

PT KARYA PUTRA BORNEO

FINANCIAL STATEMENTS
AS OF MARCH 31, 2020
AND FOR THE YEAR THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT

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FINANCIAL STATEMENTS
AS OF MARCH 31, 2020
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WITH INDEPENDENT AUDITORS' REPORT

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**DIRECTORS' STATEMENT
ON THE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
PT KARYA PUTRA BORNEO**

I, the undersigned below, :

Name : Bharat Kumar Jain
Office Address : Menara Prima 15th Floor Unit A & B, Jl. Dr. Ide Anak Agung Gde Agung Blok 6.2, Kawasan Mega Kuningan, Kuningan Timur, Setiabudi, Jakarta Selatan, DKI Jakarta
Residential Address (in accordance with identity card) : The Pakubuwono Residence Eaglewood 16E, Jl. Pakubuwono VI No. 86, Kebayoran Baru, Jakarta Selatan 12120
Telephone No. : 021 - 29669585
Title : President Director

declare that :

1. I am responsible for the preparation and presentation of the Company's financial statements for the year ended March 31, 2020.
2. The Company's financial statements have been prepared and presented in accordance with generally accepted accounting principles applied in Indonesia.
3. All information has been fully and correctly disclosed in the Company's financial statements, and the Company's financial statements do not contain materially misleading information or facts, and do not conceal any information or facts.
4. I am responsible for the Company's internal control system.

This statement has been made truthfully.

Jakarta, 12 June 2020



Bharat Kumar Jain
President Director

PT. KARYA PUTRA BORNEO

Jakarta Office : Menara Prima, 15th Floor Unit A-B, Jl. Dr. Ide Anak Agung Gde Agung Kav.6.2, Kawasan Mega Kuningan Jakarta Selatan 12950, Indonesia. Phone : +62 21 5794 8028, Fax : +62 21 5794 8029
Samarinda Office : Komplek Pesona Mahakam RK 10-11, Jl. Syahrani Dahlan - Samarinda 75136, Indonesia.
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JAS

JUSTINUS A SIDHARTA
REGISTERED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

NO. 282/2.0872/AU.1/02/0944/1/VI/2020

The shareholders and the boards of commissioners and directors

PT KARYA PUTRA BORNEO

We have audited the accompanying financial statements of **PT Karya Putra Borneo**, which comprise the statement of financial position as of **March 31, 2020**, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on such financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OFFICE

Kompleks Mutiara Taman Palem Blok A19 No.30, Outer Ringroad Kamal Raya, Cengkareng
Jakarta Barat 11730, Indonesia (6221 5435 0431 | 6221 2931 9921 | 6220 2931 9923)

LICENSE NO. 1227 / KM. 1 / 2011

JAS

JUSTINUS A SIDHARTA
REGISTERED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

NO. 282/2.0872/AU.1/02/0944/1/VI/2020

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **PT Karya Putra Borneo** as at **March 31, 2020**, the financial performance, and its cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.



Justinus A. Sidharta, CPA
Public Accountant Licence no. AP.0944

June 12, 2020

OFFICE

Kompleks Mutiara Taman Palem Blok A19 No.30, Outer Ringroad Kamal Raya, Cengkareng
Jakarta Barat 11730, Indonesia (6221 5435 0431 | 6221 2931 9921 | 6220 2931 9923)

LICENSE NO. 1227 / KM. 1 / 2011

PT KARYA PUTRA BORNEO
STATEMENT OF FINANCIAL POSITION
As of March 31, 2020
(Expressed in US\$)

	<u>Notes</u>	<u>March 31,</u>	
		<u>2020</u>	<u>2019</u>
ASSETS			
CURRENT ASSETS			
Cash and bank	2,4	1,462,695	195,232
Trade receivables			
Related party	2,5	2,267,251	-
Third parties	2,5	2,112,585	1,993,707
Other receivables - net			
Related party	2,6	1,455,576	1,337,736
Investment in share of stock	2	5,267,402	5,267,402
Inventories	2,7	834,474	1,121,741
Prepayments	2,8	500,251	1,410,959
TOTAL CURRENT ASSETS		<u>13,900,234</u>	<u>11,326,777</u>
NON-CURRENT ASSETS			
Deferred tax assets	2,9	136,258	124,249
Fixed assets - net	2,10	473,460	494,525
Mining properties - net	2,11	21,063,699	21,416,786
Due from third parties		2,078	2,078
Reclamation deposits		2,022,098	1,666,968
Other non-current assets			
Security deposits		230,039	104,903
Restricted cash	2,12	62,834	45,544
TOTAL NON-CURRENT ASSETS		<u>23,990,466</u>	<u>23,855,053</u>
TOTAL ASSETS		<u><u>37,890,700</u></u>	<u><u>35,181,830</u></u>

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT KARYA PUTRA BORNEO
STATEMENT OF FINANCIAL POSITION (continued)
As of March 31, 2020
(Expressed in US\$)

	<u>Notes</u>	<u>March 31,</u>	
		<u>2020</u>	<u>2019</u>
LIABILITIES AND EQUITY			
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables			
Related party	2,13	5,205,854	3,668,495
Third parties	13	3,000,282	3,949,265
Other payables			
Related parties	2,14	656,907	743,547
Third party		-	5,270
Taxes payables	2,9	3,083,316	3,183,305
Accrued expenses	2,15	2,450,272	1,580,590
Advance from customers		1,851,774	3,531,377
Current maturities of long-term debts			
Consumer financing liabilities		10,425	7,619
TOTAL CURRENT LIABILITIES		<u>16,258,830</u>	<u>16,669,468</u>
NON-CURRENT LIABILITIES			
Long-term debts - net of current maturities			
Consumer financing liabilities		30,809	43,378
Provision for reclamation		1,647,107	1,297,354
Employee benefits liability	2,16	331,905	302,409
TOTAL NON-CURRENT LIABILITIES		<u>2,009,821</u>	<u>1,643,141</u>
TOTAL LIABILITIES		<u>18,268,651</u>	<u>18,312,609</u>
EQUITY			
Capital stock - Rp 1,000,000 par value per share			
Authorized - 200,000 shares			
Issued and fully paid - 78,000 shares	17	6,011,375	6,011,375
Additional paid-in capital		31,846	31,846
Retained earnings		13,578,828	10,826,000
TOTAL EQUITY		<u>19,622,049</u>	<u>16,869,221</u>
TOTAL LIABILITIES AND EQUITY		<u><u>37,890,700</u></u>	<u><u>35,181,830</u></u>

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT KARYA PUTRA BORNEO
STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
For the year ended March 31, 2020
(Expressed in US\$)

	Notes	Year ended March 31,	
		2020	2019
SALES	2,18	53,123,470	53,797,606
COST OF GOOD SOLD	2,19	<u>(40,740,605)</u>	<u>(36,517,508)</u>
GROSS PROFIT		<u>12,382,865</u>	<u>17,280,098</u>
Gain on sale of fixed assets		27,271	27,915
Interest income - net		17,968	57,449
Gain on foreign exchange - net		41,085	58,915
Taxes		(28,449)	(277,370)
Others		247,442	(359,208)
Operating expenses	2.2	<u>(9,006,182)</u>	<u>(9,099,465)</u>
GAIN FROM OPERATIONS		<u>3,681,999</u>	<u>7,688,334</u>
Finance cost		<u>(6,348)</u>	<u>(158,992)</u>
INCOME BEFORE INCOME TAX BENEFIT (EXPENSE)		<u>3,675,651</u>	<u>7,529,342</u>
INCOME TAX BENEFIT (EXPENSE)			
Current	2,9	(946,793)	(1,981,431)
Deferred	2,9	<u>14,999</u>	<u>38,797</u>
PROFIT FOR THE YEAR		<u>2,743,857</u>	<u>5,586,708</u>
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Item that will not be reclassified to profit or loss			
Actuarial loss on long-term employee benefits liability	2,16	11,961	(8,225)
Related income tax	2,9	<u>(2,990)</u>	<u>2,055</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,752,828</u>	<u>5,580,538</u>

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT KARYA PUTRA BORNEO
 STATEMENT OF CHANGES IN EQUITY
 For the year ended March 31, 2020
 (Expressed in US\$)

	Capital stock - issued and fully paid	Additional paid-in capital	Retained earnings	Total equity
Balance as of April 1, 2018	6,011,375	31,846	5,245,462	11,288,683
Profit for the year	-	-	5,586,708	5,586,708
Other comprehensive income for the year	-	-	(6,170)	(6,170)
Balance as of March 31, 2019	6,011,375	31,846	10,826,000	16,869,221
Profit for the year	-	-	2,743,857	2,743,857
Other comprehensive income for the year - net	-	-	8,971	8,971
Balance as of March 31, 2020	-	-	2,752,828	19,622,049

PT KARYA PUTRA BORNEO
STATEMENT OF CASH FLOWS
For the year ended March 31, 2020
(Expressed in us\$)

	Year ended March 31,	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Income before income tax expense	3,675,651	7,529,342
Adjustment to reconcile income before income tax expense to net cash provided by operating activities		
Amortization	2,319,742	1,963,011
Depreciation	205,604	197,289
Provision for employee benefits	126,389	139,923
Financial cost		158,992
Gain on sale of fixed assets	(27,271)	(27,915)
Increase (decrease) in :		
Accounts receivable	(2,386,129)	(344,920)
Inventories	287,267	(436,103)
Prepayments	910,708	(869,572)
Reclamation deposits	(355,130)	(404,547)
Other non-current assets	(142,426)	3,135,802
Accounts payable	583,106	(2,846,439)
Taxes payable	244,178	457,309
Accrued expenses	869,681	1,152,335
Advance from customers	(1,679,603)	(649,031)
Provision for reclamation	349,753	349,726
Cash provided by operating activities	4,981,520	9,505,202
Payment of employee benefits	(84,931)	(6,011)
Payment of income tax current year	(895,350)	(846,450)
Payment of income tax earlier years	(395,609)	-
Net cash provided by operating activities	3,605,630	8,652,741
CASH FLOW FROM INVESTING ACTIVITIES		
Sale of fixed assets	43,730	39,008
Acquisition of fixed assets	(200,999)	(130,464)
Acquisition of mining properties	(1,966,655)	(5,967,357)
Net cash used in investing activities	(2,123,924)	(6,058,813)

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

PT KARYA PUTRA BORNEO
STATEMENT OF CASH FLOWS (continued)
For the year ended March 31, 2020
(Expressed in us\$)

	Year ended March 31,	
	2020	2019
CASH FLOW FROM FINANCING ACTIVITIES		
Finance lease obligations	-	56,769
Decrease in leasing payables	(9,763)	(5,772)
Increase (decrease) in due from related parties	(204,480)	(4,335,547)
Payment of financial cost	-	(1,781,433)
	(214,243)	(6,065,983)
Net cash used in financing activities		
	1,267,463	(3,472,055)
DECREASE IN NET CASH AND BANK		
	195,232	3,667,287
CASH AND BANK AT BEGINNING OF PERIOD		
	1,462,695	195,232
CASH AND BANK AT END OF PERIOD	1,462,695	195,232

The accompanying notes to the financial statements form an integral part of these financial statements taken as a whole.

1. GENERAL**a. The Company's establishment**

PT Karya Putra Borneo ("the Company") was established in Balikpapan based on notarial deed No. 05 dated September 10, 2007 of public notary Hamid Gunawan, SH, notary in Balikpapan. The deed of establishment was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its decision letter No. C-03412.HT.01.01-TH.2007 dated November 15, 2007. The Company have changed its status into a foreign investment company and its domicile to South Jakarta based on notarial deed No. 15 dated January 10, 2011 of Khairu Subhan, S.H., Notary in Samarinda, which has been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-05717.AH.01.02.Tahun 2011 dated February 2, 2011, Letter No. AHU-AH.01.10-04020 dated February 7, 2011 and Letter No. AHU-AH.01.10-04021 dated February 7, 2011.

The change in the status of the Company from a non-facility company into a foreign investment company has been approved by the Chairman of the Investment Coordinating Board (BKPM) based on the Principle License of Capital Investment No. 59/1/IP/I/PMA/2011 dated February 1, 2011.

The Company's articles of association have been amended several times. The latest amendment was made based on Notarial Deed No. 02 dated January 5, 2017 of Suparman Hasyim, S.H., Notary in Jakarta pertaining to the increase in the authorized, issued and paid-up share capital of the Company. The deed was approved by the Ministry of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-0001111.AH.01.02.TAHUN 2017 dated January 17, 2017, Letter No. AHU-AH.01.03-0017956 dated January 17, 2017 and Letter No. AHU-AH.01.03-0017959 dated January 17, 2017.

In accordance with Article 3 of the Company's Articles of Association, the Company is engaged in the coal mining activities. The Company commenced its commercial operations in July 2012.

The Company's head office is in Jakarta, located at Menara Prima, Jl. Dr. Ide Anak Agung Gde Agung Blok 6.2, Kawasan Mega Kuningan, Jakarta Selatan, with its mining site located in Samarinda, East Kalimantan.

The Company belongs to a group of companies owned by Mercator Limited, a group listed on the National Stock Exchange and Bombay Stock Exchange in India.

b. Mining and other rights

1. The Company was granted a Production Operation Mining Business Permit ("*Izin Usaha Pertambangan Operasi Produksi*" or "IUP OP") based on the Decree of the Regent of Kutai Kartanegara No. 540/136/IUP-OP/MB-PBAT/VIII/2011 dated August 12, 2011, for 914 hectare land in Batuah village, Loa Janan District, Kutai Kartanegara Regency, East Kalimantan Province.

The IUP OP granted for 12 years and maybe extended two (2) times for a period of ten (10) years each, according to Law No. 4 of 2009 concerning a Mineral and Coal Mining Law. The IUP OP is valid until August 12, 2023.

2. Due to the changed of the Company's status into a foreign capital investment company and pursuant to Law No. 23 of 2014 concerning Local Government and Minister of Energy and Mineral Resources Regulation No. 25 of 2015 concerning Delegation of Authority in Granting Mineral and Coal Mining License in One Integrated Services to the Chairman of the Investment Coordinating Board, on November 15, 2016 the Company's IUP OP was adjusted into a Production Operation Mining Business Permit in Foreign Investment for Coal Mining Commodities based on the Decree of the Chairman of the Investment Coordinating Board No. 39/1/IUP/PMA/2016 ("IUP OP PMA"). This IUP OP PMA is valid until August 12, 2023 and replacing the IUP OP No. 540/136/IUP-OP/MB-PBAT/VIII/2011 dated August 12, 2011 of Regent of Kutai Kartanegara.

c. Proven reserve

Based on the assessment of PT GMT Indonesia dated September 20, 2011, the proven reserve of the Company's coal is at 34,073,100 tones. As of March 31, 2020, the management estimates that the proven reserves amounting to 22,269,941 tones (unaudited).

d. The boards of commissioners and directors and employees

Based on Notarial Deed No. 01 dated December 16, 2017 of Barito Dwi Martono, S.H., M.Kn. and Minister of Energy and Mineral Resources Letter No. 10067/30/MEM.B/2017 dated December 8, 2017 concerning Approval of Changes in Boards of Directors and Commissioners of PT Karya Putra Borneo, the composition of the Company's board of commissioners and directors as at March 31, 2020 and 2019 shall be as follows:

		March 31,	
		2020	2019
Board of commissioners			
President commissioner	:	Adip Mittal	Adip Mittal
Commissioner	:	Kennedy Perkash Nanik	Kennedy Perkash Nanik
Board of directors			
President director	:	Bharat Kumar Jain	Bharat Kumar Jain
Director		Radhey Shyam Bansal	Radhey Shyam Bansal
Director		Vinay Kumar Malik	Vinay Kumar Malik
Director	:	Sagar Vats	Sagar Vats

The Company had 302 permanent employees (unaudited) as of March 31, 2020.

The Company's management is responsible for the preparation of the accompanying financial statements that were completed and authorized to be issued on June 12, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of preparation of the financial statements**

The financial statements have been prepared in accordance with Statements of Financial Accounting Standards ("PSAK") in Indonesia, which issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants ("DSAK").

The financial statements have been prepared on the accrual basis using the historical cost concept, except for certain accounts which are measured on the bases as described in the following notes to the financial statements.

The statement of cash flows presents cash flows classified into operating, investing and financing activities. The cash flows from operating activities are presented using the indirect method.

The reporting currency used in the financial statements is the United State Dollar ("US\$"), which is also the Company's functional currency.

b. Restricted cash

Restricted cash is presented as part of other current assets in the statement of financial position.

c. Foreign currency transactions and balances

The Company considers the primary indicators and other indicators in determining its functional currency. If indicators are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At statement of financial position date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the last prevailing rates as of such date and the resulting gains or losses are credited or charged to current operations.

d. Transactions with related parties

A related party is a person or entity that is related to the Company.

- a. A person or a close member of that person's family is related to the Company, if that person :
 - (i) has control or joint control over the Company,
 - (ii) has significant influence over the Company, or
 - (iii) is a member of the key management personnel of the Company or of a parent entity of the Company.

- b. An entity is related to the Company if any of the following conditions applies :
 - (i) The entity and the Company are members of the same group.
 - (ii) One entity is an associate or joint venture of the Company (or an associate or joint venture of a member of a group of which the Company is a member).
 - (iii) Both entity and the Company are joint ventures of the same third party.
 - (iv) The Company is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in point a.
 - (vii) A person identified in point a (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

e. Investment in share of stock

Investments in shares of stocks with ownership at least 20% were recorded as equity method, stated at cost, adjusted with net gain or loss of subsidiary proportionally based on ownership percentage.

f. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. Allowance for inventory losses is provided to reduce the carrying value of inventories to their net realizable value.

g. Prepaid expenses

Prepaid expenses are amortized over their beneficial periods.

h. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Such cost includes the cost of replacing part of the fixed assets, if the recognition criteria are met. Likewise, when performing regular major inspections for faults is a condition for continuing to operate an item of fixed assets, the cost of each major inspection is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are charged to current operations.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets as follows :

	Depreciation Method	Unit of measure
Land improvements	Straight line	10 - 20
Building and infrastructures	Straight line	20
Vehicles	Double declining/ Straight line	4 4
Furniture, Fixture and office equipment	Double declining	4
Heavy equipment	Double declining/ Straight line	4 4
Weight bridge	Double declining	4

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is credited or charged to operations in the year the asset is derecognized.

The residual values, useful lives and methods of depreciation of fixed assets are reviewed and adjusted prospectively, if appropriate, at the end of the reporting period.

i. Exploration and evaluation assets

Exploration and evaluation activity involves the search for mineral resources, determination of the technical feasibility and assessment of the commercial viability of the mineral resource.

Exploration and evaluation expenditures comprise of costs that are directly attributable to :

- Acquisition of rights to explore
- Topographical, geological, geochemical and geophysical studies
- Exploratory drilling
- Trenching and sampling and
- Activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources.

Exploration and evaluation assets related to an area of interest is written-off as incurred, unless they are capitalized and carried forward, on an area of interest basis, provided one of the following conditions is met :

- The costs are expected to be recovered through successful development and exploitation of the area interest or, alternatively, by its sale.
- Exploration activities in the area of interest have not yet reached the 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 area of interest are continuing.

Capitalized costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative cost are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Exploration and evaluation assets are recorded at cost less impairment charges. As the asset is not available for use, it is not depreciated.

Exploration and evaluation assets are assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to mining properties.

j. Development properties

Development expenditures incurred by or on behalf of the Company are accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditures comprise of costs directly attributable to the construction of a mine and the related infrastructure.

Development phase begins after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Once a development decision has been taken, the carrying amount of the exploration and evaluation assets relating to the area of interest is aggregated with the development expenditure and classified under non-current assets as "development properties".

A development property is reclassified as a "mining property" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

No depreciation is recognized for development properties until they are reclassified as "mining properties" and amortised in ratio to estimated coal reserve to sales during the year.

k. Mining properties

When further development expenditures are incurred on a mining property after the commencement of production, the expenditures are carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the Company. Otherwise these expenditures are classified as a cost of production.

Mining properties (including exploration, evaluation and development expenditures, and payments to acquire mineral rights and leases) are amortized using the units of production method, with separate calculations being made for each area of interest. The units of production basis results in an amortization charge proportional to the depletion of the proved and probable reserves.

l. Impairment of non-financial assets

The Company assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

m. Employee benefits

The Company recognizes its unfunded employee benefits liability is recognized in accordance with Labor Law no. 13/2003 and PSAK 24, "Employee Benefits".

Pension costs are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate and annual rate of increase in compensation.

All past service costs are recognized at the earlier of when the amendment/ curtailment occurs and when the related restructuring or termination costs are recognized. As a result, unvested past service costs can no longer be deferred and recognized over the future vesting period.

n. Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding value added taxes.

Revenues from sales of coal is recognized as per term of sales at the time the significant risks and rewards of ownership of the coal has passed to the customers.

Expenses are recognized when they are incurred.

o. Corporate income tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as tax losses carry-forward, are also recognized to the extent that realization of such benefits is probable. The tax effects for the year are allocated to current operations, except for the tax effects from transactions which are directly charged or credited to equity.

Deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the statement of financial position date.

Amendment to tax obligation is recorded when an assessment letter is received or if appealed against, when the results of the appeal are determined. The additional taxes and penalty imposed through an assessment letter are recognized as income or expense in the current year profit or loss, unless objection/appeal is taken. The additional taxes and penalty imposed through an assessment letter are deferred as long as they meet the asset recognition criteria.

p. Financial instruments

i. Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification of financial assets is determined at initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the assets.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

ii. Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss, liabilities at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification of financial liabilities is determined at initial recognition.

Financial liabilities are recognized initially at fair value which, in the case of liabilities at amortized cost, is net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in profit or loss when liabilities are derecognized as well as through the amortization process.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques.

Such techniques may include using recent arm's length market transaction, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, or other valuation models.

Credit risk adjustment

The Company adjusts the price in the more observable market to reflect any differences in counterparty credit risk between instruments traded in that market and the ones being valued for financial asset positions. In determining the fair value of financial liability positions, the Company's own credit risks associated with the instruments are taken into account.

v. Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

vi. Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortized cost

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or

collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics, and the group is collectively assessed for impairment. Assets that are individually for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a "loans and receivables" financial asset has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment account. If a future write-off is later recovered, the recovery is recognized in profit or loss.

vii. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when :

- (1) the rights to receive cash flows from the asset have expired, or
- (2) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either
 - (a) the Company has transferred substantially all the risks and rewards of the asset, or
 - (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit and loss.

3. SOURCE OF ESTIMATION UNCERTAINTY

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset and liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amounts recognized in the financial statements :

a. Determination of functional currency

Management has made judgment on the determination of functional currency. The functional currency of the Company is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenue and cost of goods sold.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below :

a. Determination of fair values of financial assets and financial liabilities

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value. The judgment includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

b. Estimating useful lives of fixed assets

The Company estimates the useful lives of its fixed assets based on expected asset utilization as anchored on business plans and strategies that also consider expected future technological developments and market behavior. The estimation of the useful lives of fixed assets is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least each financial year end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any year will be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the Company's fixed assets will increase the recorded operating expenses and decrease non-current assets.

c. Mineral reserve estimates

Proven and probable reserves are estimates of the amount of output that can be economically and legally exploited from the Company's mining properties. In order to estimate mineral reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, stripping ratio, production costs, transportation costs, commodity demand, commodity prices and exchange rates. Estimating the quantity and/or mineral content of mineral reserves requires the size, shape and depth of mineral bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgments to interpret the data. Because the economic assumptions used to estimate reserves change from period to period and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in the reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- a. Assets carrying values may be affected due to changes in the estimated future cash flows.
- b. Depreciation, depletion and amortisation charged to consolidated profit or loss may change where such charges are determined on the units of production basis, or where the useful economic lives of assets change.
- c. Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- d. The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.

d. Exploration and evaluation expenditure

The Company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable production operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to consolidated profit or loss.

e. Provision for mine rehabilitation

The Company's accounting policy for the recognition of mine closure and rehabilitation provisions requires significant estimates and assumptions, such as requirements of the relevant legal and regulatory framework, the magnitude of possible land disturbance and the timing, extent and costs of required closure and rehabilitation activity. These uncertainties may result in future actual expenditure that differs from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at that time.

f. Realizability of deferred tax assets

The Company reviews the carrying amount of deferred tax assets at the end of each reporting period and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

g. Estimation of pension cost and other employee benefits

The cost defined benefit plan and present value of the pension obligation are determined using the projected-unit-credit method. Actual valuation includes making various assumptions which consist of, among other things, discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. Actual results that differ from the Company's assumptions are directly recognized as other comprehensive income. Due to the complexity of the valuation, and its underlying assumptions and long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual experience or significant changes in its assumptions may materially affect the costs of and obligations for pension and other long-term employee benefits. All assumptions are reviewed at each reporting date.

4. CASH AND BANK

Cash and bank consists of :

	March 31,	
	2020	2019
Cash and hand		
Indonesian Rupiah	9,808	85,335
Cash in bank		
Indonesian Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	-	5,007
PT Bank CIMB Niaga Tbk	218,026	-
United States dollar		
PT Bank Rakyat Indonesia (Persero) Tbk		104,890
PT Bank CIMB Niaga Tbk	1,234,861	-
Total cash in bank	1,452,887	109,897
Total	1,462,695	195,232

All cash in bank are placed in third-party bank and not restricted.

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

5. TRADE RECEIVABLES

Trade receivables consists of :

	March 31,	
	2020	2019
Related party		
PT Oorja Indo KGS	2,267,251	-
Third parties		
KTP Exports Pte. Ltd.	1,007,321	1,586,527
PT Multi Harapan Utama	1,069,292	283,118
PT Tenaga Resources	35,972	-
PT Mitra Maju Sukses	-	124,062
Total	4,379,836	1,993,707

Based on the review of each of the trade receivables at the end of the year, the Company's management believes that the trade receivables are realizable at the above amounts and no provision for impairment is necessary.

6. OTHER RECEIVABLES - NET

This account represents operational loan from PT Oorja Indo KGS, related party, amounting to US\$ 1,377,735.75 and US\$ 77,840 from PT Indo Perkasa as of March 31, 2020. The loan bears no interest and without terms of payment.

Based on the review of each of the other receivables at the end of the year, the Company's management believes that the other receivables are realizable at the above amounts and no provision for impairment is necessary.

7. INVENTORIES

Inventories consists of :

	March 31,	
	2020	2019
Coal	740.197	1.009.443
Spare parts	70.098	84.781
Fuel	24.179	27.517
Total	834.474	1.121.741

Based on the review of each of the inventories at the end of the year, the Company's management believes that the inventories are realizable at the above amounts and no provision for impairment is necessary.

The Company's inventories are not insured.

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

8. PREPAYMENTS

Prepayments consist of :

	March 31,	
	2020	2019
Advances		
Employees	34,927	47,098
Supplier	274,322	1,295,245
Total advances	309,249	1,342,343
Prepaid expenses		
Rent	10,651	15,857
Insurance	12,483	28,143
Barging cost	129,028	-
Others	38,840	24,616
Total prepaid expenses	191,002	68,616
Total	500,251	1,410,959

9. TAXATION

a. Taxes payable consist of :

	March 31,	
	2020	2019
Income tax		
Article 4 (2)	157	4,271
Article 15	4,948	14,101
Article 21	22,094	45,672
Article 23	50,660	115,873
Article 25	192,664	224,777
Article 26	333,584	348,584
Corporate 2019	1,769,830	2,123,989
Corporate 2020	51,443	-
Land and building tax	351,789	15,408
Tax penalties	281,292	290,630
PNBP	24,320	-
Final income tax PP23 - 0.5%	535	-
Total	3,083,316	3,183,305

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

- b. The reconciliation between income before income tax benefit (expense) as shown in the statements of profit or loss and other comprehensive income and income tax benefit (expense) is as follows :

	Year ended March 31,	
	2020	2019
Income (loss) before income tax benefit (expense) per statement of profit or loss and other comprehensive income	3,675,652	7,529,342
Permanent differences		
Non-deductible expenses		
Taxes	28,449	-
Telecommunication	15,834	-
Meal	25,208	-
Other	-	297,768
Income already subjected to final tax		
Interest	(17,968)	(56,572)
Temporary differences		
Provision for employee benefits	41,458	133,912
Depreciation of fixed assets	18,538	29,994
Finance lease	-	(8,720)
Estimated taxable income	3,787,171	7,925,724
Current income tax expense	946,793	1,981,431
Prepayments of income tax		
Article 22	(817,712)	(767,420)
Article 25	(77,638)	(6,586)
Corporate income tax payable	51,443	1,207,425

- c. The details of deferred tax assets - net are as follows :

	Year ended March 31, 2020			
	Current year credited (charged) to			March 31, 2020
	April 1, 2019	Profit or loss	Other Comprehensive income	
Fixed assets	50,827	4,635	-	55,462
Finance lease	(2,180)	-	-	(2,180)
Employee benefits	75,602	10,364	(2,990)	82,976
Net	124,249	14,999	(2,990)	136,258

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

	Year ended March 31, 2019			
	Current year credited (charged) to			
	April 1,		Other	March 31,
	2018	Profit or loss	Comprehensive	2019
			income	
Fixed assets	43,328	7,499	-	50,827
Finance lease	-	(2,180)	-	(2,180)
Employee benefits	40,069	33,478	2,055	75,602
Net	83,397	38,797	2,055	124,249

The management of the Company believes that the above deferred tax assets are fully recoverable through future taxable income.

10. FIXED ASSETS – NET

The movements of fixed assets are as follows :

	Year ended March 31, 2020			Ending Balance
	Beginning Balance	Additions	Deductions	
Cost				
Land improvements	218,264			218,264
Building and infrastructures	75,362	180,433		255,795
Vehicles	394,835	-	23,109	371,726
Furniture, Fixture and office equipment	552,757	20,566	-	573,323
Heavy equipment	492,241	-	170,525	321,716
Weight bridge	63,990	-	-	63,990
Asset under capital lease Vehicles	76,634	-	-	76,634
Total cost	1,874,083	200,999	193,634	1,881,448
Accumulated depreciation				
Land improvements	49,189	14,365	-	63,554
Building and infrastructures	27,713	15,055	-	42,768
Vehicles	337,943	47,184	22,687	362,440
Furniture, Fixture and office equipment	506,409	18,319	-	524,728
Heavy equipment	384,735	93,918	154,488	324,165
Weight bridge	63,990	-	-	63,990
Asset under capital lease Vehicles	9,579	16,764	-	26,343
Total accumulated depreciation	1,379,558	205,604	177,175	1,407,988
Net Book Value	494,525			473,460

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

	Year ended March 31, 2019			
	Beginning Balance	Additions	Deductions	
Cost				
Land improvements	218,264	-	-	218,264
Building and infrastructures	75,362	-	-	75,362
Vehicles	446,225	-	51,390	394,835
Furniture, Fixture and office equipment	543,823	8,934	-	552,757
Heavy equipment	472,068	44,896	24,723	492,241
Weight bridge	63,990	-	-	63,990
Asset under capital lease Vehicles	-	76,634	-	76,634
Total cost	1,819,732	130,464	76,113	1,874,083
Accumulated depreciation				
Land improvements	36,581	12,608	-	49,189
Building and infrastructures	20,177	7,536	-	27,713
Vehicles	340,889	42,787	45,733	337,943
Furniture, Fixture and office equipment	495,182	11,227	-	506,409
Heavy equipment	290,470	113,552	19,287	384,735
Weight bridge	63,990	-	-	63,990
Asset under capital lease Vehicles	-	9,579	-	9,579
Total accumulated depreciation	1,247,289	197,289	65,020	1,379,558
Net Book Value	572,443			494,525

Depreciation was charged to operations as follows :

	Year ended March 31,	
	2020	2019
Cost of good sold - production cost	205,604	160,622
General and administrative expenses	-	36,667
Total	205,604	197,289

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

Sales of fixed assets is as of follows :

	Year ended March 31,	
	2020	2019
Net carrying amount	16,459	11,093
Proceeds from sales of fixed asset	<u>(43,730)</u>	<u>(39,008)</u>
Gain on sales of fixed assets	<u><u>(27,271)</u></u>	<u><u>(27,915)</u></u>

The Company's Heavy equipments are covered by insurance against losses from several risks with several insurance companies, with total coverage of IDR 20,230,000,000 for the year 2020. The management believes that the insurance is adequate to cover possible losses arising from such risks.

Based on management's assessment, there are no events or changes in circumstances which may indicate an impairment in the value of fixed assets as of March 31, 2020.

11. MINING PROPERTIES – NET

The movements of mining properties are as follows :

	Year ended March 31, 2020		
	Beginning Balance	Additions	Ending Balance
Cost	28,432,314	1,966,655	30,398,969
Accumulated amortization	<u>(7,015,528)</u>	<u>(2,319,742)</u>	<u>(9,335,270)</u>
Net book value	<u><u>21,416,786</u></u>		<u><u>21,063,699</u></u>
	Year ended March 31, 2019		
	Beginning Balance	Additions	Ending Balance
Cost	28,432,314		28,432,314
Accumulated amortization	<u>(5,052,517)</u>	<u>(1,963,011)</u>	<u>(7,015,528)</u>
Net book value	<u><u>23,379,797</u></u>		<u><u>21,416,786</u></u>

Based on management's assessment, there are no events or changes in circumstances which may indicate an impairment in the value of mining properties as of March 31, 2020.

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

12. RESTRICTED CASH

As of March 31, 2020, the Company's cash balance in bank BRI and Mandiri was frozen due to legal ownership dispute of the Company. The details of the frozen cash are as follows :

	March 31,	
	2020	2019
Indonesian Rupiah		
PT Bank Rakyat Indonesia (Persero) Tbk	4,511	-
PT Bank Mandiri (Persero) Tbk	17,830	2,040
PT Bank CIMB Niaga Tbk	-	2,394
United States dollar		
PT Bank Rakyat Indonesia (Persero) Tbk	4,948	-
PT Bank Mandiri (Persero) Tbk	35,545	35,676
PT Bank CIMB Niaga Tbk	-	5,434
Total	62,834	45,544

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

13. TRADE PAYABLES

Trade payables consist of :

	March 31,	
	2020	2019
Related party		
PT Indo Perkasa	5,205,854	3,668,495
Third parties		
PT Multi Sarana Avindo	590,908	657,542
PT Aja Mega Perkasa	331,789	-
PT Perkasa Multi Utama	331,461	473,501
PT Syahrnazar Maju Bersama	283,123	148,182
PT Sandiana Citra Mandiri	213,812	256,904
PT Bintang Nusantara Linda	137,469	104,789
PT Petro Andalan Nusantara	133,040	35,470
PT Arus Cipta Eriady	131,753	-
PT IndoTRANS Sejahtera	120,146	78,662
Andi Harun (ARH Law Firm)	110,414	232,651
PT Mega Buana Teknik	65,687	69,726
CV Cahaya Anugerah Sejahtera	65,649	70,958
PT Pel Karya Bintang Timur	61,085	53,945
PT Pejantan Tangguh Abadi	56,273	78,934
PT Karmel Mulia Abadi	-	426,902
PT Mahaguna Karya Indonesia	-	215,584
PT Prima Sarana Gemilang	-	196,549
CV Mitra Andalan Property	-	55,550
Others (each belows US\$ 50,000)	367,673	793,414
Total third parties	3,000,282	3,949,265
Total	8,206,136	7,617,760

The above trade payable is unsecured.

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

14. OTHER PAYABLES

Other payables consist of :

	March 31,	
	2020	2019
Related parties		
Principal		
Oorja Batua Pte. Ltd.	656,907	656,907
PT Oorja Indo KGS	-	39,841
Oorja Holdings Pte. Ltd.	-	46,799
Third party		
PT Tenaga Resources	-	5,270
Total	656,907	748,817

The above other payable is unsecured

15. ACCRUED EXPENSES

Accrued expenses consist of :

	March 31,	
	2020	2019
Royalty	1,027,634	1,182,189
Technical fee	1,080,011	147,936
Others	342,627	250,465
Total	2,450,272	1,580,590

16. EMPLOYEE BENEFITS LIABILITY

The Company provides benefits to its qualified employees based on the provisions of Labor Law no. 13/ 2003. The benefits are unfunded.

The following tables summarize the components of employee benefits expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position as employee benefits liability as determined by an independent firm of actuaries (PT Jasa Aktuaria Praptasentosa Gunajasa) in its report dated April 01, 2020 for the year ended March 31, 2020.

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

a. Employee benefits expense

	<u>Year ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest cost	23,490	11,306
Current service cost	97,528	83,479
Total	<u>121,018</u>	<u>94,785</u>

b. Employee benefits liability

The following table represent movements in employee benefits liability :

	<u>Year ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	302,409	160,272
Provision during the year	162,173	145,313
Actuarial gain (loss) on other comprehensive income	(11,962)	8,225
Different from foreign exchange	(35,785)	(5,390)
Benefit paid	(84,931)	(6,011)
Total	<u>331,905</u>	<u>302,409</u>

Management believes that the employee benefits liability is sufficient in accordance with the requirements of Labor Law no. 13/ 2003.

The principal assumptions used in determining employee benefits liability are as follows :

	<u>March 31,</u>	
	<u>2020</u>	<u>2019</u>
Discount rate (per annum)	8,73%	8,48%
Mortality rate	TMI 2011	TMI 2011
Salary increment rate (per annum)	9,00%	9,00%
Retirement age	55	55

17. CAPITAL STOCK

The Company stockholders as of March 31, 2020 and 2019 are as follows :

<u>Shareholder</u>	<u>%</u>	<u>Number of shares</u>	<u>Total</u>
Oorja (Batua) Pte. Ltd.	45	35,100	2,705,119.00
PT Indo Karya Perdana	54	42,400	3,251,117.00
Ardiansyah Muchsin	1	500	55,139.00
Total	<u>100</u>	<u>78,000</u>	<u>6,011,375</u>

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

18. SALES

The details of sales are as follows :

	Year ended March 31,	
	2020	2019
Coal		
Export	2,895,290	43,860,259
Local	50,228,180	9,937,347
Total	53,123,470	53,797,606

19. COST OF GOOD SOLD

The details of cost of good sold are as follows :

	Year ended March 31,	
	2020	2019
Mining cost		
Fuel	6,258,214	5,669,432
Consumables	337,096	424,314
Hauling Charges	6,155,966	5,017,502
Heavy Equipment Rental	8,797,132	6,562,574
Depreciation and amortization	2,525,346	2,160,301
Jetty Charges	5,943,846	5,336,963
Technical Fees-Production	5,041,934	5,738,621
Royalty Expenses Govt	1,692,010	3,251,389
Salary & Wages SMD	1,523,191	1,229,522
Total Mining cost	38,274,734	35,390,618

PT KARYA PUTRA BORNEO

NOTES TO THE FINANCIAL STATEMENTS (continued)

As of March 31, 2020 and for the year then ended

(Expressed in US\$, unless otherwise stated)

	Year ended March 31,	
	2020	2019
Other mining cost		
Land & Building Tax (PBB)	660,942	19,226
Catering Site	558,097	597,540
Re-Vegetarian Expenses	351,098	349,830
Office Expense -Site	121,236	52,536
Repairs & Maintenance- Equipment-Site	99,970	113,541
Reforestation Cost	90,365	12,307
PNBP PKH-Forest Tax	83,843	
Telekomunikasi & Internet Exp - Site	28,830	21,220
Geologist Fee	22,896	23,141
Rental Building Site	21,650	10,790
Compensation For Disturbance	21,450	43,380
Other Office Expense -Site	19,602	106,836
CSR Site (Corporate Social Responsibility Site Operation)	16,120	42,616
Repair & Maintenance Office - Site	14,866	14,519
Transportation - Site	13,725	10,080
Insurance-Equipment	10,845	7,134
Repairs & Maintenance- Other-Site	9,628	1,674
Guest House Expenses-	9,187	134
Rental - Vehicle Site	7,656	51,730
Printing & Stationary - Site	7,645	8,767
Office Supllies	7,314	12,017
Insurance Premium Reclamation Bank Guarantee	6,961	17,896
Security & Safety	5,817	6,264
License and permit	-	33,654
Others (below USD 5,000)	6,882	9,525
	<u>2,196,625</u>	<u>1,566,357</u>
Total Other mining cost		
	<u>40,471,359</u>	<u>36,956,975</u>
Total production cost		
Inventories, beginning of year	1,009,443	569,976
Inventories, end of year	<u>(740,197)</u>	<u>(1,009,443)</u>
Total cost of good sold	<u><u>40,740,605</u></u>	<u><u>36,517,508</u></u>

20. OPERATING EXPENSES

The details of operating expenses are as follows :

	Year ended March 31,	
	2020	2019
Selling and distribution		
Shipments costs	5,996,876	5,580,629
DMO buyout	-	552,920
Demurrage	965,125	626,638
Quality claim	-	375,000
Commitment Charges	55,000	-
Cargo Insurance	222	21,904
Others	10,359	8,950
Total selling and distribution	7,027,582	7,166,041
General and administrative		
Employee Expenses	899,864	935,067
Legal and Professional Expenses	828,048	749,707
Outstation Travelling	90,505	97,660
Building Rental Expenses	40,553	17,469
Electricity and Water Expenses	17,200	20,323
Office Expense JKT	15,129	35,302
Training Expenses	12,998	-
IT Expenses	12,695	32,249
Repair & Maintenance Vehicle - Site	11,061	4,226
CSR Business (Corporate Social Responsibility Business Exp)	7,234	11,814
Transportation - Jakarta	6,542	7,650
Other Expenses (Below USD5000)	36,771	21,957
Total general and administrative	1,978,600	1,933,424
Total	9,006,182	9,099,465

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are foreign currency, credit risk, liquidity risk and commodity price risk. The Board of directors reviews and approves policies for managing each of these risks, which are described in more details as follows :

i. Risk management**Foreign currency risk**

The Company's reporting currency is in US\$. The Company faces foreign currency risk as the Company's certain transactions are denominated in foreign currencies. To the extent that the transactions of the Company are denominated in currencies other than US\$, and are not evenly matched in terms of volume and/ or timing, the Company has exposure to foreign currency risk.

The Company does not have any formal hedging policy for foreign exchange exposure.

Credit risk

The Company is exposed to credit risk arising from the credit granted to its buyer and fund being placed in bank. To mitigate this risk, the Company has policies in place to ensure that sales are made only to creditworthy buyers with proven track record or good credit history. It is the Company's policy that all buyers who wish to settle the credit sales are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

When a buyer fails to make payment within the credit term granted, the Company contacts the buyer to act on the overdue receivables. If the buyer does not settle the overdue receivable within a reasonable time, the Company proceeds to commence legal proceedings. Depending on the Company's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Company ceases the sales to the buyer in the event of late payment and/ or default.

Depending on the Company's assessment, specific provisions may be made if the debt is deemed uncollectible. To mitigate credit risk, the Company ceases the sales to the customer in the event of late payment and/ or default.

To mitigate the default risk of bank on the placement of the Company's fund, the Company has policies to place its fund only in bank with good reputation.

Liquidity risk

The Company manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and bank.

The Company regularly evaluates its projected and actual cash flow information and continuously maintains its payables and receivables days' stability.

Commodity price risk

The Company exposure to commodity price risk relates primarily to the production cost of coal. The price of these coal are directly affected by commodity price fluctuations and the level of demand and supply in the market.

The Company's policy is to minimize the risks arising from the fluctuations in the commodity prices by controlling the optimum coal production cost to ensure continuous production.

ii. Capital management

The Company aims to achieve an optimal capital structure in pursuit of its business objectives, which include maintaining healthy capital ratios and maximizing stockholder value.

22. OTHER MATTERS

The Company has placed additional deposit of Rp 1.005.718.860 and Rp 630.007.220 to PT Asuransi Central Asia, to cover their bank guarantees amounting to Rp 5.028.594.300 for 2017 and 2019; and 3.150.036.100 for 2020. 2015, 2016 and 2018 has been covered by earlier deposit. Bank Guarantee of IDR 13.941.574.567 has been issued to Ministry of Energy and Mineral Resources (ESDM) as part of submission of reclamation bond deposits from 2015 to 2020.

Security provider to loan taken by intermediary holding company

ICICI Bank Limited has sanctioned term loan of US\$ 20,000,000 to intermediary parent company Mercator International Pte Ltd, Singapore (Borrower) vide sanction letter Number 56/IBGDUB/92116 dated 22 December 22, 2015 for which facility agreement has been executed dated December 30, 2015. As per the terms and condition of the agreement and available information, the loan is secured on ESCROW account and pledge of shares held by one of shareholder PT Indo Karya Perdana. As a part of subsequent event declaration, the Borrower has committed payment default and bank has issued notice for the same to borrower. The Company has neither received any notice nor any action taken by bank as on date.

ICICI Bank Limited has sanctioned term loan of US\$ 20,000,000 to intermediary holding company Oorja Holding Pte Ltd, Singapore (Borrower) vide sanction letter number 23/IBGSIN/50235 dated November 14, 2012 for which facility agreement has been executed dated November, 28 2012. The Company is included as one of the obligor as per sanction terms and condition. As a part of subsequent event declaration, the Borrower has committed payment default and bank has issued notice for the same to borrower.

On March 31, 2018, newly appointed directors of the Company have frozen the operational activities of existing bank accounts in PT Bank Danamon Indonesia Tbk, PT Bank UOB Indonesia, PT Bank Sumitomo Mitsui Indonesia and PT Bank Mandiri (Persero) Tbk on September 6, 2017. On June 8, 2018 all frozen bank accounts have been opened and the Company has utilized the fund.

Pursuant to Deed No. 6 dated February 28, 2019 of notary R. Meliani Rahmawati, S.H., M.Kn which has been notified to the Ministry of Law and Human Rights of the Republic of Indonesia as evidenced by letter No. AHU-AH.01.03.0126843 dated March 1, 2019 and Deed No. 1 dated March 4, 2019 of notary R. Meliani Rahmawati, S.H., M.Kn which has been notified to the Ministry of Law and Human Rights of the Republic of Indonesia as evidenced by letter no. AHU-AH.01.03-0132545 dated March 5, 2019, the existing minority shareholder of the Company together with other third parties have lodged frivolous claim as shareholders and management of the Company by unauthorized means. They made changes in the shareholding and management composition of the Company through Circular Resolutions stated in the Deed No. 6 dated February 28, 2019 and Deed No. 1 dated March 4, 2019 unilaterally and without prior approval from Ministry of Energy and Mineral Resources (ESDM) (vide Article 14 to Article 16 of Minister of ESDM Regulation No. 48 of 2017 and Article 63 of Minister of ESDM Regulation No. 11 of 2018). They made the Circular Resolutions based on misinterpretations of Supreme Court Decision No. 1332 K/PID/2017 dated January 11, 2018 in conjunction with East Kalimantan High Court Decision No. 93/PID/2017/PT.SMR dated September 7, 2017 in conjunction with Samarinda District Court Decision No. 233/Pid.B/2016/PN.Smr dated October 6, 2016. Moreover, they also made changes in the Company Profile Database of the Legal Administrative Affairs (AHU) of the Ministry of Law and Human Rights, by entering incorrect information in the Legal Entity Administration System (LEAS).

Meanwhile, based on those two deeds and acceptance letters issued by Ministry of Law and Human Rights, they also had filed several letters to banks to inform the change of shareholders and management. The Company has represented to all banks for non-acceptance of such unauthorized change of shareholders and management. Considering the aforesaid dispute, PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk and PT Bank CIMB Niaga Tbk, on precautionary basis, have taken a view and have frozen bank account of the Company on March 2019.

The Company had raised this matter to the Ministry of Law and Human Rights of the Republic of Indonesia and sought clarification through various joint hearing of all parties dated March 19, 2019 and May 8, 2019, and request for cancellation of acceptance letters to the notification of aforesaid two deeds. However, there is no cancellation from of Ministry of Law and Human Rights of the Republic of Indonesia. Considering statutory time limit for filing a lawsuit at State Administrative Court (Pengadilan Tata Usaha Negara/PTUN),

the shareholder of the Company, PT Indo Karya Perdana (IKP), has exercised its legal right by filing a law suit to the State Administrative Court of Jakarta under case registration number 105/G/2019/PTUN-JKT dated May 16, 2019. Further, the Company had previously joined the case as the intervening party (co-claimant).

On August 19, 2019, the Company received a confirmation letter from Directorate General of Coal and Mineral Resources (DGCM) Ministry of Energy and Mineral Resources No.1123/08/DBB.BU/2019 in which it is confirmed that based on DGCM database, board of commissioners and directors and stockholders are still registered and subsisting as per their records. Pursuant to Article 63 of Minister of Energy and Mineral Resources Regulation No. 11 of 2018, any change to shareholders, board of commissioners and directors of the holder of Mining Business License (IUP), it must obtain prior approval from Minister of Energy and Mineral Resources before it is registered in the Ministry of Law and Human Rights.

On October 23, 2019, the State Administrative Court of Jakarta issued a verdict which declare that the acceptance letters issued by the Ministry of Law and Human Rights to be null and void, and invalid, and oblige the Ministry of Law and Human Rights to revoke such acceptance letters. On October 24, 2019, a statement of appeal has been filed towards the said verdict. However, based on the information letter No. 48/B/2020/PT.TUN.JKT dated 30 March 2020 issued by the State Administrative Court of Jakarta, the statement of appeal had been revoked. Therefore, pursuant to the above, the State Administrative Court of Jakarta's verdict is legally binding (in kracht van gewijsde).

The Company have filed a police report to Criminal Investigation Agency of the Indonesian National Police (Bareskrim) against all the parties as mentioned in those two deeds abovementioned, and also the notary who made such deeds. As of reporting date, this case is still ongoing.

On April 30, 2019, Lisbon Sijabat filed a judicial review request through his advocate, Robert Nababan & Rekan to the Supreme Court of Republic of Indonesia based on search of new evidence at his end. This judicial review was filed towards the verdict of Supreme Court No. 244 K/Pdt/2017 dated April 6, 2017, which had been issued in favor of the Company. However, on November 4, 2019, settlement has been made by the Company and Lisbon Sijabat. As a result of such settlement, based on Deed of Statement of Revocation of Judicial Review Application dated November 8, 2019, Lisbon Sijabat revoked the case.

On October 3, 2019, the minority shareholder of the Company, Ardiansyah Muchsin, filed a tort lawsuit in Samarinda District Court under the registered case number 146/Pdt.G/2019/PN.Smr against the Notary Khairu Subhan, the Company, Ministry of Law and Human Rights, PT United Coal Indonesia and other notary public whoever made notarial deeds for the Company. In the prayer for relief of the said lawsuit, Ardiansyah Muchsin requested the court to declare the deed of the Company from 15 July 2010 to be null and void and has no legal force along with the other derivative deeds. However, based on the Court Decision dated March 18, 2020 issued by Samarinda District Court, Ardiansyah Muchsin has revoked the lawsuit.

On December 12, 2019, the Company filed a lawsuit against Notary Mala Mukti, ICICI Bank Limited, DIFC Branch, ICICI Bank Limited, Mercator International Pte. Ltd., Mercator Energy Pte. Ltd., PT Indo Perkasa and the Ministry of Law and Human Rights under the registered case number 1073/Pdt.G/2019/PN.Jkt.Sel. The lawsuit is related to the Facility Agreement for up to USD20,000,000 Single Currency Term Facility dated December 30, 2015. As of reporting date, this case is still ongoing.