

**PT SUMBER RAHAYU INDAH
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
31 MARCH 2017 AND 2016
AND
INDEPENDENT AUDITORS' REPORT**

PT SRI RAHAYU INDAH
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 MARCH 2017 AND 2016

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PT. SUMBER RAHAYU INDAH

Jl. Pejaten Raya no. 40A, Kel. Jatipadang
Pasar Minggu – Jakarta Selatan 12540

DIRECTORS'/COMMISSIONER' STATEMENT
ON
THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 AND 2016
PT SUMBER RAHAYU INDAH

We, the undersigned:

Name : Ramanath Praharaj
Office Address : Jl. Pejaten Raya No. 40A, Kel. Jatipadang
Jakarta Selatan
Telephone : -
Title : President Director


declare that :

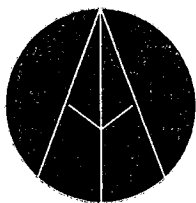
1. We are responsible for the preparation and presentation of the Company's financial statements for the years ended 31 March 2017 and 2016.
2. The Company's financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia.
3. a. All information has been fully and correctly disclosed in the Company's financial statements, and
b. The Company's financial statements do not contain materially misleading information or facts, and do not conceal any information or facts.
4. We are responsible for the Company's internal control system.

This statement has been made truthfully.

Jakarta, 21 April 2017

PT SUMBER RAHAYU INDAH

METERAI
TEMPEL
36AD6ADF107501496
5000
RIBU RUPIAH

Ramanath Praharaj
President Director



KANTOR AKUNTAN DRS ADNAN ALI

AKUNTAN PUBLIK TERDAFTAR
SI No. 99/KM.1/2009

No. 34/135/LA

Independent Auditors' Report

The Stockholders and Boards of Directors
PT SUMBER RAHAYU INDAH

We have audited the accompanying statement of financial positions of PT Sumber Rahayu Indah (the Company) as of 31 March 2017 and 2016, the related statements of comprehensive income, changes in equity and cash flows for the years then ended and the summary of significant accounting policies and other notes to the financial statements.

The Responsibility of the Management on Financial Statements

The management is responsible for the fairly compilation and presentation of financial statements in accordance with the Financial Accounting Standards in Indonesia and the internal control applied by the management for compilation the financial position is free of material misstatement, whether caused by fraud or misstatement.

The responsibility of the auditor


Our responsibility is to express an opinion on this financial statements based on our audits. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes executing procedures to have evidences of amounts and disclosures in the financial statements. The applied procedures is depend on auditor's judgment, including evaluating on material misstatement presentation risk in the financial statement caused by fraud or misstatement. In evaluating such risk, the auditor must consider the relevant internal control for compilation and presentation of the fairly financial statement to plan an audit procedure in accordance with the condition, but not to express an opinion about the effectiveness of internal control of the entity. An audit also includes assessing the accuracy of the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of PT Sumber Rahayu Indah as of 31 March 2017 and 2016 the result of its operations and its cash flows for the year then ended in conformity with the Financial Accounting Standards in Indonesia.

REGISTERED PUBLIC ACCOUNTANT DRS ADNAN ALI



Drs. Adnan Ali, CPA, CA
Licence of Public Accountant No. AP. 0579

Jakarta, 21 April 2017

PT SUMBER RAHAYU INDAH
BALANCE SHEET
AS AT 31 MARCH 2017 AND 2016

| | Notes | 31 March 2017 USD | 31 March 2016 USD |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2a,2b, 3 | 4.171,50 | 3.394,13 |
| Other receivable and advances | 4 | - | 618,96 |
| Prepayments | 5 | 587,19 | 587,19 |
| Total current assets | | <u>4.758,69</u> | <u>4.600,28</u> |
| NON-CURRENT ASSETS | | | |
| Fixed assets | 2c,6 | - | 98,90 |
| | | - | 98,90 |
| | | <u>4.758,69</u> | <u>4.699,18</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Other payables | 7 | <u>1.134.470,70</u> | <u>759.947,77</u> |
| EQUITY | | | |
| Share capital - Authorised capital 5.000 shares with par value Rp 1.000.000 (equivalent USD 111,11) per share, issued and fully paid 5.000 shares. | 8 | 555.556,00 | 555.556,00 |
| Retained earnings (deficit) | | (1.685.268,01) | (1.310.804,59) |
| Total equity | | <u>(1.129.712,01)</u> | <u>(755.248,59)</u> |
| | | <u>4.758,69</u> | <u>4.699,18</u> |

The accompanying notes form an integral part of the financial statements

PT SUMBER RAHAYU INDAH
 STATEMENT OF INCOME
 FOR THE PERIOD ENDED 31 MARCH 2017 AND 2016

| | <u>Notes</u> | <u>April 2016- March '2017</u> | <u>April 2015- March '2016</u> |
|-----------------------------------|--------------|------------------------------------|------------------------------------|
| | | <i>USD</i> | <i>USD</i> |
| SALES | | - | - |
| COST OF SALES | | - | - |
| GROSS PROFIT | | | - |
| OPERATING EXPENSES | 9 | <u>374.468,55</u> | <u>54.952,37</u> |
| OPERATING INCOME (LOSS) | | <u>(374.468,55)</u> | <u>(54.952,37)</u> |
| OTHER INCOME (EXPENSES) | | | |
| Interest income | | <u>5,13</u> | <u>10,05</u> |
| PROFIT (LOSS) BEFORE INCOME TAX | | (374.463,42) | (54.942,32) |
| INCOME TAX EXPENSE | | - | - |
| NET INCOME | | <u>(374.463,42)</u> | <u>(54.942,32)</u> |

The accompanying notes form an integral part of the financial statements

PT SUMBER RAHAYU INDAH
 STATEMENT OF CHANGES IN EQUITY
 FOR THE PERIOD ENDED 31 MARCH 2017 AND 2016

| | <u>Notes</u> | <u>Share Capital USD</u> | <u>Retained Earnings USD</u> | <u>Total USD</u> |
|-----------------------------|--------------|----------------------------------|--------------------------------------|-----------------------|
| Balance as at 31 March 2015 | 8 | 555.556,00 | (1.255.862,27) | (700.306,27) |
| Net Income (Loss) | | - | (54.942,32) | (54.942,32) |
| Balance as at 31 March 2016 | 8 | 555.556,00 | (1.310.804,59) | (755.248,59) |
| Net Income (Loss) | | - | (374.463,42) | (374.463,42) |
| Balance as at 31 March 2017 | 8 | <u>555.556,00</u> | <u>(1.685.268,01)</u> | <u>(1.129.712,01)</u> |

The accompanying notes form an integral part of the financial statements

PT SUMBER RAHAYU INDAH
 CASH FLOW STATEMENT
 FOR THE YEARS ENDED 31 MARCH 2017 AND 2016

| | April 2016-March 2017 USD | April 2015-March 2016 USD |
|---------------------------------------------------------------|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income (Loss) | (374.463,42) | (54.942,32) |
| Add/(deduct) items not affecting cash flows : | | |
| Depreciation | 98,90 | 237,30 |
| Interest due on Loan | - | - |
| Operating cash flows before changes in working capital : | | |
| Other receivable and advances | (374.364,52) | (54.705,02) |
| Other payables | 618,96 | (618,96) |
| Prepayments | (229,82) | (293,14) |
| Cash generated from operation | - | 14,05 |
| Payment of income tax | (373.975,38) | (55.603,07) |
| Net cash flows provided from operating activities | (373.975,38) | (55.603,07) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed assets | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loan taken | 374.752,75 | 55.300,00 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 777,37 | (303,07) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR | 3.394,13 | 3.697,20 |
| CASH AND CASH EQUIVALENTS AT THE END OF YEAR | 4.171,50 | 3.394,13 |

The accompanying notes form an integral part of this financial statements

PT SUMBER RAHAYU INDAH
Notes to Financial Statements
For the Years ended 31 March 2017 and 2016

1. GENERAL

PT Sumber Rahayu Indah (the Company) which its activities in trading, construction, land-transportation, printing, mining and workshop, began its commercial operation since 12 June 2003. In the current year, the activities of the Company is coal mining. The Company has 1 employees and its head-office located at Pejaten Raya No. 40A, Kelurahan Jatipadang, Jakarta Selatan..

The Company was established within the framework of Foreign Capital Investment Law No. 132/1/P/1/PMA/2010 dated 10 Augustus 2010, based on Deed No. 3, dated 12 June 2003 of Notary Nanang Ferwandy Tjoegito SH and amended with Deed No. 1 dated 2 Mei 2005 of the same notary. Then, such deeds were amended with deed No. 3, dated 6 Oktober 2008 of Caroline Gumawan, SH, the deed No. 1, dated 1 April 2010 of Tri Sulistiowarni, SH concerning changes of capital stock of the Company, the deed No. 2, dated 12 September 2011 of Muslim, SH, MKn, the deed No.03, dated 03 October 2012 and the latest one is with No. 03 dated 04 December 2012 and No. 22, dated 16 July 2013 of notary Siti Safarijah, S.H, Jakarta.. The changes of Article of Association has been approved by The Minister of Law and Human Rights Republic Indonesia with his decision letter No. AHU-AH01.10-05825, dated 9 March 2010, AHU-AH.01.10-42311, dated 29 November 2012 and No. AHU-AH.01.10-35875, dated 30 August 2013.

The Company holds a production mining business licence for coal as IUP No. 569 of 2009 (the "Mining Concession") for an area of 3674 hectare, located at Kacamatan Raren Batuah and Dusun Tengah, Kabupaten Barito Timur, Kalimantan Tengah. The Mining Concession was granted by the Head of the Regency i.e. the Regent (Bupati) under a legal Decree and is valid for 10 years, extendable for 10 (ten) years 2 (two) times respectively. However, the Company could not start production activities for extracting coal from the area under the Mining Concession due to the following reasons:

- (i) the area under the Mining Concession is overlapping with the mining concession granted to few other entities; and
- (ii) the boundaries of the regency in which the Company's Mining Concession falls are disputed to cross over to the boundaries of other regencies and province as per different conflicting maps issued by various authorities of Indonesia.

Despite several follow ups with the Government agencies of Indonesia and assurances from them for resolution of issues, the matter was not resolved. Further the Indonesian legislation was changed retrospectively requiring foreign ownership in mining investment to hold no more than 49% of the mining investment at the end of 10th year of production.

Indian Metals & Ferro Alloys Ltd, the ultimate holding company of the Company served a notice of arbitration on the Government of Indonesia pursuant to Article 3 of the United Nations Commission on International Trade Law Arbitration Rules and Article 9 of an Agreement between the Government of the Republic of Indonesia and the Republic of India for the Promotion and Protection of Investments (the "Treaty") raising claims of breach of the protections granted under the Treaty.

In continuance to the arbitration proceedings, Indian Metals & Ferro Alloys Ltd has filed its statement of claim on 23rd December, 2016.

Based on the problems mentioned above, the Company, is unearned up too the year ended 31 March 2017.

As at 31 March 2016 and 2017, the composition of the Company's Board of Directors and Board of Commissioners was as follows :

| | |
|------------------------|----------------------------|
| President Director | : Ramanath Praharaj |
| Director | : Sanjeev Gupta |
| Director | : Dipak Prusty |
| Director | : Harsha Vardhan Shanmugam |
| Director | : Dedi Mulyadi |
| President Commissioner | : Chitta Ranjan Ray |
| Commissioner | : Prem Khandelwal |
| Commissioner | : Rafael Agung Parmanto |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the financial statements

The financial statement have been prepared on the basis of historical costs. The statements of cash flows are prepared based on the indirect method by classifying cash flows on the basis of operating, investing and financing activities. For the purpose of the statements of cash flows, cash includes cash on hand and in banks.

b. Foreign Currency Transactions

Transactions involving foreign currencies are recorded in Rupiah at the rates of exchange prevailing at the time transactions are made. Monetary assets and liabilities stated in foreign currencies are adjusted using the middle rate of Bank Indonesia at the last banking transactions date for the year or related month. Any resulting gains or losses on foreign exchange are credited or charged to operations of the current year/month.

c. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation of fixed assets, are computed on the straight-line method using the following estimated useful lives:

| | <u>Years</u> |
|------------------|--------------|
| Vehicles | 4 |
| Office equipment | 4 |

The cost of repairs and maintenance is charged to operations as incurred. Expenditures which extend the future life of assets or provide further economic benefits by increasing the capacity or quality of production are capitalized and depreciated based on applicable depreciation rates.

d. Deferred costs

Expenditures related to the exploration activities, except for general and administrative expenses at Head Office, are capitalized and amortized when the exploration bring succes and will be written-off if the exploration failed.

3. CASH AND CASH EQUIVALENTS

| | <u>31 March 2017</u> <i>USD</i> | <u>31 March 2016</u> <i>USD</i> |
|------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Cash IDR (31 March 2017 Rp 91.601 and 31 March 2016 Rp 47.760) | 6,92 | 3,58 |
| Bank Mandiri - IDR (31 March 2017 Rp 1.772.757 and 31 March 2016 Rp 17.324.179) | 133,92 | 1.299,75 |
| Bank Mandiri - USD | <u>4.030,66</u> | <u>2.090,80</u> |
| | <u><u>4.171,50</u></u> | <u><u>3.394,13</u></u> |

4. OTHER RECEIVABLE AND ADVANCES

| | <u>31 March 2017</u> <i>USD</i> | <u>31 March 2016</u> <i>USD</i> |
|-------------------|------------------------------------|------------------------------------|
| KAP Drs Adnan Ali | - | <u>618,96</u> |

5. PREPAYMENTS

| | <u>31 March 2017</u> | <u>31 March 2016</u> <i>USD</i> |
|--------------------------|----------------------|------------------------------------|
| Security deposits (rent) | 587,19 | 587,19 |
| | <u>587,19</u> | <u>587,19</u> |

6. FIXED ASSETS

| | <u>31 March 2017</u> | <u>31 March 2016</u> <i>USD</i> |
|--------------------------|----------------------|------------------------------------|
| Office equipment | | |
| Cost | 949,20 | 949,20 |
| Accumulated depreciation | (949,20) | (850,30) |
| Net book-value | <u>-</u> | <u>98,90</u> |

7 OTHER PAYABLES

| | <u>31 March 2017</u> <i>USD</i> | <u>31 March 2016</u> <i>USD</i> |
|-----------------------------------|------------------------------------|------------------------------------|
| Audit Fees Due | 1.133,09 | 1.252,37 |
| Accrued salary (March 2017) | 936,90 | 1.047,44 |
| <u>Loan payable on demand</u> | | |
| Indmet Mining Pte, Ltd (Initial) | 1.080.242,71 | 705.489,96 |
| Indmet Mining Pte, Ltd (Interest) | 52.158,00 | 52.158,00 |
| | <u>1.134.470,70</u> | <u>759.947,77</u> |

The Company has not been charged interest on loan for the current year.

8. EQUITY

The Company's stockholders as at 31 March 2017 and 31 March 2016

| Name of Stockholders | Number of shares | Percentage of Ownership % | Total Paid-up Capital Stock USD |
|------------------------|------------------|------------------------------|------------------------------------|
| Indmet Mining Pte, Ltd | 3.500 | 70 | 388.889,20 |
| Sri Indo Capital, Ltd | 500 | 10 | 55.555,60 |
| PT Matahari Mulia Coal | 500 | 10 | 55.555,60 |
| PT Khrisna Mangan Jaya | 500 | 10 | 55.555,60 |
| | <u>5.000</u> | <u>100</u> | <u>555.556,00</u> |

9. OPERATING EXPENSES

| | April 2016- March '2017 USD | April 2015- March '2016 USD |
|-----------------------------|-----------------------------------|-----------------------------------|
| Salary and allowances | 13.462,41 | 15.229,68 |
| Office supplies | 117,95 | 48,38 |
| Travelling Expenses | 278,53 | 244,88 |
| Communication expenses | 1.252,55 | 645,95 |
| Office and apartment rent | 2.659,69 | 2.237,47 |
| Legal and Professional fees | 334.752,75 | - |
| Auditors Fees | 1.133,09 | 1.392,82 |
| Land Rent | 15.257,82 | 31.462,54 |
| Depreciation | 98,90 | 237,30 |
| Miscellaneous expenses | 5.454,86 | 3.453,35 |
| | <u>374.468,55</u> | <u>54.952,37</u> |

10 TAXATION

Tax consequences of professional fees-arbitration paid by Indmet Mining Pte, Ltd (The Stockholder) in Netherlands, at Juli 1, 2016, amounted GBP 250.000 (equivalent USD 334.752,75) was not reflected in the financial statement.

PT SUMBER RAHAYU INDAH

As as 31 March 2017

Exhibit. 1

| Date of Acquisition | Title of the Fixed Assets | Benefits Months | Cost | | As at 31 Mar 2017 | Accumulated Depreciation | | | Net book value as at 31 Mar 2017 |
|---------------------|---------------------------|-----------------|-------------------|---|-------------------|--------------------------|-------|-------------------|----------------------------------|
| | | | As at 31 Mar 2016 | + | | As at 31 Mar 2016 | + | As at 31 Mar 2017 | |
| | Total | | 949,20 | - | 949,20 | 850,30 | 98,90 | - | 949,20 |
| 17-Sep-12 | 27# dell laptop | 48 | 897,00 | - | 897,00 | 803,25 | 93,75 | - | 897,00 |
| 18-Sep-12 | 27# folding chair | 48 | 52,20 | - | 52,20 | 47,05 | 5,15 | - | 52,20 |
| | Total | | 949,20 | - | 949,20 | 850,30 | 98,90 | - | 949,20 |