ONE FOR WORLD

ANNUAL
REPORT
2011

PT. SINGLURUS PRATAMA
COAL MINING COMPANY

What if ?

you were causing damage to your world every day without even knowing it?

What if it were not just you, but also 7 billion people around the world?

At PT. Singlurus Pratama, we want to encourage everyone to conserve the use of natural resources.

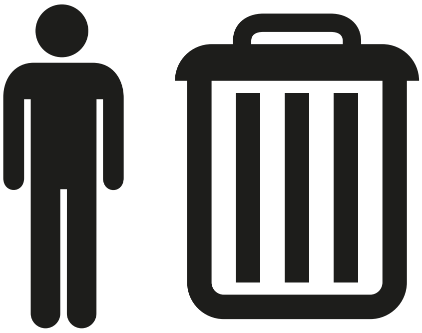
Let’s find out how a change in attitudes and behaviors, starting from you, can make a difference. What if everyone in the entire world came together to help

make the world

a better place

Did you know?

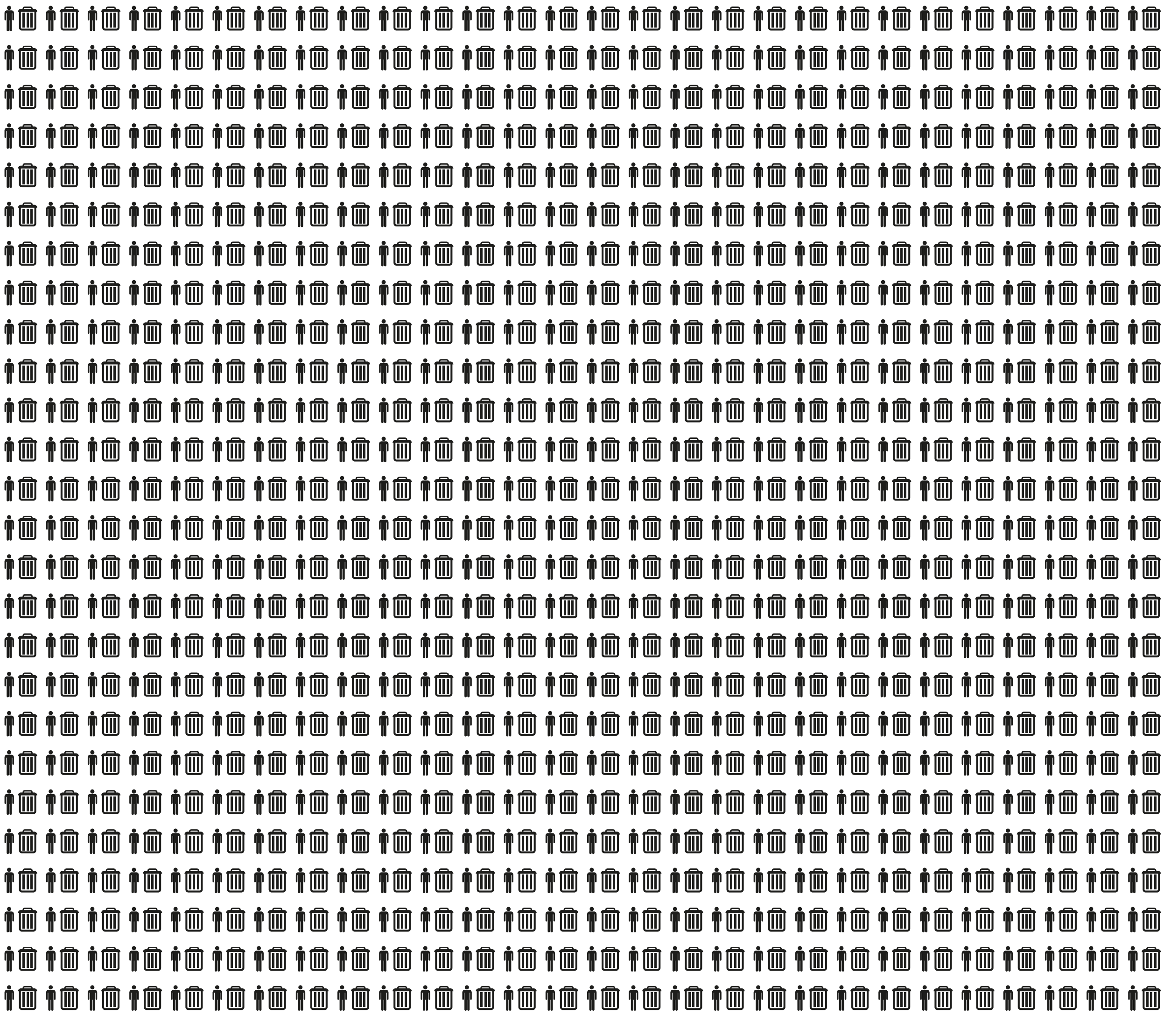
Each person in the world generates about
2 kilograms of garbage per day.



2

kg/day

As a matter of fact, the entire world's population of 7 billion generates over 14,000,000,000 kilograms of garbage a day!



14,000,000,000

kg/day

Did you know?

If you recycle 1 plastic bottle,

the energy saved will be as much as turning off
one 60-watt light bulb for 6 hours.

6

Hours

Did you know?

If 1 person uses a piece of recycled paper,
it will help save 15 grams of wood, 1 liter of water
and 2.5 watts per hour of electricity.

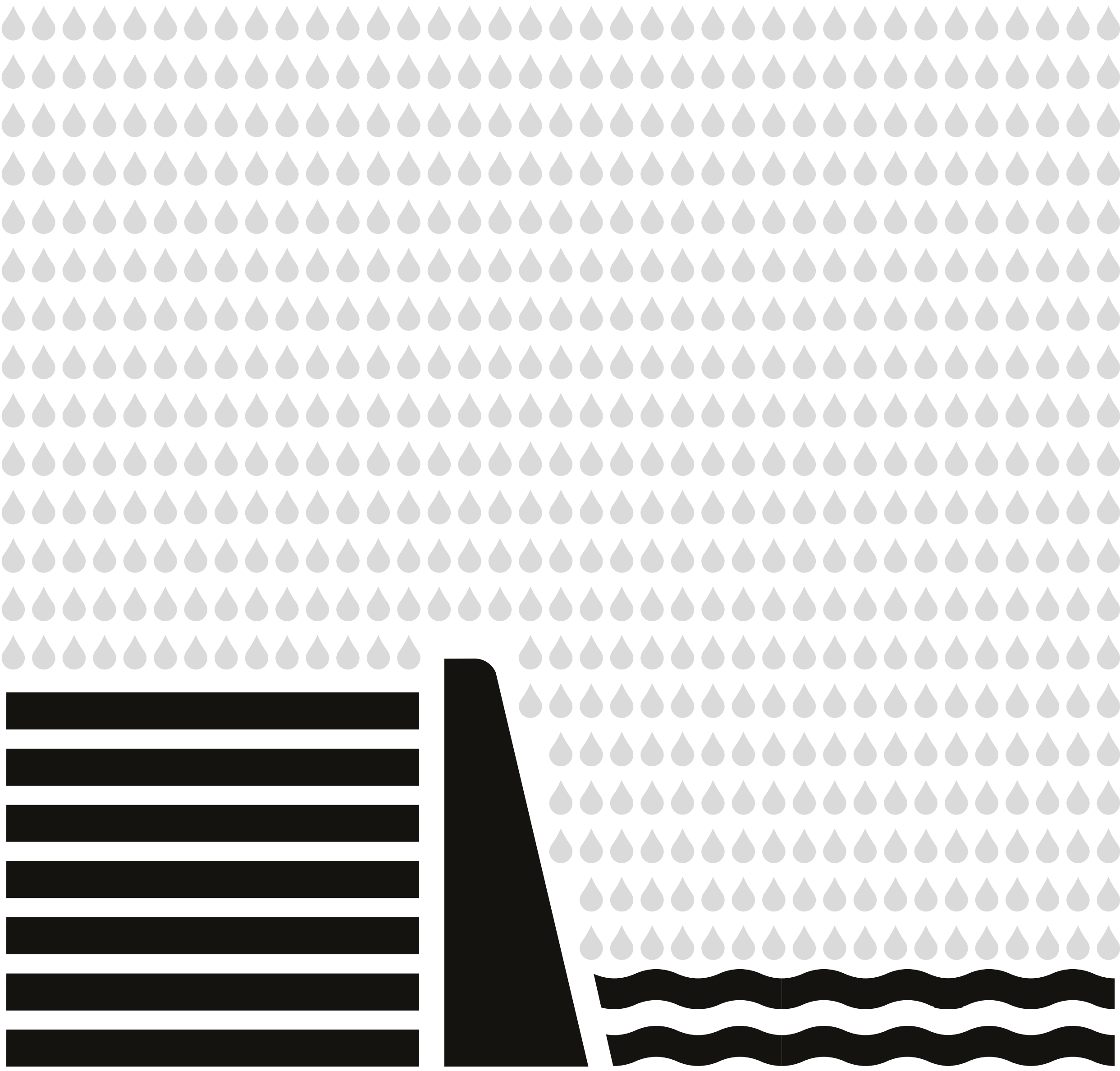
1 person | 15 grams | 1 liter | 2.5 watts

And if 1 ton of recycled paper is used,
it will help save 17 trees.

Did you know?

If 1 person leaves the water running while brushing their teeth, it will waste 9 liters of water.

And if the entire world's population lets the water run while brushing their teeth each year, it will waste 22,995 billion liters of water, as much as one and a half times the capacity of the Hoover Dam.



22,995,000,000,000 liters

Did you know?

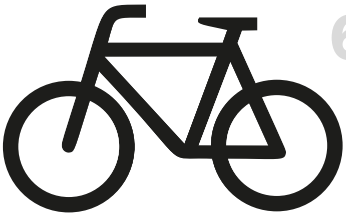
If you take 2 minutes off your normal shower time, it will help save 10 gallons of water.

And if the entire population of Asia (3 billion people) does the same, it will help save 30,000,000,000 gallons of water.

30,000,000,000
gallons

Did you know?

If 1 person rides a bicycle for 6.5 kilometers everyday, instead of driving a car, it will help reduce CO_2 emissions by 900 kilograms a year.



6.5 km

CO_2

900

kg/year

And if everyone in all the European countries were to use bicycles, it would help reduce the impact of greenhouse gases by 25%.

25%

Did you know ?

If all of us start helping today,
our world will be a
healthier and
greener place.

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PT. SINGLURUS PRATAMA

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2011

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COMPANY PROFILE

COMPANY PROFILE

LOCATION:

Head Office:
Gedung Ambhara, JL. Dr. Sahardjo No. 181 A/B Tebet, Jakarta Seletan 12860, Indonesia
Tel. 62(21) 830-8331, 830-7679; Fax: 62(21) 831-1558
Representative Office:
Gedung Veteran RI, 8th Floor, Unit 003 Kawasan Bisnis Granadha,
The Plaza Semanggi JL. Jendral Sudirman Kav. 50, Jakarta 12930, Indonesia
Tel. 62(21) 2553-5036/37, 2553-9876; Fax: 62(21) 2553-9821
Site Office:
JL. Mt. Haryono No. 85-89 Kelurahan Batu Ampar, Balikpapan 76126, Kalimantan Timur, Indonesia
Tel. 62(542) 721-2599, 721-2598, 721-2597; Fax: 62(542) 721-2596

TYPE OF BUSINESS:

The Company's business is in the coal production and distribution, having coal mining operation under the coal concession of the third generation "Coal Contract of Work" (CCOW III), granted by the Indonesian government with concession period of 30 years. The coal concession is located in Balikpapan district, Sub-Province Kutai Kartanegara, Sub-Province Penajam Paser Utara, East Kalimantan.

PRODUCTION CAPACITY:

2,000,000 metric tons per annum

REGISTERED CAPITAL:

7,950 ordinary shares at USD 147.53 per share totaling USD 1,172,880

PAID-UP CAPITAL:

7,950 ordinary shares at USD 147.53 per share totaling USD 1,172,880

SHAREHOLDING STRUCTURE:

- Lanna Resources Public Co., Ltd. (registered in Thailand) holding 5,168 shares (65%) of the paid-up capital.
- PT. Indocoal Pratama Jaya (registered in Indonesia) holding 1,192 shares (15%) of the paid-up capital.
- PT. Harita Jayaraya (registered in Indonesia) holding 954 shares (12%) of the paid-up capital.
- PT. Ambharakarya Perdana (registered in Indonesia), holding 636 shares (8%) of the paid-up capital.

AUDITOR:

Purwantono, Suherman & Surja, a member of Ernst & Young Global, an Indonesia Public Accountant Firm.

VISION

To be an outstanding business entity, standing solidly behind the local community, customers, stakeholders and employees, emphasizing the highest degree of professionalism on all business transactions based on good governance and concerns over social and environmental responsibility.

MISSION

- To be a reliable partner to all our customers, stakeholders, employees and the indigenous society.
- To optimize the Country's coal resources using state-of-the-art equipment in exploration, production, beneficiation and product mix strategy.
- To conduct business in a fair and transparent manner.
- To build sustainable value to the host country, local community, employees and stakeholders while maintaining the highest standard on environmental protection and community development.

REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors of PT. Singlurus Pratama, I would like to take the opportunity to report to the shareholders with regard to an overview of Indonesian's coal sector and the Company's performance and operating results for the past year 2011. I am pleased to report that despite uncertainties over the strength of economic recovery of the United States of America and weak financial status of some member states of the European union which eroded the overall economic confidence worldwide, Indonesian's coal mining industry was able to record another year of solid growth driven mainly by two of Asia biggest power house, namely China and India.

In 2011, the total export volume and domestic consumption of Indonesian coal were estimated at 315,000,000 metric tons and 70,000,000 metric tons, equivalent to an increase of 13.7 percent and 17 percent over year 2010, respectively. On the other hand, the seaborne coal price moved in the opposite direction of the demand increase. The Newcastle coal price index retreated from USD 117 per metric ton in December 2010 to USD 112 per metric ton in December 2011, with the downward pressure on price expected to continue at least until after the end of Chinese New Year in 2012.

As for the Company's own performances during 2011, the coal sales volume increased considerably from 1,217,763 metric tons in 2010 to 1,712,981 metric tons in 2011 or an increase of 40.67 percent. The sales revenues before deduction of royalty fee increased from USD 82,620,983 in 2010 to USD 157,621,942 in 2011. The average coal selling price in 2011 increased from USD 67.85 per metric ton in 2010 to USD 92.02 per metric ton, representing an increase of USD 24.17 per metric ton or 35 percent. The Company's EBITDA margin in 2011 was 37.67 percent, representing an increase of 0.49 percent from 2010. The Company's pretax profit and net profit in 2011 were USD 47,274,275 and USD 33,081,560, respectively, equivalent a net profit of USD 4,161.20 per share, which almost doubles the 2010 performance.

It is anticipated that coal consumption and pricing in 2012 will be volatile due to global economic uncertainty, with China and India remain the main catalysts on the demand side, while Indonesia with its logistics advantage will remain the supplier of choice for the two largest consumers of thermal coal in the Eastern hemisphere. Looking ahead, the year 2012 promises to be a year filled with great challenges and ample opportunities.

The Company's Board of Directors is committed and shall manage the Company with prudence by adhering to the principles of good corporate governance to overcome any obstacles to achieve good operation results and shall foster the Company's business to achieve sustainable business growth and development in the long-term.

Mr. Pilas Puntakosol
President Director

Board of Commissioners

Mrs. Yocke Kaseger	President Commissioner
Mr. Kraisi Sirirungsi	Commissioner
Mr. Prasert Promdech	Commissioner
Mrs. Petcharat Chayanon	Commissioner
Mr. Saharat Vatanatumrak	Commissioner
Mr. Toto Iman Dewanto	Commissioner

Board of Directors

Mr. Pilas Puntakosol	President Director
Mr. Anun Louharanoo	Director
Mr. Srihasak Arirachakaran	Director
Mr. Panot Charoensuk	Director / Managing Director
Mr. Ludi Prasetyo	Director
Mr. Sonny Susanto	Director

FINANCIAL INFORMATION

FINANCIAL SUMMARY

(Unit: USD)

FYE December	2009	2010	2011
Total Revenue	25,192,215	72,188,459	137,587,591
Sales Revenue (Net)	25,135,567	72,178,275	137,539,684
EBITDA	6,620,856	26,837,048	51,828,814
EBITDA margins (%)	26.28	37.18	37.67
Pretax profit (Loss)	4,430,607	23,815,758	47,274,275
Net Profit (Loss)	3,734,001	16,627,130	33,081,560
Earnings per share (USD/Share)	469.69	2,091.46	4,161.20
Earnings per share growth (%)	-	345.29	98.96
Dividend	-	7,950,000	15,900,000*
Dividend Payout (%)	-	47.81	48.06*

Remark: * The dividend from the appropriation of year 2011 earnings totaling USD 15,900,000 was paid to the shareholders from two interim dividend payments at USD 7,950,000 or USD 1,000 per share in December 2011 and at USD 7,950,000 or USD 1,000 per share in January 2012. The Board of Directors and the Board of Commissioners may propose additional dividend appropriated from the earnings of year 2011 for consideration and approval at the Annual General Meeting of Shareholders Year 2012. The following is the Company's policy on the dividend payment.

The Company's dividend payment policy to the shareholders:

In the case that the Company has no additional investment and no outstanding loans, the subsidiary's dividend policy payment is not less than 60 percent of its net profit according to the financial statements for each financial period after deduction of legal provisions and the net loss carried forward (if any).

FINANCIAL TABLES

Profit & Loss

(Unit: USD)

FYE December	2009	2010	2011
Sale Revenue (net)	25,135,567	72,178,275	137,539,684
Cost of Goods Sold	(13,574,976)	(35,675,114)	(70,348,318)
Gross Profit	11,560,591	36,503,161	67,191,366
Operating Expenses	(5,953,412)	(11,618,889)	(17,661,179)
Income from Operations	5,607,179	24,884,272	49,530,187
Other Income (Forex gain and Interest Income)	56,648	10,184	47,907
Interest Expenses, Forex Loss and Other Expenses	(1,233,220)	(1,078,698)	(2,303,819)
Income before Provision for Income Tax	4,430,607	23,815,758	47,274,275
Provision for Income Tax	(708,278)	(7,094,445)	(14,554,871)
Deferred Tax	11,672	(94,183)	362,155
Net Profit	**3,734,001**	**16,627,130**	**33,081,560**

FINANCIAL INFORMATION

Balance Sheet

(Unit: USD)

FYE December	2009	2010	2011
Current Assets			
Cash on hand and at banks	5,305,155	6,021,031	8,322,662
Trade Receivables	944,444	8,470,800	19,567,856
Inventories	2,734,290	947,062	2,702,968
Prepaid Taxes	2,317,200	6,459,999	14,079,398
Other Current Assets	74,156	417,252	1,202,490
Total Current Assets	**11,375,245**	**22,316,144**	**45,875,374**
Non-Current Assets			
Deferred Exploration and Development costs (Net)	10,170,602	11,435,817	8,163,692
Property, Plant and Equipment (Net)	3,971,936	4,808,337	5,592,733
Deferred Tax Assets	11,672	-	279,644
Other Non-Current Assets	10,827	467,723	2,385,952
Total Assets	**25,540,282**	**39,028,021**	**62,297,395**
Liabilities and Shareholders' Equity			
Current Liabilities	24,496,264	20,827,591	26,753,451
Other Non-Current Liabilities	-	529,283	691,237
Total Liabilities	**24,496,264**	**21,356,874**	**27,444,688**
Shareholders' Equity			
Share Capital (7,950 shares at par value of Rp. 1,000,000 per share)	1,172,880	1,172,880	1,172,880
General reserves	-	-	234,576
Retained Earnings	(128,862)	16,498,267	33,445,251
Total Shareholders' Equity	**1,044,018**	**17,671,147**	**34,852,707**
Total Liabilities and Shareholders' Equity	**25,540,282**	**39,028,021**	**62,297,395**

Key Drivers

FYE December	2009	2010	2011
Average Coal Sales prices (USD/Metric Ton)	69	67.85	92.02
Production Output (Metric Tons)	494,847	1,135,814	1,750,417
Sales Volume (Metric Tons)	430,070	1,217,763	1,712,981
Stripping Ratio (Times)	7.79	8.96	10.88

BUSINESS ACTIVITIES

Business Overview

PT. Singlurus Pratama was established as a single-purpose company to carry out coal mining operation and distribution activities up to a maximum period of 30 years as stipulated under the 3rd generation Coal Contract of Work (CCOW III) regulations, granted by the Government of Indonesia. The concession area is subdivided into three blocks Sungai Merdeka, Argosari and Mutiara. The Company's coal mining operation is in Balikpapan District, East Kalimantan, having current coal production capacity of 2,000,000 metric tons per year. On August 26, 2011 the Company's Environmental Impact Assessment report on the impact to the environment based on planned increase of production volume from 2 million metric tons to 6 million metric tons, starting from 2012 was approved by the Governor of East Kalimantan, with subsequent permission by the Department of Mine and Energy was also granted on September 27, 2011.

Location

PT. Singlurus Pratama lies within the East Kalimantan province of Indonesia on the island of Borneo and lies largely within the district of Kabupaten Kutai Kartanegara, but also within Kota Balikpapan to the south and Kabupaten Pasir to the southwest. It lies approximately 20 km northeast of the city of Balikpapan and nearby the coast. PT. Singlurus Pratama's existing port lies at Sungai Merdeka on the river Mentawir, some 24 kilometers west of the licensed area and upstream from Balikpapan and second port is planned at Argosari where production will commence in 2013.

Coal Characteristics

Coal is formed in several stages from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over millions of years. Therefore, in order to develop a coalmine, coal exploration works are required for the collection and interpretation of geological data in order to learn about the thickness of coal seams, boundary areas of the coal resource, chemical content and quality, and economic reserve estimation. The development of coal deposit is generally based on the information and data obtained from these exploration programs.

Coal Exploration

The exploration program begins with the preliminary collection and analysis of the land surface and geological data at the target areas. Subsequently, fieldwork includes scout drilling, delineation drilling, detail drilling to study the formation and type of soil and rock and geological structure of the target areas to ascertain that there, exists the coal deposit. After coal deposits have been identified, survey and drilling activities are performed to assess coal quality and reserve estimation for economic analysis to facilitate a decision for further development of the coalmine. After which more drilling work need to be perform before and during mining operation. The recent drilling work at PT. Singlurus Pratama was commenced since 2006 and is continuing. Up to the end of 2011, more than 115,000 meters has been drilled.

Mining Operation

Currently all mining activities at PT. Singlurus is derived from the Merdeka block using conventional open pit coal mining techniques with all overburden stripping and coal winning undertaken by mining contractors. However, starting in 2012, coal winning operation will be carry out by Company's own newly developed production unit.

BUSINESS ACTIVITIES

Coal Dressing

In order to attain the quality as required by the end-users or traders, coal extracted from the coal mining operation need to go through coal dressing processes which includes crushing, sizing, sorting and magnetic separating unit, to remove any contaminations. In the near future the Company envisages adding a washing plant to further increase the coal recovery volume and coal quality, by washing the current high-ash coal parting zone.

Coal Distribution

All beneficiation processes are located at the Company's existing loading port. The Company's port and jetty facilities is located on the bank of Mentawir River north of the Balikpapan Bay. Barging capacity at the current port and jetty is up to 10,000 metric tons per trip, equivalent to a 330 feet barge. After the coal was loaded on to the barge, it is transported for further loading into vessel, which will transport the coal overseas to the end-users. The majority of the Company's coal products are sold and exported to several Asian countries; namely, China, Hong Kong, India, Korea, Taiwan and Thailand.

Coal Pricing

Coal pricing is mainly determined by the coal quality and specifications, such as the calorific value, total moisture, ash, total sulfur content, etc. Coal sale price for each customer varies depending on certain factors such as order volume, coal specifications, credit term and other conditions specified by the customer. Nonetheless, the Indonesian Government by the Ministry of Energy and Mineral Resources has established and issued regulations concerning the Indonesian Coal Price Reference (HBA) to be used as reference or benchmark price and calculation for the floor price of coal. The benchmark price (HBA), is the monthly average of four international coal indices, including ICI, Platts, Newcastle Export Index (NEX) and Global Coal Index.

Medium-Term Prospects

Indonesia exports nearly 75 percent of coal produced and remains the largest supplier of seaborne thermal coal market. The bulk of the demands are mostly driven by energy hungry countries like China, India, South Korea and Taiwan which together accounted for over 75 percent of the country's exports in 2011. The demand growth for export should remain healthy in a foreseeable future driven mostly by rising coal based power generating capacity in the fast growing Asia markets with China and India playing a dominant role on the demand side. At the same time, domestic demand growth is also expected to stay robust in the coming few years owing to an expected increase in power generating capacity, in line with solid economic growth and large population base. PT. Perusahaan Listrik Negara (PLN), a state-own power utility, plans to add some 9 gigawatts of capacity through 2014, which would require some additional 30 million tons of coal.

SIGNIFICANT DEVELOPMENTS IN THE PAST YEAR

During the year 2011 the Company has embarked upon many challenging tasks, most have been completed, some of which can be classified as major milestone that will open a new chapter of cooperation among different types of concession owners of the Indonesia vast but sometimes overlapping natural resources. The aforementioned achievements will maximize the utilization of Indonesia's abundance natural resources.

The abovementioned achievements for year 2011 are as follows:

On August 26, 2011, the Company's Environmental Impact Assessment Report on the impact to the environment based on the planned increase of coal production volume from 2 million metric tons to 6 million metric tons, starting from 2012 was approved by the Governor of East Kalimantan, with subsequent permission by the Department of Mine and Energy was also granted on September 27, 2011.

On October 17, 2011, the Company signed a landmark agreement with VICO Indonesia, the oil and gas company. The agreement will allow PT. Singlurus Pratama to conduct activities concerning exploration and exploitation of coal in the 17,169 hectares of overlapping areas that are not being utilized by VICO; thus allowing for maximization of extraction of Indonesia's natural gas and coal resources. The agreement shall be terminated after the expiration of VICO's concession period on August 8, 2018, and shall be automatically renewed upon the extension of VICO's concession period (if any).

On November 2, 2011, PT. Singlurus Pratama entered into a contract with SRK Consulting (UK) Limited (SRK), requesting SRK to perform an Independent Audit of its Coal Resources and Coal Reserves (R&R) and Operational Audit. The report shall comprise a technical appraisal of the assets and assessment of the coal resources and coal reserves in line with the guidelines of the "The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia".
The JORC Code is a reporting code which has been aligned with the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) reporting template. The assessment by SRK has found that PT. Singlurus Pratama's reserve calculation to be generally in line with the JORC code guidelines but PT. Singlurus Pratama's declaration on resource calculation did not satisfy JORC criteria of demonstrating a reasonable chance of future economic extraction because PT. Singlurus Pratama had calculated the resources using the Standard National of Indonesia (SNI) guidelines. Therefore, SRK cannot yet endorse the Reserve statement as JORC compliant. Based on SNI guidelines, the total coal resources and reserves of PT. Singlurus Pratama excluding the Mutiara block as at 30 September 2011 stands at 240.05 million metric tons and 51.22 million metric tons respectively. PT. Singlurus Pratama is determined to promptly have all of its concession areas fully explored and its coal resource and reserve compliance with the JORC code. Therefore, additional drillings, adaptation of drilling method, core samplings, geophysical logging and more detailed studies of the R&R are also in the pipeline for 2012 and beyond.

CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

PT. Singlurus Pratama is respectful of its host communities and has never neglected the principles and responsibilities to the society, communities and environment. The Company engages in intensive dialogues with the communities associated with our operations to ensure that their social and economic requirements are entirely addressed. Since our inception, the Company has been active in conducting its corporate social responsibility (CSR) activities at all levels. Our CSR focuses on community development, healthcare education, environmental and agricultural concerns.

The Company adheres to the highest level of environmental standards, operating in according to the mine plan with necessary environmental impact analysis and study which must be approved by the relevant authorities whom also controls and oversees the mining operation. Our community service program is reviewed annually with cooperation and participation of local representatives. Mine site rehabilitation and improvement are carried out after mining operations have been completed to improve environmental surroundings and ecosystem and return to its useful state. The land areas which have been affected by the mining operations are quickly reclaimed and made available to the local communities. The reclaimed land areas are utilized mainly for agricultural, conservation and commercial purposes, such as rubber trees and palm oil plantation, etc. As for the unfilled mine pit areas, they are developed into recreational areas, reservoirs and fish farms.

In 2011, the Company initiated and supported several social development and empowerment programs and activities, including education, religious, farming, public health, infrastructure development, social contributions and other related activities. These programs and activities were carried out around the villages and communities in the vicinity of the mine site areas of the Company.

For instance, the Company provided support and assistance in education, providing free training computers and training program for participants from several villages in Samboja Subdistrict. The company also built a kindergarten school, “AR – Raihan” in Sungai Merdeka Village as well as provided tables and seats in several schools in Senipah Village, Samboja Subdistrict.

In public health activities, the Company supported and cooperated with a public hospital, Aji Batara Dewa Sakti of Samboja Subdistrict to provide health services, including cataract operations, cleft lips surgery, blood donations, etc. The Company also built first aid clinics in support of the governmental program for the communities. For local people to obtain clean water, the Company provided apparatus to the villages, especially in the mountainous areas, to produce clean water for their consumption.

In agricultural support and activities, the Company involved in both farming and fishery activities, helping to increase the production of agricultural produce for a group of agricultural workers in the Sungai Merdeka village by providing water pumps, procuring seedlings and fertilizer, etc. The Company also built the porch or vestibule for public meetings for groups of agricultural workers in Karya Merdeka Village.

Infrastructure development includes road access and repairs, especially after the rainy season.

Concerning with the religious support activities, the Company participated in several annual religious events such as Idul Fitri, Ramadan Safari and Idhul Adha, with donation to several mosques around the communities. The Company is also involved in building an education park, the Al Quran in Village Karya Merdeka and construction of a worship place (Mushola) in Mentawir Village, Sepaku Subdistrict, Panajam Pasir Utara District.

The Company is also involved in the conservation and preservation of environment activities, including the support for the River Wain Protection Forest in Balikpapan, in cooperation with HLSW and DAS. For instance, the Company was instrumental in assisting and providing vehicles for securing woods and participated in the World Environment Day with tree planting around the river wain protection forest.

RISK FACTORS

Regulatory Risks

The regulatory environment of the Indonesian coal industry is still fluid and a cause to be concerned especially for the non CCOWs (Coal Contract of Work concessions). A number of laws and regulations have been introduced after the enactment of the Mining Law of 2009 but many of these new regulations still need further clarity. The CCOW concessions' special status on taxes and other rights have insulated those concession holders to certain degree. Currently, the CCOW structure has been replaced with the Mining Business Licenses (IUP), introduced in 2010 (existing concessions are allowed to continue as per original terms).

Domestic Market Obligation (DMO)

The Indonesian government requires the operators of all coal concessions to contribute part of their coal production volume toward domestic consumption to ensure supply availability. The annual DMO requirement is based on the projected domestic consumption calculated annually by the Ministry of Energy and Mineral Resources (MEMR) but not exceeding 35% of total coal production. For 2011, the requirement calculated and imposed to all coal mining company by MEMR was 24.75%. Failing to meet the DMO requirement, the Company would be required to buy transfer quota or face reduction of its export volume.

Proposed Ban on Low-Rank Coal Export

It is widely anticipated that from 2014 onward, MEMR is planning to ban the export of low-rank coal with calorific value rumor to be below 5,700 kcal/kg on an air-dried basis, citing long-term domestic energy security.
If implemented, it could have significant impact on a majority of the operators of coal mining company which own and operate the low-rank coal concessions. Since most of the large coal miners in Indonesia are export oriented and their coal reserves are below or marginally above the 5,700 kcal/kg requirement. Therefore, any decision to be taken by the Authority needs to be pragmatic, balancing the health of the industry against long-term domestic energy security of Indonesia.

Concession Renewal Risks

Although the Mining law of 2009 allows the CCOW terms to be held until expiration of the original concession period after which these need to be converted to the IUPs. Risk concerning such conversion arises mainly with regards to uncertainties with mining areas as CCOW concessions cover areas ranging between 20,000 to over 100,000 hectares, while the IUPs are limited to 15,000 hectares.

Operational Risks

The Company routinely performs proper exploration and assessment activities of the coal deposits, including pit design and mine master plan conforming to the international principles and standards prior to investment and commencement of coal mining activities. Hence, risks associated with coal mining operation are mainly due to natural occurrences, such as heavy rain which normally happens every year for coal mines in Indonesia, hampering and delaying coal production and delivery. In order to mitigate such risks, the Company keeps adequate inventory of the finished coals for distribution at the quantity of no less than one month of the projected sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2011)

(1) REVENUES

Description	Year 2011		Year 2010		Increase/(Decrease)	
	USD	%	USD	%	USD	%
• Coal Sale Revenue	137,539,684	99.97	72,178,275	99.99	65,361,409	90.56
• Other Revenue	47,907	0.03	10,184	0.01	37,723	370.41
Total Revenues	**137,587,591**	**100.00**	**72,188,459**	**100.00**	**65,399,078**	**90.59**

In year 2011, the Company's total revenues were USD 137,587,591, or an increase from the previous year by USD 65,399,078 or an increase of 90.59 percent, due to an increase in coal sale volume from 1,217,763 tons in 2010 to 1,712,981 tons in 2011 and the increase of average coal selling price from USD 67.85 per ton in 2010 to USD 92.02 per ton in 2011.

The Company's other revenue was USD 47,907 or 0.03 percent of the total revenues which increased from the previous year by USD 37,723 or 370.41 percent, due to the increase in interest income.

(2) EXPENSES

Description	Year 2011		Year 2010		Increase/(Decrease)	
	USD	%of sales	USD	%of sales	USD	%
• Cost of Sales	70,348,318	51.15	35,675,114	49.42	34,673,204	97.19
• Selling and administrative expenses	17,661,179	12.84	11,618,889	16.10	6,042,290	52.00
• Interest Expenses	52,128	0.04	591,069	0.82	(538,941)	(91.18)
• Other Expenses	2,251,637	1.64	456,994	0.63	1,794,643	392.71
• Corporate income tax	14,192,715	10.32	7,188,628	9.96	7,004,087	97.43

(1) Cost of sales in year 2011 increased from the previous year by USD 34,673,204 or an increase of 97.19 percent, which was in line with the increase in coal sale volume.

(2) Selling and administrative expenses in year 2011 increased from the previous year by USD 6,042,290 or an increase of 52.00 percent, which was in line with the increase in coal sales volume.

(3) Interest expenses in year 2011 decreased from the previous year by USD 538,941 or a decrease of 91.18 percent due to the repayment of loan.

(4) Other expenses in year 2011 increased from the previous year by USD 1,794,643 or an increase of 392.71 percent due to the payment for transfer quota fee to comply with the Domestic Market Obligation (DMO) requirement.

(5) Corporate income tax in year 2011 increased from the previous year by USD 7,004,087 or an increase of 97.43 percent due to the increase in Company's profit as compared to the previous year.

(3) PROFIT

Gross Profit	Year 2011		Year 2010		Increase/(Decrease)	
	USD	%	USD	%	USD	%
Sale Revenues	137,539,684	100.00	72,178,275	100.00	65,361,409	90.56
Less Cost of sales	70,348,318	51.15	35,675,114	49.43	34,673,204	97.19
Gross Profit	**67,191,366**	**48.85**	**36,503,161**	50.57	30,688,205	84.07

In year 2011, the Company's gross profit was USD 67,191,366 or 48.85 percent of the sale revenue. The Company was able to maintain high gross profit margin because of the increase in coal sale volume and price.

Net Profit	Year 2011	Year 2010	Increase/(Decrease)	
	USD	USD	USD	%
Net Profit	33,081,560	16,627,130	16,454,430	98.96
Net Profit per share (USD per share)	4,161.20	2,091.46	2,069.74	98.96
(Registered par value of USD 147.53 per share)				

In year 2011, the Company's net profit was USD 33,081,560 or USD 4,161.20 per share. When compared with net profit of USD 16,627,130 or USD 2,091.46 per share for year 2010, the net profit increased by USD 16,454,430 or an increase of USD 2,069.74 per share.

(4) FINANCIAL STATUS

Description	As at December		Increase/(Decrease)	
(Unit : USD)	31st, 2011	31st, 2010	USD	%
Total Asset	62,297,395	39,028,021	23,269,374	59.62
Total Liabilities	27,444,688	21,356,874	6,087,814	28.51
Total Shareholders' Equity	34,852,707	17,671,147	17,181,560	97.23
Book Value-USD per share	4,383.99	2,222.79	2,161.20	97.23
(Registered par value of USD 147.53 per share)				

(A) Assets

The Company's total assets at the end of year 2011 increased from the end of year 2010 by USD 23,269,374 or an increase of 59.62 percent, consisting of:

(1) Current assets increased by USD 23,559,230 from the previous year, or an increase of 105.57 percent, due to the following reasons.

(1.1) Cash on hand and at bank increased by USD 2,301,631 from the previous year, or an increase of 38.23 percent, due to the increase in coal sale revenues.

(1.2) Trade accounts receivable increased by USD 11,097,056 from the previous year, or an increase of 131.00 percent, due to the increase in coal sale revenue from the previous year of USD 65,361,409 or increase of 90.56 percent.

(1.3) The inventories increased by USD 1,755,906 from the previous year, or an increase of 185.41 percent, due mainly to the increase in overburden removal stripping ratio and increase in fuel cost.

(1.4) The prepaid tax increased by USD 7,619,399 from the previous year, or an increase of 117.95 percent, due to an increase in value added tax (VAT) which is under refund from the Tax Office.

(1.5) Other Current Asset such as prepaid expenses and operational advances increased by USD 785,238, or an increase of 188.19 percent, due mainly to an increase in advance payments for mineral research and exploration drilling service in the Argosari block and Margomulyo block.

(2) Non-current assets decreased by USD 289,856 from the previous year or a decrease of 1.73 percent.

(B) Liabilities

The Company's total liabilities as at end of year 2011 increased from the end of year 2010 by USD 6,087,814 or an increase of 28.51 percent, consisting of:

(1) Current Liabilities increased by USD 5,925,860 from the previous year, or an increase of 28.45 percent, due to the following reasons.

(1.1) Due to related parties decreased by USD 6,125,167 from previous year or a decrease of 89.16 percent, due to the Company's repayment of loan to PT. Lanna Mining Services.

(1.2) Taxes payable increased by USD 5,284,757 from the previous year or an increase of 72.64 percent, due to the increase in corporate income tax.

(1.3) Other Current Liabilities such as accrued expenses, increased by USD 6,760,015 from the previous year or an increase of 107.89 percent, due to increased expenses for overburden removal and coal delivery, royalty and retribution, coal transshipment and dispatch, domestic market obligation fee and transportation, in line with the increase in coal production and coal sales volume.

(2) Non-current liabilities increased by USD 161,954 from previous year or an increase of 30.60 percent, due to increase of expenses for the employee service entitlements.

(C) Total Shareholders' Equity

The total shareholders' equity of the Company at December 31, 2011 increased from the end of year 2010 by USD 17,181,560 or an increase of 97.23 percent, resulting in the increase of share's book value from USD 2,091.46 per share to USD 4,161.20 per share.

REPORT OF THE INDEPENDENT AUDITOR AND FINANCIAL STATEMENTS

ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT

Report No. RPC-1923/PSS/2012

The Shareholders, Board of Commissioners and Board of Directors
PT Singlurus Pratama

We have audited the accompanying statements of financial position of PT Singlurus Pratama (the "Company") as of December 31, 2011 and 2010, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Singlurus Pratama as of December 31, 2011 and 2010, and the results of its operations, and its cash flows for the years then ended, in conformity with Indonesian Financial Accounting Standards.

Purwantono, Suherman & Surja

Drs. Hari Purwantono
Public Accountant Registration No. AP.0684

March 9, 2012

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

STATEMENTS OF FINANCIAL POSITION

PT SINGLURUS PRATAMA

Years ended December 31, 2011 and 2010

(Expressed in United States Dollar, unless otherwise stated)

	Notes	2011	2010
ASSETS			
CURRENT ASSETS			
Cash	4	3,322,662	6,021,031
Time deposit	5	5,000,000	-
Trade receivables	6	19,567,856	8,470,800
Inventories	7	2,702,968	947,062
Prepaid tax	11a	14,079,398	6,459,999
Other current assets	8	1,202,490	417,252
TOTAL CURRENT ASSETS		**45,875,374**	**22,316,144**
NON-CURRENT ASSETS			
Property, plant and equipment, net of accumulated depreciation of US$ 1,263,951 in 2011 and US$ 699,660 in 2010	9	5,592,733	4,808,337
Deferred exploration and development costs	10	8,163,692	11,435,817
Deferred tax assets - net	11f	279,644	-
Other non-current assets	12	2,385,952	467,723
TOTAL NON-CURRENT ASSETS		**16,422,021**	**16,711,877**
TOTAL ASSETS		**62,297,395**	**39,028,021**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables	13	423,458	417,203
Due to related parties	15	744,807	6,869,974
Taxes payable	11b	12,559,728	7,274,971
Other current liabilities	14	13,025,458	6,265,443
TOTAL CURRENT LIABILITIES		**26,753,451**	**20,827,591**
NON-CURRENT LIABILITIES			
Deferred tax liability - net	11f	-	82,511
Provision for employee service entitlements	24a	691,237	446,772
TOTAL NON-CURRENT LIABILITIES		691,237	529,283
TOTAL LIABILITIES		**27,444,688**	**21,356,874**
EQUITY			
Share capital			
Authorized, issued and fully paid - 7,950 shares at par value of Rp1,000,000	16	1,172,880	1,172,880
General reserves	18	234,576	-
Retained earnings		33,445,251	16,498,267
TOTAL EQUITY		**34,852,707**	**17,671,147**
TOTAL LIABILITIES AND EQUITY		**62,297,395**	**39,028,021**

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

STATEMENTS OF COMPREHENSIVE INCOME

PT SINGLURUS PRATAMA

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2011	2010
NET SALES	19	137,539,684	72,178,275
COST OF SALES	20	(70,348,318)	(35,675,114)
GROSS PROFIT		**67,191,366**	**36,503,161**
OPERATING EXPENSES			
Selling expenses	21	(14,514,507)	(8,929,619)
General and administration expenses	22	(3,146,672)	(2,689,270)
Total operating expenses		**(17,661,179)**	**(11,618,889)**
OPERATING PROFIT		49,530,187	24,884,272
OTHER INCOME/(EXPENSES)			
Interest expenses	23	(52,128)	(591,069)
Interest income		47,907	10,184
Foreign exchange loss - net		(54)	(30,635)
Other expenses - net		(2,251,637)	(456,994)
Total other expenses - net		**(2,255,912)**	**(1,068,514)**
PROFIT BEFORE CORPORATE INCOME TAX		**47,274,275**	**23,815,758**
CORPORATE INCOME TAX EXPENSE/(BENEFIT)			
Current	11c	14,554,870	7,094,445
Deferred	11c,11e	(362,155)	94,183
Corporate income tax expenses - net		**14,192,715**	**7,188,628**
NET PROFIT		**33,081,560**	**16,627,130**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**33,081,560**	**16,627,130**

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

STATEMENTS OF CHANGES IN EQUITY

PT SINGLURUS PRATAMA
Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	Share capital	General reserves	Retained earnings/ (accumulated losses)	Total equity
Balance as of December 31, 2009		**1,172,880**	**-**	**(128,863)**	**1,044,017**
Net profit for 2010		-	-	16,627,130	16,627,130
Balance as of December 31, 2010		**1,172,880**	**-**	**16,498,267**	**17,671,147**
Net profit for 2011		-	-	33,081,560	33,081,560
Appropriation of retained earnings	18	-	234,576	(234,576)	-
Annual dividends for 2010	17	-	-	(7,950,000)	(7,950,000)
Interim dividends for 2011	17	-	-	(7,950,000)	(7,950,000)
Balance as of December 31, 2011		**1,172,880**	**234,576**	**33,445,251**	**34,852,707**
Dividend per share - 2010					**1,000**
Dividend per share - 2011					**1,000**

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

STATEMENTS OF CASH FLOWS

PT SINGLURUS PRATAMA
Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before corporate income tax		47,274,275	23,815,758
Adjustments to reconcile profit before			
Corporate income tax to net cash provided by operating activities:			
Depreciation of property, plant and equipment	9	571,895	415,244
Provision for employees service entitlements	24b	244,465	349,580
Amortization of deferred exploration costs	10	3,930,516	2,014,977
Loss on disposal of property, plant and equipment	9	321,942	-
Interest expense	23	52,128	591,069
Cash flows from operating activities before changes in operating assets and liabilities		**52,395,221**	**27,186,628**
Changes in operating assets and liabilities:			
Time deposit		(5,000,000)	-
Trade receivables		(11,097,056)	(7,526,356)
Inventories		(1,755,906)	1,787,228
Prepaid tax		(7,619,399)	(2,889,665)
Other current assets		(785,238)	(343,096)
Other non-current assets		(1,918,229)	(456,897)
Trade payables		6,255	(244,557)
Taxes payable		2,143,046	(999,734)
Other current liabilities		6,760,015	(4,274,628)
Due to related parties		(6,125,167)	730,412
Cash generated from operations		27,003,542	12,969,335
Interest paid	23	(52,128)	(591,069
Payment of corporate income tax		(11,413,159)	(1,253,134)
Net cash provided by operating activities		15,538,255	11,125,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	(1,678,233	(1,251,647)
Addition in deferred exploration and development costs	10	(658,391)	(3,280,192)
Net cash used in investing activities		(2,336,624	(4,531,839
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan to related parties		-	(5,877,416)
Payment of dividends	17	(15,900,000)	-
Net cash used in financing activities		(15,900,000)	(5,877,416)
NET DECREASE IN CASH		**(2,698,369)**	**715,877**
CASH AT BEGINNING OF THE YEAR		**6,021,031**	**5,305,154**
CASH AT END OF THE YEAR		**3,322,662**	**6,021,031**

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

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

1. GENERAL

PT Singlurus Pratama (the "Company") was established based on Notarial Deed No. 15 of Public Notary Soeleman Ardjasasmita, S.H., dated February 21, 1992. The Deed of Establishment was approved by the Minister of Justice of the Republic of Indonesia in Decision Letter No. C2-14330.HT.01.01-Th.93 dated December 24, 1993 and was published in State Gazette of the Republic of Indonesia No. 70, Supplement No. 6303 dated September 2, 1994.

The Company's Articles of Association have been amended several times and most recently by Notarial Deed No. 161 of Public Notary Sutjipto, S.H., dated April 24, 2008 concerning transfer of shares of PT Indocoal Pratama Jaya to Lanna Singapore (Pte) Ltd., change in the Company's status to Foreign Capital Investment (PMA) and changes in the Company's Articles of Association to comply with Law No. 40 year 2007 regarding "Limited Liability Company". The amendments of Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia in Letter No. AHU-33373.AH.01.02.Year 2008 dated June 16, 2008. The change in the Company's status to foreign capital investment was approved by the Capital Investment Coordinating Board in Letter No. 3251A.612006 dated October 20, 2006.

Based on the Company's Articles of Association, the purpose and objectives of the Company are mining activities comprising exploration, exploitation and managing mining products and trading such products for local and export markets.

The Company signed a Coal Contract of Work ("CCOW") with the Indonesian Government on November 20, 1997. The contract provides rights and obligations of the Company to explore and exploit the area of Kutai, East Kalimantan, for coal, with the total exploration area of 87,410 hectares ("ha"). The operating period shall continue for 30 years beginning at the commencement of the first mining operation.

Based on Decision Letter No. 414/30/DBM/2007 dated February 28, 2007, the Directorate General of Mineral, Coal and Geothermal approved the Company's application to decrease the total exploration area to 31,400 ha.

Based on Decision Letter No. 61.K/30.00/DJB/2008 dated April 7, 2008, the Minister of Energy and Mineral Resources approved the Company's application to increase the construction activity phase to area of 24,760 ha.

Based on Decision Letter No. SK.380/Menhut-11/2008 dated October 29, 2008, the Minister of Forestry approved the Company's application for the Lend and Use right on the forest area of 1,265 ha for exploitation of coal at the area of Kutai, East Kalimantan.

On March 30, 2009, the Company received Decision Letter No. 276.k/30/DJB/2009 from the Ministry of Energy and Mineral Resources regarding the commencement of production operation in the contract area. Since July 2009, the Company has started its commercial activities.

The Company's proven and probable coal reserves as at December 31, 2011 amounting to 3,540,931 MT (2010: 5,289,252 MT).

The Company's head office is located in Jakarta and as at December 31, 2011 and 2010, the Company had 221 and 235 permanent employees (unaudited), respectively.

(Expressed in United States Dollar, unless otherwise stated)

1. GENERAL (continued)

The composition of the Company's Board of Commissioners and Board of Directors as of December 31, 2011 and 2010 were as follows:

Board of Commissioners:

President Commissioner	:	Yocke Kaseger
Commissioners	:	Kraisi Sirirungsi
		Prasert Promdech
		Petcharat Chayanon
		Saharat Vatanatumrak
		Toto Iman Dewanto

Board of Directors:

President Director	:	Pilas Puntakosol
Directors	:	Anun Louharanoo
		Srihasak Arirachakaran
		Panot Charoensuk
		Ludi Prasetyo Hartono
		Sonny Susanto

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presented below are the significant accounting policies adopted in preparing the financial statements of PT Singlurus Pratama:

a. Basis of preparation of the financial statements

The Company's financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprises the Statements and Interpretations issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants. As disclosed further in the relevant succeeding notes, several amended and published accounting standards were adopted effective on January 1, 2011.

The financial statements are prepared in accordance with the Statement of Financial Accounting Standards ("PSAK") No. 1 (Revised 2009), "Presentation of Financial Statements", adopted on January 1, 2011.

PSAK No. 1 (Revised 2009) regulates presentation of financial statements as to, among others, the objective, component of financial statements, fair presentation, materiality and aggregate, offsetting, distinction between current and non-current assets and short-term and long-term liabilities, comparative information and consistency and introduces new disclosures such as, among others, key estimations and judgments, capital management, other comprehensive income, departures from accounting standards and statement of compliance.

The adoption of PSAK No. 1 (Revised 2009) have no significant impact on the related disclosures in the financial statements.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended December 31, 2010, except for the adoption of several amended SAKs effective January 1, 2011 as mentioned above.

The financial statements have been prepared on the accrual basis except for the statements of cash flows and using the historical cost basis, otherwise stated in the notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of preparation of the financial statements (continued)

The statements of cash flows have been prepared using the indirect method and classify cash flows into operating, investing and financing activities.

All figures presented in the financial statements are expressed in United States Dollars ("US$"), unless otherwise stated.

b. Foreign currency transactions and balances

The Company maintains its accounting records and presents its financial statements in US Dollar as its functional currency.

As of the statements of financial position dates, all monetary assets and liabilities denominated in currencies other than US Dollar are translated into US Dollar at the middle exchange rates on those dates. The resulting net foreign exchange gains or losses are recognised in current year's statement of comprehensive income.

The exchange rates used as of December 31, 2011 and 2010 were as follows (in full amount of Rupiah):

	2011	2010
US Dollar 1/Rupiah	9,068	8,991

c. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at banks and time deposits with maturities of not more than one year since the time of placements and not pledged as collateral to loans and other borrowings.

Cash are free from any restriction on its use.

d. Trade receivables

Trade receivables are stated at original invoice amount less an allowance for impairment. The accounting policy for allowance for impairment as of December 31, 2011 and 2010 is described in Note 2n.

e. Inventories

Inventories are valued at the lower of average cost or net realizable value.

Cost is determined based on the average method and comprises all costs of purchase, costs of conversion and appropriate overheads incurred in bringing the inventory to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The Company provides an allowance for the decline in market value and obsolescence to reduce the cost of inventories to net realizable value based on a review of market value and physical condition of inventories.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any. Except for land, the property, plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, plant and equipment (continued)

	Years
Plant and machinery	4 - 16 years
Exploration tools	4 years
Transportation and equipment	4 years
Building and structures	10 years
ffice equipment	4 years
Furniture and fixtures	4 years

Land is stated at cost and not amortized.

The cost of maintenance and repairs is charged to operations as incurred. Significant renewals or betterments are capitalized. When assets are retired or otherwise disposed of, their carrying value and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current year's statements of comprehensive income.

Construction in progress represents the accumulated costs of materials, equipment and other costs related directly to the construction of the Company's property, plant and equipment. These costs are presented under construction in progress and transferred to the property, plant and equipment account when the work is completed and the assets are substantially ready for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included as profit or loss in the period/year the asset is derecognized.

Fixed assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value-in-use' (being the net present value of expected cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value-in-use, future cash flows are based on:

- a mine plan based on estimates of the quantities of ore reserves and/or mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production

g. Deferred exploration and development costs

Exploration costs incurred are capitalized and carried forward on an area of interest basis provided one of the following conditions is met:

(i) Such costs are expected to be recovered through successful development and exploration of the area of interest or, alternatively, by its sale.

(ii) License to explore in the area of interest is valid and it can be demonstrated that the exploration costs are recoverable through successful production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Deferred exploration and development costs (continued)

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then deferred exploration costs and any subsequent expenditure within the area of interest are capitalised as mine development costs.

Mine development costs incurred are accumulated in respect of each identifiable area of interest. These costs are deferred only to the extent that they are expected to be recouped through the successful development of the area. Mine development costs which are considered to provide only minimal benefit in future periods are charged to the current year's statements of comprehensive income.

Each area of interest is reviewed at the end of each accounting period and, when appropriate, an adjustment is made to write-off deferred exploration and mine development costs to the extent that these are not recoverable.

The carrying amount of deferred exploration and mine development costs is reviewed annually to determine whether there is any indication of impairment. Impairment losses are charged to the current year's statements of comprehensive income.

The amortization of the mine development costs is calculated based on the unit-of-production method over the estimated mine lives.

h. Provisions for decommissioning and restoration costs

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognized in finance costs.

i. Related parties transactions

Effective January 1, 2011, the Company applied PSAK No. 7 (Revised 2010), "Related Party Disclosures". The revised PSAK requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the financial statements. The adoption of this revised PSAK has no significant impact on the related disclosures in the financial statements.

The transactions are made based on terms agreed by the parties, whereas such terms may not be the same as those transactions with unrelated parties.

All significant transactions with related parties either with normal price or with mutually agreed contract prices are disclosed in the financial statements.

j. Revenue and expense recognition

Effective January 1, 2011, the Company adopted PSAK No. 23 (Revised 2010),"Revenue". This revised PSAK identifies the circumstances in which the criteria on revenue recognition will be known and, therefore, revenue may be recognized, and prescribes the accounting treatment of revenue arising from certain types of transactions and events, and also provides practical guidance on the application of the criteria on revenue recognition. There is no significant impact on the adoption of the revised PSAK on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Revenue and expense recognition (continued)

Revenue from sales of coal is recognized when significant risks and ownership of the goods are transferred to the buyer, and there is no significant uncertainty of the revenue inflow or cost from sales of the coal, and the possibility of sales return. Expenses are recorded as incurred (accrual basis).

k. Corporate income tax

Current tax expense is provided based on estimated taxable income for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years.

Deferred income tax is provided for all temporary differences arising between tax bases of assets and liabilities and their carrying values for financial reporting purposes. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at statements of financial position date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates is recognized in the current year's statement of comprehensive, except to the extent that it relates to items previously charged or credited to equity. Deferred income tax assets relating to the carry forward of tax losses are recognized to the extent that is probable that in the future, taxable income will be available against which the tax losses can be utilized.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company, when: (1) the result of the appeal is determined, unless there is significant uncertainty as to the outcome of such appeal, in which event the impact of amendment of tax obligation based on assessment, is recognized at the time of making such appeal, or (2) at the time based on knowledge of developments in similar cases involving matters appealed, based on ruling by the Tax Court or the Supreme Court, that a positive appeal outcome is adjusted to be significantly uncertain, in which event the impact of an amendment of the tax obligations based on the assessment amounts appealed, is recognized.

Deferred tax assets and liabilities are offset when a legally enforceable right exists to offset current tax assets against current tax liabilities, or the deferred tax assets and deferred tax liabilities relate to the same taxable entity, or the Company intends to settle its current assets and liabilities on a net basis.

l. Provision for employees service entitlements

The Company recognizes a provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated March 25, 2003. The provision is estimated based on an independent actuarial calculation. The obligation for employee service entitlements is calculated based on the present value of estimated future benefits that the employees have earned in return for their service in the current and prior periods. Current service cost is recognized as an expense for the current period. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for the plan at the end of the previous reporting year exceed 10% of the defined benefit obligation at the date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Provision for employees service entitlements (continued)

Past service cost is amortized over the estimated average remaining service years of employees. The Projected Unit Credit Method is used in the actuarial calculation.

m. Provisions

Effective January 1, 2011, the Company adopted PSAK No. 57 (Revised 2009), “Provisions, Contingent Liabilities, and Contingent Assets”. The revised PSAK is applied prospectively and provides that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to the financial statements to enable users to understand the nature, timing and amount related to the information. There is no significant impact on the adoption of the revised accounting standard on the financial statements.

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

n. Financial instruments

PSAK No. 50 (Revised 2006) provides for the requirements in respect of the presentation of financial instruments, and the necessary information that should be disclosed in the financial statements, while PSAK No. 55 (Revised 2006) establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard provides for the definitions and characteristics of a derivative, the categories of financial instruments, recognition and measurement, hedge accounting and determination of hedging relationships, among others.

Financial assets

Initial recognition and measurement

Financial assets within the scope of PSAK No. 55 (Revised 2006) are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When financial assets are initially recognized, they are measured at fair value, and in the case of the financial assets not at fair value through profit or loss, plus directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognized or derecognized on the trade date i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

The Company’s financial assets include cash and cash equivalents, trade receivable, and other non-current assets which fall under the loans and receivables category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Gains and losses are recognized as profit or loss when the financial assets are derecognized or impaired, as well as through the amortization process.

Derecognition

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

Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For assets carried at amortized cost, if there is objective evidence that an impairment loss on financial assets has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized as profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date. The amount of such reversal is recognized as profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit and loss or loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are initially recognized at their fair values and, in case of loans and borrowings, inclusive of directly attributable transaction costs.

The Company's financial liabilities include trade payables, other current liabilities and due to related parties which fall under the loans and borrowings category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest method. Gains and losses are recognized as profit or loss when the loans and borrowings are derecognized as well as through the effective interest method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Gains and losses are recognized as profit or loss when the liabilities are derecognized, and through the amortization process.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

Amortized cost of financial instruments

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis; or other valuation models.

o. Environmental expenditure

Restoration, rehabilitation and environmental expenditure incurred during the production phase of operations is charged as part of the cost of production of the mine property concerned.

Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production at each mine property is accrued using the discounted full liability method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Adoption of other revised accounting standards

Other than the revised accounting standards previously mentioned, the Company also adopted the following revised accounting standards on January 1, 2011, which are considered relevant to the financial statements but did not have significant impact:

i) PSAK No. 2 (Revised 2009), "Statements of Cash Flows".
ii) PSAK No. 8 (Revised 2009), "Events after The Reporting Period".
iii) PSAK No. 25 (Revised 2009), "Accounting Policies, Changes in Accounting Estimates and Errors".

3. SOURCE OF ESTIMATION AND UNCERTAINTY

The preparation of the Company's financial statements in conformity with Indonesian Financial Accounting Standards requires management to make estimations and assumptions that affect amounts reported therein. Due to the inherent uncertainty in making estimates, actual results reported in future periods might be based on amounts, which differ from those estimates.

However, the uncertainty about these assumptions and estimates could results in outcomes that require a material adjustments to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are disclosed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing assumptions and circumstances about future developments, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions as they occur.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. The Company determines and reports its coal ore reserves based on internal management assessment. In order to estimate coal reserves, assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, stripping ratio, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of coal ore reserves requires geological model to be determined by analyzing geological data such as drilling data and samples and topography. This process may require complex and difficult geological judgments to interpret the data.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets/liabilities may change due to changes in estimates of the likely recovery of the tax benefits.

3. SOURCE OF ESTIMATION AND UNCERTAINTY (continued)

Estimates and assumptions (continued)

Employee service entitlements

The determination of the Company's employee service entitlements liabilities and expenses is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate. Actual results that differ from the Company's assumptions which effects are more than 10% of the defined benefit obligations are deferred and being amortized on a straightline basis over the expected average remaining service years of the qualified employees. While the Company believes that its assumptions are reasonable and appropriate, significant differences in the Company's actual results or significant changes in the company's assumptions may materially affect its estimated liabilities and net expense for employee service entitlements. Further details are discussed in Note 24.

Income tax

Significant judgment is involved in determining provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates of whether additional corporate income tax will be due.

In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57, "Provisions, Contingent Liabilities and Contingent Asset". The Company makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax benefit should be recognized.

Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management properly estimates the useful lives of these property, plant and equipment to be within 4 to 16 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised. Further details are disclosed in Note 9.

Impairment of non-financial assets

In accordance with the Company's accounting policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that

(Expressed in United States Dollar, unless otherwise stated)

3. SOURCE OF ESTIMATION AND UNCERTAINTY (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets (continued)

carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready to use - are not subject to amortization and are tested annually for impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations.

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves (see 'Reserve estimates' above), operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may

impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of comprehensive earnings.

Provisions for mine reclamation

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

4. CASH

	2011	2010
Cash on hand	1,985	2,002
Cash in banks:		
Rupiah	2,496,433	6,003,704
US Dollar	824,244	15,325
	3,322,662	**6,021,031**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

5. TIME DEPOSIT

	2011	2010
PT Bank Mandiri (Persero) Tbk	5,000,000	-
	5,000,000	**-**

The time deposit in 2011 was denominated in United States Dollar amounting to US$5,000,000 (full amount), earns interest at 1.5% per annum and was due on January 23, 2012.

6. TRADE RECEIVABLES

	2011	2010
Related party:		
Lanna Resources Public Company Ltd.	-	558,602
Third parties:		
Glencore International AG	12,620,123	4,047,698
Macquarie Bank Limited	6,947,733	-
Weihai Jinhou Export and Import Trading	-	3,864,500
	19,567,856	**8,470,800**

Management believes that the all outstanding trade receivables are collectible, and accordingly, no provision for possible losses from uncollectible accounts is required.

7. INVENTORIES

	2011	2010
Finished coal	2,685,173	920,249
ROM coal	17,795	26,813
	2,702,968	**947,062**

Management believes that all outstanding inventories as of December 31, 2011 and 2010 are saleable and usable, and accordingly, a provision for impairment on inventory is considered not necessary.

8. OTHER CURRENT ASSETS

	2011	2010
Prepaid expenses	87,062	31,542
Operational advances	22,859	20,521
Advances others	1,092,569	365,189
	1,202,490	**417,252**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Balance December 31, 2010	Additions	Deductions	Reclassification	Balance December 31, 2011
2011 Movements					
Cost					
Land	352,648	99,710	-	-	452,358
Plant and machinery	3,822,701	281,566	-	297,289	4,401,556
Exploration tools	278,896	59,068	(996)	(55,453)	281,515
Buildings and structures	241,143	13,711	-	350,327	605,181
Office equipment	229,512	82,871	(6,199)	132,228	438,412
Furniture and fixtures	51,782	29,558	(409)	14,848	95,779
Transportation and equipment	49,040	3,152	-	-	52,192
	5,025,722	569,636	(7,604)	739,239	6,326,993
Construction in-progress	482,275	1,108,597	(321,942)	(739,239)	529,691
	5,507,997	1,678,233	(329,546)	-	6,856,684
Accumulated depreciation					
Plant and machinery	441,546	378,363	-	17,189	837,098
Exploration tools	122,779	71,075	(996)	(29,747)	163,111
Buildings and structures	20,775	31,479	-	-	52,254
Office equipment	79,501	62,437	(6,199)	12,558	148,297
Furniture and fixtures	25,223	16,139	(409)	-	40,953
Transportation and equipment	9,836	12,402	-	-	22,238
	699,660	571,895	(7,604)	-	1,263,951
Net book value	**4,808,337**				**5,592,733**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Balance December 31, 2009	Additions	Deductions	Reclassification	Balance December 31, 2010
2010 Movements					
Cost					
Land	31,417	321,231	-	-	352,648
Plant and machinery	3,071,543	668,499	-	82,659	3,822,701
Exploration tools	206,289	72,607	-	-	278,896
Buildings and structures	126,278	114,865	-	-	241,143
Office equipment	100,421	55,495	(3,904)	77,500	229,512
Furniture and fixtures	41,012	11,444	(674)	-	51,782
Transportation and equipment	8,389	7,506	-	33,145	49,040
	3,585,349	1,251,647	(4,578)	193,304	5,025,722
Construction in-progress	675,579	-	-	(193,304)	482,275
	4,260,928	**1,251,647**	**(4,578)**	**-**	**5,507,997**
Accumulated depreciation					
Plant and machinery	164,332	277,214	-	-	441,546
Exploration tools	56,743	66,036	-	-	122,779
Buildings and structures	8,190	12,585	-	-	20,775
Office equipment	42,198	41,207	(3,904)	-	79,501
Furniture and fixtures	16,198	9,699	(674)	-	25,223
Transportation and equipment	1,333	8,503	-	-	9,836
	288,994	415,244	(4,578)	-	699,660
Net book value	**3,971,934**				**4,808,337**

Depreciation of expenses were charged to:

	2011	2010
Production cost (Note 20)	524,868	391,347
General and administrative expenses (Note 22)	47,027	23,897
	571,895	**415,244**

The carrying value of property, plant and equipment is reviewed at each balance sheet date for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. The recoverable amounts of the Company's long lived assets at December 31, 2011 and 2010 were determined based on their value in use which demonstrates that the recoverable amounts are higher than the carrying value. The management of the Company believes that there is no potential impairment indicators related to fixed assets at this time and hence there is no requirement to write down the carrying values at December 31, 2011.

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

10. DEFERRED EXPLORATION AND DEVELOPMENT COSTS

	2011	2010
Beginning balance	11,435,817	10,170,602
Additions during the year	658,391	3,280,192
	12,094,208	13,450,794
Less: amortization during the year (Note 20)	(3,930,516)	(2,014,977)
	8,163,692	**11,435,817**

This account represents expenditures related to the exploration activities which have future economic benefits.

11. TAXATION

a. Prepaid tax

	2011	2010
Overpayment of value added tax	14,079,398	6,459,999

b. Taxes payable

	2011	2010
Corporate income tax	9,681,789	6,543,279
Income tax article 26	1,187,597	4,070
Value added tax	893,503	470,387
Income tax article 23	548,036	77,370
Income tax article 21	230,603	108,762
Income tax article 15	18,072	10,197
Income tax article 4 (2)	128	106
Income tax article 25	-	60,800
	12,559,728	**7,274,971**

c. Corporate income tax expense

	2011	2010
Current	14,554,870	7,094,445
Deferred	(362,155)	94,183
	14,192,715	**7,188,628**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

11. TAXATION (continued)

d. A reconciliation between income before corporate income tax as shown in statements of comprehensive income and the Company's taxable income, and the computation of current corporate income tax expense and the current corporate income tax payable are as follows:

	2011	2010
Income before corporate income tax	47,274,275	23,815,758
Add/(deduct):		
Permanent differences:		
Interest income subject to final tax	(47,907)	(10,185)
Non-deductible expenses	89,116	162,969
Temporary differences:		
Provision for employees service entitlement	244,465	349,580
Amortization of deferred exploration costs	962,717	(663,524)
Estimated taxable income	48,522,666	23,654,598
Corporate income tax expense at applicable tax rate	14,554,870	7,094,445
Less prepaid income tax - article 22	(2,854)	-
Less prepaid income tax - article 25	(4,870,228)	(551,166)
Corporate income tax payable	**9,681,788**	**6,543,279**

Based on CCOW, the Company is subject to corporate income tax at progressive tax rates up to a maximum of 30% as stipulated in Tax Law No. 10/1994 instead of fixed tax rate of 28% in 2009 and 25% in 2010 onwards as stipulated in Tax Law No. 36/2008. The Company submits tax returns on the basis of self-assessment. The tax authority may assess or amend taxes within 10 years from the date when the tax was payable.

e. Deferred tax expense/(benefit)

	2011	2010
Temporary difference at marginal tax rate of 30%		
Provision for employees service entitlement	(73,340)	104,874
Amortization of deferred exploration costs	(288,815)	(199,057)
Deferred tax benefit - net	**(362,155)**	**(94,183)**

f. Deferred tax assets/(liability)

	2011	2010
Provision for employee service entitlements	207,371	134,032
Deferred exploration costs	72,273	(216,543)
Deferred tax assets/(liability) - net	**279,644**	**(82,511)**

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

12. OTHER NON-CURRENT ASSETS

	2011	2010
Advance	1,885,300	-
Guarantee of reclamation	481,926	448,998
Deposit guarantee	18,726	18,725
	2,385,952	**467,723**

Advance represents purchase of two units of assets involving fixed skid mounted reclaim feeder and foot mounted hopper feeder breaker to P&H MinePro Australia for the amount of US$216 thousand and US$1,669 thousand, respectively.

13. TRADE PAYABLES

	2011	2010
Third parties:		
PT Mitra Indah Lestari	164,161	150,594
PT Trakindo Utama	81,623	-
PT Garuda Hohan Asia	53,650	20,299
PT Wijaya Mandiri Perkasa	28,883	38,234
	95,141	208,076
Others	**423,458**	**417,203**

14. OTHER CURRENT LIABILITIES

	2011	2010
Overburden removal and coal delivery	6,201,500	3,070,760
Royalty and retribution (Note 27a)	2,466,460	1,643,496
Coal trans-shipment and despatch	1,586,317	660,427
Domestic market obligation fee	1,131,367	-
Transportation	1,102,417	579,813
Drilling	175,543	133,975
Rental	66,474	44,478
Provision for reclamation	48,670	48,670
Others	246,710	83,824
	13,025,458	**6,265,443**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

15. RELATED PARTY TRANSACTIONS AND BALANCES

	2011	2010
Trade receivables:		
Lanna Resources Public Company Ltd. (Note 6)	-	558,602
Due to related parties:		
Lanna Resources Public Co. Ltd. - Commission		
payable (Note 15a)	491,388	703,962
PT Indocoal Pratama Jaya:		
- Loan (Note 15c)	-	263,022
- Commission payable (Note 15a)	227,569	137,166
PT Lanna Mining Services		
- Loan (Note 15b)	-	5,765,824
- Rental (Note 15b)	25,850	-
	744,807	**6,869,974**

The Company, in the ordinary course of business, has various transactions with related parties, shareholders of the Company and companies under common control. Such transactions are conducted at terms consistent with transactions with third parties. Significant transactions with related parties were as follows:

a. The amounts due to Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya represent sales commission payable to both companies as of December 31, 2011 based on the marketing and technical services agreement amounting to US$491,388 and US$227,569, respectively. On May 20, 2009, the Company entered into marketing and technical service agreement with those companies in which those companies shall provide the Company with marketing and technical assistance and the Company shall pay sales commission and technical fees to both Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya amounting to US$2.25/MT and US$0.75, respectively. During 2011 fees charged by Lanna Resources Public Co. Ltd. and PT Indocoal Pratama Jaya amounted to US$3,854,268 and US$1,284,736, respectively, which were recorded as "sales commission and technical fees" as part of selling expense in the statement of comprehensive income.

b. The amounts due to PT Lanna Mining Services ("LMS") of US$25,850 represent outstanding loan related to equipment rental in December 2011, while in 2010, represent the outstanding loan as of December 31, 2010 of US$5,765,824 obtained from LMS for the Company's operational expenses. The loan has no repayment schedule and bears interest at USD LIBOR Rate per annum. The total interest charged to the Company amounted to US$328,644 in 2010 and US$52,128 in 2011 (Note 23).

c. The amounts due to PT Indocoal Pratama Jaya ("IPJ") of US$263,022 as of December 31, 2010 represent outstanding payable regarding licenses and legal expenditure paid in advance by IPJ during the Company's initial operations. The payable bears no interest and has no fixed term of repayment and maximum limit.

(Expressed in United States Dollar, unless otherwise stated)

16. SHARE CAPITAL

Shareholder and their ownership interests in the share capital of the Company as of December 31, 2011 and 2010 were as follows:

Shareholders	Number of shares issued and fully paid	Percentage of ownership	Amount
Lanna Resources Public Company Ltd.	5,168	65	762,446
PT Indocoal Pratama Jaya	1,192	15	175,858
PT Ambhara Karya Perdana	636	8	93,830
PT Harita Jayaraya	954	12	140,746
	7,950	**100**	**1,172,880**

17. DIVIDENDS

Based on resolution of the Board of Directors dated June 16, 2011, the Board of Directors declared the payment of dividends for the 2010 financial year in the amounts of US$7,950,000 to its shareholder. It was paid on June 28, 2011 amounting to US$4,968,750 and July 22, 2011 amounting to US$2,981,250.

Based on circular resolution of the Board of Commissioners dated December 23, 2011, the Board of Commissioners declared the payment of interim dividends for the 2011 financial year in the amounts of US$7,950,000 to its shareholder and it was paid on December 27, 2011.

18. GENERAL RESERVES

The Company through Minutes of Meeting of the Board of Directors No.1/2011 dated June 16, 2011 approved the appropriation of 2010 retained earnings as general reserve amounting to US$234,576. General reserve is required by Indonesian Corporate Law No. 40/2007 and No. 1/1995 stating that the Company is obligated to annually allocate a certain amount from net income to a general reserve fund until such general reserve fund reaches at least 20% of issued capital.

19. NET SALES

	2011	2010
Sales of coal	157,621,942	82,620,984
Less royalty (Note 27a)	(20,082,258)	(10,442,709)
Net	**137,539,684**	**72,178,275**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

20. COST OF SALES

	2011	2010
Production costs:		
Overburden and removal expenses	49,020,640	19,552,329
Coals hauling	8,165,644	3,822,926
Amortization (Note 10)	3,930,516	2,014,977
Salary and wages	2,451,390	1,701,386
Rent	1,813,052	1,613,798
Water and electricity	909,254	537,845
Perdiem and traveling expenses	865,492	725,693
Depreciation (Note 9)	524,868	391,347
Employees welfare	460,567	328,390
Government tax, licences and fees	422,071	455,769
Repairs and maintenance	337,492	363,948
Others (below US$100,000)	3,203,238	2,379,478
	72,104,224	33,887,886
ROM coals:		
Beginning balance	26,813	324,739
Ending balance	(17,795)	(26,813)
	72,113,242	34,185,812
Finished coals:		
Beginning balance	920,249	2,409,551
Ending balance	(2,685,173)	(920,249)
	70,348,318	**35,675,114**

21. SELLING EXPENSES

	2011	2010
Coal trans-shipment	8,896,217	5,156,300
Sales commission and technical fees (Notes 15a)	5,618,290	3,773,319
	14,514,507	**8,929,619**

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

22. GENERAL AND ADMINISTRATION EXPENSES

	2011	2010
Salaries and wages	1,071,070	943,677
Perdiem and traveling expenses	463,273	376,723
Professional fees	414,845	467,980
Director remuneration	359,700	282,600
Rent	122,103	86,524
Water and electricity	81,049	96,219
Employees welfare	72,959	68,700
Communications	69,016	60,026
Depreciation (Note 9)	47,027	23,897
Government taxes, licenses and fee	18,169	56,342
Others	427,461	226,582
	3,146,672	**2,689,270**

23. INTEREST EXPENSES

	2011	2010
Interest on borrowing from LMS (Note 15b)	52,128	328,644
Interest charged from Siam City Cement Public Co., Ltd. (Note 27f)	-	262,425
	52,128	**591,069**

24. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

The provision for employee service entitlements as at December 31, 2011 and 2010 were determined based on the valuation report of an independent actuary, PT Sentra Jasa Aktuaria, dated March 2, 2012 and February 8, 2011, respectively. The significant assumptions used in the calculation of provision for employee service entitlements by the independent actuary for 2011 and 2010 were as follows:

	2011	2010
Discount rate	7% per annum	9% per annum
Salary increase	8% per annum	10% per annum
Normal retirement age	55 years of age	55 years of age

The following tables summarize the component of net employee service benefit expense recognized in the Company's statements of comprehensive income and the amounts were recognized in the Company's statements of financial position for the employee service entitlements.

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

24. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS (continued)

a. Provision for employee service entitlements

	2011	2010
Present value of defined benefits obligation	764,971	524,825
Unrecognized actuarial losses	(59,302)	(62,663)
Unrecognized past service costs - non-vested	(14,432)	(15,390)
	691,237	**446,772**

b. The employee benefits expense

	2011	2010
Current service cost	247,472	214,113
Interest cost	46,833	13,778
Actuarial losses	(50,668)	120,854
Amortization of unrecognized past service cost	828	835
Net employee benefits expense	**244,465**	**349,580**

c. Movements of employee service entitlements

The movements of the liability on employee service entitlements during the year ended December 31, 2011 and 2010 are as follows:

	2011	2010
Beginning balance	446,772	97,192
Net employee service entitlements expense	244,465	349,580
Ending balance	**691,237**	**446,772**

25. FINANCIAL INSTRUMENTS

The following table sets forth the financial assets and financial liabilities of the Company and as of December 31, 2011:

	Carrying Amount	Fair Value
Financial assets		
Loans and receivables:		
Cash	3,322,662	3,322,662
Time deposit	5,000,000	5,000,000
Trade receivables	19,567,856	19,567,856
Other non-current assets	481,926	481,926
Total	**28,372,444**	**28,372,444**

(Expressed in United States Dollar, unless otherwise stated)

25. FINANCIAL INSTRUMENTS (continued)

	Carrying Amount	Fair Value
Financial liabilities		
Liabilities at amortized cost:		
Trade payables	423,458	423,458
Other current liabilities	12,976,788	12,976,788
Due to related parties	744,807	744,807
Total	**14,145,053**	**14,145,053**

The fair values of the financial assets and liabilities are presented as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transactions, other than in a forced or liquidation sale.

Financial instruments presented in statements of financial position are carried at the fair value, otherwise, they are presented at carrying values as either these are reasonable approximation of fair values or their fair values cannot be reliably measured.

The fair values of cash, trade receivables, trade payables, accrued expenses, other current liabilities and due to related parties approximate their carrying amounts due to their short-term nature.

The fair values of non-current financial asset (other non-current asset) cannot be reliably measured because these have no fixed repayment terms.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial liabilities of the Company consist of trade payables, other current liabilities and due to related parties. The main purpose of these financial liabilities is to raise funds for the operations of the Company. The Company also has various financial assets such as cash, trade receivables, and other non-current assets, which arise directly from their operations.

It is and has been the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, and commodity price risk. The importance of managing these risks has significantly increased in light of the considerable change and volatility in both Indonesian and international financial markets. The Company's Directors review and approve the policies for managing these risks which are summarized below.

a. Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchanges rates. Foreign exchange earnings from domestic sales and purchase provide an effective hedge for the major portion of the Company's foreign currency expenditures (mainly IDR). The remaining balance of foreign currency expenditures is settled utilizing spot purchases of foreign currency.

b. Credit risk

Credit risk is the risk that the counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is only exposed to credit risk from its operating activities related to sales. Customer credit risk is managed by the Board of Directors subject to the Company's established policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables are monitored on a regular basis.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c. Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from sales of coal as well as to the impact of crude oil prices on the cost of fuel consumed in the mining and processing of coal. The coal price risk is managed through contractual agreements with its contractors.

27. COMMITMENTS AND CONTINGENCIES

a. Based on Coal Contract of Work ("CCOW") entered into by the Company and the Government of Indonesia, the Company will share the production of clean coal in the agreement area with percentage of 86.5% for the Company and 13.5% for the Government of Indonesia. This arrangement shall continue for 30 years beginning at the commencement of the first mining operation. As of December 31, 2011, the Company has paid the royalty from sales of coal for January to November 2011 amounting to US$17,473,610, and accrued for royalty to Government for December 2011 amounting to US$2,608,647.

b. Based on CCOW term, the Company has an obligation to pay a dead rent and land rent in advance. The amount liable should be measured by the Company's contract area. The dead rent calculated on January 1st and July 1st of each year. As of December 31, 2011, the Company has fully paid the 2011 dead rent and land rent amounting to US$74 thousand and charged to current year statement of comprehensive income.

c. On May 20, 2009, the Company entered into marketing and technical service agreements with Lanna Resources and PT Indocoal Pratama Jaya in which those companies shall provide the Company with marketing and technical assistance and the Company shall pay sales commission and technical fees to both Lanna Resources and PT Indocoal Pratama Jaya amounting to US$2.25/MT and US$0.75/MT, respectively. As of December 31, 2011, the Company has paid marketing and technical assistance fees to Lanna Resources and PT Indocoal Pratama Jaya amounted to US$3,363 thousand and US$1,121 thousand, respectively, which were recorded as "sales commission and technical fees" as part of selling expense in the statement of comprehensive income.

d. On January 1, 2011, the Company entered into environmental and safety consultation agreement with Mr. Ir. H. Hidayat Salim, MM covering a period from January 1, 2011 to December 31, 2011 in which the Company is required to pay a consultation fee of Rp70 million per month. As of December 31, 2011, the Company has paid the consultation fee amounting to US$72 thousand and recognized as expense in current year statement of comprehensive income.

e. On July 27, 2011, the Company entered into a tax consultation services agreement with PT Multi Utama Consultindo ("MUC") Consulting Group, in which the Company is provided consultation and advisory services on tax issues faced by the Company covering a period from August 1, 2011 to January 31, 2012. The Company is required to pay a consultation fee of Rp4 million per month. During 2011, the Company has paid the consultation fee amounting to US$5,462 (or equivalent to Rp48 million) and recognized as expense in the current year statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2011 and 2010
(Expressed in United States Dollar, unless otherwise stated)

27. COMMITMENTS AND CONTINGENCIES (continued)

f. On July 1, 2011, the Company entered into a tax consultation services agreement with HPM & Partners. HPM & Partners in which the Company is provided with a monthly tax review, assistance in tax planning, and in any case of tax audit. The agreement is covering a period from July 1, 2011 to June 30, 2013. The Company is required to consultation fee of Rp120 million for two years. In 2011, the Company has paid the consultation fee amounting to US$2,245 and recognized as expense in the current year statement of comprehensive income.

g. On June 22, 2011, the Company has entered an agreement with PT Oktasan Baruna Persada (“Oktasan”) - where by Oktasan agrees to replace the Company’s Domestic Market Obligation (“DMO”) with a transfer quota fee of US$3.64 per MT. Based on the ESDM letter No. 2376/36/DJB/2011, dated June 24, 2011, the Government through ESDM has approved the transfer of the Company’s DMO for the year 2011 amounted to 241,700 MT to Oktasan.

28. STANDARD ISSUED WHICH ARE NOT YET EFFECTIVE

The following are several published accounting standards by the Indonesian Financial Accounting Standards Board (DSAK) that are considered relevant to the financial reporting of the Group but not yet effective for 2011 financial statements are as follows:

- PSAK No. 10 (Revised 2010), “The Effects of Changes in Foreign Exchange Rates”
  The revised PSAK prescribes how to include foreign currency transactions and foreign operations in the financial statements of an entity and translate financial statements into a presentation currency.
- PSAK No. 16 (Revised 2011), “Property, Plant and Equipment”
  The PSAK prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity’s investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognized in relation to them.
- PSAK No. 18 (Revised 2010), “Accounting and Reporting by Retirement Benefit Plans”
  The revised PSAK concerned with the determination of the cost of retirement benefits in the financial statements of employers having plans. Hence this Standard complements PSAK 24 (Revised 2010).
- PSAK No. 24 (Revised 2010), “Employee Benefits”
  The revised PSAK establish the accounting and disclosures for employee benefits and requires the recognition of liability and expense when an employee has provided service and the entity consumes economic benefit arising from the service.
- PSAK No. 26 (Revised 2011), “Borrowing Costs”
  The PSAK provides borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense.
- PSAK No. 28 (Revised 2011), “Accounting for Casualty Insurance Contracts”
  The revised PSAK as a complementary of provisions in PSAK 62-Insurance Contract.
- PSAK No. 30 (Revised 2011), “Leases”
  The PSAK prescribes, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases which applies to agreements that transfer the right to use assets even though substantial services by the lessor may be called for in connection with the operation or maintenance of such assets.

28. STANDARD ISSUED WHICH ARE NOT YET EFFECTIVE (continued)

- PSAK No. 33 (Revised 2011), "Stripping and Environmental Management Activities at the General Mining"
  The revised PSAK is applied to accounting for general mining in relation with stripping activity and environmental management activity.
- PSAK No. 34 (Revised 2010), "Accounting for Construction Contracts".
  The revised PSAK prescribe the accounting treatment of revenue and costs associated with construction contracts in the financial statements of contractors.
- PSAK No. 36 (Revised 2011), "Accounting for Life Insurance Contracts"
  The revised PSAK as a complementary of provisions in PSAK 62-Insurance Contract.
- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes".
  The revised PSAK prescribes the accounting treatment for income taxes to account for the current and future tax consequences of the future recovery/(settlement) of the carrying amount of assets/(liabilities) that are recognized in the statement of financial position; and transactions and other events of the current period that are recognized in the financial statements.
- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation"
  The revised PSAK establish the principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities.
- PSAK No. 53 (Revised 2010), "Share-based Payments".
  The revised PSAK specify the financial reporting by an entity when it undertakes a share-based payment transaction.
- PSAK No. 55 (Revised 2011), "Financial Instruments: Recognition and Measurement"
  The PSAK establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Requirements for presenting information about financial instruments are in PSAK No. 50 (Revised 2010): Financial Instruments: Presentation. Requirements for disclosing information about financial instruments are in PSAK No. 60: Financial Instruments: Disclosures.
- PSAK No. 56 (Revised 2011), "Earnings per Share"
  The revised PSAK prescribed principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same period and between different reporting periods for the same entity.
- PSAK No. 60, "Financial Instruments Disclosures".
  The PSAK requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for financial position and performance; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- PSAK No. 62, "Insurance Contracts"
  The PSAK specify the financial reporting for insurance contracts by any entity that issues such contracts.
- PSAK No. 64, "Exploration for and Evaluation of Mineral Resources"
  The PSAK specifies the financial reporting for the exploration and evaluation of mineral resource, requires entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this PSAK and measure any impairment in accordance with PSAK No. 48 (Revised 2009) "Impairment of Assets."

28. STANDARD ISSUED WHICH ARE NOT YET EFFECTIVE (continued)

- ISAK No. 13, "Hedges of Net Investments in Foreign Operations"
- ISAK No. 15, "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".
- ISAK No. 18, "Government Assistance - No Specific Relation to Operating Activities"
- ISAK No. 20, "Income Taxes-Changes in the Tax Status of an Entity or its Shareholders"
- ISAK No. 24, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"
- ISAK No. 25, "Land Rights"
- ISAK No. 26, "Reassessment of Embedded Derivatives"
- PPSAK No. 7, "Revocation of PSAK 44"
- PPSAK No. 8, "Revocation of PSAK 27"
- PPSAK No. 9, "Revocation of ISAK 5"
- PPSAK No. 10, "Revocation of PSAK 51"
- PPSAK No. 11, "Revocation of PSAK 39"

The Company is presently evaluating and has not yet determined the effects of these revised and new accounting standards on its financial statements.

29. RECLASSIFICATION

Certain comparative figures in the 2010 financial statements have been reclassified to conform to the 2011 financial statements presentation.

30. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these financial statements, which were completed on March 9, 2012.