7 August 2019

South Pacific Resources Limited Agrees to Acquire Takmur Pte. Ltd.

South Pacific Resources Limited (ASX: SPB) (SPB or the **Company**) is pleased to announce that it has signed a Sale and Purchase Agreement to acquire 100% of **Takmur Pte. Ltd.**

As part of the transaction SPB will seek shareholders' approval to effect:

- a 20 to 1 share consolidation;
- a capital raising of AUD $14 million under a prospectus (**Capital Raising**); and
- a change in activities under the Listing Rules.

The Company will change its name to **"Pyx Resources Limited"**.

Oliver B. Hasler will be the proposed Chairman of the Board and Chief Executive Officer, and other Board and management changes are to be made.

(together (**Transaction**))

Subject to the required approvals being received the Transaction will result in the Company changing its activities to become a significant producer of mineral sands in Indonesia with significant exploration upside.

In respect of the Company's Papua New Guinea assets, given the low oil price and lack of commercial prospectively, the Company has entered into an agreement with Ana and Bella Pty Ltd to sell these assets, subject to shareholder approval and the Transaction completing, for a nominal amount. This allows the Company to focus its efforts on the Takmur business.

The securities of the Company will remain suspended from trading until SPB has re-complied with ASX's requirements for admission and quotation, unless full disclosure can be made prior in accordance with ASX requirements.

Takmur Pte. Ltd.

Overview

Takmur Pte. Ltd. (**Takmur**) is a Singapore based company that has exclusive rights to the operation and management of a mineral sands tenement and production facility, which includes a premium quality mineral sands deposit in Indonesia. Takmur's objective is to build shareholder value by adding premium quality mineral sands deposits to its portfolio both in Indonesia and globally. The proceeds of the Capital Raising will be used to further develop the mineral sands tenement and production facilities and look to acquire upside in other projects within the mineral sands industry.

Takmur is currently focused on the fully licensed mineral sands mine which is in production, having achieved an export volume in excess of 3,000 tons of zircon in calendar year 2018, and with significant upside potential in terms of prospective resources and the ability to increase production capacity. Ultimately, Takmur aims to become a significant mineral sands player and supply world markets with premium quality zircon, securing an important role in this rapidly growing industry.

Takmur Corporate Structure

In January 2019, PT Andary Usaha Makmur (**PTAUM**), a 99% owned subsidiary of Takmur, entered into an Exclusive Operation and Management Agreement with PT. Investasi Mandiri (**PTIM**), the holder of IUP-OP zircon production and export license 16/DPE/IX/2010 (**Mandiri Tenement**) and owner of a processing plant located 23 km to the south of the Mandiri Tenement. Under the agreement PT AUM has committed to provide mining equipment, technical and management know-how to develop the PTIM business. Under the terms of the agreement, PTIM and its shareholders have delegated to PTAUM:

i) the power to determine the financial and operational policy of PTIM;

ii) the right to appoint the majority of PTIM directors; and

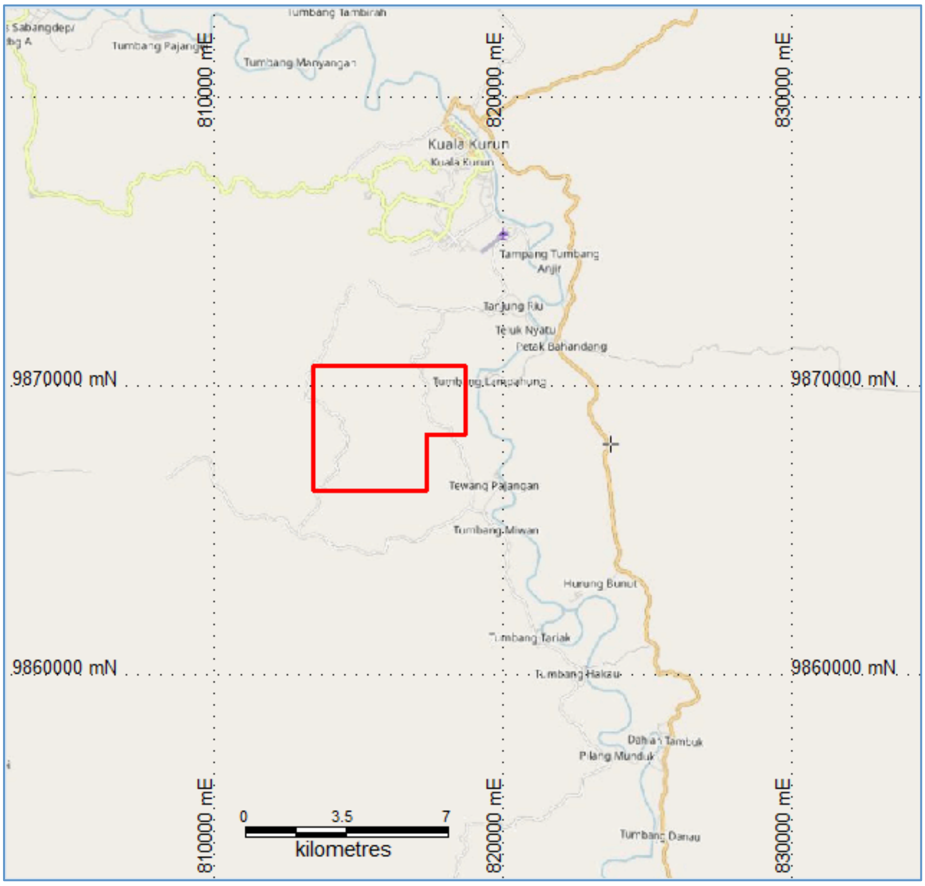
iii) the right to receive 95% of PTIM's net profit on an annual basis as a compensation for the services provided to PTIM.

The above agreement results in control of PTIM by PTAUM.

The Mandiri Tenement

The Mandiri Tenement consists of a concession area of 2,032 hectares located in Central Kalimantan Province, Indonesia fully licensed for mineral sands exploration and premium grade zircon production and export. The concession is owned by PTIM under mining permit Izin Usaha Pertambangan – Operasi Produksi (IUP-OP) No. 16/DPE/IX/2010 issued by Bupati Gunung Mas on 2nd September 2010.

Figure 1: Location Plan of the Mandiri Tenement



The Mandiri Tenement contains heavy mineral sand mineralisation, hosted in Holocene age alluvium the product of an ancient Kahayan river channel and flood plain. The area is geologically relatively simple with an alluvium layer generally of 2 to 6 m in thickness with some areas having up to 11 m in thickness. The alluvium bed is overlain by a Miocene age coal-bearing sequence called the Werukin

Formation.

The Mandiri Tenement is situated on the anticlinorium complex within Barito Basin with a pull apart sedimentary basin, occurring in Paleogene age, in Central Kalimantan. The Mandiri Tenement syncline stratigraphy consists of Tertiary sedimentary rocks sequences; Middle Miocene to Holocene age.

Figure 2: Simplified Geological Plan of Kalimantan Island

Generally, the heavy mineral sands deposit within the Mandiri Tenement is a deposit formed commonly in flood plain environments by concentration (enrichment) of heavy minerals (mostly zircon ($ZrSiO_4$) – rutile (TiO_2) – leucoxene ($FeTiO_3$,TiO_2) and ilmenite ($FeTiO_3$)). Zircon is the most valuable component; thereafter rutile, leucoxene and ilmenite.

The Mandiri Processing Plant

PTIM has constructed a processing plant located 23 km to the south of the current Mandiri Tenement area. The plant incorporates standard heavy mineral processing equipment in the form of dryers, gravity shaking tables, electro-static separators and electro-magnetic separators (**PTIM Plant**). The current production capacity is in the order of 1,000 ton of premium Zircon per month (i.e. 12,000 ton per annum).

The purpose of the processing is to separate the valuable heavy mineral sand from the non-valuable and lighter gangue that makes up most of the input slurry.

Figure 3(a): Shaking Table at the PTIM Plant

Figure 3(b): Electrostatic and Electromagnetic Separators Installed at the PTIM Plant

Proposed New Board and Management

The proposed directors and management have significant experience across various industries and in numerous regions, including Europe, China, South East Asia and Australia.

OLIVER B. HASLER; Chairman of the Board and Chief Executive Officer

Oliver is an accomplished chief executive, president and board member successfully leading world-class businesses and brands spanning multiple industries and markets, including natural resources, agro-industry, innovative manufacturing and various industrial sectors.

His most recent accomplishment was the successful transformation of the publicly-traded Spanish packaging company, Europac Group, in a short span of 3 years into a mid-cap company which was then acquired for a value exceeding US$2 billion. Major projects Oliver has participated in include revision to the strategy of the Professional Division of Douwe Egberts, which is headquartered in the Netherlands, and its joint venture with U.S.-based Mondelez, and the restructuring of France's Arc International.

Oliver has over 20 years of experience of doing business in Asia, where he has built and operated factories, as well as setting up distribution networks throughout the region while managing significant export and import operations.

Oliver is a Swiss citizen with a degree in Materials Engineering and a Master's degree in Metallurgy from the Federal Institute of Technology in Zurich, Switzerland and an MBA with Honors from the Universidad Iberoamericana in Mexico City. He is fluent in English, German, Spanish and French.

ALVIN TAN; Director

Alvin will stay on as Director following the Transaction.

Alvin has over twenty-five years' experience in Australia and Asia, including mergers, acquisitions, capital raisings and listings on ASX, the Alternative Investments Market (AIM) of the London Stock Exchange, Bursa and German Stock Exchange. Alvin commenced his employment at KPMG in Kuala Lumpur from 1993-1995 as a financial consultant.

Returning to Australia, Alvin worked with the stockbroking firm of DJ Carmichael before pursuing other business interests. He is a founding director of various companies which are now listed on ASX.

Alvin currently serves on the board of ASX listed Advanced Share Registry Ltd and BKM Management Ltd. He also has interests in companies involved in technology, mining, exploration, property development, plantation and corporate services both in Australia and overseas.

Alvin received a Bachelor of Commerce with Honours from the University of Western Australia.

BAKHOS GEORGES; Director

Bakhos has more than forty years of experience in management and operation in the wholesale, retail and pharmaceutical sectors with significant direct involvement in internationally focused import and export operations.

Bakhos has received the Order of Australia Medal (OAM) in 2019 for service to the community. He currently serves as Director of Saint Charbel's Aged Care Centre and is a Justice of the Peace (JP) in and for the State of New South Wales.

Bakhos received a B.Ph.Chem from USMV in 1982.

GARY J. ARTMONT; Director

Gary has forty-six years of experience in the mining business operating in 21 countries and is familiar with all aspects of mineral exploration from grassroots to project pre-feasibility studies through to mining operations.

Gary is a fellow member of AUSIMM #312718 qualified to write NI 43-101 or JORC Competent Person reports. He is experienced in the management of large multifaceted regional and detailed exploration programs in overseas locations with 14 years working in tropical environments.

Gary has worked as a geologist and project manager for multiple organizations over the past four decades, including Geostar Consulting. Rio Tinto, PT Pelsart Indonesia, PT Freeport Indonesia and Ivanhoe Mining China.

Gary received a Bachelor Degree from Waterloo University, Ontario.

The Transaction

SPB has entered into a Sale and Purchase Agreement for the acquisition of Takmur with the Vendors of Takmur and subject to conditions precedent, as set out below.

The key terms of the Transaction, which will be subject to shareholder approval, are:

1. SPB will conduct a 20 to 1 consolidation of its existing issued capital. This will reduce the issued capital of SPB to approximately 18,284,711 fully paid ordinary shares, assuming all Resolutions are passed at the Company's General Meeting to be held on 20 August 2019 (**Shares**);
2. SPB will acquire Takmur via the issue of 210,274,171 (79.8%) Shares (post-consolidation) at an issue price of AUD0.40 per Share to the shareholders of Takmur (**Vendors**);
3. SPB will seek to raise AUD14 million through the issue of 35,000,000 Shares at a price of AUD0.40 per Share under a prospectus (**Capital Raising Shares**) and seek re-admission to the Official List of the ASX under Chapters 1 and 2 of the Listing Rules.

On completion of the Transaction SPB will change its name to "**Pyx Resources Limited**". Additionally, the current Board of SPB will resign and be replaced by new Board members as set out in this Announcement, with the exception of Alvin Tan who will stay on as Director following the Transaction.

The Company will undertake the appropriate background checks on the proposed Directors and other individuals prior to any appointment as directors, in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

SPB has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profit and losses, and prospects of the target to be satisfied that the Transaction is in the interests of the Company and its shareholders.

It is not currently proposed that the Capital Raising be underwritten. The Lead Manager on the Transaction in Australia is Indian Ocean Corporate Pty Ltd, with Cedrus Investments Limited as corporate adviser.

SPB estimates that it will pay total fees within the range of USD1.8m to USD2.8m inclusive of costs relating to the Capital Raising, associated advisory fees, legal fees and ASX fees, to parties not related to SPB. Full details of fees payable will be set out in the notice of meeting seeking SPB shareholder approval for the Transaction.

Pro-forma Financial Information is contained in Appendix A which outlines the effect of the Transaction on the current assets and equity of the Company.

Financial information for the past two financial years of PTIM is set out in Appendix B. The financial information of Takmur and PTAUM will be provided at a later stage.

Vendors of Takmur

The Vendors of Takmur and their ownership in SPB, should the Transaction complete, are as follows:

Vendor Name	No. of Takmur Shares held	% in Takmur	Transaction Shares (Post-Consolidation)	% held of SPB after the Transaction, Post-Consolidation and Capital Raising
Phoenix Fund Solutions Ltd.	1,100	44%	92,520,635	35.1%
Takmur SPC Ltd.	1,000	40%	84,109,669	31.9%
Sinowide International Limited	135	5.4%	11,354,805	4.3%
Sino Ventures Limited	130	5.4%	11,354,805	4.3%
Unico Holdings Limited	135	5.2%	10,934,257	4.2%
TOTAL	**2,500**	**100%**	**210,274,171**	**79.8%**

**The Vendors in the above table are unrelated to each other, except for being shareholders of Takmur.*

Phoenix Fund Solutions Ltd and Takmur SPC Ltd will hold greater than 20% of the Company post-Transaction.

Conditions Precedent

Completion of the Transaction is subject to and conditional upon satisfaction of the following conditions by or before 31 December 2019 (or such other dates as agree between the parties):

1. completion of due diligence investigations by both SPB and Takmur;
2. SPB shareholders approving all the resolutions contained in the Notice of Meeting issued on 17 July 2019;
3. SPB complying with Chapters 1 and 2 of the Listing Rules and obtaining confirmation from ASX that it will re-admit SPB;
4. the parties obtaining all relevant approvals, including SPB shareholder approval, board approval, and any third party consents necessary to implement the Transaction; and
5. no government or regulatory intervention that would prevent completion of the Transaction.

Public Offer and Re-admission to Official List

Conditional upon approval of the Transaction by shareholders, SPB will issue a prospectus for the Capital Raising. As the Company will be changing the nature and scale of its business, it will be required to re-comply with ASX's requirements for admission and quotation. Whilst SPB is confident that it will satisfy the ASX Listing Rules requirements for admission and quotation, there is no guarantee that ASX will re-admit the Company to the official list.

ASX has an absolute discretion in deciding whether or not to re-admit the entity to the official list and to quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion.

In the event that SPB Shares are tradeable prior to completion of the Transaction then investors should take into account of these uncertainties in deciding whether or not to buy or sell SPB's Shares.

Further information regarding the Transaction and the change of activities will be provided in the notice of meeting and the Prospectus to be dispatched in due course.

It is not expected at this stage that any substantive waivers will be required from either ASIC or ASX.

Shareholder Meeting

To implement the Transaction, SPB will prepare a notice of meeting seeking shareholder approval for, among other things, the acquisition of Takmur.

The Company will dispatch to shareholders a notice of meeting setting out various resolutions and further information relating to the proposed Transaction (**Notice of Meeting**). A detailed explanatory statement will accompany the Notice of Meeting and will be distributed to all SPB shareholders prior to the meeting in accordance with the Corporations Act and the ASX Listing Rules.

The Company presently envisages that the resolutions to be put to shareholders will include (but not be limited to):

1. Approval for the change of nature and scale of the activities of the Company;
2. Approval for the consolidation of the capital of the Company;
3. Approval for the issue of the consideration Shares to the Vendors, including approval under item 7 of s. 611 of the *Corporations Act*;
4. Approval for a change in name of the Company to "Pyx Resources Limited";
5. Approval of a securities incentive plan;
6. Approval for the issue of performance shares to key management;
7. Appointment of new Directors.

The Company expects to dispatch the Notice of Meeting to shareholders shortly following review by ASIC and ASX.

Indicative Capital Structure

The table below details the Company's current capital structure and its proposed indicative capital structure after the completion of the Transaction:

	Number of Shares	Percentage of ownership
SPB Ownership Prior to the Transaction		
Current SPB Shareholders (pre-consolidation)*	365,694,211	100.00%
Current SPB Shareholders (post-consolidation)	18,284,711	100.00%
SPB Ownership Post Transaction		
Current SPB Shareholders (post-consolidation)	18,284,711	6.9%
Issue of Shares to Vendors	210,274,171	79.8%
New shareholders under Capital Raising	35,000,000	13.3%
Total Shares on issue Post Transaction	**263,558,882**	**100.00%**

** Subject to rounding of individual holders and assuming all resolutions are passed at the Company's General Meeting to be held on 20 August 2019*

On 17 July 2019 the Company issued a Notice of General Meeting for a meeting to be held on 20 August 2019. At this meeting the Company will seek approval from shareholders to issue shares, at an issue price of AUD0.015 per Share in payment of trade creditors and to redeem convertible notes. Assuming all of these resolutions are passed, the Company will issue 200,178,900 Shares, which have been included in the table above as pre-consolidation Shares.

In addition to the table above, the Company has 10,750,000 unlisted options (pre-consolidation) on issue with an exercise price of AUD0.05 and an expiry date of 22 February 2023. Post-consolidation these will total 537,500 unlisted options with an exercise price of AUD1.00.

The Company will also seek to issue 6,500,000 performance rights to management of the Company for the issue of up to a maximum of 8,125,000 Shares in the Company over three years, depending upon the achievement of performance milestones.

Advantages of the Transaction

Completion of the Transaction will restructure the Company's issued capital and net asset base, providing working capital, a new board and business direction. The Directors are of the view that the change in nature of the Company to a heavy mineral sands producer will deliver value to existing and new shareholders.

Risks of the Transaction

<u>As set out in the Indicative Capital Structure above the Transaction will result in significant dilution to existing shareholders and while the Directors are of the view the Transaction will be beneficial, the business of heavy mineral sands development and production has inherent risk which cannot be avoided.</u>

The key risks can be summarised as follows:

1. Completion risk - Pursuant to the Sale and Purchase Agreement SPB has agreed to acquire 100% of the issued share capital of Takmur, with completion subject to the fulfilment of certain conditions precedent, as set out above. There is a risk the conditions precedent for completion of the acquisition can't be fulfilled and, in turn, that completion of the Transaction does not occur.

If the Transaction is not completed, SPB will incur costs relating to advisors and other costs without any material benefit being achieved.

2. Re-quotation of shares on ASX - The Transaction constitutes a significant change in the nature and scale of the Company's activities and the Company therefore must seek to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX. There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

   In the event the Company does not receive conditional approval for re-quotation of its securities on ASX, the Transaction will not be implemented.

3. Share Liquidity Risk - The Company will have 365,694,211 Shares on issue (assuming all Resolutions are passed at the General Meeting to be held on 20 August 2019 and on a pre-Consolidation basis). Subject to shareholder approval the Company's Shares will be consolidated on a one for twenty basis into approximately 18,284,711 Shares (subject to rounding of fractional entitlements). On Completion, the Company will issue a further 245,687,262 Shares. A portion of the shares issued to Vendors will be subject to escrow restrictions in accordance with Chapter 9 of the ASX. This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be tradable freely for a period of time. Conversely, if the Company is successful in achieving some or all of its objectives, this relative lack of liquidity may lead to volatility in the price of the Company's securities.

4. Reliance on Key Personnel - The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

5. Future Capital Needs - The Company's ability to effectively implement its business strategy will depend in part on its ability to generate income from its operations, and/or to raise additional funds. The need and amount for any additional funds required is currently unknown and will depend on numerous factors related to its current and future activities (including any future acquisitions).

   There can be no assurance that funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance. If required, the Company would seek additional funds through equity, debt or Joint Venture financing.

   If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to existing shareholders, the percentage ownership of shareholders may be reduced. Shareholders may experience subsequent dilution. There can be no guarantee that any capital raisings will be successful If the Company is unable to obtain additional financing as needed, it may result in the delay or indefinite postponement if the Company's activities.

   Mining licenses frequently contain government-mandated capital, social and other such commitments which must be met by the license holder in order to maintain the license. Annually set capital commitments are the norm for such licenses. If the Company cannot secure funding for these commitments (either through internal cashflow, equity, debt, Joint Venture financing or other mechanisms), the license may be at risk.

6. Country risk - The Company's operations initially will predominantly be in the Republic of Indonesia whose economies are subject to many global and internal forces beyond the control of the Company. The Company and its operations may be impacted by changes in the general economic and political climate in the jurisdictions in which the Company operates and on a global basis that could impact on economic growth, the reformation of government structure or industry, commodity prices, interest rates, the rate of inflation, taxation and tariff laws and domestic security which may affect the value and viability of any mineral sands activity conducted by the Company.

7. Investment in Emerging Markets - The Indonesian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world, and, generally, investing in emerging markets such as Indonesia involves greater risk than investing in more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging markets such as Indonesia are subject to rapid change. Global financial or economic crises in any large emerging market country tend to adversely affect prices in equity markets of most or all emerging market countries as investors move their money to more stable, developed markets.

8. Devaluation or Appreciation of Currencies - The external value of the various currencies is affected by changes in policies of the government and to international economic and political developments. In addition, financial markets in Indonesia have in the past experienced severe volatility. As a result, the Indonesia currency (IDR) has been subject to significant devaluation from time to time. Movements in the value of currencies could have an adverse effect on the Company's operations and accordingly its profitability.

9. Exploration and Development Risks - The business of mineral sands exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that economically viable mineral sands resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

   Ultimate and continuous success of exploration and development activities is dependent on many factors such as:

   - the discovery and/or acquisition of economically recoverable reserves;
   - access to adequate capital for project development;
   - design and construction of efficient development and production infrastructure within capital expenditure budgets;
   - securing and maintaining title to interests;
   - obtaining consents and approvals necessary for the conduct of mineral sands exploration, development and production;
   - securing suitable plant and equipment, particularly given equipment utilisation rates are high in the current period of global exploration/production activity, hence competition for such equipment may also be high; and
   - access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced

employees, contractors and consultants.

- Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual mineral sands resources, grade, transportation and reliability and commodity prices affect successful project development and operations.

Mineral sands exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosions, industrial disputes, cave-ins, unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment, mechanical failure and breakdown, blow outs, environmental hazards such as accidental sour gas releases and spills, ruptures, discharge of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of mineral sands. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

In addition, the Company will be subject to multi- jurisdictional compliance with governmental regulations in relation to licence conditions, the environment and operational conduct

10. Operational Risk - The Republic of Indonesia in which the Company will, following the Transaction, conduct operations in is a developing country and may be subject to instability (political, economic, or otherwise).

    Risks include, among other matters:

- economic instability;
- trade barriers or the imposition of taxes;
- changes in the regulatory environment;
- changes in mineral sands exportation and transportation regulations;
- imposition of additional obligations/restriction on foreign investors;
- difficulties with staffing and/or managing any foreign operations;
- issues or restriction on the free transfer of funds;
- technology export or import;
- delays in dealing across borders caused by customers or governmental agencies;
- local currency devaluations; and
- nationalisation or expropriation of the Company’s assets.

As such, investors are advised to be aware of the risks of investing in the Company given its operations in this area.

11. Mineral Sands Products Price Volatility - If the Company achieves success leading to greater production, the revenue it will derive through the sale of commodities exposes the potential

income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company.

The demand for, and price of mineral sands is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, actions taken by governments and international cartels, and global economic and political developments.

Fluctuations in mineral sands prices and, in particular, a material decline in the price of zircon may have a material adverse effect on the Company's business, financial condition and results of operations.

Investors should note that the prices in the current mineral sands market are regarded as being low, with little obvious short term indication of recovery. Takmur is not involved in any high operating cost projects such as offshore developments.

Investors should be aware that further decreases in zircon price levels may ultimately affect the viability of exploration activities within the Company's focus areas, which could result in a negative effect on the Company's future cash flow and the viability of potential future projects, which in turn may affect the value of the Company's Shares.

12. Contractual Disputes - With respect to this issue, the Directors are unable to predict the risk of:

    - financial failure or default by a participant in any joint venture to which the Company may become a party; or
    - insolvency or other managerial failure by any of the operators and contractors used by the Company in its exploration activities; or
    - insolvency or other managerial failure by any of the other service providers used by the Company or its operators for any activity; or
    - title and payment obligations.

    Under the relevant joint venture agreements and certain other contractual agreements to which the Company may in the future become party, the Company is or may become subject to payment and other obligations. If any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

13. Environmental Risks - The Company's activities will be subject to the environmental risks inherent in the mineral sands industry. The Company will be subject to Indonesian environmental laws and regulations in connection with operations it may pursue in the mineral sands industry. Environmental compliance is an ongoing liability of the Company. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

    The Company may also become liable for environmental damage caused by previous owners of any subsoil licence areas the Company will hold. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Company to suffer losses.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities.

These and other impacts that the Company's operations may have on the environment, as well as exposures to hazardous substances or wastes associated with the Company's operations and environmental conditions at the Company's properties, could result in costs and liabilities that would have a material adverse impact on the financial position and operating results of the Company.

A violation of environmental laws relating to a mine or other operating facilities, or failure to comply with the instructions of the relevant environmental authorities, could lead to, amongst other things, a temporary shutdown of all or a portion of the mine or relevant facility, a loss of the right to operate the relevant facility, the imposition of costly compliance procedures and fines, or serious reputational damage to the Company.

Environmental legislation and permitting requirements and the manner in which these are enforced are likely to evolve in a manner which will increase standards and enforcement criteria, as well as increase fines and penalties for non-compliance.

The Directors are unable to predict the extent and effect of additional environmental laws and regulations that may be adopted in the future, and if environmental standards evolve in such a manner, this could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Use of Funds

The proceeds of the Capital Raising, together with existing cash reserves, will be used to:

- Expand current mining and production facilities through the addition of state of the art equipment and machinery, in order to enable the Company to ramp up its production capacity;
- Enable the Company to upgrade its logistic and organizational infrastructure in order to meet substantial demand from its customers;
- Provide the Company with sufficient working capital to finance the growth of its operations;
- Sustain the cost of the Transaction and the Capital Raising and other legal, compliance and administrative costs.

The intended Use of Finds raised under the Capital Raising is as follows:

Use of Funds	Amount (AUD Million)	Percentage (%)
CAPEX (in-house mining, by product processing, by-products license, exploration, facilities upgrade	7.0	50%
RTO expenses	3.4	24%
General working capital / administrative expenses	3.6	26%
TOTAL	**14.0**	**100%**

Indicative Timetable

The following is an indicative timetable for the completion of the Transaction:

Event	Date (Week Commencing)
Despatch notice of general meeting to SPB shareholders	26 August 2019
Lodge Prospectus with ASIC & ASX	2 September 2019
Opening date of Capital Raising	2 September 2019
General Meeting	23 September 2019
Closing date of Capital Raising	30 September 2019
Settlement date	7 October 2019
Re-quotation date	21 October 2019

The above timetable is indicative only and may change. The Company reserves the right to vary any and all of the dates and times set out above without notice subject to the Listing Rules and the Corporations Act..

The Board of SPB will continue to provide shareholders with updates regarding the Transaction in accordance with the Listing Rules.

The Transaction will result in a change in nature and scale of the Company's activities from an oil and gas exploration and production company to mineral sands exploration and production. It will require the Company to re-comply with ASX's requirements for admission and quotation and therefore the Transaction may not proceed. ASX has an absolute discretion in deciding whether or not to re-admit the Company to the official list and to quote its securities and therefore the Transaction may not proceed if ASX exercises that discretion. Investors should take account of these uncertainties in deciding whether or not to buy or sell the Company's securities.

ASX takes no responsibility for the contents of this announcement.

The Company confirms that it is in compliance with its continuous disclosure requirements under Listing Rule 3.1.

--- ENDS ---

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Forward-looking Statements
This Announcement has been made by the authority of the Board of the Company and may contain forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. Readers should not place undue reliance upon any forward-looking statements and the Company disclaims any responsibility for any reader who does so.

South Pacific Resources Limited (ASX:SPB)

Appendix A: Pro forma statement of financial position

Historical Consolidated Statement of Financial Position of both SPB and Takmur as at 31 December 2018 adjusted to reflect the Transaction, the Capital Raising and other material transactions

		SPB	Takmur Consolidated	SPB post-Transaction and Capital Raising
		Actual	Actual	Pro-forma Consolidated
		Audited	Audited	Unaudited
	Notes	31 December 2018	31 December 2018	31 December 2018
		US$	US$	US$
CURRENT ASSETS				
Cash and cash equivalents	1	2,935	23,718	7,370,543
Trade and other receivables		9,868	8,370	18,238
Financial assets		12,670	-	12,670
Other current assets		-	520,713	520,713
TOTAL CURRENT ASSETS		**25,473**	**552,801**	**7,922,164**
NON CURRENT ASSETS				
Rental bond		34,500	-	34,500
Plant and equipment		514	598,589	599,103
TOTAL NON CURRENT ASSETS		**35,014**	**598,589**	**633,603**
TOTAL ASSETS		**60,487**	**1,151,390**	**8,555,767**
CURRENT LIABILITIES				
Trade and other payables	2	1,529,664	132,447	193,729
Borrowings	3	500,091	27,487	27,487
Other current liabilities		-	189,476	189,476
TOTAL CURRENT LIABILITIES		**2,029,755**	**349,410**	**410,692**
NON CURRENT LIABILITIES		**-**	**20,303**	**20,303**
TOTAL LIABILITIES		**2,029,755**	**369,713**	**430,995**
NET ASSETS / (LIABILITIES)		**(1,969,268)**	**781,677**	**8,124,772**
EQUITY				
Issued capital	4	6,056,811	734	14,084,355
Reserves		415,012	-	-
Foreign currency translation reserve		433,230	-	-
Accumulated earnings/(losses)	5	(8,874,321)	780,943	(5,967,392)
Non-controlling interest	6	-	-	7,809
TOTAL EQUITY		**(1,969,268)**	**781,677**	**8,124,772**

	SPB	Takmur (Consolidated)	SPB post-Transaction and Capital Raising
	Actual	Actual	Pro-forma Consolidated
	Audited	Audited	Unaudited
	31 December 2018	31 December 2018	31 December 2018
	US$	US$	US$
Note 1: Cash and Cash Equivalents			
Cash and cash equivalents	2,935	23,718	26,653
Sale of Papua New Guinea assets			690
Issue of Shares under Capital Raising #	-	-	9,660,000
Share offer costs	-	-	(847,300)
Transaction costs	-	-	(1,469,500)
	2,935	**23,718**	**7,370,543**
#This assumes that A$14,000,000 (US$ 9,660,000) is raised through the Capital Raising			
Note 2: Trade and Other Payables			
Trade and other payables	1,529,664	132,447	1,662,111
Conversion of trade creditors to equity##	-	-	(1,468,382)
	1,529,664	**132,447**	**193,729**
Note 3: Borrowings			
Borrowings	500,091	27,487	527,578
Conversion of convertible note to equity##	-	-	(500,091)
	500,091	**27,487**	**27,487**
##This assumes all resolutions passed at SPB's General Meeting to be held on 20 August 2019			
Note 4: Issued Capital			
SPB and Takmur issued capital	6,056,811	734	734
Proposed acquisition (post-consolidation):			
18,284,711 ordinary shares at A$0.40 (US$0.276) pursuant to the Transaction *	-	-	5,046,580
Proposed Public Offer (post-consolidation):			
Issue of 35,000,000 shares at A$0.40 (US$0.276) per ordinary share under Capital Raising (net of costs)	-	-	9,044,850
Non-controlling Interest arising from Takmur acquisition of PTIM	-	-	(7,809)
			14,084,355
Note 5: Accumulated earnings/(losses)			
Accumulated earnings/(losses)	(8,874,321)	780,943	780,943
Gain on sale of Papua New Guinea assets			690
Transaction Loss	-	-	(5,047,375)
Transaction Costs	-	-	(1,469,500)
Costs associated with 35,000,000 Capital Raising	-	-	(232,150)
			(5,967,392)
Note 6: Non-controlling interest			
Non-controlling Interest arising from Takmur acquisition of PTIM	**-**	**-**	**7,809**

*The acquisition has been accounted for using the principles of reverse acquisition accounting under AASB 3 – Business Combinations since the substance of the transaction is that the existing shareholders of Takmur effectively gain control of SPB. Essentially the price paid for the acquisition of SPB by Takmur is the shares currently held by SPB shareholders – post consolidation (18,284,711) by the re-listing price of A$0.40 (or US$0.276), being A$7,313,884 (or US$5,046,580).

PT Investasi Mandiri

Financial Report for the Year Ended 31 December 2018

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2018.

Directors

The names of the directors in office at any time during or since the end of the year are:

Bahing Djimat

Wira Putra

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The profit of the company for the financial year after providing for income tax amounted to USD$302,766 (2017: Loss of USD$19,172).

A review of the operations of the company during the financial year and the results of those operations shows that in 2018 the company significantly increased its mining, concentration and processing volumes. The company solely focused on processing raw materials from its own deposits, with revenue increasing from USD$1,217,814 to USD$4,760,828.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year was being the holder of a mining concession related to a mineral sands deposit located in the Central Kalimantan Province of Indonesia, with an area of 2,032 hectares. In conjunction with this, the Company operated a processing plant equipped to produce premium Zircon (65.5 grade).

No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

Apart from the matter disclosed in note 16 of the financial statements, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared during the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ______________________

Bahing Djimat

Dated this 23rd day of April 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$	$
Revenue		4,760,828	1,217,814
Cost of sales		(3,548,573)	(756,157)
Gross profit		1,212,255	461,657
Other revenue		-	30,569
Depreciation and amortisation		(60,216)	(48,246)
Finance costs		(25,915)	(11,858)
Consulting and professional expenses		(120,849)	(147,877)
Repairs and maintenance expenses		(88,861)	(57,543)
Freight and cartage expenses		(209,513)	(113,512)
Administration expenses		(159,974)	(43,243)
Commissions paid		(29,624)	(3,113)
Employee benefits expense		(43,480)	(45,098)
Compliance costs		(10,985)	(11,022)
Other expenses		(59,150)	(28,066)
Profit / (loss) before income tax	2	403,688	(17,352)
Income tax expense	3	(100,922)	(1,820)
Profit / (loss) for the year		302,766	(19,172)
Other comprehensive income / (loss)			
Other comprehensive income for the period, net of tax		-	-
Total other comprehensive income / (loss) for the year		-	-
Total comprehensive income / (loss) for the year		302,766	(19,172)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018	2017
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	23,718	9,934
Trade and other receivables	5	7,636	47,362
Inventories	6	520,713	86,295
TOTAL CURRENT ASSETS		552,067	143,591
NON-CURRENT ASSETS			
Property, plant and equipment	7	598,589	632,586
TOTAL NON-CURRENT ASSETS		598,589	632,586
TOTAL ASSETS		1,150,656	776,177
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	132,447	81,675
Borrowings	10	27,487	296,719
Current tax liabilities	8	189,476	98,409
TOTAL CURRENT LIABILITIES		349,410	476,803
NON-CURRENT LIABILITIES			
Borrowings	10	20,303	20,541
TOTAL NON-CURRENT LIABILITIES		20,303	20,541
TOTAL LIABILITIES		369,713	497,344
NET ASSETS		780,943	278,833
EQUITY			
Issued capital	11	72,490	72,490
Reserves	12	522,954	323,610
Retained earnings		185,499	(117,267)
TOTAL EQUITY		780,943	278,833

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Issued Capital (Ordinary Shares)	Retained Earnings	Foreign Exchange Reserve	Capital Reserve	Total
		$	$	$	$	$
Balance at 1 January 2017		**72,490**	**(98,095)**	**1,937**	**174,076**	**150,408**
Issue of ordinary shares		-	-	-	-	-
Profit for the year		-	(19,172)	-	-	(19,172)
Additions to reserve	12	-	-	(615)	148,212	147,597
Balance at 31 December 2017		**72,490**	**(117,267)**	**1,322**	**322,288**	**278,833**
Balance at 1 January 2018		**72,490**	**(117,267)**	**1,322**	**322,288**	**278,833**
Issue of ordinary shares		-	-	-	-	-
Profit for the year		-	302,766	-	-	302,766
Additions to reserve	12	-	-	(4,756)	204,100	199,344
Balance at 31 December 2018		**72,490**	**185,499**	**(3,434)**	**526,388**	**780,943**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,800,554	1,238,603
Payments to suppliers and employees		(4,650,229)	(1,409,877)
Interest paid		(16,768)	(9,902)
Finance costs paid		(8,959)	(1,956)
Income tax paid		(88,874)	(12,400)
Net cash provided by operating activities	15	35,724	(195,532)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,314	-
Payments for property, plant and equipment		-	(48,569)
Net cash used in investing activities		1,314	(48,569)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayments of) borrowings		(6,321)	281,686
Repayments of finance lease		(15,317)	(2,097)
Net cash provided by (used in) financing activities		(21,638)	279,589
Net increase in cash held		15,399	5,363
Cash at beginning of financial year		9,934	4,634
Effect of movement in exchange rates on cash held		(1,615)	(63)
Cash at end of financial year	4	23,718	9,934

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PT Investasi Mandiri is a company limited by shares, incorporated and domiciled in Indonesia.

The financial statements were authorised for issue on 23 April 2019 by the directors of the company.

Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and IFRIC interpretations issued by the IFRS Interpretations Committee.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates ae based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements are presented in United State Dollars ("USD").

Accounting Policies

a. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. **Fair Value of Assets**

The company measures some of its assets at fair value. Fair value is the price the company would receive to sell an asset in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (ie the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event that the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. An assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	5%
Plant and equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in IFRS 15.63.

Classification and subsequent measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- *amortised cost; or*
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which IFRS 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the *extent that they are not part of a designated hedging relationship.*

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value (and if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset) and subsequently measured at the higher of:

- the amount of loss allowance determined in accordance to IFRS 9.3.25.3; and
- the amount initially recognised less accumulative amount of income recognised in accordance with the revenue recognition policies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial asset

Financial assets are subsequently measured at:

- amortised cost;
- *fair value through other comprehensive income*; or
- fair value through profit or loss

on the basis of the two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit or loss.

The Company initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so as the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

At initial recognition, as long as the equity instrument is not held for trading or is not a contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investments will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Company's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Company no longer controls the asset (ie it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amount due from customers under construction contracts);

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Company uses the following approaches to impairment, as applicable under IFRS 9:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Company assessed whether the financial instruments are credit impaired, and if:

- the credit risk of the financial instrument increased significantly since initial recognition, the Company measured the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- there was no significant increase in credit risk since initial recognition, the Company measured the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables or contract assets that results from transactions that are within the scope of IFRS 15: Revenue from Contracts with Customers, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Purchased or originated credit impaired approach

For a financial asset that is considered to be credit impaired (not on acquisition or originations), the Company measured any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);

- where a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- it is probable the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Company assumed that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Company applied its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

g. **Impairment of Assets**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in IAS 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

i. **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

j. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

k. **Revenue Recognition**

The Company has applied IFRS 15 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under IAS 18 and IAS 11. The details of accounting policies under IAS 18 and IAS 11 are disclosed separately since they differ from those under IFRS 15. The impact of changes is immaterial.

In the comparative period

Revenue was measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration was deferred, it was treated as the provision of financing and was discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received was interest revenue.

Revenue from sale of goods was recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

Revenue from sale of goods was recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in those goods.

l. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

m. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

n. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

o. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

p. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in US dollars, which is the entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

q. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

(i) *Impairment – general*

The company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

r. **New and Amended Accounting Policies Adopted by the Company**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 from 1 January 2018 on a modified retrospective basis. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 from 1 January 2018 on a modified retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a deferred maintenance revenue, work in progress, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company during the financial year ended 31 December 2018.

r. **New Accounting Standards for Application in Future Periods**

The IASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

– IFRS 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

When effective, this Standard will replace the current accounting requirements applicable to leases in IAS 117: Leases and related Interpretations. IFRS 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with IAS 16: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of IFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with IAS 8 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Based on a preliminary assessment performed over each line of business and product type, the effect of IFRS 16 is not expected to have a material effect on the Company. It is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: PROFIT / (LOSS) FOR THE YEAR

		2018	2017
		$	$
a.	**Expenses**		
	Depreciation of property, plant and equipment	60,216	48,246
	Employee benefits expense	43,480	45,098
		103,696	93,344
b.	**Revenue and Other Income**		
	Sale of goods	4,760,828	981,630
	Processing fee income	-	236,184
		4,760,828	1,217,814

NOTE 3: INCOME TAX EXPENSE

	2018	2017
	$	$
Income tax expense	100,922	1,820

NOTE 4: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash at bank	23,718	9,934

NOTE 5: TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
CURRENT		
Trade receivables	-	43,922
Other receivables	7,636	3,440
	7,636	47,362

NOTE 6: INVENTORIES

	2018	2017
	$	$
CURRENT		
Raw materials and stores at cost	301,525	36,497
Finished goods at cost	219,188	49,798
	520,713	86,295

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	$	$
Land and Buildings		
Freehold land at:		
– Land at cost	43,851	45,025
Total land	43,851	45,025
Buildings at:		
– Buildings at cost	533,371	539,043
– Buildings accumulated depreciation	(80,005)	(53,904)
Total buildings	453,366	485,139
Total land and buildings	497,217	530,164
Plant and Equipment		
Plant and equipment at cost	80,276	85,805
Accumulated depreciation	(41,996)	(27,727)
Total plant and equipment	38,280	58,078
Motor Vehicles		
Motor vehicles at cost	83,578	48,199
Accumulated depreciation	(20,486)	(3,855)
Total motor vehicles	63,092	44,344
Total property, plant and equipment	598,589	632,586

NOTE 8: TAX

	2018	2017
	$	$
Liabilities		
CURRENT		
Income tax	189,476	98,409

NOTE 9: TRADE AND OTHER PAYABLES

	2018	2017
	$	$
CURRENT		
Sundry payables and accrued expenses	132,447	81,675

NOTE 10: BORROWINGS

	Note	2018	2017
		$	$
CURRENT			
Borrowings from PT Investasi Mandiri Interzircon		-	281,686
Lease liability	13	27,487	15,033
Total current borrowings		27,487	296,719
NON-CURRENT			
Lease liability		20,303	20,541
Total non-current borrowings		20,303	20,541
Total borrowings		47,790	317,260

The amounts owing to PT Investasi Mandiri Interzircon relates to a credit line agreement executed on 31 December 2015. As per the agreement, PT Investasi Mandiri Interzircon provides a credit facility (credit limit of US$15,000,000 over a 12-month period) on the basis that it is entitled to PT Investasi Mandiri's client accounts receivable. Based on this agreement, PT Investasi Mandiri Interzircon assumes 100% of the credit risk and has no recourse on PT Investasi Mandiri once the right to the account receivable has been transferred. PT Investasi Mandiri Interzircon charges a 0.65% factoring commission and 5% p.a. interest rate paid monthly calculated on the average monthly balance drawn down.

The lease liability relates to finance leases on four motor vehicles. Three of the leases were entered into on 2 August 2016, 11 September 2017 and 16 January 2018, each of which for a lease term of 36 months and an attached interest rate of 21.02%, 15.99% and 19.25% respectively. The fourth lease was entered into on 5 May 2017 for a lease term of 48 months and an attached interest rate of 9.66%.

NOTE 11: ISSUED CAPITAL

	2018	2017
	$	$
10,000 (2017: 10,000) fully paid ordinary shares	72,490	72,490

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

NOTE 12: RESERVES

	2018	2017
	$	$
Foreign exchange reserve	(3,434)	1,322
Capital reserve	526,388	322,288
	522,954	323,610

The capital contribution reserve was created during the financial year following the execution of a deed of release whereby the shareholders of the company agreed to unconditionally and irrevocably release the company from its obligation to repay the sum of USD$272,134 from the current sum outstanding under the shareholder loans.

The capital contribution reserve is distributable in future periods, subject to the provisions of the local reporting jurisdictions.

NOTE 13: CAPITAL AND LEASING COMMITMENTS

		Note	2018	2017
			$	$
a.	**Finance Lease and Hire Purchase Commitments**			
	Payable – minimum lease payments:			
	– not later than 12 months		27,487	15,033
	– between 12 months and five years		20,303	20,541
	Present value of minimum lease payments	10	47,790	35,574
b.	**Operating Lease Commitments**			
	Non-cancellable operating leases contracted for but not recognised in the financial statements:			
	Payable – minimum lease payments:			
	– not later than 12 months		1,726	1,845
			1,726	1,845

NOTE 14: CONTINGENT LIABILITIES

The company has no contingent liabilities for the year ended 31 December 2018 (2017: Nil).

NOTE 15: CASH FLOW INFORMATION

	2018	2017
	$	$
Reconciliation of Cash Flows from Operating Activities with Profit / (Loss) after Income Tax		
Profit / (loss) after income tax	302,766	(19,172)
Non-cash flows in profit:		
– Depreciation	60,216	48,246
– foreign exchange	(6,371)	(552)
Changes in assets and liabilities:		
– decrease / (increase) in trade and other receivables	39,726	(9,780)
– increase in inventories	(434,418)	(86,295)
– increase / (decrease) in trade and other payables	50,722	(128,421)
– increase / (decrease) in current tax liability	23,033	(422)
	35,724	(195,532)

NOTE 16: SUBSEQUENT EVENTS

Effective 24 January 2019, the company entered into an exclusive operation and management agreement with PT Andary Usaha Makmur (a limited liability company in a legal form of PMA incorporated under the laws of Indonesia). As per the terms of the agreement, the company has engaged PT Andary Usaha Makmur as the exclusive operation and management services provider. In doing so, the existing shareholders of the company pledged their shares to PT Andary Usaha Makmur effective 24 January 2019. PT Andary Usaha Makmur commits to invest in the company up to USD$15,000,000 over a period of 10 years (for the purpose of mining equipment, other capital expenditure, exploration and geology studies, operational and administrative best practices and management and other consulting services). In return for such services the company is required to pay a service fee to PT Andary Usaha Makmur equal to 95% of its net profit per annum throughout the operation and management period.

NOTE 17: COMPANY DETAILS

The registered office of the company is:

Jl. Taurus I No, 243 Menteng Jekan
Raya Palangka Raya Kalimantan
Tengah Indonesia

The principal place of business is:

Jalan Fery Penyeberangan Desa Tumbang Empas Kecamantan
Mihing Raya Kabupaten Gunung Mas Kalimantan
Tengah Indonesia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of PT Investasi Mandiri, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 24, are:
   a. in compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the company's financial position as at 31 December 2018 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director ____________________
Bahing Djimat

Dated this 23rd day of April 2019

HALL CHADWICK (NSW)

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

Report on the Financial Report

Qualified Opinion

We have audited the accompanying financial report of PT. Investasi Mandari ("the Company") which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report:

a. the accompanying financial report of PT. Investasi Mandiri is giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

b. the financial report complies with International Financial Reporting Standards.

Basis for Qualified Opinion

Inventories

We were appointed as auditors of the Company on 26 February 2019 and thus did not observe the counting of the physical inventories as at 31 December 2018. We were unable to obtain sufficient appropriate audit evidence by alternative means in relation to the inventory balances as at 31 December 2018. Our audit opinion on the financial report for the year ended 31 December 2018 was modified accordingly.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018 The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2018 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 23 April 2019

PT. Investasi Mandiri

Financial Report for the Year Ended 31 December 2017

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 December 2017.

Directors

The names of the directors in office at any time during or since the end of the year are:

Bahing Djimat

Wira Putra

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The loss of the company for the financial year after providing for income tax amounted to USD$19,172 (2016: Loss of USD$20,359).

A review of the operations of the company during the financial year and the results of those operations shows that in 2017 the company continued to operate as a processing agent for external third-party suppliers of raw material. However later in the 2017 financial year the company started to mine heavy mineral concentrate from its own deposit and processed this into premium Zircon (grade 65.5), resulting in an increase in total revenue from USD$241,461 to USD$1,217,814.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the company during the financial year was being the holder of a mining concession related to a mineral sands deposit located in the Central Kalimantan Province of Indonesia, with an area of 2,032 hectares. In conjunction with this, the Company operated a processing plant equipped to produce premium Zircon (65.5 grade).

No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

Apart from the matter disclosed in note 16 of the financial statements, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared during the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ______________________

Bahing Djimat

Dated this 23rd day of April 2019

PT. Investasi Mandiri

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		$	$
Revenue		1,217,814	241,461
Cost of sales		(756,157)	(91,724)
Gross profit		461,657	149,737
Other revenue		30,569	-
Depreciation and amortisation		(48,246)	(37,895)
Finance costs		(11,858)	(7,121)
Consulting and professional expenses		(147,877)	(43,901)
Repairs and maintenance expenses		(57,543)	(9,514)
Freight and cartage expenses		(113,512)	(14,580)
Administration expenses		(43,243)	(2,040)
Commissions paid		(3,113)	-
Employee benefits expense		(45,098)	(29,562)
Compliance costs		(11,022)	(16,511)
Other expenses		(28,066)	(9,579)
Profit / (loss) before income tax	2	(17,352)	(20,966)
Income tax benefit / (expense)	3	(1,820)	607
Profit / (loss) for the year		(19,172)	(20,359)
Other comprehensive income / (loss)			
Other comprehensive income for the period, net of tax		-	-
Total other comprehensive income / (loss) for the year		-	-
Total comprehensive income / (loss) for the year		(19,172)	(20,359)

The accompanying notes form part of these financial statements.

PT. Investasi Mandiri

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017	2016
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	9,934	4,634
Trade and other receivables	5	47,362	37,582
Inventories	6	86,295	-
TOTAL CURRENT ASSETS		143,591	42,216
NON-CURRENT ASSETS			
Property, plant and equipment	7	632,586	594,592
TOTAL NON-CURRENT ASSETS		632,586	594,592
TOTAL ASSETS		776,177	636,808
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	81,675	210,096
Borrowings	10	296,719	225,502
Current tax liabilities	8	98,409	50,802
TOTAL CURRENT LIABILITIES		476,803	486,400
NON-CURRENT LIABILITIES			
Borrowings	10	20,541	-
TOTAL NON-CURRENT LIABILITIES		20,541	-
TOTAL LIABILITIES		497,344	486,400
NET ASSETS		278,833	150,408
EQUITY			
Issued capital	11	72,490	72,490
Reserves	12	323,610	176,013
Retained earnings		(117,267)	(98,095)
TOTAL EQUITY		278,833	150,408

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Issued Capital (Ordinary Shares)	Retained Earnings	Foreign Exchange Reserve	Capital Reserve	Total
		$	$	$	$	$
Balance at 1 January 2016		**72,490**	**(77,736)**	-	-	**(5,246)**
Issue of ordinary shares		-	-	-	-	-
Profit / (loss) for the year		-	(20,359)	-	-	(20,359)
Additions to reserve	12	-	-	1,937	174,076	176,013
Balance at 31 December 2016		**72,490**	**(98,095)**	**1,937**	**174,076**	**150,408**
Balance at 1 January 2017		**72,490**	**(98,095)**	**1,937**	**174,076**	**150,408**
Issue of ordinary shares		-	-	-	-	-
Profit / (loss) for the year		-	(19,172)	-	-	(19,172)
Additions to reserve	12	-	-	(615)	148,212	147,597
Balance at 31 December 2017		**72,490**	**(117,267)**	**1,322**	**322,288**	**278,833**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,238,603	241,461
Payments to suppliers and employees		(1,409,877)	(31,908)
Interest paid		(9,902)	(7,097)
Finance costs paid		(1,956)	-
Income tax paid		(12,400)	(12,699)
Net cash provided by operating activities	15	(195,532)	189,757
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(48,569)	(179,150)
Net cash used in investing activities		(48,569)	(179,150)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from / (repayments of) borrowings		251,561	(6,162)
Repayments of finance lease		(2,097)	-
Net cash provided by (used in) financing activities		249,464	(6,162)
Net increase in cash held		5,363	4,445
Cash at beginning of financial year		4,634	72
Effect of movement in exchange rates on cash held		(63)	117
Cash at end of financial year	4	9,934	4,634

The accompanying notes form part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PT Investasi Mandiri is a company limited by shares, incorporated and domiciled in Indonesia.

The financial statements were authorised for issue on 23 April 2019 by the directors of the company.

Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and IFRIC interpretations issued by the IFRS Interpretations Committee.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates ae based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial statements are presented in United State Dollars ("USD").

Accounting Policies

a. **Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. **Fair Value of Assets**

The company measures some of its assets at fair value. Fair value is the price the company would receive to sell an asset in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (ie the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Buildings	5%
Plant and equipment	20%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

e. **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

f. **Financial Instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The company does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. **Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

h. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in US dollars, which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

i. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

j. **Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

k. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

l. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the company in those goods.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

m. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

n. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

o. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

p. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

(i) *Impairment – general*

The company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

r. **New Accounting Standards for Application in Future Periods**

Accounting Standards issued by the IASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

– IFRS 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. IFRS 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although the directors anticipate that the adoption of IFRS 9 may have an impact on the company's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

– IFRS 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in IFRS 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, IFRS 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in IFRS 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the directors anticipate that the adoption of IFRS 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– IFRS 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in IAS 17: *Leases* and related Interpretations. IFRS 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with IAS 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of IFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of IFRS 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: PROFIT / (LOSS) FOR THE YEAR

		2017	2016
		$	$
a.	**Expenses**		
	Depreciation of property, plant and equipment	48,246	37,895
	Formation costs	-	1,937
	Employee benefits expense	45,098	29,562
		93,344	69,394
b.	**Revenue and Other Income**		
	Sale of goods	981,630	-
	Processing fee income	236,184	241,461
		1,217,814	241,461

NOTE 3: INCOME TAX EXPENSE

	2017	2016
	$	$
Income tax benefit / (expense)	(1,820)	607

NOTE 4: CASH AND CASH EQUIVALENTS

	2017	2016
	$	$
Cash at bank	9,934	4,634

NOTE 5: TRADE AND OTHER RECEIVABLES

	2017	2016
	$	$
CURRENT		
Trade receivables	43,922	37,582
Other receivables	3,440	-
	47,362	37,582

NOTE 6: INVENTORIES

	2017	2016
	$	$
CURRENT		
Raw materials at cost	36,497	-
Finished goods at cost	49,798	-
	86,295	-

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	$	$
Land and Buildings		
Freehold land at:		
– Land at cost	45,025	6,326
Total land	45,025	6,326
Buildings at:		
– Buildings at cost	539,043	539,777
– Buildings accumulated depreciation	(53,904)	(26,989)
Total buildings	485,139	512,788
Total land and buildings	530,164	519,114
Plant and Equipment		
Plant and equipment at cost	85,805	86,133
Accumulated depreciation	(27,727)	(10,655)
Total plant and equipment	58,078	75,478
Motor Vehicles		
Motor vehicles at cost	48,199	-
Accumulated depreciation	(3,855)	-
Total motor vehicles	44,344	-
Total property, plant and equipment	632,586	594,592

NOTE 8: TAX

	2017	2016
	$	$
Liabilities		
CURRENT		
Income tax	98,409	50,802

NOTE 9: TRADE AND OTHER PAYABLES

	2017	2016
	$	$
CURRENT		
Sundry payables and accrued expenses	81,675	210,096

NOTE 10: BORROWINGS

	Note	2017	2016
		$	$
CURRENT			
Loans from shareholders		-	225,502
Borrowings from PT. Investasi Mandiri Interzircon		281,686	-
Lease liability	13	15,033	-
Total current borrowings		296,719	225,502
NON-CURRENT			
Lease liability		20,541	-
Total non-current borrowings		20,541	-
Total borrowings		317,260	225,502

The amounts owing to PT Investasi Mandiri Interzircon relates to a credit line agreement executed on 31 December 2015. As per the agreement, PT Investasi Mandiri Interzircon provides a credit facility (credit limit of US$15,000,000 over a 12-month period) on the basis that it is entitled to PT Investasi Mandir's client accounts receivable. Based on this agreement, PT Investasi Mandiri Interzircon assumes 100% of the credit risk and has no recourse on PT Investasi Mandiri once the right to the account receivable has been transferred. PT Investasi Mandiri Interzircon charges a 0.65% factoring commission and 5% p.a. interest rate paid monthly calculated on the average monthly balance drawn down.

The lease liability relates to finance leases on two motor vehicles. One of the leases was entered into on 11 September 2017 for a lease term of 36 months and an attached interest rate of 15.99%. The second lease was entered into on 5 May 2017 for a lease term of 48 months and an attached interest rate of 9.66%.

NOTE 11: ISSUED CAPITAL

	2017	2016
	$	$
10,000 (2016: 10,000) fully paid ordinary shares	72,490	72,490

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

NOTE 12: RESERVES

	2017	2016
	$	$
Foreign exchange reserve	1,322	1,937
Capital reserve	322,288	174,076
	323,610	176,013

The capital contribution reserve was created during the financial year following the execution of a deed of release whereby the shareholders of the company agreed to unconditionally and irrevocably release the company from its obligation to repay the sum of USD$225,502 from the current sum outstanding under the shareholder loans (refer to note 8).

The capital contribution reserve is distributable in future periods, subject to the provisions of the local reporting jurisdictions.

NOTE 13: CAPITAL AND LEASING COMMITMENTS

	Note	2017	2016
		$	$
a. **Finance Lease and Hire Purchase Commitments**			
Payable – minimum lease payments:			
– not later than 12 months		15,033	-
– between 12 months and five years		20,541	-
Present value of minimum lease payments	10	35,574	-
b. **Operating Lease Commitments**			
Non-cancellable operating leases contracted for but not recognised in the financial statements:			
Payable – minimum lease payments:			
– not later than 12 months		1,845	-
		1,845	-

NOTE 14: CONTINGENT LIABILITIES

The company has no contingent liabilities for the year ended 31 December 2017 (2016: Nil).

NOTE 15: CASH FLOW INFORMATION

	2017	2016
	$	$
Reconciliation of Cash Flows from Operating Activities with Profit / (Loss) after Income Tax		
Profit / (loss) after income tax	(19,172)	(20,359)
Non-cash flows in profit:		
– depreciation	48,246	37,895
– foreign exchange	(552)	1,820
Changes in assets and liabilities:		
– increase in trade and other receivables	(9,780)	(37,582)
– increase in inventories	(86,295)	-
– (decrease) / increase in trade and other payables	(128,421)	204,778
– (decrease) / increase in current tax liability	(422)	3,205
	(195,532)	189,757

NOTE 16: SUBSEQUENT EVENTS

Effective 24 January 2019, the company entered into an exclusive operation and management agreement with PT Andary Usaha Makmur (a limited liability company in a legal form of PMA incorporated under the laws of Indonesia). As per the terms of the agreement, the company has engaged PT Andary Usaha Makmur as the exclusive operation and management services provider. In doing so, the existing shareholders of the company pledged their shares to PT Andary Usaha Makmur effective 24 January 2019. PT Andary Usaha Makmur commits to invest in the company up to USD$15,000,000 over a period of 10 years (for the purpose of mining equipment, other capital expenditure, exploration and geology studies, operational and administrative best practices and management and other consulting services). In return for such services the company is required to pay a service fee to PT Andary Usaha Makmur equal to 95% of its net profit per annum throughout the operation and management period.

NOTE 17: COMPANY DETAILS

The registered office of the company is:

Jl. Taurus I No, 243 Menteng Jekan
Raya Palangka Raya Kalimantan
Tengah Indonesia

The principal place of business is:

Jalan Fery Penyeberangan Desa Tumbang Empas Kecamantan
Mihing Raya Kabupaten Gunung Mas Kalimantan
Tengah Indonesia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of PT Investasi Mandiri, the directors of the company declare that

1. The financial statements and notes, as set out on pages 3 to 21, are:
   a. in compliance with International Financial Reporting Standards; and
   b. give a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the year ended.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director ______________________

Bahing Djimat

Dated this 23rd day of April 2019

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HALL CHADWICK (NSW)

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia
Ph: (612) 9263 2600
Fx: (612) 9263 2800

Report on the Financial Report

Qualified Opinion

We have audited the accompanying financial report of PT. Investasi Mandari ("the Company") which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report:

a. the accompanying financial report of PT. Investasi Mandiri is giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year then ended; and

b. the financial report complies with International Financial Reporting Standards.

Basis for Qualified Opinion

Inventories

We were appointed as auditors of the Company on 26 February 2019 and thus did not observe the counting of the physical inventories as at 31 December 2017. We were unable to obtain sufficient appropriate audit evidence by alternative means in relation to the inventory balances as at 31 December 2017. Our audit opinion on the financial report for the year ended 31 December 2017 was modified accordingly.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017 The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2017 but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

PT. INVESTASI MANDIRI

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PT. INVESTASI MANDIRI

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 23 April 2019