial year	1,137,052,220	7,908,101	328,767	(286)

27. Share capital and treasury shares (continued)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Termination of Executive Share Acquisition Plan ("ExSAP")

At the annual general meeting of the Company held on 9 May 2014, the shareholders of the Company approved the termination of the ExSAP in respect of further issues of ExSAP shares with the Company continuing to administer any outstanding ExSAP shares. The shareholders of the Company also approved the purchase or acquisition of up to 7,908,101 ExSAP shares which were outstanding.

In 2016, 2,637,906 ExSAP shares were transferred from the grantees to the Company and held as treasury shares. There are no ExSAP shares outstanding as at 31 December 2017 and 31 December 2016.

28. Other reserves

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Share-based compensation reserve (a)	**8,403**	8,403	**8,403**	8,403
Capital reserve (b)	**(13,526)**	(13,526)	**-**	-
General reserve (c)	**329**	329	**-**	-
Merger reserve (d)	**(7,752)**	(7,752)	**-**	-
Fair value reserve (e)	**4,529**	2,879	**-**	-
Remeasurement of defined benefit plans	**495**	801	**-**	-
	(7,522)	(8,866)	**8,403**	8,403

Other reserves are non-distributable.

28. Other reserves (continued)

(a) Share-based compensation reserve

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**8,403**	8,612	**8,403**	8,612
Transferred to share capital (note 27)	**-**	(209)	**-**	(209)
End of financial year	**8,403**	8,403	**8,403**	8,403

(b) Capital reserve

In January 2005, the Group acquired the remaining 20% equity interest of PT Bahari Cakrawala Sebuku ("PT BCS") for a consideration of US$15,821,000. The acquisition consideration was satisfied by the allotment and issuance of 6,145,537 shares of S$1 each at a premium of S$3.18 per share. This reserve of US$13,526,000 represents the difference between the value of the consideration paid for the acquisition of the 20% minority interest in PT BCS prior to 2006 and the amount that these minority interests were recognised in the financial statements.

(c) General reserve

	Group	
	2017	2016
	US$'000	US$'000
Beginning and end of financial year	**329**	329

The revised Indonesian Limited Company Law No. 40/2007 dated 16 August 2007 requires Indonesian companies to set up a general reserve amounting to 20% of the company's issued and paid up share capital. This reserve has been created in respect of the Group's Indonesian subsidiaries.

28. Other reserves (continued)

(d) Merger reserve

Merger reserve arising from a restructuring exercise representing the excess of cash consideration paid over the subsidiaries capital acquired and accounted for using the pooling of interest method.

(e) Fair value reserve

	Group	
	2017	2016
	US$'000	US$'000
Beginning of financial year	**2,879**	1,111
Fair value gain on available-for-sale financial assets (note 17)	**1,650**	1,768
End of financial year	**4,529**	2,879

The available-for-sale reserve represents the mark to market over the cost of the investment (note 17).

29. Retained profits

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**149,299**	133,949	**27,004**	15,721
Net profit after tax	**89,110**	15,350	**5,615**	11,283
End of financial year	**238,409**	149,299	**32,619**	27,004

30. Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Property, plant and equipment	**689**	708	**142**	506

31. Operating lease commitments

The Group leases office space, residential properties and certain office equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Not later than one year	**4,818**	789	**527**	256
Between one and five years	**1,886**	37	**270**	23
	6,704	826	**797**	279

32. Financial risk management

Financial risk factors

The Group's activities are exposed to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial and commodity markets on the Group's financial performance. The Group uses financial instruments such as over-the-counter commodity swaps to hedge certain market risk exposures.

Management establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies and presents these policies to the Board of Directors for approval.

Financial risk management is carried out by treasury to evaluate and hedge financial risks in co-operation with the Group's operating units. Regular reports are also submitted to management and the Board of the Directors.

(a) Market risk

(i) Currency risk

The Group operates in Singapore and Indonesia. Entities in the Group regularly transact in their respective functional currency, which is the United States dollar ("USD"). Currency risk arises when transactions are denominated in foreign currencies such as the Singapore dollar ("SGD"), Australian dollar ("AUD") and Indonesia rupiah ("IDR").

The Group uses financial instruments such as forward exchange contracts to mitigate the currency risk.

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's foreign currency exposure based on the information provided to key management is as follows:

	SGD US$'000	IDR US$'000	AUD US$'000	Total US$'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents	**621**	**25,767**	**-**	**26,388**
Trade and other receivables	**214**	**29,136**	**-**	**29,350**
Available-for-sale financial assets	**-**	**-**	**5,392**	**5,392**
	835	**54,903**	**5,392**	**61,130**
Financial liabilities				
Trade and other payables	**690**	**86,349**	**344**	**87,383**
	690	**86,349**	**344**	**87,383**
Net financial assets/(liabilities)	**145**	**(31,446)**	**5,048**	**(26,253)**
At 31 December 2016				
Financial assets				
Cash and cash equivalents	339	15,723	627	16,689
Trade and other receivables	243	20,917	-	21,160
Available-for-sale financial assets	-	-	3,742	3,742
	582	36,640	4,369	41,591
Financial liabilities				
Trade and other payables	502	45,721	437	46,660
	502	45,721	437	46,660
Net financial assets/(liabilities)	80	(9,081)	3,932	(5,069)

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's foreign currency exposure based on the information provided to key management is as follows:

	2017			2016		
	SGD	**AUD**	**Total**	SGD	AUD	Total
	USD$'000	**USD$'000**	**USD$'000**	USD$'000	USD$'000	USD$'000
Financial assets						
Cash and cash equivalents	**381**	**-**	**381**	181	593	774
Trade and other receivables	**145**	**-**	**145**	140	-	140
	526	**-**	**526**	321	593	914
Financial liabilities						
Trade and other payables	**554**	**3**	**557**	397	101	498
	554	**3**	**557**	397	101	498
Net financial (liabilities)/ assets	**(28)**	**(3)**	**(31)**	(76)	492	416

There are no foreseeable movements in the relevant exchange rates that are likely to have a material impact on the Group's and Company's results.

(ii) Price risk

The Group is exposed to thermal coal price risk generated by its mining activities. The Group sells coal either on a contracted or spot basis, with prices either fixed or index linked. Coal price risk is managed through contractual arrangements negotiated directly with customers, usually for a period of 12 months and through the use of derivative financial instruments.

Fuel is a major component of the Group's operating costs. The Group's exposure to changes in fuel prices is ultimately based on reference to a USD Mean of Platts Singapore ("MOPS") Gas Oil assessment price. This benchmark reference is used to determine diesel fuel prices in Indonesia, which are primarily passed through to the Group by mine contractors through rise and fall adjustment clauses.

32. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

The Group uses derivative financial instruments in the form of coal and gas-oil swaps to hedge adverse movements in coal prices and gas-oil prices paid as part of the Group's mining costs. These instruments are over-the-counter derivative contracts referenced to indices and therefore underlying commodity prices of coal and gas-oil. If the referenced price for the open positions as at 31 December 2017 had increased/decreased by 10% (2016: 10%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by US$2,424,690 (2016: US$1,500,240).

The Group has an equity investment which is classified as available-for-sale on the balance sheet that is exposed to equity securities price risk. If the price for the equity security listed on the Australian Securities Exchange had changed by 10% (2016: 10%) with all other variables including tax rate being held constant, the other comprehensive income would have been lower/higher by US$539,150 (2016: US$374,200).

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group's borrowings are at variable rates and are denominated in USD. If the interest rates had increased/decreased by 0.50% (2016: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by US$551,000 (2016: US$945,000) as a result of higher/lower interest expense on these borrowings.

32. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions and derivative financial instruments, as well as credit exposures to trade customers, including outstanding receivables and contracted sales. The Group only deals with banks and financial institutions of good repute and standing.

The Group's Credit Committee regularly evaluates and monitors all its trade customers based on a framework approved by the Board of Directors. The evaluation is based on the credit quality of each trade customer, taking into account their financial position, past experience and other relevant factors. Credit exposure to an individual customer is managed based on the credit evaluation. Customer payment profiles are monitored and reported regularly.

The maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial assets presented on the balance sheet.

The credit risk for trade receivables, based on the information provided to key management is as follows:

	Group	
	2017	2016
	US$'000	US$'000
By geographical areas:		
Indonesia	**40,377**	34,258
Singapore	**18,331**	35,151
	58,708	69,409

(i) Financial assets that neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially with companies with a good collection track record with the Group.

32. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired

Where financial assets are past due but not impaired, the Group has assessed that the credit quality of these amounts has not changed and the amounts are still considered recoverable.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2017	2016
	US$'000	US$'000
Past due < 3 months	**258**	42,668
Past due 3 to 6 months	**24**	2,914
Past due > 6 months	**272**	482
	554	46,064

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2017	2016
	US$'000	US$'000
Past due > 6 months	**784**	784
Less: Allowance for impairment	**(784)**	(784)
	-	-
Beginning of financial year	**(784)**	(1,220)
Allowance written back	**-**	436
End of financial year	**(784)**	(784)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities so as to enable the Group to meet its obligations as and when they fall due. At the balance sheet date, assets held by the Group and Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

32. Financial risk management (continued)

(c) Liquidity risk (continued)

Liquidity risk management covers daily, short term, and long term needs. The appropriate levels of liquidity are determined by both the nature of the Group's business and its risk profile. The Group monitors its liquidity position on a daily basis and prepares short term weekly cash flows of up to thirty weeks, on a monthly basis. In addition to this, the Group looks at cash flows on a medium term (< 12 months) and long term (> 12 months) basis through regular forecasts, annual budgets and long term business plans.

The table below analyses the maturity profile of the Group's and Company's financial liabilities, including derivative financial instruments into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	US$'000	US$'000	US$'000	US$'000
2017				
Group				
Trade and other payables	**(117,491)**	-	-	-
Derivative financial instruments	**(1,147)**	-	-	-
Borrowings	**(40,055)**	-	-	-
	(158,693)	-	-	-
Company				
Trade and other payables	**(891)**	-	-	-
Borrowings	**(40,055)**	-	-	-
	(40,946)	-	-	-
2016				
Group				
Trade and other payables	(90,432)	-	-	-
Derivative financial instruments	(2,034)	-	-	-
Borrowings	(152,684)	-	-	-
	(245,150)	-	-	-
Company				
Trade and other payables	(1,664)	-	-	-
Borrowings	(152,684)	-	-	-
	(154,348)	-	-	-

32. Financial risk management (continued)

(d) Capital risk

The Group's objectives when managing capital are to maintain an optimal capital structure so as to maximise shareholder value and to safeguard the Group's ability to continue as a going concern. The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained profits.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The gearing ratio is calculated as net debt divided by the total book value of capital. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2017.

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Net debt	**(9,209)**	115,609	**39,061**	147,720
Total equity	**559,155**	468,704	**369,503**	363,888
Total capital	**549,946**	584,313	**408,564**	511,608
Gearing ratio	**-2%**	20%	**10%**	29%

32. Financial risk management (continued)

(e) Fair value measurement

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
ii. 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) (Level 2); and
iii. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Group				
2017				
Assets				
Derivative financial instruments	-	756	-	756
Available-for-sale financial assets	5,392	-	-	5,392
	5,392	756	-	6,148
Liabilities				
Derivative financial instruments	-	1,147	-	1,147

32. Financial risk management (continued)

(e) Fair value measurement (continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2016				
Assets				
Derivative financial instruments	-	873	-	873
Available-for-sale financial assets	3,742	-	-	3,742
	3,742	873	-	4,615
Liabilities				
Derivative financial instruments	-	2,034	-	2,034

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on the quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Quoted market prices and index-linked prices for similar instruments are used to estimate fair value. These investments are classified as Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

32. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 17 and Note 22 to the financial statements, except for the following:

	Group		Company	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Loans and receivables	**120,133**	114,957	**344,895**	451,155
Financial liabilities at amortised cost	**157,491**	240,432	**40,891**	151,664

33. Related party transactions

(a) Key management personnel compensation

	Group	
	2017	2016
	US$'000	US$'000
Salaries and other employee benefits	**1,380**	1,160*
Directors' fees	**334**	319
	1,714	1,479

*Previously stated as US$451,000 per 2016. The comparative figures have been restated to include additional key management personnel to conform to the current financial year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Related party transactions (continued)

(b) Sales and purchases of goods and services

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

	Group	
	2017	2016
	US$'000	US$'000
Sales of coal to a related corporation	**9,579**	8,841
(Loss)/gain on derivative contracts entered with a related corporation	**(56)**	221
Loss on derivative contracts entered with ultimate holding corporation	**-**	923
Consultancy fees paid to a related corporation	**823**	61
Demurrage paid to a related corporation	**-**	22
Despatch received from a related corporation	**15**	-
Employee compensation paid to a related corporation	**169**	-
Employee compensation paid to intermediate holding corporation	**-**	382
Employee compensation paid to ultimate holding corporation	**522**	-
Interest expense payable to a related corporation	**3,470**	5,089

Related corporations comprise mainly companies which are controlled or significantly influenced by the Group's ultimate holding company that are not part of the Group or companies which are controlled or significantly influenced by key management personnel and their close family members.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Country of incorporation	Principal activity	Equity holding	
			2017	2016
			%	%
Tiger Energy Trading Pte Ltd (a)	Singapore	Trading	**100**	100
Sakari Energy Trading Pte Ltd (a)	Singapore	Investment holding	**100**	100
PT Bahari Cakrawala Sebuku (b)	Indonesia	Coal mining	**100**	100
PT Sinergy Consultancy Services (b)	Indonesia	Management services	**100**	100
PT Bumiborneo Pertiwi Nusantara (b)	Indonesia	Investment holding	**100**	100
PT Borneo Citrapertiwi Nusantara (b)	Indonesia	Investment holding	**100**	100
PT Separi Energy (b)	Indonesia	Investment holding	**100**	100
PT Jembayan Muarabara (b)	Indonesia	Coal mining	**100**	100
PT Kemilau Rindang Abadi (b)	Indonesia	Coal mining	**100**	100
PT Arzara Baraindo Energitama (b)	Indonesia	Coal mining	**100**	100
PT Karbon Mahakam (b)	Indonesia	Coal mining	**100**	100
PT Metalindo Bumi Raya (b)	Indonesia	Coal mining	**100**	100
PT Citra Pertiwi Nusantara (b)	Indonesia	Asset holding	**100**	100

(a) Audited by PricewaterhouseCoopers LLP, Singapore.

(b) Audited by KAP Tanudiredja, Wibisana, Rintis & Rekan - a member firm of the Pricewaterhouse-Coopers global network.

35. Reconciliation of profit after income tax to net cash provided by operating activities

	Group	
	2017	2016
	US$'000	US$'000
Net profit after tax	**89,107**	15,347
Adjustments for:		
Income tax expense	**10,509**	23,108
Depreciation and amortisation	**63,757**	61,773
Foreign exchange gain/(loss) - net	**389**	(1,411)
Gain on sale of property, plant and equipment	**-**	(5)
Impairment of property, plant and equipment	**-**	3,586
Write-off of property, plant and equipment	**18,453**	640
Allowance for impairment of exploration and evaluation	**-**	1,080
Fair value losses on derivative financial instruments	**4,947**	9,933
Interest expense	**3,470**	5,089
	190,632	119,140
Changes in working capital		
Decrease/(increase) in trade and other receivables	**12,520**	(35,989)
(Increase)/decrease in inventories	**(11,758)**	12,040
Increase in other operating assets	**(3,948)**	(5,253)
Increase in trade and other payables and provisions	**20,512**	6,688
Cash generated from operations	**207,958**	96,626
Income tax paid	**(44,420)**	(22,265)
Income tax refunded	**7,567**	2,782
Net cash provided by operating activities	**171,105**	77,143

36. Significant laws and regulations that may have an impact on the Group

(a) Government Regulation No.78/2010

On 20 December 2010, the Government of Indonesia released Government Regulation No. 78/2010 ("GR No. 78") that deals with reclamation and post-mining activities for both IUP-Exploration and IUP-Production Operation holders.

IUP-Production Operation holders, among other requirements, must prepare (1) a 5-year reclamation plan; (2) a post-mining plan; (3) provide a reclamation guarantee which may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or an accounting provision (if eligible); and (4) provide a post-mine guarantee in the form of a time deposit at a state-owned bank.

On 28 February 2014, the Minister of Energy and Mineral Resources ("MEMR") released Ministerial Regulation No. 7/2014 as implementing regulation on reclamation and post-mining activities for mineral and coal mining companies which further regulates the aspect of reclamation plan, consideration of future value from the post-mining costs and accounting reserve determination.

The requirement to provide reclamation and post-mine guarantees does not release the IUP holder from the requirement to perform reclamation and post-mine activities. As at 31 December 2017, the Group has deposited US$11,233,267 to the government for reclamation and mine closure bond.

(b) Ministerial Regulation No. 28/2009

On 30 September 2009, the MEMR issued Ministerial Regulation No. 28/2009 which, among others, sets strict criteria for mining companies to be able to assign its 'Affiliates' or 'Subsidiaries' as their mining contractor and requires the directorate general's approval on behalf of the minister.

The regulation provides exceptions only when no other capable mining service companies operate in the area.

Management believes that this regulation has no significant impact to the Group's operation.

36. Significant laws and regulations that may have an impact on the Group (continued)

(c) Ministerial Regulation No. 34/2009

In December 2009, the MEMR issued Ministerial Regulation No. 34/2009, which provides a legal framework to require mining companies to sell a portion of their output to domestic customers ("Domestic Market Obligation" or "DMO").

The Group is not exposed to DMO shortage penalty in 2017.

On 5 January 2018, the MEMR issued Ministerial Regulation No. 23K/30/MEM/2018, which provides a legal framework to require mining companies to sell 25% portion of their output to domestic customers ("Domestic Market Obligation" or "DMO").

Management is still evaluating the potential impact of this new regulation.

(d) Government Regulation No. 24/2012

Government Regulation ("GR") No. 24/2012 which amends GR No. 23/2010 was signed by the President of the Republic of Indonesia on February 21, 2012. GR No. 24/2012 requires a gradual divestment scheme applicable for IUP and IUPK holders, such that in the tenth year from their production commissioning at least 51% of their shares shall be owned by Indonesian participant(s).

On 13 September 2013, the MEMR issued Ministerial Regulation No. 27/2013 on the Procedures and Determination of Divestment Price as well as Changes in Capital Investment in Mineral and Coal Mining Businesses. Based on this regulation, the provision which governs the changes in capital investment consists of (a) changes in investment and financing sources, (b) changes in company status from foreign investment to domestic investment or vice versa, (c) changes in Article of Association, (d) changes in the Board of Directors and Commissioners and (e) changes in shareholders composition.

On 14 October 2014, GR No. 77/2014 was issued which sets out progressive divestment requirements for mining companies owning different types of mining permits.

On 11 January 2017, GR No. 1/2017 was issued which sets regulates the mechanism of extension IUP, and makes it mandatory for any coal sale (export and local) to refer the coal benchmark price, transfer of IUPs, divestments and mining areas.

Management believes that there will be no significant impact from the new renegotiation points above.

36. Significant laws and regulations that may have an impact on the Group (continued)

(e) Ministerial Regulation No. 15/2017 (continued)

On 10 February 2017, MoEMR issued Ministerial Regulation No 15/2017, regarding the Procedures for the Granting of Special Mining Business Permit of Production Operation as a Continuation of Contract of Work Operation or Work Agreement on Coal Mining Concession. This regulation governs to CoW or CCA holder which will be expired to honour for IUPK Production Operation without auction.

As at 31 December 2017, only BCS's CCoW must be converted to IUP. The Group and the Government has agreed on the CCoW amendment stating that the CCoW will be honored up to 2028. Management believes that there will be no difficulties in obtaining the IUP and no significant changes in the operations when the IUP is issued.

(f) Ministerial Regulation No. 19/2017

On 17 February 2017, the MoEMR issued Ministerial Regulation No. 19/2017 regarding Coal Utilisation for Power Plant and Excess Power. This regulation is also regulating the purchase price of electricity at mine mouth and non-mine mouth power plant, this minister's regulation also regulates the highest benchmark price pattern in the procurement of coal-fired power plants and excess power.

As at 31 December 2017, The Group is closely monitoring the progress of the implementing regulations and will consider the impact on its operations, if any, as these regulations are issued.

(g) Ministerial Regulation No. 34/2017

On 5 May 2017, the Government regulated MoEMR's Ministerial Regulation No. 34/2017 in which one of the requirements is to prohibit IUP/IUPK holder to involve a subsidiary and/or an affiliate whose business is to support the mining activities without approval from the Directorate General on behalf of Minister. In accordance with this Ministerial Regulation, permits which were issued before this Ministerial Regulation was released will remain valid until the period expires.

The Group has conducted all coal extraction activities to third party, including by hiring equipment. Management believes that the Ministerial Regulation No. 34/2017 does not alter the structure of the Group's operations substantially.

36. Significant laws and regulations that may have an impact on the Group (continued)

(h) Ministerial Regulation No. 44/2017

In September 2010, the MoEMR issued Ministerial Regulation No. 17/2010 on the Procedure for the Setting of Benchmark Prices for Mineral and Coal Sales, which stipulates that the sale of coal shall be conducted with reference to the benchmark price issued by the Government.

On 3 March 2011, the MoEMR issued Ministerial Decision No. 0617.K/32/MEM/2011 on The Benchmark Price for PT Perusahaan Listrik Negara (Persero) ("PLN") for the Operation of Coal Fired Power Plants.

On 11 January 2017, the Ministry of Energy and Mineral Resources issued Ministerial Regulation No 7/2017, regarding the Procedure for the Setting of Benchmark Prices for Mineral and Coal Sales, to replace Ministerial Regulation No. 17/2010. Any provision on Ministerial Regulation No. 17/2010, relating to benchmark prices for metal mineral and coal sales is revoked since that date.

On 18 July 2017, MoEMR issued Ministerial Regulation No. 44/2017 regarding amendment of Procedures for Determining the Benchmark Sales of Metal and Coal.

The Group is required to comply with the benchmark price for purposes of calculating monthly royalty payment. Management believes that the Group current practice has complied with the regulation. Management believes that the Group did not include cost adjustments in its HPB calculation.

(i) Ministerial Regulation No. 48/2017

On 3 August 2017, MoEMR withdrew Ministerial Regulation No. 42/2017 and issued Ministerial Regulation No. 48/2017 regarding the Control of Enterprises in the Energy and Mineral Resources Sector ("Ministerial Regulation No. 48/2017"). This regulation governs the transfer of shares and changes in the Directors and/or Commissioners.

Management believes that the Group has complied with the requirements of the regulations mentioned above.

37. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

(a) FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group does not expect any changes to the classification and measurement of its financial assets and financial liabilities, except as disclosed below.

37. New or revised accounting standards and interpretations (continued)

(a) FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018) (continued)

(i) Equity investments reclassified from available-for-sale to FVOCI

The Group plans to elect to recognise changes in fair value of all its equity investments not held for trading and classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of US$5,392,000 will be reclassified from "available-for-sale financial assets" to "financial assets, at fair value through other comprehensive income ("FVOCI")" on 1 January 2018. Fair value gains and losses will continue to be recognised in other comprehensive income and accumulated in fair value reserve. However, gain or losses realised on the sale of such assets will no longer be transferred to profit or loss on sale, but instead reclassified from fair value reserve to retained profits.

(b) FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

37. New or revised accounting standards and interpretations (continued)

(b) FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018) (continued)

The Group does not expect a material impact on the financial statement upon adoption of the Standard.

(c) INT FRS 122 Foreign Currency Transactions and Advance Considerations (effective for annual periods beginning on or after 1 January 2018)

INT FRS 122 Foreign Currency Transactions and Advance Considerations considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 The Effect of Changes in Foreign Exchange Rates. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

(d) FRS 116 Leases (effective for annual periods beginning on or after 1 January 2018)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

37. New or revised accounting standards and interpretations (continued)

(d) FRS 116 Leases (effective for annual periods beginning on or after 1 January 2018) (continued)

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Sakari Resources Limited on 9 February 2018.

This page has been intentionally left blank

SAKARI RESOURCES LIMITED
(Company Registration Number: 199504024R)
(Incorporated in the Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SAKARI RESOURCES LIMITED ("the Company")** will be held at the Marie I and II, York Hotel, 21 Mount Elizabeth, Singapore 228516 on Tuesday, 26 June 2018 at 09:30 for the following purposes:

AS ORDINARY BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

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 Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Articles 94 and of the Company's Constitution:

   Mr Han Eng Juan [Retiring under Article 94] **(Resolution 2)**

   Ms Julie Therese Hall [Retiring under Article 94] **(Resolution 3)**

   Mr Han Eng Juan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee.

   Ms Julie Therese Hall will, upon re-election as a Director of the Company, remain as a member of the Remuneration and Nomination Committee.

3. To approve the payment of directors' fees of up to S$517,000 payable by the Company for the year ending 31 December 2018. **(Resolution 4)**

4. To re-appoint PriceWaterhouseCoopers LLP as the Company's Auditors to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 5)**

NOTICE OF ANNUAL GENERAL MEETING

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

By Order of the Board

Seow Han Chiang Winston
Company Secretary
Singapore
11 June 2018

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 391B Orchard Road, Ngee Ann City Tower B #17-01, Singapore 238874 not less than 48 hours before the time appointed for holding the Meeting.

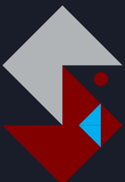
GLOSSARY

The following definitions apply throughout this Annual Report:

"ASP"	Average selling price
"Board"	The Board of Directors of Sakari
"CEO"	Chief Executive Officer
"Sakari", "Company"	Sakari Resources Limited
"Group"	Sakari and its subsidiaries
"ha"	Hectares
"Mt"	Millions of metric tonnes
"pa"	per year
"PTT"	PTT Public Company Limited, Sakari's ultimate holding company
"t"	One metric tonne
"Kt"	Thousands of metric tonnes
"$", "US$"	United States dollars
"CY"	Calendar year

This page has been intentionally left blank

This page has been intentionally left blank



SAKARI RESOURCES LIMITED
391B Orchard Road #17-01
Ngee Ann City Tower B Singapore 238874
Tel: +65 6499 4100
www.sakariresources.com