ANNUAL REPORT 2019

SAKARI RESOURCES LIMITED

CONTENTS

CORPORATE DIRECTORY

Directors

Mrs Arawadee Photisaro	Chairman
Mr Ekachai Sirithammasan	Chief Executive Officer
Ms Rosaya Teinwan	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

Ms Rosaya Teinwan	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
Website	www.sakariresources.com
Share Register	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623
Independent Auditors	PricewaterhouseCoopers 7 Straits View, Marina One East Tower Level 12 Singapore 018936 Audit Partner: Debra Ann Ker

FIVE-YEAR SUMMARY

Y/E 31 Dec ($ million)	2015	2016	2017	2018	2019
Coal sales volume (Mt)	7.3	9.8	8.3	8.2	7.8
Coal revenue	401.5	459.1	578.3	634.3	494.8
Other revenue	4.1	6.5	2.3	2.4	1.7
COGS	(363.1)	(401.9)	(447.0)	(458.3)	(450.0)
Gross profit	42.5	63.7	133.5	178.4	46.5
Other operating income/(expense)	(153.6)	(14.5)	(18.6)	(5.6)	4.2
Administrative, Corp & Technical	(14.3)	(5.2)	(11.4)	(12.7)	(10.7)
Operating profit	**(125.4)**	**44.0**	**103.5**	**160.0**	**40.0**
Financial expenses	(4.1)	(5.6)	(3.9)	(1.2)	(0.4)
Profit Before Tax	(129.5)	38.4	99.6	158.8	39.7
Tax	(49.3)	(23.1)	(10.5)	(68.7)	19.4
Net profit	**(178.8)**	**15.3**	**89.1**	**90.1**	**59.1**
Dividend	-	-	-	9.0	20.0
Dividend Payout %	0%	0%	0%	10%	33.9%
EBITDA	77.2	110.5	185.7	227.7	126.8

Balance Sheet					
Total current assets	130.1	158.1	202.6	232.3	242.3
Total long-term assets	683.5	647.3	601.9	596.6	610.8
Total current liabilities	197.2	263.4	182.2	114.7	91.5
Total long-term liabilities	166.4	73.3	63.3	68.4	66.6
Total equity	450.0	468.7	559.2	645.8	695.0
Net Cash/ or (Debt)	(161.7)	(115.6)	9.2	107.4	144.1

CHAIRMAN'S STATEMENT

Dear Shareholders

In 2019, coal demand in the seaborne thermal coal markets was softening compared to 2018. Coal import demand from major destinations was quite sluggish, mainly due to healthy production and stocks of domestic coal in China and India as well as tight import control in China. Low LNG prices also supported coal-to-gas switching, especially in European region, resulting in exertion of additional coal supply from Atlantic producers to Pacific basin. As a result, Newcastle coal price was under constant pressure throughout the year and went down by 27.5% year-on-year.

Sakari was not immune from the decline of global coal prices, but, having been well prepared in reducing adverse impacts on its performance, it was still able to reach a profitable outcome for the year, despite the much lower price during the year.

Sakari in 2019

Sakari management and staff have been proactive in minimizing the impact from market pressures on the Group's operational and financial performance. There were many effective actions carried out in 2019 as elaborated in the Chief Executive Officer's Review in this Annual Report. The operating outcome for 2019, with EBITDA of $126.8 million (2018: $227.7 million) and EBITDA margin of 26% (2018: 36%), was a good outcome under all the difficult and challenging circumstances. Additionally, with its diligent, proactive and consistent legal approach, Sakari was able to recover tax of $31.8 million previously paid in respect of prior year tax disputes with the Indonesian tax authorities. This brought the Group's net profit after tax to conclude at a sound level of $59.1 million in 2019 (2018: $90.1 million)

I trust that all our stakeholders have been able to benefit from Sakari's performance during the year and I am pleased that your Board has been able to recommend a final dividend of 1.76 US cents per share, tax exempt for the year ended 31 December 2019.

Directorate

Mr Surong Bulakul who had served Sakari in various capacities since February 2013 stood down as Chairman following his retirement after last year's AGM. Mr Atikom Terbsiri from PTT was appointed as Chairman of Sakari in September 2019 before he stood down from the office and I was elected to chair the Board in January 2020.

Mr Ekachai Sirithammasan, a senior executive of PTT, replaced Ms Rosaya Teinwan as CEO in September 2019. Ms Rosaya remains on the Sakari Board as a Non-executive director to ensure a smooth transfer of the CEO responsibilities.

Other directors who stood down from their office in 2019 are Mr Wirat Uanarumit and Mr Jaturong Worawitsurawatthana, who had served as Non-executive directors. Please join me in welcoming new directors to Sakari and in thanking all those who left the Board for their contribution and service to the company.

Outlook and Conclusion

Producers in the seaborne thermal coal industry are still facing challenges from weaker market demand, softening coal prices, and reduced operating margins. There are calls for greater focus on sustainability in the use of coal for electricity generation compared to the use of other sources of energy such as natural gas and renewables. Nevertheless, we remain positive about demand for thermal coal in the South

CHAIRMAN'S STATEMENT (cont'd)

East Asia region including domestic demand from Indonesian market, where Indonesian coal producers have competitive advantages from being close to demand countries and from having lower costs of production. We are mindful of the changing business environment and we are committed to delivering continuous improvement in all areas of Sakari's business.

In closing, I would like to thank many public officers and communities that we deal with in Indonesia and elsewhere for their continued support over the last 12 months and to my fellow directors for their efforts and inputs. Finally, I would like to offer my appreciation to the entire management team and staff for their commitment and determination for Sakari to achieve another year of positive outcomes.

Arawadee Photisaro
Chairman

BOARD OF DIRECTORS

Arawadee Photisaro
Chairman

Mrs Arawadee was appointed to the Board and become Chairman of Sakari in January 2020. She holds a Bachelor of Accounting from Thammasart University, Thailand, and a Master of Business Administration from the University of Dallas, USA. She has over 10 years of experience in corporate strategy and portfolio management at PTT Public Company Limited where her current position is Senior Executive Vice President, Corporate Strategy. In addition to being Chairman of Sakari, she is also a Director and a Member of the Risk Management Committee of PTT Global Chemical Public Company Limited.

Ekachai Sirithammasan
Chief Executive Officer

Mr Ekachai was appointed to the Board and the position of Chief Executive Officer of Sakari in September 2019. He holds a BSc in Electrical Engineering from King Mongkut's Institution of Technology Ladkrabang, Thailand, and a Master of Business Administration from Loyala University, USA. Mr Ekachai has been involved in the downstream business and strategic planning function of PTT Group for over 10 years. His last appointment being Executive Vice President of PTT and the acting President of PTT Energy Resources Company Limited.

Rosaya Teinwan
Non-Executive Director

Ms Rosaya Teinwan was appointed to the Board in December 2015. She had been in the position of Chief Executive Officer of Sakari Group from December 2015 to September 2019. She holds a BSc in Electrical Engineering and a Master of Business Administration. Ms. Rosaya joined PTT Group in 1991 and she specializes in organizational development and planning. She 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 Executive Vice President of Global Power Synergy Public 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 11 years until 2017 and is a member of the finance commission of the Singapore Red Cross Society having previously served as its Treasurer 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.

BOARD OF DIRECTORS (cont'd)

Julie Therese Hall
Non-Executive Director

Ms Hall is a qualified geologist and 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.

Thanakorn Poolthavee
Non-Executive Director

Mr Thanakorn was appointed to the Board of Sakari in May 2014. He holds a Bachelor in Mining Engineering from Chulalongkorn University, Thailand. Mr Thanakorn has extensive experience in the energy industry in a career that 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.

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders

Management focus in 2019 was on ensuring that Sakari Group could deliver the best performance from our operations. The average of 2019 Newcastle coal price was $77.8/t, significantly down from $107.3/t in 2018 due to a slowdown of coal demand in the seaborne thermal coal markets. Such a drop in thermal coal prices posed an inevitable challenge of margin erosion to Sakari and all coal producers.

Over the past few years, Sakari management has been striving hard to build a strong platform for the company to be able to sustain its operations throughout the volatile commodity cycle. The overall outcome for the year 2019 was fruitful and satisfactory.

Operations

In responding to the slowdown of global coal demand, Sakari controlled total coal production to 7.7 Mt from the two mines (2018: 8.0 Mt) with a contribution of 7.2 Mt from Jembayan and 0.5 Mt from Sebuku. Active cooperation between our mine sites and our marketing team enabled us to keep production to optimal levels that we can meet our customers' requirements without excessive stocking costs.

Linking production cost to Newcastle price movement has been 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. In tandem with the decrease in Newcastle prices in 2019 coupled with our efforts to reduce costs, the Group's average cash cost saw a reduction of 2% year-on-year.

Sakari continued to focus on achieving the highest standards of occupational health and safety in both mines. We are very proud that we achieved zero loss time injury frequency rate (LTIFR) at both mines in 2019.

Marketing

Total coal sales volume in 2019 was 7.8 Mt (2018: 8.2 Mt), in line with the Group's production volume. While the average Newcastle price dropped by 27.5% year-on-year, the Group's weighted average-selling price (ASP) decreased by 17% to $63.5/t in 2019 (2018: $76.2/t). The lower percentage decrease in ASP compared against the drop of market prices reflected our comparative strength derived from our strategies to focus on customer services and reliability of delivery which attract premier customers for long-term relationship. The conservative and active management of index-linked and fixed price transaction in coal sales portfolio was also a contributing factor.

Once again Tiger Energy earned a net despatch on 2019 shipments of $0.5 million. The outcome was a contribution of the good working relationship between Tiger Energy and the mine sites to ensure timely delivery to customers.

Financial Performance

The decline in thermal coal prices inevitably affected Sakari's financial performance. In 2019, Sakari's consolidated revenue was $496.6 million (2018: $636.7 million) and EBITDA was $126.8 million (2018: $227.7 million), representing EBITDA a margin of 26% (2018: 36%). The Group's net profit after tax in 2019 was finalised at $59.1 million. (2018: $90.1 million), including a net recovery of $31.8 million for prior year tax cases. The favorable result was attributable to Sakari's tax team for its diligent and proactive dealing with tax issues in Indonesia.

The Group's balance sheet continues to be strong. Total equity increased by 7% to $695.0 million with zero external borrowing. Sakari Group ended 2019 with a strong net cash position for the third consecutive year.

Business Development

2019 marked a good progress in Sakari's inorganic growth. In May 2019, Sakari acquired a 100% stake in two greenfield concessions located in East Kalimantan, PT Sentika Mitra Persada (PT SMP) and PT Mutiara Kapuas (PT MK) (together known as Penajam mine). The estimated coal reserve of PT SMP is 12.8 Mt plus potential upside from PT MK, which requires further exploration and drilling. The acquisition of Penajam mine could also enhance the variety of coal product specification for Sakari. Currently we are working on a full work plan from exploration, construction, operation and marketing, which we plan to start operation in the new concessions by 2022.

Sustainability

Sakari's Sustainability Report for 2019 is included in this Annual Report.

Outlook

After analyzing demand and supply in the global coal markets, we do not foresee a significant upturn in thermal coal prices in 2020. Given these challenging circumstances, Sakari is prepared for the continued pressure on margins. One of the key strategies in 2020 is to cut back on production rates to an optimal level that our marketing team can manage to ensure profitability without overstocking, and at the same time ensure that our mining operations can continue efficiently and can achieve cost advantage from our scale of operation.

Sakari management will continue to impose tight control over production and overhead costs and continue to build on its reputation for reliability and excellent services. The combination of efficiency and customer-focused reliability would help Sakari remain competitive in the industry throughout upturn and downturn of the commodity cycle. We will also keep improving and strengthening our business platform to deliver the best possible outcomes for all stakeholders in the longer term.

Ekachai Sirithammasan
Chief Executive Officer

FINANCE REVIEW

Revenue and Profit

($ million)	2019	2018	YoY Change
Revenue	**496.6**	**636.7**	**-22%**
EBITDA	**126.8**	**227.7**	**-44%**
Net Profit/(Loss) After Tax	**59.1**	**90.1**	**-34%**
EBITDA Margin (%)	**26%**	**36%**	**-29%**

2019 saw a consolidation and subsequent softening of global coal prices after two continuous years of strong coal price trend. Newcastle price index dropped 41.6% from the highest at $120/t level in mid-2018 to $70/t level by end 2019. In tandem with the softening of global coal prices, the group revised the mine plan to reduce coal production for 2019. Overall, coal sales volume decreased 5% and with the lower coal selling prices, group revenue decreased 22% to $496.6 million resulting in Gross profit margin decreased from 28.1% to 9.4%.

Despite the significant reduction in gross profits, net profit margin decreased marginally from 14.1% to 11.9%. This was attributed to tax credit of $31.8 million resulting from favourable tax appeal by one of our Indonesia subsidiary. EBITDA Margin continued to be strong despite decrease in EBITDA by 44% to $126.8 million.

FINANCE REVIEW (cont'd)

Balance Sheet

($ million)	2019	2018
Total current assets	**242.3**	**232.3**
Total long-term assets	**610.8**	**596.6**
Total current liabilities	**91.5**	**114.7**
Total long-term liabilities	**66.6**	**68.4**
Total equity	**695.0**	**645.8**

Overall, the Group balance sheet continues to be strong. Total equity increased 7.6% to $695.0 million. This is mainly attributed to reduction in total liabilities by 13.7% to $158.1 million whilst total assets grew by 2.9% to $853.0 million.

The Group financial position continues remains strong with zero borrowing which enables the Company to look into several potential investments. During the year the Group acquired 100% equity interest in PT Sentika Mitra Persada and PT Mutiara Kapuas for a total consideration of $11.7 million. The Group has further allocated $18.9 million to develop the above new mines. The investments was wholly funded by internally generated funds. The Group continues to study potential investments in existing and potential new assets but will continue to maintain a cautious investment approach.

Outlook

Global coal prices remained soft post 2019 with current Q1 2020 prices hovering between $65/t to $70/t. The management has put in place several strategies to minimize impact on profit margin through joint efforts with our business partners and other stakeholders to develop better business practices to reduce cost. In addition, the management will continue efforts to strengthen the Group balance sheet by closely monitoring inventory levels, overall receivables and payables whilst maintaining strict control over funds utilization, including operating expenditure (OPEX) and capital expenditure (CAPEX).

Mike Koay
Chief Financial Officer

OPERATION REVIEW

Production and Sales Volumes

Kt	Year Ended 31 December	
	2019	2018
Sebuku		
Coal mined	**489**	**336**
Product coal	**489**	**333**
Own coal sales	**466**	**257**
Jembayan		
Coal mined	**7,189**	**7,722**
Product coal	**7,189**	**7,722**
Own coal sales	**7,345**	**7,627**
Total		
Coal mined	**7,678**	**8,058**
Product coal	**7,678**	**8,055**
Own coal sales	**7,811**	**7,884**

Overview

The decline of global coal prices remains the key challenge for the entire coal mining industry. Sakari Group continues to improve and strengthen its operations through continuous improvement and new initiatives programs to ensure that both coal mines are able to deliver optimal returns whilst preserving coal reserves for long term.

The Group's operational strategies focus on operational excellence in terms of production reliability, efficiency and costs. We will continue to work with our internal teams and with our business partners to improve our mine plan, enhance efficiency of mining methods and optimize utilization of our mines' infrastructure and assets.

Operation

Coal production volume at Jembayan decreased from 7.7 Mt in 2018 to 7.2 Mt in 2019, corresponding to the softening of coal prices in 2019 while coal production volume at Sebuku increased from 336 Kt in 2018 to 489 Kt in 2019, according to production plan. Total coal sales volume slightly decreased from 7.9 Mt in 2018 to 7.8 Mt in 2019.

Quality Security Safety Health Environment (QSSHE)

Quality, Security, Safety, Health and Environment (QSSHE) compliance was closely monitored and carried out across the Group. For more information and other Sustainable business initiatives, please see our Sustainability Report later in this Annual Report.

Surachai Sukhahuta
Chief Operating Officer

MARKETING & SALES REVIEW

2019 was a year of extreme up and down in the thermal coal market. Notwithstanding challenges in coal market condition, especially regulation in developed countries and competition from alternative fuels, Tiger Energy achieved the Average Selling Price (ASP) of $63.5/t (82% of NEWC index comparing to 71% of NEWC index in 2018). Tiger Energy continues to focus on long term collaboration with reputable power utilities, development of new markets and products into Southeast Asia and derivatives hedging to manage price risks.

2019 Coal Markets

2019 was the record year for thermal coal seaborne trade. Despite the weak global economic growth, the trades exceeded 1 billion metric tons in 2019. Coal demand in Asia continues to grow outpacing declines in western economies. Declines in import demand in Europe and North Asia which amounted to 28 Mt were more than offset by increases from Southeast Asia (26Mt, predominantly Vietnam), China (19 Mt) and India (13 Mt).

Atlantic coal demand continued to drop due to environmental reforms and low gas prices. In North Asia, South Korea stepped up environmental policies by controlling Sulphur content and also shutting down 8-15 coal-fired power plants in order to improve air quality. Taiwan also followed by enforcing coal burn reduced by 40% in Taichung power plant during the period of November 2019 to January 2020 to limit the coal usage. In Japan, main challenge came from fuel switching in which nuclear plants were returned and LNG spot price was cheap enough to be more competitive to coal.

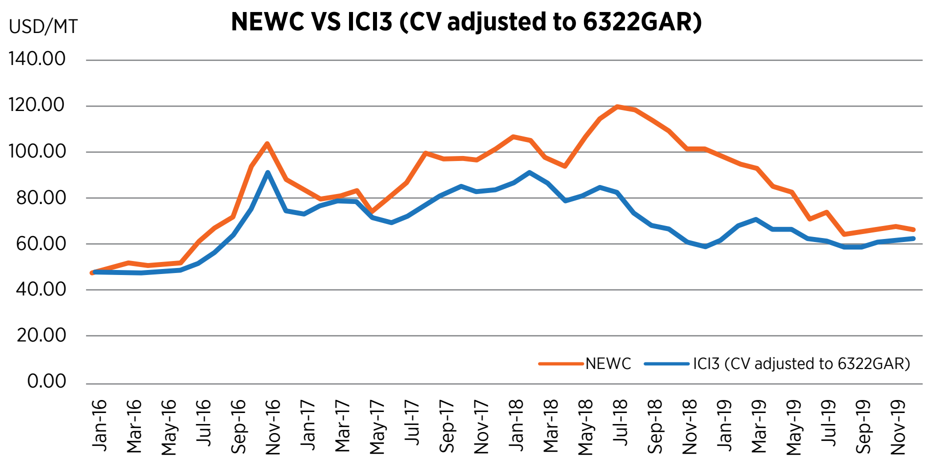
On the other hand, Southeast Asia had the highest growth of seaborne coal imports, especially in Vietnam whose the growth was double in 2019. Both power demand and industrial demand in Vietnam grew surprisingly in the past few years. Industrial demand is expected to increase further in the following year as loads of business started to move from other places into Vietnam due to cost competitiveness.

Indian coal demand continuously increased as Indian government was expanding the accessibility of the electricity for all households in the country. As China continued its effort to lower down domestic coal price, seaborne coal demand was higher than 2018 due to tightness of domestic coal supplies in Q1 and higher volumes from low CV coal imports from Indonesia.

On the supply side, Indonesia continuously increased its exporting volumes (+47 Mt from 2018) due to increasing demand from Asia especially on the low CV products. Australian production remained flat as the coal price was moving closer to the marginal costs level and increasing competitions from traditional Atlantic coal suppliers. Apart from Australian and Indonesian supplies, the decremental exports of approximately 13 Mt came from Russia and USA as transportation limiting the growth. South Africa and Columbia exports were slightly down from 2018 due to several challenges of traditional Atlantic customers as well as high carbon price and low gas price.

Domestic coal supplies in China was tight in early part of 2019 due to the 21-killed mine accident. This factor and seasonal low supplies in the 1st Quarter had supported NEWC prices to stabilize above $90 for the first few months of 2019. However as the domestic production was recovering and increasing towards the end of the year (+152 Mt from 2018), we saw Chinese domestic coal prices coming off to the preferred level between RMB500-570/t – so were the international coal price (NEWC).

MARKETING & SALES REVIEW (cont'd)



*ICI3 - Indonesian Coal Index 3 (5000GAR)

In 2018, the coal price divergence between high CV coal grade (Newcastle coal index 6322GAR) and other lower CV grades was the significant story. Nevertheless, a gap had been closed down in 2019. One of the main reason is China's policy. From early part of 2019, China implemented a new regulation on import control measures targeting Australian coal due to political issue. This had boosted demand for Indonesian coal and has stabilized the Indonesian coal prices (ICI) comparing to NEWC. ICI3 (5000GAR) to NEWC price ratio was 65% comparing to 57% in 2018.

Tiger Energy's Performance

Tiger Energy achieved a better performance on Average Selling Price (ASP) comparing to the market in 2019. Weighted average calorific value for Sakari coal is approximately 5400GAR or the average of ICI2 (5800GAR) and ICI3 (5000GAR) products. In 2019, average ICI2 & ICI3 prices were 73.4% of NEWC price; whereas our ASP of $63.5/t (trading and derivative transactions inclusive) was equal to 82% of NEWC price.

The outstanding outcome was a contribution of the successful implementation of hedging strategy, increasing sales on fixed price basis that being executed ahead of market downturn in H2/2019 and good relationship and performance records with reputable customers.
In 2019, Tiger Energy developed markets into new destinations i.e. New Zealand, Brunei and into new users in order to diversify our portfolio and expand market coverage. Coal trading and blending activities were still on-going in order to optimize our product quality and specification.

On business improvement and initiative part, Tiger Energy generated approximately $420k from our chartering activities and marginal revenue from coal blending and optimization program in 2019 (55% higher than 2018).

Tiger Energy continues to focus on maximizing value of our low Sulphur product into power utilities which we believe is a win-win solution as we are supporting our customers to minimize their SOx emissions.

Ekachai Sirithammasan
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 both in holding office in Singapore and the operations in Indonesia.

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 2019 to 31 December 2019.

Community

Over in Indonesia, Sakari is integrally involved with, and sees itself as part of, the local communities. 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 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 in identifying areas where our sustainability efforts may best be applied. Regular meetings are held with community members, village leaders, local politicians and authorities to discuss current and potential programmes. During 2019, Sakari staff also participated in local government strategic planning sessions to ensure our efforts are synchronized with those of local government bodies.

1. Jembayan

Below is a summary of major initiatives that Jembayan carried out during 2019:

1) **Agriculture and Livestock Farming:**

1.1 Rice Field Printing and Plantation Jembayan supported rice field printing in the village of Giri Agung covering an area of 20 hectares and doyo planting in the mined out area covering an area of 12 hectares. Additionally, Jembayan collaborates with BPTP Kaltim to carry out Nasa-29 hybrid corn planting program in an area of 8 hectares to support food independence programme initiated by the Kutai Kartanegara Regency Government.

1.2 Cattle (Cow) Farming Jembayan, in collaboration with Animal Husbandry Department in East Kalimantan provincial, provided assistance to livestock groups for farming of 20 cows. Jembayan received an award from East Kalimantan Governor for its support and contribution in food security programme through cattle. In addition, Jembayan collaborates with the District Livestock Services Office in farming a herd of cattle in Mulawarman village through its livestock assistance programme and enhancing farmers' capacity. Another programme carried out in 2019 was monitoring of livestock health in collaboration with the Center of Animal Health, Tenggarong Seberang District

1.3 Fishing Jembayan provided support in form of feeding equipment to fish breeders group

2) **Education:** Jembayan collaborates with the District Education Office in launching a programme to enhance educators' skills and knowledge by conducting trainings for subject teachers and providing educational facilities and infrastructures.

3) **Health Awareness.** Jembayan conducts blood donation activities on quarterly basis. The activities are participated by company employees, contractors, and targeted village communities. In 2019, Jembayan received an award from the Mayor of Samarinda as a company with the second largest number of donors for 730 blood donor bags in 2019. Additionally, Jembayan continued to provide medical assistance to Separi Community Health Center as part of its health awareness programmes. Jembayan also received an award from the Regent of Kutai Kartanegara for its cooperation in the health section as part of its CSR programmes.

4) **Disaster relief assistance:** In June 2019, Jembayan supported flood victims in Samarinda city by deploying emergency response team (ERT) troops and providing assistance in the form of basic needed such as rice, noodles and eggs.

5) **KB Village.** The KB Village Program has been implemented since 2016 in the Pulomas hamlet of Bhuana Jaya village. In 2019, Jembayan supported solar power plants for 11 housing units. In addition, Jembayan coordinated with its mining contractor in providing a biogas unit for household scale needs.

6) **Youth and Sports.** Jembayan provides sports equipment for young people in the targeted villages in the form of net, ball, and other sports training equipment.

7) **Clean Water Program.** Jembayan supported drilled wells by digging 7 bore holes for clean water needs in Mulawarman villages and provided clean water supply for residents in need.

8) **Organic Composting Plant.** Jembayan collaborated with its mining contractor to build an organic composting plant unit in order to process solid and liquid waste from households. The results of which have been utilized by employees and residents of the targeted village communities. In 2019, a total of 1,564 kg solid compost and 282 liters liquid compost had been inaugurated by the Bupati.

9) **Chicken livestock pilot project.** Jembayan launched chicken livestock farming in Segihan village as a pilot project. A semi-close house for chicken farming has been built and the harvest of the first of batch of chicken was successful.

10) **Small and Medium Business Development.** Jembayan supported small and medium sized businesses in the targeted villages by providing assistance in the form of production equipment, such as ovens and spinners.

2. Sebuku

In 2019, Sebuku prepared a master plan for community development programme (Rencana Induk Program Pemberdayaan Masyarakat (RIPPM)) which synchronized with the Blue

Print or the Master Plan of South Kalimantan Province.

Below is a summary of major initiatives that Sebuku carried out during 2019:

1) **Infant mortality and maternal health.** Sebuku continued to provide food supplements for infants and pregnant mothers in local communities as well as to support midwife to work closely with Puskesmas (Public Health) and doctors in order to monitor health and wellness of women during pregnancy to improve birth outcomes and reduce infant mortality in the communities.

2) **Farming and Livestock Farming:** Sebuku continued to support resources for Integrated Farming System (IFS) programmes that we have promoted over the past few years with an aim to increase self-sufficiency of many local community members. For many locals, the production from the farms could give them with a modest monthly income. In 2019, Sebuku had 6 hectares of IFS in form of "Demplot" as a learning model for community and local employees. The IFS area had been prepared for the development of superior planting of local fruits.

   Sebuku continued to support Paddy Field Programme since it began in 2013. At the end of 2019, total area of food security programme for paddy field and rice field was 120 hectares, including 20 hectares in Kanibungan Village, 65 hectares in Sekapung Village, and 35 hectares in Mandin Village.

   Sebuku continued to support the communities to increase their income generated from paddy, pepper and rubber at Serakaman Village and Sekapung Village and to support administration and marketing of honeybee farming at Kanibungan Village in Demplot.

3) **Education:** In 2019, Sebuku supported learning materials and facilities such as server computers, tables, chairs and electricity to several schools from kindergarten level to high school level in 5 villages which are Kanibungan, Sekapung, Mandin, Serakaman and Belambus. Sebuku also provided support for school activities and events such as graduation and academic achievement for elementary students, counselling for students in junior high school.

4) **Health awareness:** Sebuku collaborated with the Indonesia Red Cross Society and Navy Army Kotabaru to carry out blood donation and mass circumcision. In cooperation with medical staff and physicians of public health in Sebuku, we continued to provide free routine for check-up and treatment program in 5 villages, including Kanibungan, Serakaman, Mandin, Belambus and Sekapung.

5) **Disaster relief assistance:** On 24 November 2019, there was a fire disaster destroying hundreds of houses and public facilities in the area of Sungai Bali Village in Palau Sebuku Subdistrict. During 20 days after the fire incident, Sebuku supported the victims in need around 200 household or 750 people with meals, clean water, mattress, material for students and women, transportation, public facilities such as traditional market, police office and police dormitory. In addition, we also assisted Matasirih Kotabaru Regency in relieving the communities from the occurrence of landslides disaster.

SUSTAINABILITY (cont'd)

6) **Social activities and community bonding:** Sebuku continued to participate and sponsor in social and cultural events to promote community bonding such as Bupati Football Cup, religious events such as Safari Ramadan in the Sebuku Island and cultural events in Manti Island.

7) **Youth and sport:** Sebuku continued to support youth activities every year in form of sport materials and cultural events such as fishing boats (traditional local competitions) and provincial, district and sub-district competitions.

8) **Economic Independence:** Sebuku collaborated with local government, Kemendes, Kementerian Desa, Ministry of Villages Development, and a group of farmers in Kanibungan village in providing support such as necessary equipment, tractors and fuel for corn planting and Porang study. In addition, we also supported infrastructure development for economic independence such as jetty for local business and fishermen, road maintenance and irrigation to farmer paddy field, and corn planting and electricity for public purposes (schools, health centres).

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.

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 2019 audits and reviews were positive, with only minor items raised, most of which have been rectified at the date of this report.

In 2019, Jembayan achieved revegetation of 162 hectares in total and the total rehabilitated area over Jembayan's life of mine became 1,535 hectares at the end of December 2019. At Sebuku, total area of 12 hectares has been re-vegetated. This brings total rehabilitated area over Sebuku's life of mine to 637 hectares as of December 2019.

SUSTAINABILITY (cont'd)

Awards and Certifications

In 2019, Jembayan has been certified under ISO 45001 for Occupation and Health and received Zero Accident Award from East Kalimantan Governor. Sebuku also remained certified under OHSAS 18001.

Both mines remained certified under ISO 14001:2015 Environmental Management Systems throughout the year. Recertification of ISO 14001 for Jembayan was completed in March 2018 and it will be effective until March 2021. There was no major finding in the recertification audit. Recertification audit of ISO 14001 for Sebuku 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 principles of FOP and during 2018 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 Whistle Blower 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.

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 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). In 2019, both mine sites achieved zero LTIFR, showing our determined efforts in achieving safety targets. The safety programmes remain our focus and will continue in 2020.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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 2019 and the balance sheet of Sakari Resources Limited ("the Company") as at 31 December 2019.

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 28 to 111 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 2019 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:

Mrs Arawadee Photisaro	Non-executive Chairman	(appointed on 1 January 2020)
Mr Ekachai Sirithammasan	Chief Executive Officer/ Executive Director	(appointed on 16 September 2019)
Mr Han Eng Juan	Independent Director	
Ms Julie Therese Hall	Independent Director	
Mr Thanakorn Poolthavee	Independent Director	
Ms Rosaya Teinwan	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' STATEMENT

For the financial year ended 31 December 2019

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 31.12.2019	At 1.1.2019 or date of appointment, if later	**At 31.12.2019**	At 1.1.2019 or date of appointment, if later
PTT Public Company Limited				
Ultimate holding corporation				
<u>(No. of ordinary shares)</u>				
Ms Rosaya Teinwan	190,960	190,960	-	-
Mr Ekachai Sirithammasan	108,170	108,170	-	-
<u>(No. of unsecured bonds)</u>				
Ms Rosaya Teinwan	-	100	-	-
PTT Global Chemical Plc				
Related corporation				
<u>(No. of ordinary shares)</u>				
Mr Ekachai Sirithammasan	38,617	38,617	-	-
IRPC Public Company Limited				
Related corporation				
<u>(No. of ordinary shares)</u>				
Ms Rosaya Teinwan	40,000	40,000	-	-
Mr Ekachai Sirithammasan	-	-	53,500	53,500
Thai Oil Public Company Limited				
Related corporation				
<u>(No. of ordinary shares)</u>				
Ms Rosaya Teinwan	6,800	6,800	-	-

Directors' interests in shares or debentures (continued)

Global Power Synergy Public Company Limited				
Related corporation				
(No. of ordinary shares)				
Ms Rosaya Teinwan	28,228	15,000	-	-
Mr Atikom Terbsiri (resigned on 1 January 2020)	137,300	137,300	-	-

(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

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unisssued 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

Ekachai Sirithammasan	**Arawadee Photisaro**
Director	*Director*

12 February 2020

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 2019 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 financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheets of the Group and the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial 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 comprises 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 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.

INDEPENDENT AUDITOR'S REPORT

To The Members of Sakari Resources Limited

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, 12 February 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Revenue	4	**496,560**	636,729
Cost of sales	7	**(450,026)**	(458,369)
Gross profit		**46,534**	178,360
Other income	5	**3,066**	1,691
Other gains/(losses) - net			
- Impairment loss on financial assets		**-**	(295)
- Others	6	**1,105**	(7,052)
Expenses			
- Finance	9	**(337)**	(1,189)
- Corporate and technical support	7	**(10,717)**	(12,696)
Profit before income tax		**39,651**	158,819
Income tax credit/(expense)	10	**19,405**	(68,711)
Profit for the year		**59,056**	90,108
Profit attributable to:			
Equity holders of the Company		**59,056**	90,108
Non-controlling interests		**-**	-
		59,056	90,108
Earnings per share attributable to equity holders of the Company (US$ per share):			
- Basic and diluted	11	**0.05**	0.08

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

		Group	
	Note	**2019**	2018
		US$'000	US$'000
Profit for the year		**59,056**	90,108
Other comprehensive loss:			
Item that will not be reclassified subsequently to profit or loss:			
Financial assets, at FVOCI			
- Fair value loss – equity investment	17	**(1,253)**	(3,569)
Remeasurement of defined benefit plans		**233**	143
Other comprehensive loss, net of tax		**(1,020)**	(3,426)
Total comprehensive income		**58,036**	86,682
Total comprehensive income attributable to:			
Equity holders of the Company		**58,036**	86,682
Non-controlling interests		**-**	-
		58,036	86,682

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

BALANCE SHEETS

As At 31 December 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**US$'000**	US$'000	**US$'000**	US$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**144,057**	107,421	**12,822**	1,633
Trade and other receivables	13	**57,990**	81,845	**290,012**	305,270
Derivative financial instruments	23	**498**	8,933	**-**	-
Inventories	14	**23,003**	30,432	**-**	-
Tax receivables	15	**16,710**	3,699	**-**	-
		242,258	232,330	**302,834**	306,903
Non-current assets					
Other receivables	16	**27,333**	19,417	**-**	-
Financial assets, at FVOCI	17	**570**	1,823	**-**	-
Tax receivables	15	**23,318**	8,264	**-**	-
Investments in subsidiaries		**-**	-	**67,350**	67,350
Property, plant and equipment	18	**538,587**	548,868	**1,161**	456
Exploration and evaluation	20	**14,040**	12,463	**-**	-
Deferred income tax assets	21	**6,918**	5,756	**-**	-
		610,766	596,591	**68,511**	67,806
Total assets		**853,024**	828,921	**371,345**	374,709
LIABILITIES					
Current liabilities					
Trade and other payables	22	**78,850**	87,315	**389**	432
Derivative financial instruments	23	**5,773**	1,462	**-**	-
Current income tax liabilities		**607**	20,491	**252**	950
Lease liabilities	24	**498**	-	**433**	-
Provisions	25	**5,760**	5,426	**432**	577
		91,488	114,694	**1,506**	1,959

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

BALANCE SHEETS

As At 31 December 2019

	Note				
Non-current liabilities					
Derivative financial instruments	23	**1,451**	-	**-**	-
Deferred income tax liabilities	27	**47,386**	49,252	**890**	817
Lease liabilities	24	**679**	-	**675**	-
Provisions	26	**17,067**	19,138	**-**	-
		66,583	68,390	**1,565**	817
Total liabilities		**158,071**	183,084	**3,071**	2,776
NET ASSETS		**694,953**	645,837	**368,274**	371,933
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	**328,767**	328,767	**328,767**	328,767
Treasury shares	28	**(286)**	(286)	**(286)**	(286)
Other reserves	29	**(19,661)**	(18,641)	**8,403**	8,403
Retained profits	30	**386,346**	336,210	**31,390**	35,049
		695,166	646,050	**368,274**	371,933
Non-controlling interests		**(213)**	(213)	**-**	-
Total equity		**694,953**	645,837	**368,274**	371,933

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		← 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**
2019								
Balance at 1 January 2019		**328,767**	**(286)**	**(18,641)**	**336,210**	**646,050**	**(213)**	**645,837**
Profit for the year		-	-	-	59,056	59,056	-	59,056
Other comprehensive loss for the year		-	-	(1,020)	-	(1,020)	-	(1,020)
Total comprehensive income for the year		**-**	**-**	**(1,020)**	**59,056**	**58,036**	**-**	**58,036**
Dividend paid	31	-	-	-	(8,920)	(8,920)	-	(8,920)
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**(8,920)**	**(8,920)**	**-**	**(8,920)**
Balance at 31 December 2019		**328,767**	**(286)**	**(19,661)**	**386,346**	**695,166**	**(213)**	**694,953**
2018								
Balance at 1 January 2018		**328,767**	**(286)**	**(15,215)**	**246,102**	**559,368**	**(213)**	**559,155**
Profit for the year		-	-	-	90,108	90,108	-	90,108
Other comprehensive loss for the year		-	-	(3,426)	-	(3,426)	-	(3,426)
Total comprehensive income for the year		**-**	**-**	**(3,426)**	**90,108**	**86,682**	**-**	**86,682**
Balance at 31 December 2018		**328,767**	**(286)**	**(18,641)**	**336,210**	**646,050**	**(213)**	**645,837**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Cash flows from operating activities			
Receipts from customers		**521,223**	623,163
Payments to suppliers and employees		**(419,419)**	(477,547)
Receipts/(payments) for derivative financial instruments - net		**11,634**	(11,491)
Cash generated from operations		**113,438**	134,125
Interest received		**3,067**	13,639
Income taxes paid		**(52,853)**	(83,344)
Income taxes refunded		**17,726**	47,391
Net cash provided by operating activities	37	**81,378**	111,811
Cash flows from investing activities			
Payment for acquisition of subsidiaries, net of cash acquired	38	**(11,700)**	-
Additions to property, plant and equipment		**(22,809)**	(11,970)
Disposal of property, plant and equipment		**117**	67
Addition to exploration and evaluation		**(711)**	-
Loans to a related corporation		**(2)**	(11)
Net cash used in investing activities		**(35,105)**	(11,914)
Cash flows from financing activities			
Principal payment of lease liabilities		**(1,052)**	-
Repayment of borrowings		**-**	(40,000)
Interest paid		**(83)**	(952)
Dividends paid to equity holders of the Company	31	**(8,920)**	-
Net cash used in financing activities		**(10,055)**	(40,952)
Net increase in cash and cash equivalents		**36,218**	58,945
Cash and cash equivalents at beginning of the financial year		**107,421**	49,209
Effect of exchange rate movements on cash and cash equivalents		**418**	(733)
Cash and cash equivalents at end of the financial year	12	**144,057**	107,421

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

Reconciliation of liabilities arising from financing activities

	1 January 2019	Principal and interest payments	Non-cash changes				31 December 2019
			Adoption of FRS 116	Addition during the year	Interest expense	Foreign exchange movement	
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Lease liabilities	-	(1,135)	1,821	391	83	17	1,177

	1 January 2018	Proceeds	Principal and interest payments	Non-cash changes	31 December 2018
				Interest expense	
	US$'000	US$'000	US$'000	US$'000	US$'000
Borrowings	40,000	-	(40,000)	-	-
Other payables due to a related corporation	46	-	(952)	906	-

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended 31 December 2019

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 2019

On 1 January 2019, 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.

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (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 had no material effect on the amounts reported for the current or prior financial years except for the adoption of FRS 116 Leases:

Adoption of FRS 116 Leases

When the Group is the lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2(f).

On initial application of FRS 116, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 Lease and INT FRS 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under FRS 116; and

(ii) On a lease-by-lease basis, the Group has:
   a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
   d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
   e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of FRS 116 Leases (continued)

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its right-of-use assets at a carrying amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

The effects of adoption of FRS 116 on the Group and Company's financial statements as at 1 January 2019 are as follows:

	Group Increase US$'000	Company Increase US$'000
Property, plant and equipment	1,821	1,511
Lease liabilities	1,821	1,511

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of FRS 116 Leases (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	Group US$'000	Company US$'000
Operating lease commitment disclosed as at 31 December 2018	3,386	1,775
Less: Short-term and low value leases	(1,305)	(44)
Less: Discounting effect using weighted average incremental borrowing rate of 5.1% (Group) and 3.8% (Company)	(260)	(220)
Lease liabilities recognised as at 1 January 2019	1,821	1,511

(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, transactions, 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.

2. Summary of significant accounting policies (continued)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

Consolidation (continued)

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.

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 non-controlling 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.

2. Summary of significant accounting policies (continued)

(b) Group accounting (continued)

(i) Subsidiaries (continued)

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.

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) 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.

2. Summary of significant accounting policies (continued)

(c) Currency translation (continued)

(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 sheet date are recognised in profit or loss.

Monetary items include primarily financial assets (other than equity investments) and financial liabilities.

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

Non-monetary items are measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(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 with loss of control of the foreign operation.

2. Summary of significant accounting policies (continued)

(c) Currency translation (continued)

(iii) Translation of Group entities' financial statements

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

(i) Sale of goods – Coal

The Group recognises revenue from the sales of coal when control of the products has transferred to its customers, being when the products are delivered to the locations specified by its customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risk of loss has been transferred to the customer, and either the customer has accepted the products in accordance with the sales contracts or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of value added tax, rebates, discounts and after eliminating sales within the Group. No element of financing is deemed present as the sales are made either with letter of credit or credit terms up to 30 days.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

The Group's coal sales may be subject to adjustment based on the inspection of shipments by the customer. In these cases, sales are recognised based on the Group's best estimate of the grade and/or quantity at the time of shipment and any subsequent adjustments are recorded against sales. Historically, the difference between estimated and actual grade and/or quantity are not significant.

(ii) Rendering of services

Revenue from logistics services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

2. Summary of significant accounting policies (continued)

(d) Revenue (continued)

(ii) Rendering of services (continued)

The customers are invoiced monthly. A contract asset is recognised for the cumulative revenue recognised but not yet invoiced.

(iii) Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of dividend can be reliably measured.

(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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

2. Summary of significant accounting policies (continued)

(e) Income taxes (continued)

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.

(f) Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

When the Group is the lessee:

The Group leases mining equipment, office space, residential properties and office equipment under operating leases from non-related parties.

- *Lessee – Operating leases*

  Leases where substantially all 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.

2. Summary of significant accounting policies (continued)

(f) Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows:

When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.Right-of-use assets are presented within "Property, plant and equipment".

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments include the following:

  - Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
  - Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
  - Amount expected to be payable under residual value guarantees;

2. Summary of significant accounting policies (continued)

(f) Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a changes in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

• Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(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.

2. Summary of significant accounting policies (continued)

(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) Inventories

Run of mine coal and finished product coal are 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.

(j) Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

2. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. The Group has elected to classify equity investments as FVOCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised as “fair value gains and losses” in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as “dividend income”.

2. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on 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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(k) 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.

2. Summary of significant accounting policies (continued)

(l) Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Changes in its fair value are recognised in profit or loss. The Group does not apply hedge accounting for its derivative financial instruments.

(m) 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)

(m) 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(o).

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 based on the 'waste to coal' ratio.

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(iii) Mining properties (continued)

Deferred stripping costs (continued)

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.

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 a coal seam 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.

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

(iii) Mining properties (continued)

Deferred stripping costs (continued)

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:

Units-of-production basis

For mining properties, 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

2. Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

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

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.

(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 gains/losses – net”.

(n) Exploration and evaluation assets

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:

2. Summary of significant accounting policies (continued)

(n) Exploration and evaluation assets (continued)

(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, and activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

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. 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.

2. Summary of significant accounting policies (continued)

(o) Impairment of non-financial assets

Property, plant and equipment
Right-of-use assets
Investments in subsidiaries

Property, plant and equipment, right-of-use assets 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.

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.

(p) 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.

2. Summary of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) 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.

2. Summary of significant accounting policies (continued)

(s) Provisions (continued)

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, unless the decrease in the liability exceeds the carrying amount of the asset has reached the end of its useful life. In such cases, the excess or the decrease over the carrying amount of the assets or the changes in the liability is recognised in profit or loss immediately.

(t) 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

2. Summary of significant accounting policies (continued)

(t) Employee compensation (continued)

(ii) Other long-term employee benefit obligations (continued)

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. The Group's contributions are recognised as employee compensation expense when they are due.

(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.

2. Summary of significant accounting policies (continued)

(t) Employee compensation (continued)

(v) Defined benefit plans

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) 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.

(u) 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.

NOTES TO THE FINANCIAL STATEMENT

For the financial year ended 31 December 2019

2. Summary of significant accounting policies (continued)

(u) Share capital and treasury shares (continued)

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.

(v) Dividends to the Company's shareholders

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

(w) 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 requirements, the Group's environmental policies,

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

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

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.

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 non-financial 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 value of mining properties from business acquisition, the depreciation and amortisation charged to profit or loss where such charges are determined by the unit-of-production basis 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 which is included within mining properties is US$77 million (2018: US$84 million) as at 31 December 2019.

(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		
	At a point in time	**Over time**	**Total**
	US$'000	**US$'000**	**US$'000**
2019			
Coal sales	**494,821**	**-**	**494,821**
Logistics service revenue	**-**	**1,710**	**1,710**
Other revenue	**29**	**-**	**29**
	494,850	**1,710**	**496,560**

4. Revenue (continued)

	Group		
	At a point in time	Over time	Total
	US$'000	US$'000	US$'000
2018			
Coal sales	634,305	-	634,305
Logistics service revenue	-	2,370	2,370
Other revenue	54	-	54
	634,359	2,370	636,729

5. Other income

	Group	
	2019	2018
	US$'000	US$'000
Interest income	**3,066**	1,691

6. Other gains/(losses) – net

	Group	
	2019	2018
	US$'000	US$'000
Fair value losses on derivative financial instruments	**(2,561)**	(3,629)
Foreign exchange gains/(losses) – net	**2,211**	(1,872)
(Loss)/gain on sale of property, plant and equipment	**(402)**	28
Compensation for early termination of contract	**-**	(1,529)
Others	**1,857**	(50)
	1,105	(7,052)

7. Expenses by nature

	Group	
	2019	2018
	US$'000	US$'000
Depreciation and amortisation (note 18)	**38,794**	36,796
Deferred stripping amortisation (note 18)	**48,003**	30,920
Mining	**250,719**	275,132
Processing	**7,774**	6,613
Movement in inventories	**5,782**	23,913
Barging and shipping	**42,504**	33,668
Agency fees and royalties	**31,446**	39,658
Direct site support	**12,312**	24,238
Employee compensation (note 8)	**9,857**	14,231
Corporate, consulting and technical services fees	**5,446**	9,334
Rental expense	**1,305**	692
Refund of withholding and value-added taxes incurred in prior years	**-**	(27,913)
Other expenses	**6,801**	3,783
Total cost of sales and corporate and technical support expenses	**460,743**	471,065

8. Employee compensation

	Group	
	2019	2018
	US$'000	US$'000
Wages and salaries	**8,357**	12,712
Employer's contributions to defined contribution plans	**388**	421
Other staff benefits	**1,112**	1,098
	9,857	14,231

9. Finance expenses

	Group	
	2019	2018
	US$'000	US$'000
Interest expense		
- Borrowings	**-**	906
- Lease liabilities	**83**	-
Bank charges	**254**	283
	337	1,189

10. Income taxes

	Group	
	2019	2018
	US$'000	US$'000
Income tax expense		
Tax expense attributable to profit is made up of:		
Current income tax	**18,102**	42,351
Deferred income tax	**(4,702)**	(1,914)
	13,400	40,437
(Over)/under provision in prior financial years:		
Current income tax	**(31,978)**	27,067
Deferred income tax	**(827)**	1,207
	(32,805)	28,274
Total income tax (credit)/expense	**(19,405)**	68,711

10. Income taxes (continued)

	Group	
	2019	2018
	US$'000	US$'000
Deferred income tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 21)	**(3,481)**	1,065
Decrease in deferred tax liabilities (note 27)	**(2,048)**	(1,772)
	(5,529)	(707)

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

	Group	
	2019	2018
	US$'000	US$'000
Profit before income tax	**39,651**	158,819
Tax calculated at tax rate of 17% (2018: 17%)	**6,741**	26,999
Effects of:		
- expenses not deductible for tax purposes	**1,519**	1,668
- lower tax rate under incentive scheme	**1,105**	276
- different tax rates in other countries	**4,035**	11,494
- (over)/under provision in prior years	**(32,805)**	28,274
Income tax (credit)/expense	**(19,405)**	68,711

The Group has unrecognised tax losses of US$23,288,000 (2018: US$18,899,000) 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.

10. Income taxes (continued)

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"), Withholding Taxes ("WHT"), and Land and Building Tax ("LBT"). 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.

Indonesia subsidiaries	Fiscal year	Status	Nature of tax dispute	Dispute amount US$'000
PT Jembayan Muarabara	2013	Submitted objection to DGT	LBT	349
PT Arzara Baraindo Energitama	2013	Submitted objection to DGT	LBT	296
PT Kemilau Rindang Abadi	2013	Submitted objection to DGT	LBT	446
PT Borneo Citrapertiwi Nusantara	2016	Tax Court Appeal	CIT, VAT	668
PT Metalindo Bumi Raya	2015	Tax Court Appeal	CIT	8,264
				10,023

*Assessments denominated in Indonesia Rupiah were translated to United States Dollar based on exchange rate as at 31 December 2019.

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 and the subsidiaries do not agree and applied the objection. 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	
	2019	2018
Basic and diluted earnings per share		
Net profit attributable to equity holders of the Company (US$'000)	**59,056**	90,108
Weighted average number of ordinary shares outstanding ('000)	**1,137,052**	1,137,052
Basic and diluted earnings per share (US$)	**0.05**	0.08

12. Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**132,923**	62,421	**12,822**	1,633
Short-term bank deposits	**11,134**	45,000	**-**	-
	144,057	107,421	**12,822**	1,633

13. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables				
- Related corporations	**1,909**	-	**-**	-
- Non-related parties	**44,560**	41,714	**-**	-
Less: Loss allowance	**(1,047)**	(1,040)	**-**	-
Trade receivables - net	**45,422**	40,674	**-**	-

13. Trade and other receivables (continued)

Other receivables				
- Related corporations	**117**	127	**64**	63
- Subsidiaries	**-**	-	**291,139**	306,327
- Non-related parties	**9,815**	32,675	**772**	776
	9,932	32,802	**291,975**	307,166
Less: Loss allowance	**-**	-	**(2,041)**	(2,056)
Other receivables - net	**9,932**	32,802	**289,934**	305,110
Accrued income	**1,468**	7,154	**-**	-
Prepayments	**1,168**	1,215	**78**	160
	2,636	8,369	**78**	160
	57,990	81,845	**290,012**	305,270

Other receivables due from subsidiaries are unsecured, interest-bearing at the London Interbank Offered Rate ("LIBOR") plus 1.5% (2018: 3.44%) and are repayable on demand.

Other receivables due from related corporations are unsecured, interest-free and repayable on demand.

14. Inventories

	Group	
	2019	2018
	US$'000	US$'000
Run of mine stockpiles	**5,921**	7,588
Finished product coal	**14,222**	19,892
Consumables	**2,860**	2,952
	23,003	30,432

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	
	2019	2018
	US$'000	US$'000
Security deposits	**27,333**	19,417

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

17. Financial assets, at FVOCI

	Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**1,823**	5,392
Fair value losses (Note 29(e))	**(1,253)**	(3,569)
End of financial year	**570**	1,823

	Group	
	2019	2018
	US$'000	US$'000
Listed equity securities		
- Xanadu Mines Limited	**570**	1,823

18. Property, plant and equipment

	Capital work in progress	Mining properties	Buildings	Plant and equipment	Land rights	Right-of-use assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group							
2019							
Beginning of financial year	**5,503**	**405,308**	**873**	**47,025**	**90,159**	**-**	**548,868**
Adoption of FRS 116 (Note 2(a))	**-**	**-**	**-**	**-**	**-**	**1,821**	**1,821**
	5,503	**405,308**	**873**	**47,025**	**90,159**	**1,821**	**550,689**
Additions	**9,472**	**43,344**	**-**	**1,470**	**9,581**	**391**	**64,257**
Acquisition of subsidiaries (note 38)	**-**	**12,506**	**-**	**-**	**634**	**-**	**13,140**
Transfers (to)/from other classes	**(4,664)**	**3,232**	**-**	**644**	**788**	**-**	**-**
Depreciation/ amortisation charge (note 7)	**-**	**(24,641)**	**(90)**	**(4,502)**	**(8,777)**	**(785)**	**(38,794)**
Deferred stripping amortisation (note 7)	**-**	**(48,003)**	**-**	**-**	**-**	**-**	**(48,003)**
Disposal/write-off	**(860)**	**(1,324)**	**-**	**(518)**	**-**	**-**	**(2,702)**
End of financial year	**9,451**	**390,422**	**783**	**44,119**	**92,385**	**1,427**	**538,587**
At 31 December 2019							
Cost	**9,451**	**1,016,427**	**4,323**	**139,254**	**143,018**	**2,212**	**1,314,685**
Accumulated depreciation/ amortisation	**-**	**(618,191)**	**(3,540)**	**(95,135)**	**(50,633)**	**(785)**	**(768,284)**
Accumulated impairment	**-**	**(7,814)**	**-**	**-**	**-**	**-**	**(7,814)**
Net book amount	**9,451**	**390,422**	**783**	**44,119**	**92,385**	**1,427**	**538,587**

18. Property, plant and equipment (continued)

	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						
2018						
Beginning of financial year	21,796	413,400	935	50,380	77,623	564,134
Additions	3,401	46,306	21	648	6,810	57,186
Transfers (to)/from other classes	(17,119)	3,139	40	836	13,104	-
Depreciation/amortisation charge (note 7)	-	(24,869)	(86)	(4,463)	(7,378)	(36,796)
Deferred stripping amortisation (note 7)	-	(30,920)	-	-	-	(30,920)
Disposal/write-off	(2,575)	(1,748)	(37)	(376)	-	(4,736)
End of financial year	5,503	405,308	873	47,025	90,159	548,868
At 31 December 2018						
Cost	5,503	959,069	4,323	143,621	132,014	1,244,530
Accumulated depreciation/ amortisation	-	(545,947)	(3,450)	(96,596)	(41,855)	(687,848)
Accumulated impairment	-	(7,814)	-	-	-	(7,814)
Net book amount	5,503	405,308	873	47,025	90,159	548,868

Included within additions for mining properties in the consolidated financial statements are deferred stripping costs amounting to US$41million (2018: US$45 million).

Mining properties and land rights are amortised using the units-of-production method based on estimated coal reserves.

18. Property, plant and equipment (continued)

Company	Plant and equipment	Capital work in progress	Right-of-use assets	Total
	US$'000	US$'000	US$'000	US$'000
2019				
Beginning of financial year	**91**	**365**	**-**	**456**
Adoption of FRS 116 (Note 2(a))	**-**	**-**	**1,511**	**1,511**
	91	**365**	**1,511**	**1,967**
Transfers from/(to) other classes	**63**	**(63)**	**-**	**-**
Depreciation/amortisation charge	**(72)**	**-**	**(432)**	**(504)**
Disposal	**-**	**(302)**	**-**	**(302)**
End of financial year	**82**	**-**	**1,079**	**1,161**
At 31 December 2019				
Cost	**3,301**	**-**	**1,511**	**3,301**
Accumulated depreciation	**(3,219)**	**-**	**(432)**	**(3,219)**
Net book amount	**82**	**-**	**1,079**	**1,161**

Company	Plant and equipment	Capital work in progress	Total
	US$'000	US$'000	US$'000
2018			
Beginning of financial year	143	398	541
Additions	44	-	44
Transfers from/(to) other classes	10	(10)	-
Depreciation charge	(106)	-	(106)
Disposal	-	(23)	(23)
End of financial year	91	365	456
At 31 December 2018			
Cost	3,237	365	3,602
Accumulated depreciation	(3,146)	-	(3,146)
Net book amount	91	365	456

Details of right-of-use assets are disclosed in Note 19.

19. Leases – The Group as a lessee

Nature of the Group's leasing activities

Plant and equipment

The Group leases mining equipment and motor vehicles for its mining activities and leases office space, office equipment and residential properties for back office operations.

(a) *Carrying amounts*

Right-of-use assets classified within Property, plant and equipment

	31 December 2019 US$'000	1 January 2019 US$'000
Group		
Plant and equipment	**1,427**	1,821

	31 December 2019 US$'000	1 January 2019 US$'000
Company		
Plant and equipment	**1,079**	1,511

(b) *Depreciation charge during the year*

	2019 US$'000
Group	
Plant and equipment	**785**

(c) *Interest expense*

Interest expense on lease liabilities	**83**

(d) *Lease expense not capitalised in lease liabilities*

Short-term and low value leases (Note 7)	**1,305**

19. Leases – The Group as a lessee (continued)

(e) Total cash outflow for all the leases in 2019 was US$2,440,000.

(f) Addition of right-of-use assets of the Group and of the Company during the financial year 2019 was US$391,000 and US$Nil respectively.

20. Exploration and evaluation

	Group	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**12,463**	12,463
Acquisition of subsidiaries (note 38)	**866**	-
Addition	**711**	-
End of financial year	**14,040**	12,463

21. Deferred income tax assets

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
To be recovered after one year	**9,857**	6,376	**536**	502
Set-off of deferred tax assets pursuant to set-off provisions (note 27)	**(2,939)**	(620)	**(536)**	(502)
Net deferred income tax assets	**6,918**	5,756	**-**	-

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.

21. Deferred income tax assets (continued)

Movement in deferred income tax assets account is as follows:

Group	Tax losses	Interest payable	Provisions	Total
	US$'000	US$'000	US$'000	US$'000
2019				
Beginning of financial year	**3,368**	**492**	**2,516**	**6,376**
Tax credited/(charged) to the income statement	**3,048**	**34**	**(222)**	**2,860**
Under provision in respect of prior year	**451**	**-**	**170**	**621**
End of financial year	**6,867**	**526**	**2,464**	**9,857**
2018				
Beginning of financial year	3,685	453	3,303	7,441
Tax credited/(charged) to the income statement	752	39	(463)	328
(Over)/under provision in respect of prior year	(1,069)	-	(324)	(1,393)
End of financial year	3,368	492	2,516	6,376

Company	Interest payable	Provisions	Total
	US$'000	US$'000	US$'000
2019			
Beginning of financial year	**492**	**10**	**502**
Tax credited/(charged) to the income statement	**35**	**(1)**	**34**
End of financial year	**527**	**9**	**536**

21. Deferred income tax assets (continued)

Company	Interest payable US$'000	Provisions US$'000	Total US$'000
2018			
Beginning of financial year	453	13	466
Tax credited/(charged) to the income statement	39	(3)	36
End of financial year	492	10	502

22. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**26,463**	34,716	**-**	-
Other payables				
- Ultimate holding corporation	**72**	86	**-**	-
- Related corporations	**545**	563	**199**	109
- Non-related parties	**6,086**	7,055	**166**	301
Accrued expenses	**45,684**	44,895	**24**	22
	78,850	87,315	**389**	432

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

23. Derivative financial instruments

	Group	
	Fair value	
	Asset	Liability
	US$'000	US$'000
2019		
Currency forwards		
- Non-related party	**498**	**-**
Coal swaps		
- Non-related parties	**-**	**(7,224)**
Total	**498**	**(7,224)**
- Current	**498**	**(5,773)**
- Non-current	**-**	**(1,451)**
Total	**498**	**(7,224)**
2018		
Currency forwards		
- Non-related party	524	-
Coal swaps		
- Related corporation	4,402	(197)
- Non-related party	4,007	(1,265)
Total	8,933	(1,462)
- Current	8,933	(1,462)

The derivatives used by the Group are over-the-counter commodity derivatives which are measured at fair value and will settle within 1 to 2 years from the balance sheet date. The Group did not apply hedge accounting in 2019 and 2018.

24. Lease liabilities

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Current				
Lease liabilities	**498**	-	**433**	-
Non-current				
Lease liabilities	**679**	-	**675**	-
	1,177	-	**1,108**	-

25. Provisions – current

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Employee benefits (note 26(a))	**1,849**	3,446	**432**	577
Rehabilitation of mining areas (note 26(b))	**3,911**	1,980	**-**	-
	5,760	5,426	**432**	577

Movements in provisions

Movements in each class of provisions are as follows:

Group	**Employee benefits**	**Rehabilitation of mining areas**	**Total**
	US$'000	**US$'000**	**US$'000**
2019			
Beginning of financial year	**3,446**	**1,980**	**5,426**
Transfer from provision – non-current (note 26)	**-**	**2,143**	**2,143**
Provision (written back)/made	**(580)**	**221**	**(359)**
Provision utilised during the year	**(1,017)**	**(433)**	**(1,450)**
End of financial year	**1,849**	**3,911**	**5,760**

25. Provisions – current (continued)

2018			
Beginning of financial year	1,663	-	1,663
Provision made	3,020	1,980	5,000
Provision utilised during the year	(1,237)	-	(1,237)
End of financial year	3,446	1,980	5,426

Company	**Employee benefits**	**Total**
	US$'000	**US$'000**
2019		
Beginning of financial year	**577**	**577**
Provision made	**300**	**300**
Provision utilised during the year	**(445)**	**(445)**
End of financial year	**432**	**432**
2018		
Beginning of financial year	380	380
Provision made	431	431
Provision utilised during the year	(234)	(234)
End of financial year	577	577

26. Provisions – non-current

	Group	
	2019	2018
	US$'000	US$'000
Employee benefits (a)	**2,331**	2,086
Rehabilitation and dismantling (b)	**14,736**	17,052
	17,067	19,138

(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.

26. Provisions – non-current

(a) Employee benefits (continued)

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.

(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:

Group	Employee benefits	Rehabilitation and dismantling	Total
	US$'000	US$'000	US$'000
2019			
Beginning of financial year	**2,086**	**17,052**	**19,138**
Transfer to provision – current (note 25)	**-**	**(2,143)**	**(2,143)**
Provision made	**319**	**(173)**	**146**
Provision utilised during the year	**(74)**	**-**	**(74)**
End of financial year	**2,331**	**14,736**	**17,067**
2018			
Beginning of financial year	2,771	9,889	12,660
Provision made	670	7,163	7,833
Provision utilised during the year	(1,355)	-	(1,355)
End of financial year	2,086	17,052	19,138

27. Deferred income tax liabilities

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
To be settled after one year	**50,325**	49,872	**1,426**	1,319
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	**(2,939)**	(620)	**(536)**	(502)
Net deferred income tax liabilities	**47,386**	49,252	**890**	817

Movement in deferred income tax liabilities account is as follows:

Group	Mining properties	Depreciation and amortisation	Interest Receivables	Total
	US$'000	**US$'000**	**US$'000**	**US$'000**
2019				
Beginning of financial year	**46,757**	**1,810**	**1,305**	**49,872**
Tax (credited)/charged to the income statement	**(2,494)**	**547**	**105**	**(1,842)**
Over provision in respect of prior year	**-**	**(206)**	**-**	**(206)**
Acquisition of subsidiaries	**2,501**	**-**	**-**	**2,501**
End of financial year	**46,764**	**2,151**	**1,410**	**50,325**
2018				
Beginning of financial year	49,416	1,055	1,173	51,644
Tax (credited)/charged to the income statement	(2,659)	941	132	(1,586)
Over provision in respect of prior year	-	(186)	-	(186)
End of financial year	46,757	1,810	1,305	49,872

27. Deferred income tax liabilities (continued)

Company	Depreciation and amortisation	Interest Receivables	Total
	US$'000	US$'000	US$'000
2019			
Beginning of financial year	**14**	**1,305**	**1,319**
Tax charged to the income statement	**2**	**105**	**107**
End of financial year	**16**	**1,410**	**1,426**
2018			
Beginning of financial year	19	1,173	1,192
Tax credited to the income statement	(5)	132	127
End of financial year	14	1,305	1,319

28. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital	Treasury shares
			US$'000	US$'000
Group and Company				
2019				
Beginning and end of financial year	1,137,052,220	(7,908,101)	328,767	(286)
2018				
Beginning and end of financial year	1,137,052,220	(7,908,101)	328,767	(286)

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.

29. Other reserves

	Group		Company	
	2019	2018	**2019**	2018
	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)	**(7,986)**	(6,733)	**-**	-
Remeasurement of defined benefit plans	**871**	638	**-**	-
	(19,661)	(18,641)	**8,403**	8,403

Other reserves are non-distributable.

(a) Share-based compensation reserve

	Group and Company	
	2019	2018
	US$'000	US$'000
Beginning and end of financial year	**8,403**	8,403

Share-based compensation reserve relates to share-based payment benefits that were provided to employees via the Executive Share Acquisition Plan and Employee Share Option Plan. Both plans were terminated in 2014.

(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% non-controlling interest in PT BCS prior to 2006 and the amount that these non-controlling interests were recognised in the financial statements.

29. Other reserves (continued)

(c) *General reserve*

	Group	
	2019	2018
	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.

(d) *Merger reserve*

Merger reserve arising from a restructuring exercise in prior years 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	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**(6,733)**	(3,164)
Fair value loss on financial assets, at FVOCI (note 17)	**(1,253)**	(3,569)
End of financial year	**(7,986)**	(6,733)

The fair value reserve represents the mark to market over the cost of the investment (note 17).

30. Retained profits

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of financial year	**336,210**	246,102	**35,049**	32,619
Net profit after tax	**59,056**	90,108	**5,261**	2,430
Dividends paid (note 31)	**(8,920)**	-	**(8,920)**	-
End of financial year	**386,346**	336,210	**31,390**	35,049

31. Dividends

	Company	
	2019	2018
	US$'000	US$'000
Ordinary dividends		
Final dividend paid in respect of the previous financial year of US 0.79cents (2018: Nil) per share (Note 30)	**8,920**	-

32. Capital commitments

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

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Property, plant and equipment	**239**	1,214	**35**	101

33. Operating lease commitments

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

33. Operating lease commitments (continued)

As at 31 December 2018, 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
	2018	2018
	US$'000	US$'000
Not later than one year	2,067	516
Between one and five years	1,319	1,259
	3,386	1,775

As disclosed in Note 2(a), the Group has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

34. 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").

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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.

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$'000	THB US$'000	Total US$'000
At 31 December 2019					
Financial assets					
Cash and cash equivalents	**371**	**28,113**	**-**	**-**	**28,484**
Trade and other receivables	**181**	**17,314**	**-**	**-**	**17,495**
Financial assets, at FVOCI	**-**	**-**	**570**	**-**	**570**
	552	**45,427**	**570**	**-**	**46,549**
Financial liabilities					
Trade and other payables	**638**	**71,936**	**75**	**108**	**72,757**
Lease liabilities	**1,108**	**69**	**-**	**-**	**1,177**
	1,746	**72,005**	**75**	**108**	**73,934**
Net financial (liabilities) /assets	**(1,194)**	**(26,578)**	**495**	**(108)**	**(27,385)**
At 31 December 2018					
Financial assets					
Cash and cash equivalents	421	9,573	-	-	9,994
Trade and other receivables	188	39,462	-	-	39,650
Financial assets, at FVOCI	-	-	1,823	-	1,823
	609	49,035	1,823	-	51,467

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Financial liabilities					
Trade and other payables	402	76,017	76	-	76,495
	402	76,017	76	-	76,495
Net financial assets/ (liabilities)	207	(26,982)	1,747	-	(25,028)

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

	2019			2018		
	SGD	**THB**	**Total**	SGD	THB	Total
	USD$'000	**USD$'000**	**USD$'000**	USD$'000	USD$'000	USD$'000
Financial assets						
Cash and cash equivalents	**202**	**-**	**202**	172	-	172
Trade and other receivables	**128**	**-**	**128**	132	-	132
	330	**-**	**330**	304	-	304
Financial liabilities						
Trade and other payables	**167**	**5**	**172**	282	-	282
Lease liabilities	**1,108**	**-**	**1,108**	-	-	-
	1,275	**5**	**1,280**	282	-	282
Net financial (liabilities)/ assets	**(945)**	**(5)**	**(950)**	22	-	22

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.

34. Financial risk management (continued)

(a) Market risk (continued)

(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.

The Group uses derivative financial instruments in the form of coal and gasoil 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 2019 had increased/decreased by 10% (2018: 10%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by US$3,385,000 (2018: US$880,980).

The Group has an equity investment which is classified as Financial assets, at FVOCI (2018: Financial assets, at FVOCI) 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 3% (2018: 10%) with all other variables including tax rate being held constant, the other comprehensive income would have been lower/higher by US$17,000 (2018: US$182,250).

(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 and liabilities, the Group's income and expenses are substantially independent of changes in market interest rates.

34. 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.

The Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining letter of credit where appropriate to mitigate credit risk. 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.

There are no significant concentrations of credit risk through exposure to individual customers.

As the Group and Company do not hold collateral, 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.

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit losses for trade receivables.

To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward-looking macroeconomic data such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

34. Financial risk management (continued)

(b) *Credit risk (continued)*

Trade receivables (continued)

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

The Group's credit risk exposure in relation to trade receivables under FRS 109 as at 31 December 2019 and 31 December 2018 are set out as follows:

		← Past due		→	
	Current	< 3 months	3 to 6 months	> 6 months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2019					
Group					
Expected loss rate	0%	0%	0%	48%	
Trade receivables	42,693	1,605	-	2,171	46,469
Loss allowance	-	-	-	(1,047)	(1,047)

		← Past due		→	
	Current	< 3 months	3 to 6 months	> 6 months	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2018					
Group					
Expected loss rate	0%	0%	0%	100%	
Trade receivables	39,370	1,286	16	1,042	41,714
Loss allowance	-	-	-	(1,040)	(1,040)

Cash and cash equivalents of the Group and Company are subject to immaterial credit loss. Other receivables of the Group are subject to immaterial credit loss.

Other receivables due from related corporations and subsidiaries of the Company are subject to immaterial credit loss. The Company has assessed that its related corporations and subsidiaries have strong financial capability to meet the contractual cash flow obligations and hence does not expect significant credit losses.

34. Financial risk management (continued)

(b) Credit risk (continued)

The movement in credit loss allowance for the following financial assets are set out as follows:

	Trade Receivables[a]
	US$'000
Group	
2019	
Balance at 1 January 2019	1,040
Currency translation difference	7
Balance at 31 December 2019	1,047
2018	
Balance at 1 January 2018	784
Loss allowance recognised in profit or loss during the year on:	
- Asset acquired/originated	261
Receivables written off as uncollectible#	(5)
Balance at 31 December 2018	1,040

Amount written off during the period are still subject to enforcement activity.
(a) Loss allowance measured at lifetime ECL

34. Financial risk management (continued)

(b) Credit risk (continued)

	Other Receivables[(a)] US$'000
Company	
2019	
Balance at 1 January 2019	2,056
Gain allowance recognised in profit or loss during the year on:	
- Changes in credit risk	(15)
Balance at 31 December 2019	2,041
2018	
Balance at 1 January 2018	832
Loss allowance recognised in profit or loss during the year on:	
- Changes in credit risk	7,423
Receivables written off as uncollectible[#]	(6,199)
Balance at 31 December 2018	2,056

[#] Amount written off during the period are still subject to enforcement activity.
[(a)] Loss allowance measured at lifetime ECL

(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.

34. 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
	US$'000	US$'000	US$'000
2019			
Group			
Trade and other payables	**(78,850)**	**-**	**-**
Derivative financial instruments	**(5,773)**	**(1,451)**	**-**
Lease liabilities	**(534)**	**(472)**	**(229)**
	(85,157)	**(1,923)**	**(229)**
Company			
Trade and other payables	**(389)**	**-**	**-**
Lease liabilities	**(468)**	**(468)**	**(229)**
	(857)	**(468)**	**(229)**
2018			
Group			
Trade and other payables	(87,315)	-	-
Derivative financial instruments	(1,462)	-	-
	(88,777)	-	-
Company			
Trade and other payables	(432)	-	-
	(432)	-	-

34. 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 2018 and 2019.

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Net debt	**-**	-	**-**	-
Total equity	**694,953**	645,837	**368,274**	371,933
Total capital	**694,953**	645,837	**368,274**	371,933
Gearing ratio	**n.m.**	n.m.	**n.m**	n.m.

n.m. – not meaningful

34. 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 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2019				
Assets				
Derivative financial instruments	**-**	**498**	**-**	**498**
Financial assets, at FVOCI	**570**	**-**	**-**	**570**
	570	**498**	**-**	**1,068**
Liabilities				
Derivative financial instruments	**-**	**7,224**	**-**	**7,224**
2018				
Assets				
Derivative financial instruments	**-**	**8,933**	**-**	**8,933**
Financial assets, at FVOCI	**1,823**	**-**	**-**	**1,823**
	1,823	**8,933**	**-**	**10,756**
Liabilities				
Derivative financial instruments	**-**	**1,462**	**-**	**1,462**

There were no transfers between Level 1 and 2 during the year.

34. Financial risk management (continued)

(e) Fair value measurement (continued)

The fair value of financial instruments traded in active markets (such as trading 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.

(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 23 to the financial statements, except for the following:

	Group 2019 US$'000	Company 2019 US$'000
31 December 2019		
Financial assets, at amortised cost	**228,212**	**302,756**
Financial liabilities, at amortised cost	**78,850**	**389**
31 December 2018		
Financial assets, at amortised cost	207,468	306,743
Financial liabilities, at amortised cost	87,315	432

35. Related party transactions

(a) Key management personnel compensation

	Group	
	2019	2018
	US$'000	US$'000
Salaries and other employee benefits	**1,135**	1,493
Directors' fees	**380**	366
	1,515	1,859

(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	
	2019	2018
	US$'000	US$'000
Sales of coal to a related corporation	**9,726**	-
Loss on derivative contracts entered with a related corporation	**1,234**	1,133
Consultancy fees paid to a related corporation	**1,850**	1,720
Despatch received from a related corporation	**22**	13
Employee compensation paid to a related corporation	**222**	218
Employee compensation paid to ultimate holding corporation	**612**	804
Interest expense payable to a related corporation	**-**	907

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.

36. 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	
			2019	2018
			%	%
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
PT Mutiara Kapuas (b)	Indonesia	Coal mining	**100**	-
PT Sentika Mitra Persada (b)	Indonesia	Coal mining	**100**	-

(a) Audited by PricewaterhouseCoopers LLP, Singapore.

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

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

	Group	
	2019	2018
	US$'000	US$'000
Net profit after tax	**59,056**	90,108
Adjustments for:		
Income tax (credit)/expense	**(19,405)**	68,711
Depreciation and amortisation	**86,797**	67,716
Foreign exchange (gain)/loss - net	**(70)**	1,099
Loss/(gain) on sale of property, plant and equipment	**402**	(28)
Fair value losses on derivative financial instruments - net	**2,561**	3,629
Interest/finance expense	**83**	906
	129,424	232,141
Changes in working capital		
Decrease in trade and other receivables	**984**	22,932
Decrease/(increase) in inventories	**7,430**	(1,655)
Increase in other operating assets	**(26,628)**	(76,501)
Increase/(decrease) in trade and other payables and provisions	**5,295**	(29,153)
Cash generated from operations	**116,505**	147,764
Income tax paid	**(52,853)**	(83,344)
Income tax refunded	**17,726**	47,391
Net cash provided by operating activities	**81,378**	111,811

38. Business combinations

On 17 December 2018, the Group entered into a sale and purchase agreement to acquire 100% equity interest in PT Sentika Mitra Persada and PT Mutiara Kapuas (collectively known as "the companies") operating in Indonesia. The companies are in the business of coal mining. The acquisition was completed on 3 May 2019 for a total cash consideration of US$11,700,000.

38. Business combinations (continued)

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

		US$'000
(a)	Purchase consideration	
	Cash paid and consideration transferred for the business	**11,700**
(b)	Effect on cash flows of the Group	
	Cash paid (as above)	11,700
	Less: Cash and cash equivalents in subsidiaries acquired	-
	Cash outflow on acquisition	**11,700**
		At fair value US$'000
(c)	Identifiable assets acquired and liabilities assumed	
	Mining properties and land rights (note 18)	13,140
	Exploration and evaluation (note 20)	866
	Trade and other receivables (note (e) below)	195
	Total assets	14,201
	Deferred tax liabilities (note 27)	2,501
	Total liabilities	2,501
	Total identifiable net assets / Consideration transferred for the business	**11,700**

In accordance with FRS 103 *Business Combinations,* the fair value of the identifiable assets and liabilities at the acquisition date was determined provisionally as of 31 December 2019 subject to completion of the Purchase Price Allocation exercise ("PPA").

38. Business combinations (continued)

(d) Acquisition-related costs

Acquisition-related costs of US$0.1 million are included in "Corporate, consulting and technical services fees" in the consolidated income statement and in operating cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

The fair value of trade and other receivables is US$195,000 and relates to deposits for reclamation and exploration guarantees with a fair value of US$195,000.

(f) Revenue and profit contribution

The acquired business has not commenced production activities and hence it has no revenue during the year. It contributed net loss of US$9,000 to the Group for the period from 3 May 2019 to 31 December 2019.

Had the companies been acquired from 1 January 2019, consolidated profit for the year ended 31 December 2019 would have been US$59,052,000.

39. 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. 78/2010") 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 five-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.

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.

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

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

(a) Government Regulation No.78/2010 (continued)

On 2 May 2018, the MEMR issued Ministerial Regulation No. 26/2018 on implementation of good governance in mining industry and supervision in mineral and coal mining activities, and on 7 May 2018, the MEMR issued Ministerial Decree No. 1827 K/30/MEM/2018 ("Kepmen ESDM") regarding guidelines for proper mining techniques and principles. As of the effective date of these regulations, Ministerial Regulation No. 07/2014 regarding mine reclamation and post-mining activities in mineral and coal mining activities was revoked and is no longer valid.

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 2019, the Group has deposited US$27,296,268 (2018: US$17,879,663) to the Kutai Kartanegara regency for reclamation and mine closure bond.

(b) 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").

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.

On 9 June 2018, the MEMR issued Ministerial Letter No. 2841/30/MEM.B/2018 to confirm the DMO requirement in 2018 for all CCoW and IUP holders which are in the production stage. The DMO quota is set at 25% of the total annual production, of which 80% should be allocated to electricity for public use.

For those CCoW and IUP holders who fail to fulfil the DMO requirement, the Government will only approve 2019 production of up to four times the DMO realisation in 2018. DMO transfer quota mechanism between companies is allowed based on business agreement and must be reported on a monthly basis to the MEMR.

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

(b) Ministerial Regulation No. 34/2009 (continued)

On 26 December 2019, the MEMR issued a Ministerial Decision Letter No. 261/K/30/MEM/2019 to confirm that the DMO quota for mining companies for 2020 is the same with 2018 – 2019, at 25% of mining companies total annual production plan. The decision letter requires mining companies that do not fulfil the minimum DMO quota to pay a compensation penalty to Indonesian Government. The decision letter also stipulates additional sanction for mining companies who could not fulfil the DMO based on its sales contract. The additional sanctions consist of a reduction of the mining companies' future annual production as much as the shortage of DMO quantity based on its sales contracts.

Management believes that the Group has complied with the requirements of the above-mentioned regulations for 2019.

(c) Government Regulation No. 24/2012

Government Regulation No. 24/2012 ("GR No. 24/2012") which amends GR No. 23/2010 was signed by the President of the Republic of Indonesia on 21 February 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 Articles of Association, (d) changes in the Board of Directors and Commissioners and (e) changes in shareholder 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 regulates the mechanism of extension IUP and makes it mandatory for any coal sale (export and local) to refer to the coal benchmark price, transfer IUPs, divestments and mining areas.

Management believes that the Group is not impacted by this regulation as the Group's indirect parent, BCS, has been recognised as a Penamaman Modal Dalam Negeri ("PMDN") entity, which effectively grants it status as an Indonesian participant.

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

(d) Ministerial Regulation No. 48/2017

On 3 August 2017, the MEMR 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. 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.

(e) Ministerial Regulation No. 43/2018

On 25 September 2018, the MEMR issued Ministerial Decision No. 43/2018 to amend Ministerial Regulation No. 09/2017. The key amendments under the new regulation are:

- Divestment of 51% of shares can now be performed through issuance of new shares, transfer or sales of existing shares, directly or indirectly;
- If the Government or Local Government do not acquire the stock divestment, companies are obliged to offer share divestment to state/regional government owned enterprises ("BUMD"/"BUMN") and if there are more than one BUMD/BUMN who take up the offer, the Minister will coordinate the composition of the stock divestments;
- IUPK holders need to give access to Indonesian participants to perform due diligence; and
- The price of the stock divestment will be calculated based on market value, which excludes mineral and coal reserves, using discounted cash flow or market data benchmarking.

Management believes that the above regulation does not have any significant impact on the Group's operation.

(f) Ministerial Regulation No. 17/2010

On 23 September 2010, the MEMR issued Ministerial Regulation No. 17/2010 outlining the mechanism for determining the Indonesian Minerals and Coal Benchmark Price ("IMCBP") and which requires the sale of coal to be conducted with reference to the IMCBP.

On 24 March 2011, the Directorate General of Mineral and Coal ("DGMC") issued regulation No. 515.K/32/DJB/2011 outlining the formula mechanism of Coal Benchmark Price for spot and term sales contracts.

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

(f) Ministerial Regulation No. 17/2010 (continued)

On 26 August 2011, the DGMC issued regulation No. 999.K/30/DJB/2011 on the Procedure for Determining the Adjustment Coal Benchmark Price. On 21 March 2013, this regulation was amended by the Director General Regulation No. 644.K/30/DJB/2013.

On 11 January 2017, the MEMR 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, the MEMR issued Ministerial Regulation No. 44/2017 regarding amendment of Procedures for Determining the Benchmark Sales of Metal and Coal.

On 26 December 2019, the MEMR issued Ministerial Decree No. 261.K/30/MEM/2019, which regulates a coal sales price of US$70 per metric tonne FOB vessel for supplying coal for electricity provided in the public interest.

The Group is required to comply with the benchmark price for the purposes of calculating monthly royalty payment. Management believes that the Group's current practice has complied with the regulation.

(g) Ministerial Decision No. 1395 K/30/MEM/2018

On 12 March 2018, the MEMR withdrew Ministerial Decision No. 1395K/30/MEM/2018 and issued Ministerial Regulation No. 1410K/30/MEM/2018 regarding the sales price of coal for electricity which is determined to be US$70/metric tonne Free on Board Vessel for coal with benchmark specifications of 6,322 kcal/kg GAR, total moisture 8%, total sulphur 0.8% and ash 15%. The price for all other types of coal is calculated using a specific formula.

Management believes that they have complied with the requirements of the regulations mentioned above.

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

(h) Ministerial Regulation of Environment and Forestry No. P.59/MENLHK/SETJEN/KUM.1/10/2019

In October 2019, the Ministry of Environment and Forestry ("MoE&F") issued Ministerial Regulation No. P.89/MENLHK/SETJEN/KUM.1/11/2016 on Guidelines for Planting of Borrow to Use Licence ("Izin Pinjam Pakai Kawasan Hutan/IPPKH") Holders for the Rehabilitation of Riverzone Areas. This regulation amends Ministerial Regulation No. P.89/MENLHK/SETJEN/KUM.1/11/2016.

This regulation is a guideline for IPPKH holders which are obligated to perform rehabilitation of Riverzone Areas at a location stipulated in accordance with the provisions set forth in this regulation, and with a rehabilitation planting period set before the end of the IPPKH period with the procedure of rehabilitation according to the provisions set forth in this rule.

The Group's subsidiaries, i.e. JMB and ABE, as the holders of IPPKH, have started to fulfil the obligation by planting the rehabilitation of the watershed, therefore, management believes that the Companies have complied with the provisions in the regulation as mentioned above.

The Group's subsidiaries, i.e. KM, MBR and BCS, as the holders of IPPKH, have recorded provisions to recognise the liability arising from the obligation to perform the above rehabilitation activities.

40. New or revised accounting standards and interpretations

Amendments to FRS 103 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under FRS 103. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

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

Entities can apply a ‘concentration test’ that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

41. 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 12 February 2020.

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

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 by way of electronic means on Thursday, 9 July 2020 at 14:00 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 2019 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To declare a final dividend of 1.76 US cents per share (equivalent to approximately Singapore 2.46 cents per share), amounting to a total net dividend amount of US$20,000,000, tax exempt for the year ended 31 December 2019 (2018: 0.79 US cents per share).
   [See Explanatory Note] **(Resolution 2)**

3. To re-elect the following Director retiring pursuant to Articles 94 and 100 of the Company’s Constitution:

Thanakorn Poolthavee	[Retiring under Article 94]	**(Resolution 3)**
Arawadee Photisaro	[Retiring under Article 100]	**(Resolution 4)**
Ekachai Sirithammasan	[Retiring under Article 100]	**(Resolution 5)**

   Mr Thanakorn Poolthavee will, upon re-election as a Director of the Company, remain as a member of the Audit Committee.

4. To approve the payment of directors’ fees of up to S$400,000 payable by the Company for the year ending 31 December 2020 (2019: S$517,000). **(Resolution 6)**

5. 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 7**)

6. 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
19 June 2020

Explanatory Note:

Subject to approval of Resolution 2 by shareholders, **NOTICE IS HEREBY GIVEN** that the Share Transfer Book and Register of Members of Sakari Resources Limited will be closed on 15 July 2020 for the purpose of determining shareholders' entitlements to the final dividend of 1.76 US cents per share. Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 17:00. on 15 July 2020 will be registered to determine shareholders' entitlements to the said final dividend of 1.76 US cents per share to be paid on 23 July 2020.

Notes:

1. The Annual General Meeting of the Company (the "Meeting") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of Annual General Meeting will be despatched to shareholders, and can also be accessed via the Company's corporate website at https://www.sakariresources.com/investor-relations/news-media/.
2. The Meeting arrangements relating to, amongst others, attendance, submission of questions in advance and/or voting by proxy at the Meeting are set out in the Company's letter to shareholders dated 19 June 2020 (the "Letter") which has been despatched to shareholders and can also be accessed at the Company's corporate website at https://www.sakariresources.com/investor-relations/news-media/. For the avoidance of doubt, the Letter is circulated together with and forms part of the Notice of Annual General Meeting in respect of the Meeting.

3. Due to the current COVID-19 restriction orders in Singapore, members of the Company will not be able to attend the Meeting in person. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:

   (a) if sent personally or by post, be deposited at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 ; or

   (b) if submitted by email, be received by the Company at meeting@sakariresources.com,

   in either case, by 14:00 on 7 July 2020 (being not less than 48 hours before the time appointed for holding the Meeting) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.
6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act.
8. Investors who hold shares through relevant intermediaries (including CPF or SRS Investors) who wish to appoint the Chairman of the Meeting to act as their proxy should approach their relevant intermediaries (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks and SRS Operators) to submit their votes at least seven (7) working days before the Meeting.

Personal Data Privacy

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the Meeting via LIVE WEBCAST or LIVE AUDIO STREAM, or (c) submitting any question prior to the Meeting in accordance with this Notice of Annual General Meeting, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents) of proxy forms appointing the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the LIVE WEBCAST or LIVE AUDIO STREAM to observe the proceedings of the Meeting and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions;

(iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his name, his presence at the Meeting and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.