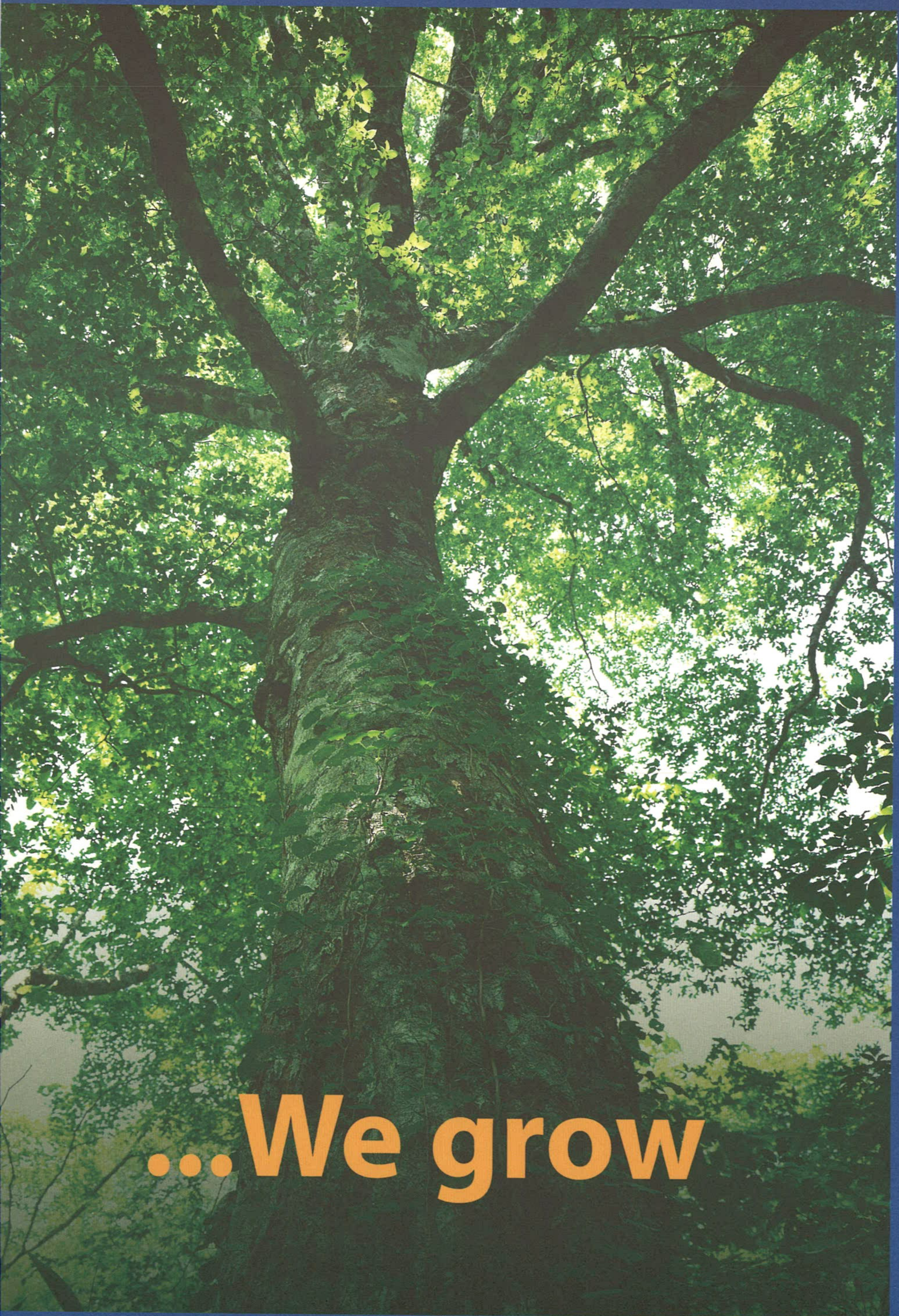
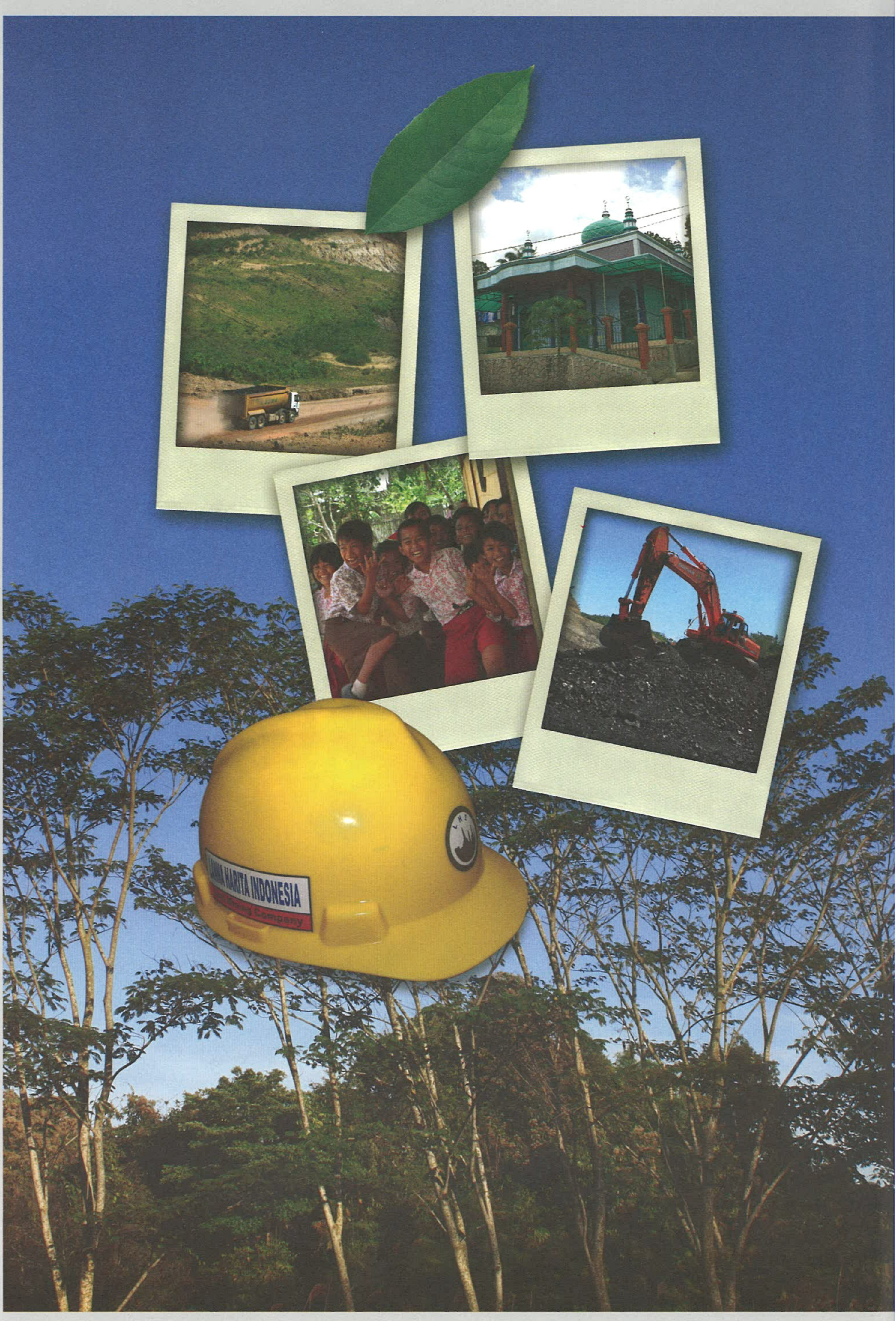
PT. LANNA HARITA INDONESIA

Annual Report 2009

Together...


...We grow


HARITA INDONESIA

contents

On behalf of the Board of Directors of PT. Lanna Harita Indonesia, I would like to take this opportunity to report to the shareholders with regard to the company's performance and financial results of 2009. I am pleased to report that despite the global economic crisis and a significant drop in seaborne coal price which started in 2008 and continued on through 2009, the Company was able to achieve satisfactory operating results, having the net profit of USD 14,570,575, which was the second best performance year in the Company's history.

Rainy season during 2008 and 2009 proved to be the worst season ever recorded since the Company has commenced its coal production and distribution in 2001. The run-off water flooded the mine pit, broke its reservoir and caused extensive damage to properties and infrastructure of a nearby village. With cooperation and tireless effort and support from the local villagers, various government agencies and Company's employees, the situation was back to normal in less than two months. The Company's coal mining operation, however, was disrupted for the whole of 1st quarter of 2009.

Due to the 3 months period of inactivity, the Company's coal sales volume was reduced from 1,447,330 tons in 2008 to 1,220,620 tons in 2009, and the sales revenue decreased from USD 80,297,098 in 2008 to USD 59,830,680 in 2009. As compared with the previous year 2008, the average coal sale price in 2009 retreated from USD 63.57 per ton to USD 55.97 per ton, or a decrease of 11.9 percent. Despite the

decrease of 11.9 percent in average sales price, the Company's EBITDA margin in 2009 was 49.7 percent, representing a decrease of only 1.95 percent from 2008. The Company's pretax profit and net profit in 2009 were USD 20,853,079 and USD 14,570,575, respectively, or a net earnings per share of USD 1,821.

It is anticipated that robust economic growth in China, India and Indonesia, the world's three most populated nations will help cushioning the impact of weak global economy and become the growth engine for 2010 and beyond. The Company's Board of Directors is committed to use this opportunity to guide the Company with prudence by adhering to the principles of good corporate governance to achieve a sustainable growth for many years to come.

Mr. Pilas Puntakosol

President Director

BOARD OF COMMISSIONERS

Mr. Lim Hariyanto Wijaya Sarwono

President Commissioner

Mr. Parisian Simanungkalit

Commissioner

Mr. Kraisi Sirirungsi

Commissioner

Mr. Ng Han Whatt Henry

Commissioner

Mr. Srihasak Arirachakaran

Commissioner

Mr. Arkom Laoharanoo

Commissioner

Mr. Saharat Vatanatumrak

Commissioner

BOARD OF DIRECTORS

Mr. Pilas Puntakosol
President Director

Mr. Anun Louharanoo
Director

Mr. Thamrong Angsakul
Director/Managing Director

Mr. Lim Gunawan Hariyanto
Director

Mr. Lim Gunardi Hariyanto
Director

Mr. Lee Boon Wah
Director

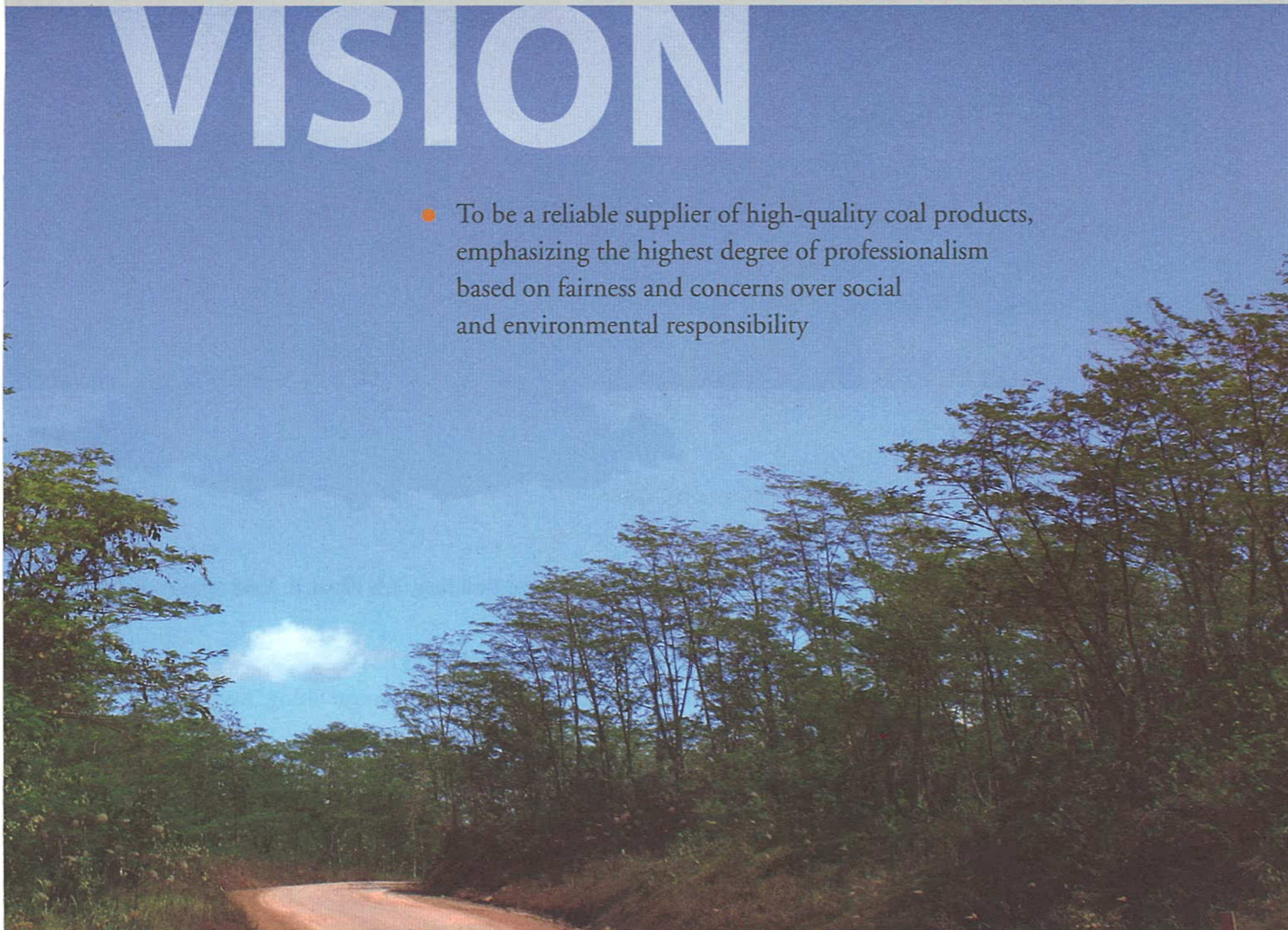
Mr. Winyoo Boonkamol
Director

MISSION

- To optimize the Company's coal resources using state-of-the-art technology and product mix strategy
- To conduct business in a fair and transparent manners
- To build sustainable value for all shareholders, employees and local communities while maintaining the highest standard on environmental protection and community development

VISION

- To be a reliable supplier of high-quality coal products, emphasizing the highest degree of professionalism based on fairness and concerns over social and environmental responsibility



Location:

General Office:	:	Kawasan Bisnis Granadha Veteran Building, 8th Floor Jl. Jend. Sudirman Kav.50, Jakarta 12930, Indonesia, Tel.: +62(21) 2553 9313, Fax: +62(21) 2553 9314
Mine Site	:	Jl. Bukit Seribu – Dasa Pampang, Kelurahan Sungai Siring, Kecamatan Samarinda Utara, Kaltim 75118, Indonesia Tel.: +62(541) 703 0005-6, Fax: +62(542) 593 316

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 Samarinda District, Kutai Regency, East Kalimantan.

Production Capacity	:	2,000,000 metric tons per annum
Registered Capital	:	10,500 ordinary shares at USD 1,000 per share totaling USD 10,500,000
Paid-up Capital	:	8,000 ordinary shares at USD 1,000 per share totaling USD 8,000,000

Shareholding Structure:

- Lanna Resources Public Co., Ltd. (Registered in Thailand) holding 4,400 shares (55%) of the paid-up capital
- PT. Harita Mahakam Mining (Registered in Indonesia) holding 2,800 shares (35%) of the paid-up capital
- Pan-United Investments Pte. Ltd. (Registered in Singapore), holding 800 shares (10%) of the paid-up capital

Auditor:

Kantor Akuntan Public Purwanto, Sarwoko & Sandjaja, a member of Ernst & Young Global, and Indonesia Public Accountant Firm.

Financial Information

FINANCIAL INFORMATION

Financial Summary

(Unit: USD)

FYE December	2005	2006	2007	2008	2009
Total Revenue	56,635,987	52,968,389	46,314,999	80,209,903	60,677,078
Sales Revenue	56,364,805	52,491,457	45,803,743	80,297,098	59,830,680
EBITDA	29,102,694	22,921,026	16,036,616	41,520,639	30,155,444
EBITDA margins (%)	51.39%	43.27%	34.63%	51.65%	49.70%
Pretax profit	18,929,648	10,575,040	8,766,900	29,916,926	20,853,079
Net Profit	13,235,520	7,417,085	6,161,546	20,961,728	14,570,575
Earnings Per share (USD/Share)	1,654	927	770	2,620	1,821
Earnings Per share growth (%)	396.70%	(43.95%)	(16.94%)	240.26%	(30.50%)
Dividend	9,400,000	8,000,000	10,000,000	16,800,000	12,000,000
Dividend Payout (%)	71.03	107.86	162.33	80.15	82.37

Financial Tables

Profit & Loss

FYE December	2005	2006	2007	2008	2009
Sales Revenue (net)	56,364,805	52,491,457	45,803,743	80,297,098	59,830,680
Cost of Goods Sold	(27,262,111)	(29,570,431)	(29,767,127)	(38,776,459)	(29,675,236)
Gross Profit	29,102,694	22,921,026	16,036,616	41,520,639	30,155,444
Operating Expenses	(10,444,228)	(12,822,918)	(7,780,972)	(11,516,518)	(10,148,763)
Income from Operations	18,658,466	10,098,108	8,255,644	30,004,121	20,006,681
Other Income	271,182	476,932	511,256	(87,195)	846,398
Income before Provision For Income Tax	18,929,648	10,575,040	8,766,900	29,916,926	20,853,079
Provision for Income Tax	(5,694,128)	(3,157,955)	(2,605,354)	(8,955,198)	(6,282,504)
Net Profit	**13,235,520**	**7,417,085**	**6,161,546**	**20,961,728**	**14,570,575**

Balance Sheets

FYE December	2005	2006	2007	2008	2009
Current Assets					
Cash on hand and in banks	1,831,068	3,016,383	1,650,786	18,743,127	4,696,778
Trade Receivables	6,548,905	2,794,405	5,243,951	5,890,345	7,294,395
Other Receivables	-	-	-	2,132,763	4,842,059
Inventories	3,904,218	3,984,877	1,935,245	49,128	5,901,680
Prepaid Expenses	22,581	36,098	23,635	41,042	37,296
Pre- Payments	1,500,000	-	-	-	-
Prepaid Taxes	3,458,118	4,120,225	3,973,931	3,472,714	4,858,310
Other Current Assets	156,930	580,225	130,508	161,219	39,655
Non Current Assets					
Deferred Exploration and Development costs (Net)	3,976,538	2,108,739	1,608,311	924,034	888,045
Property, Plant and Equipment (Net)	3,863,971	3,389,083	2,059,778	1,139,047	820,906
Deferred Tax Assets	56,687	143,334	495,867	859,778	756,653
Other Non Current Assets	160,618	334,636	336,080	406,716	313,757
Total Assets	**25,479,634**	**20,508,005**	**17,458,092**	**33,819,913**	**30,449,534**
Liabilities and Shareholders' Equity					
Current Liabilities	10,249,045	5,650,626	6,200,180	17,707,859	12,085,993
Non Current Liabilities	354,545	564,250	803,237	1,495,651	1,176,563
Total Liabilities	**10,603,590**	**6,214,876**	**7,003,417**	**19,203,510**	**13,262,556**
Shareholders' Equity					
Share Capital – US$ 1,000 par value – 8,000 shares	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000

FINANCIAL INFORMATION (continued)

(Unit: USD)

General reserves	-	-	-	-	1,600,000
Retained Earnings	6,876,044	6,293,129	2,454,675	6,616,403	7,586,978
Total Shareholders' Equity	**14,876,044**	**14,293,129**	**10,454,675**	**14,616,403**	**17,186,978**
Total Liabilities and Shareholders' Equity	**25,479,634**	**20,508,005**	**17,458,092**	**33,819,913**	**30,449,534**

Key Drivers

FYE December	2005	2006	2007	2008	2009
Average Coal Sales Prices (USD/ton)	35.49	35.46	32.63	63.57	55.97
Production Output (tons)	1,886,550	1,684,776	1,479,745	1,301,670	1,351,558
Sales Volume (tons)	1,800,533	1,667,104	1,598,524	1,447,330	1,220,620
Stripping Ratio	7.12	6.53	6.98	9.05	9.51

DIVIDEND PAYMENT POLICY

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).

Dividend Payment in Year 2009: The Company's net income according to the financial statements was at USD 14,570,575 million or USD 1,821 per share. The Board of Directors has proposed for the appropriation of earnings for the purpose of dividend payment to the shareholders at USD 1,500 per share or 82.37 percent of the net profit, which is in line with the Company's dividend payment policy above.

Dividend Payment Record:

DIVIDEND	2005	2006	2007	2008	2009
Earnings Per Share (USD/Share)	1,654	927	770	2,620	1,821
Dividend Per Share (USD/Share)	1,175	1,000	1,250	2,100	1,500
Dividend Payment Ratio (%)	71.03	107.86	162.33	80.15	82.37

Company's Coal Business

PT. Lanna Harita Indonesia was established as a single-purpose company to carry out coal mining operation and distribution activities as stipulated under the 3rd generation Coal Contract of Work (CCOW) regulations, granted by the Government of Indonesia. Therefore, the only activity permitted by law is for the Company to develop the coal concession for a period of 30 years (from 2001 to 2031) without having to divest its shareholding structure. The Company's coal mining operation is in Samarinda district, Kutai Regency, East Kalimantan, having coal production capacity of 2,000,000 tons per year. The remaining mineable reserves have been estimated at 20 million tons. A third party consultant has been engaged to further review and assess the amount of coal reserve within the Company's coal concession.

Coal Production

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. Accordingly, the production of coal consists of following 3 major steps:

(1) 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 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.

(2) Coal Mining: Before proceeding with coal mining operation, more detail drilling activities are required to collect and interpret necessary information and data of the mining areas; such as, coal reserves and quality for each of the coal seam formations including soil layers. The collected data and information will be used to determine the mine master plan which includes the analysis of mining costs and mining methods, as well as the quantity and areas for overburden removal and coal winning logistics, and also selection of suitable mining equipment and machinery.

(3) Coal Dressing: In order to attain the quality as required by the users or customers, coal extracted from the coalmining operation need to go through coal dressing process which includes crushing, sizing, sorting or washing to remove any contaminations, etc.

Coal Distribution

After the coal has been extracted from the coal mining area, the run-off-mine coal (ROM) is transported via hauling road for further processing and distribution at the Company's port and jetty facilities located within the concession area along Kutai Lama River. Due to the width and depth of the river, the maximum barging capacity is limited to 5,500 tons per trip, equivalent to a 270-foot barge. After coal loading into the barge has been completed, it is transported down the river for further loading into the 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

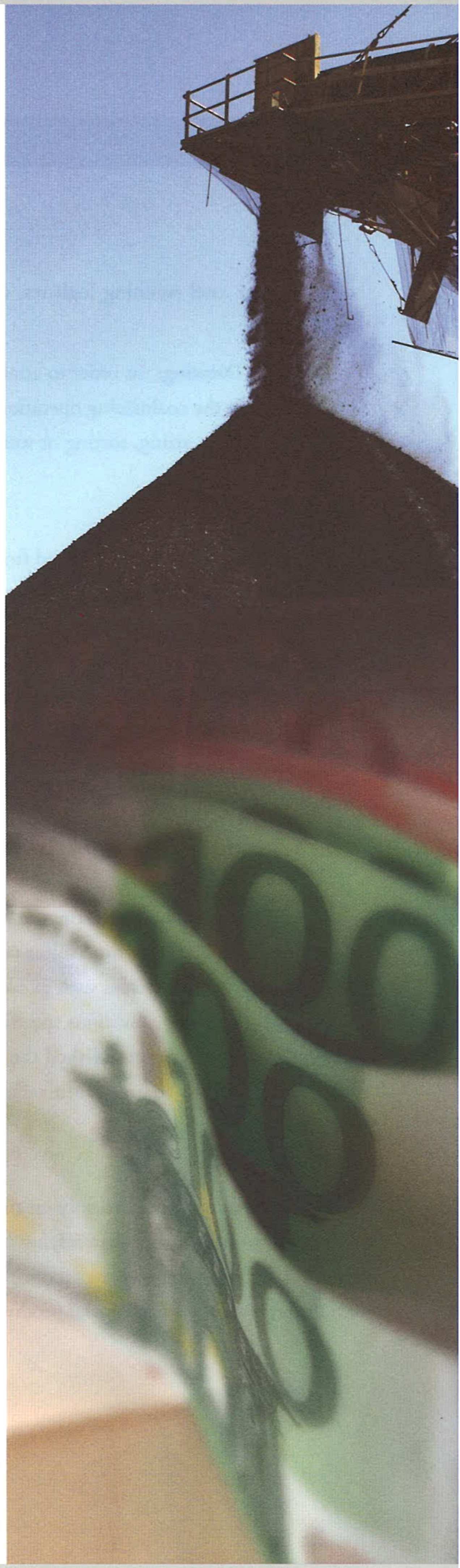
Coal pricing is mainly determined by the coal quality and specifications, such as the calorific value, total moisture, ash, total sulfur content, etc. Coal sale price for each customer varies depending on certain factors such as order volume, coal specifications such as calorific value, credit term and other conditions specified by the customer. Nonetheless, since 2009, the Indonesian Government has established the Indonesian Coal Price Reference or Indonesian Coal Price Index (ICI) to be used as the reference for the floor price of coal.

Market Strategy

The Company focuses mainly on the service and quality control of the coal products as its marketing strategy rather than relying on pricing strategy. In addition, the Company has continually developed ways to produce high quality coal by bringing in modern technology for continuing improvement of coal production and operation.

Industrial Trend

The price of coal started to decrease toward the end of 2008 and continued until the middle of 2009, when it started to move in an upward direction around the end of 2009. It is anticipated that the price of coal in 2010 will gradually increase in the same direction as the oil price due to increasing demand of coal and fuel in accordance with the continuing recovery of global economic condition. Along with the global economic growth, higher thermal coal consumption and demand are expected in the next three years, particularly in the major Asian economies, such as China and India. Indonesia domestic demand for coal will also grow significantly in the next few years due to several coal-fired power plants coming on line. Accordingly, it is anticipated that the prices of thermal coal for the next few years will remain high due to higher consumption of thermal coal and also the fact that the price of oil and other sources of fuel are still significantly more costly than that of the thermal coal.



SIGNIFICANT CHANGES IN THE PAST YEAR

January 12, 2009: The Indonesian Government has finally enacted the new Law No. 4/2009 concerning mineral and coal mining, replacing the previous Law No. 11/1967, overhauling the country's mining system. The new mining Law No. 4/2009 is intended to provide equal treatment to all mining players, foreign and domestic, creating conducive climate of investment, and to optimize the state revenue and area to be exploited in the existing mining contract. Law No.4/2009 certainly has broad ranging implications for future and existing mining concessions due to introduction of a new mining licensing system, IUPs, to replace the KPs, COWs and CCOWs. Nonetheless, the Law No. 4/2009 is also intended to respect and honor the existing COWs and CCOWs and the impacts on the Company's CCOW should not be extensive. Pursuant to the new Mining Law, the Government has been issuing several implementing regulations that the Company has to observe and comply accordingly. Certain amendments to the LHI's CCOW are also required in order to comply with the New Mining Law.

March 2, 2009: The Company recommenced its coal mining operation after suffering from the accident caused by sliding of some parts of mine pit boundary, flooding nearby village due to heavy rain storms toward the end of 2008. The Company had to temporarily halt its mining operation to conduct land rehabilitation and improvement of the affected areas by offering assistance and quickly bringing the communities back to their normal condition.

CORPORATE SOCIAL RESPONSIBILITY

Lanna Harita Indonesia is respectful of it host communities. 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 corporate social responsibility (CSR) activities at all levels. Our CSR focuses on community development, health care, education, environmental and agricultural concerns.

The Company adheres to the highest level of environmental standards. Our community service program is reviewed annually with cooperation and participation of local representatives. Mine site rehabilitation and improvement are carried out after the 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. As for the unfilled mine pit areas, they are developed into recreation areas, reservoirs and fish farms.

In 2009 alone, the Company initiated and supported more than 30 social development programs and activities, including education, religious, health, infrastructure development, and fish farming, etc.

Donation of hand tractor to farming community in Sei Siring Village

Donation and construction of road and bridge in Sei Siring Village

Donation of fertilizer for agricultural program in Sidomulyo Village, Anggana

Donation of Construction Materials
to Mosque in Tanah Merah Village

Donation of building materials
to School and Mosque
in Tanah Datar Village

Donation of medical supplies
to community in Kutai Lama, Samarinda

Donation of fishing materials
for economic and fish cultivation program
in Sidomulyo Village, Anggana

Donation of fishing materials
for economic and fish cultivation program
for Tanah Merah Farmer Group

Donation of Construction Materials
to Mosque in Belimau, Samarinda

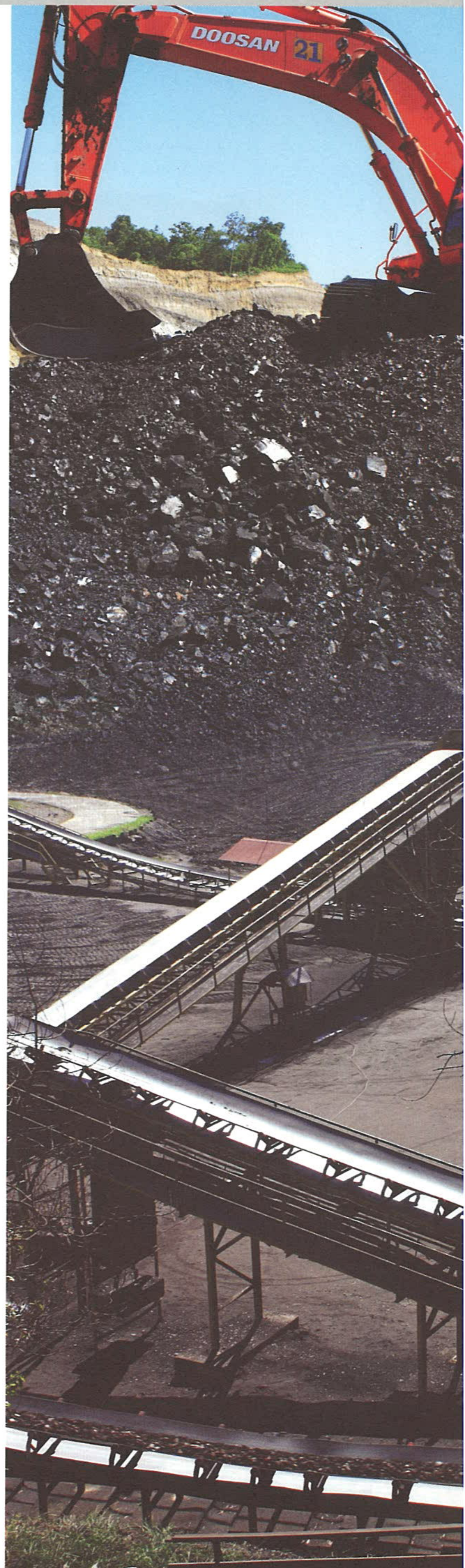
CSR

RISK FACTORS

The Company conducts coal mining business which possesses the following risk factors that must be taken into consideration.

(1) Coal Mining Operation Risk: 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 for each year.

(2) Coal Price Fluctuation Risk: Coal prices fluctuate similar to other commodities such as the oil prices, subject to market demand and supply. Therefore, the Company has established policy to sell coal in advance, entering into coal sales contracts for certain portion of the coal volume produced each year. Coal sales are normally offered during the time when coal price is on the



rise by observing coal pricing trend and movement in the past. The Company closely monitors coal pricing trend, including consideration of risk protection or guarantee instruments or other methods, depending on the appropriateness and anticipated future coal market situation.

(3) **Accounts Payable Risk:** For the majority of the Company's coal sales, credit terms are normally extended to quality customers. For the coal sales and purchase transactions, a letter of credit is normally required from the customers to minimize the risk. The Company has never incurred any bad debt from the customers.

(4) **Fuel Product Substitutes Risk:** Although coal prices during 2009 have fluctuated quite considerably; however, when comparing the price per heat unit to other substituted fuels, such as fuel oil, diesel oil and natural gas, the price per unit heat of coal is still significantly lower. Therefore, the risk from the fuel product substitutes is still considered minor.

(5) **Coal Reserves Variation Risk:** The Company has continually allocated budget for exploration activities within the concession areas in order to ascertain the amount of remaining mineable coal reserve. Third party consultant has also been engaged to assess and verify the amount of coal reserve.

(6) **Risk from Mining Contractors' Operation:** The Company has hired the mining contractor for coal winning and therefore, if the mining contractor could not perform its operation as agreed with the Company according to the plan due to problems such as delay in procurement of machinery and equipment, sub-standard maintenance works, etc., which would certainly have adverse impact to the Company's coal production and distribution. Therefore, in order to manage such risk, the Company would only hire the mining contractors that are reliable, experienced and have good work performance history, by entering into a mining contract of at least 3 years term in order to guarantee sufficient work for the financing purpose of the mining contractor.

(1) Revenues

Description	Year 2009		Year 2008		Increase/(Decrease)	
	USD	%	USD	%	USD	%
• Sale Revenue from Coal	59,830,680	98.60	80,297,098	99.44	(20,466,418)	(25.49)
• Other Revenue	846,398	1.40	451,691	0.56	394,707	87.34
Total Revenues	**60,677,078**	**100.00**	**80,748,789**	**100.00**	**(20,071,711)**	(24.86)

In 2009, the Company's total revenues were USD 60,677,078 a decrease from the previous year by USD 20,071,711 or 24.86 percent, due mainly to the fact that the Company's revenue from coal sale in 2009 decreased from the previous year by USD 20,466,419 or 25.49 percent, from USD 80,297,098 to USD 59,830,679 as the coal sales volume and the average coal sales price per ton were lower than the previous year 2008.

(2) Expenses

Description	Year 2009		Year 2008		Increase/(Decrease)	
	USD	% of Sales	USD	% of Sales	USD	%
• Cost of sales	29,675,236	49.60	38,776,459	48.29	(9,101,223)	(23.47)
• Selling and administrative expenses	10,148,763	16.96	11,516,518	14.34	(1,367,755)	(11.87)

Despite higher stripping ratio, the total cost of sales was only USD 9,101,223 or 23.47 percent lower than that of 2008, which was due mainly to a lower fuel cost. The same reason may also be applied for the selling and administrative expenses.

(3) Profit

Description	Year 2009		Year 2008		Increase/(Decrease)	
	USD	%	USD	%	USD	%
Sales Revenue	59,830,680	100.00	80,297,098	100.00	(20,466,418)	(25.49)
Less Cost of Sale	29,675,236	49.60	38,776,459	48.29	(9,101,223)	(23.47)
Gross Profit	30,155,444	50.40	41,520,639	51.71	(11,365,195)	(27.37)
Net Profit	**14,570,575**		**20,961,728**		**(6,391,153)**	(30.49)

In 2009, the Company's gross profit was at USD 30,155,444 or 50.40 percent of the sales revenue, a decrease of USD 11,365,195 decrease from the previous year. In the meantime, the net profit for 2009 was at USD 14,570,575 or a decrease of USD 6,391,153 from the previous year.

(4) Assets and Liabilities

Description	As at December		Increase/(Decrease)	
	31st, 2009	31st, 2008	USD	%
Total Asset	30,449,534	33,819,913	(3,370,379)	(9.97)
Total Liabilities	13,262,556	19,203,510	(5,940,954)	(30.94)
Total Shareholders' Equity	17,186,978	14,616,403	2,570,575	17.59
Book Value-USD per Share (Registered par value of USD 1,000 per share)	2,148.37	1,827.05	321.32	17.59

(A) Assets

The Company's total assets as at the end of year 2009 decreased from the end of year 2008 by USD 3,370,379 or a decrease of 9.97 percent, consisting of:

(1) Current assets decreased by USD 2,820,168 from the previous year, or a decrease of 9.24 percent, due to following reasons.

(1.1) Cash and equivalent decreased by USD 14,046,349 from the previous year, or a decrease of 74.94 percent, due to the decrease in the coal sales revenue.

(1.2) Accounts receivable increased by USD 1,404,050 from the previous year, or an increase of 23.83 percent on undue credit.

(1.3) Inventories increased by USD 5,852,552 from the previous year, or an increase of 11,912.86 percent.

(1.4) Prepaid tax increased by USD 1,385,596 from the previous year, or an increase of 39.90 percent, which were mostly from pending VAT refund.

(2) Non-current assets decreased by USD 550,214 from the previous year or a decrease of 16.53 percent, due to depreciation and amortization of property, plant, land and equipment.

(B) Liabilities

The Company's total liabilities as at end of year 2009 decreased from the end of year 2008 by USD 5,940,954 or and decrease of 30.94 percent, due to following reasons.

(1) Trade accounts payable increased by USD 719,934 from the previous year or an increase of 24.98 percent, due to increased coal production in December 2009 as compared with that of December 2008.

(2) Accrued expenses increased by USD 504,533 from the previous year or an increase of 7.42 percent, due to increased volume overburden removal.

(3) Taxes payable decreased by USD 6,809,824 from the previous year or a decrease of 87.64 percent, due to advance payment of corporate income tax and therefore, no additional tax payment required.

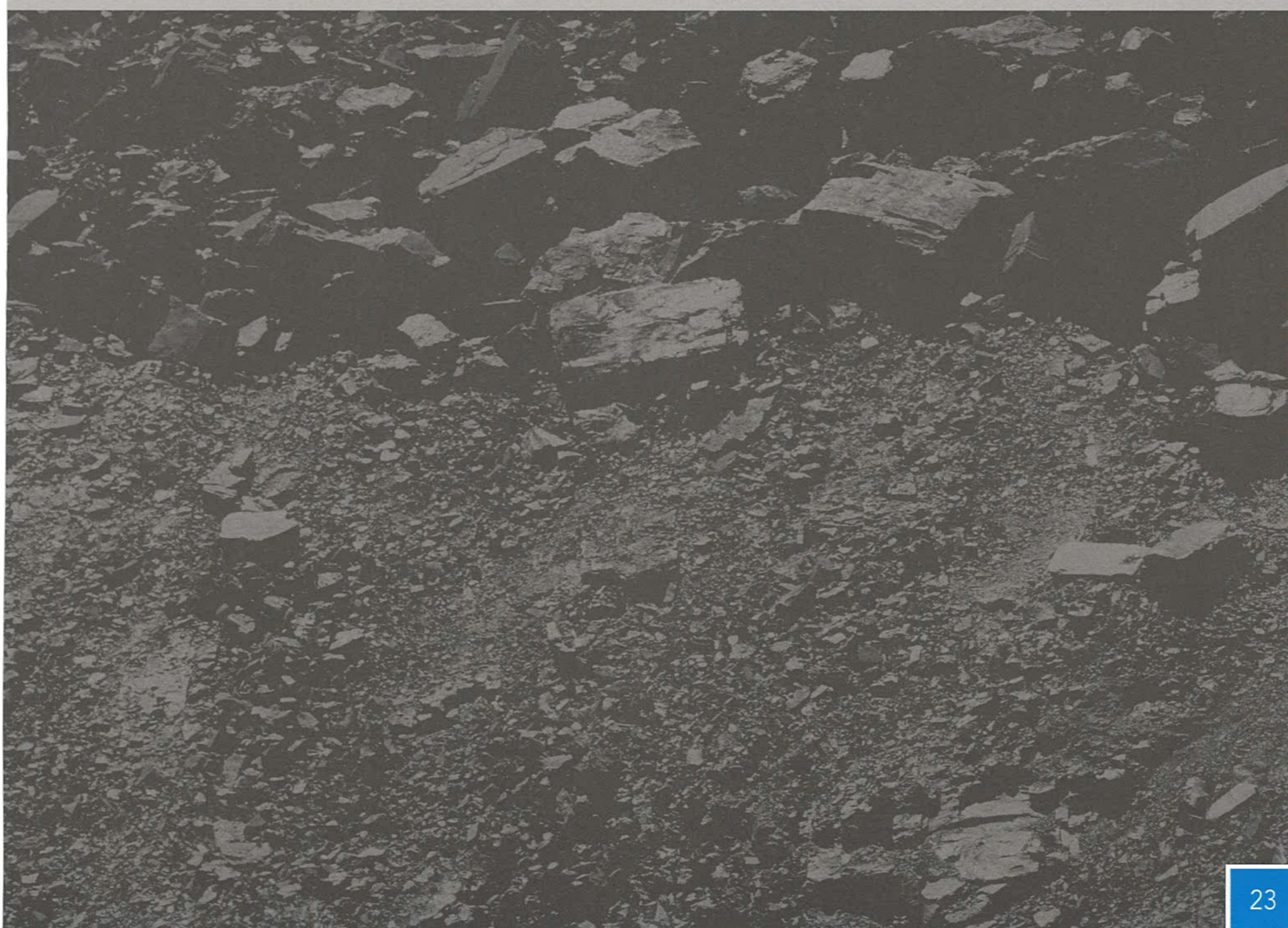
(4) Provision for employee benefits decreased by USD 319,088 from the previous year or a decrease of 21.33 percent, due to the decrease in manpower.

(C) Total Shareholders' Equity

The total shareholders' equity of the Company as at December 31, 2009 increased from the end of year 2008 by USD 2,570,575 or an increase of 17.59 percent, resulting in the increase of book value per share from USD 1,827.05 to USD 2,148.37 per share.

Financial statements with independent auditors' report

years ended December 31, 2009 and 2008



ERNST & YOUNG

Independent Auditors' Report

Report No. RPC-11134

The Shareholders, Board of Commissioners and Directors
PT Lanna Harita Indonesia

We have audited the balance sheets of PT Lanna Harita Indonesia (the "Company") as of December 31, 2009 and 2008, and the related statements of 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 also 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 Lanna Harita Indonesia as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

Purwantono, Sarwoko & Sandjaja

Widya Arijanti
Public Accountant License No. 05.1.0975

February 3, 2010

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.

BALANCE SHEETS

December 31, 2009 and 2008
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2009	2008
ASSETS			
CURRENT ASSETS			
Cash on hand and in banks	3	4,696,778	18,743,127
Accounts receivable	2d,4	7,294,395	5,890,345
Other receivables	5	4,842,059	2,132,763
Inventories	2e,6	5,901,680	49,128
Prepaid expenses		37,296	41,042
Prepaid taxes	13a	4,858,310	3,472,714
Other current assets	7	39,655	161,219
TOTAL CURRENT ASSETS		27,670,173	30,490,338
NON-CURRENT ASSETS			
Deferred exploration and development costs, net	2h,8	888,045	924,034
Property, plant and equipment, net	2g,2f,9	820,906	1,139,047
Deferred tax assets	13e	756,653	859,778
Other non-current assets	10	313,757	406,716
TOTAL NON-CURRENT ASSETS		2,779,361	3,329,575
TOTAL ASSETS		30,449,534	33,819,913
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	11	3,601,802	2,881,868
Accrued expenses	12	7,303,440	6,798,907
Taxes payable	13b	960,703	7,770,257
Due to related parties	14	137,028	181,892
Other current liabilities		83,020	74,935
TOTAL CURRENT LIABILITIES		12,085,993	17,707,859
NON-CURRENT LIABILITY			
Provision for employee service entitlements	2j,22	1,176,563	1,495,651
TOTAL LIABILITIES		13,262,556	19,203,510
SHAREHOLDERS' EQUITY			
Share capital			
Authorised, issued, and fully paid - 8,000 shares at par value of Rp82,088,000,000 or equivalent to US$1,000 per share	15	8,000,000	8,000,000
General reserves	17	1,600,000	-
Retained earnings		7,586,978	6,616,403
TOTAL SHAREHOLDERS' EQUITY		17,186,978	14,616,403
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,449,534	33,819,913

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

STATEMENTS OF INCOME

Years ended December 31, 2009 and 2008
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2009	2008
NET SALES	18	59,830,680	80,297,098
COST OF GOODS SOLD	19	29,675,236	38,776,459
GROSS PROFIT		**30,155,444**	**41,520,639**
OPERATING EXPENSES			
Selling	20	6,193,407	8,005,708
General and administrative	21	3,955,356	3,510,810
OPERATING EXPENSES		**10,148,763**	**11,516,518**
INCOME FROM OPERATIONS		**20,006,681**	**30,004,121**
OTHER INCOME/(EXPENSES):			
Foreign exchange gain/(loss), net		595,017	(538,886)
Interest income		204,571	232,250
Miscellaneous income		46,810	219,441
Other income/(expenses), net		846,398	(87,195)
INCOME BEFORE CORPORATE INCOME TAX		**20,853,079**	**29,916,926**
CORPORATE INCOME TAX EXPENSE/(BENEFIT)	13c,2i		
Current		6,179,379	9,319,109
Deferred		103,125	(363,911)
NET INCOME		**14,570,575**	**20,961,728**

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

STATEMENTS OF CHANGES IN EQUITY

Years ended December 31, 2009 and 2008
(Expressed in United States Dollars, unless otherwise stated)

	Note	Share capital paid in excess of par value	Retained earnings	General reserve	Total Shareholders' equity
Balance as of December 31, 2007		**8,000,000**	**2,454,675**	**-**	**10,454,675**
Dividends	16	-	(16,800,000)	-	(16,800,000)
Net income for 2008		-	20,961,728	-	20,961,728
Balance as of December 31, 2008		**8,000,000**	**6,616,403**	**-**	**14,616,403**
Dividends	16	-	(12,000,000)	-	(12,000,000)
General reserves		-	(1,600,000)	1,600,000	-
Net income for 2009		-	14,570,575	-	14,570,575
Balance as of December 31, 2009		**8,000,000**	**7,586,978**	**1,600,000**	**17,186,978**
Dividend per share - 2008					**2.10**
Dividend per share - 2009					**1.50**

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

STATEMENTS OF CASH FLOWS

Years ended December 31, 2009 and 2008
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before corporate income tax		20,853,079	29,916,926
Adjustments to reconcile income before corporate income tax to net cash provided by operating activities:			
Provision for employee service entitlements	22	179,478	692,414
Depreciation of property, plant and equipment	9	358,315	938,512
Amortization of deferred exploration and development costs	8	560,920	1,047,495
Interest income		(204,571)	(232,250)
Loss on disposal of plant and machinery		-	5,108
Changes in operating assets and liabilities:			
Accounts receivable		(1,404,050)	(646,394)
Other receivables		(1,980,189)	(3,061,620)
Inventories		(5,852,551)	1,886,117
Prepaid expenses		3,746	(17,407)
Prepaid taxes		(566,740)	(173,492)
Other current assets		124,865	27,780
Other non-current assets		92,959	(70,636)
Trade payables		719,934	1,059,913
Accrued expenses		504,530	2,763,861
Taxes payable		(23,347)	554,522
Due to related party		(44,864)	176,912
Other current liabilities		8,087	(43,970)
Interest received		201,271	173,759
Proceeds from tax refund		-	1,848,744
Payment of corporate income tax		(14,513,550)	(2,567,846)
Payment of employee service entitlements		(498,566)	-
Net cash (used in)/provided by operating activities		**(1,481,244)**	**34,278,448**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	9	(40,174)	(22,889)
Increase in deferred exploration and development costs		(524,931)	(363,218)
Net cash used in investing activities		**(565,105)**	**(386,107)**
CASH FLOWS FROM FINANCING ACTIVITY:			
Payment of dividends	16	(12,000,000)	(16,800,000)
Net cash used in financing activity		**(12,000,000)**	**(16,800,000)**
NET (DECREASE)/INCREASE IN CASH ON HAND AND IN BANKS		**(14,046,349)**	**17,092,341**
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	3	18,743,127	1,650,786
CASH ON HAND AND IN BANKS AT END OF YEAR	3	**4,696,778**	**18,743,127**

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

1. GENERAL

PT Lanna Harita Indonesia (the Company) was established under Foreign Capital Investment Law No. 1 year 1967 as amended by Law No. 11 year 1970. The Articles of Association as contained under notarial deed No. 1 of Amrul Partomuan Pohan, S.H., LLM, dated February 2, 1998, were ratified by the Minister of Justice of the Republic of Indonesia under decision No. C2-754.H.T.01-01.Th.98 dated February 11, 1998. In accordance with the Articles of Association, the Company was established for an unlimited time since the approval from the Minister of Justice of the Republic of Indonesia.

The Company obtained the Foreign Capital Investment facility based on the Capital Investment Coordinating Board letter No. 924/A.1/1997 dated November 10, 1997 and the President of the Republic of Indonesia's Approval Letter No. B.53/Pres/I/1998.

The Company's Articles of Association have been amended several times, most recently by notarial deed No. 2 dated October 5, 2004 of Public Notary Yulida Vincestra, S.H., concerning change in the Company's shareholder. The amendment was approved by the Minister of Justice and Human Rights of the Republic of Indonesia under Decision Letter No. C-16866.HT.01.04.TH.2005 dated June 17, 2005.

The Company signed a Coal Contract of Work (CCOW) with the Indonesian Government on February 18, 1998. The Contract provides rights and obligations for the Company to explore and exploit the areas of Samarinda and Kutai, East Kalimantan, for coal. The Company was in the development stage since its establishment on February 2, 1998 until the commencement of commercial operations in January 2002.

The Company's head office is located in Jakarta and as at December 31, 2009 and 2008, the Company had 199 and 192 permanent employees (unaudited), respectively.

1. GENERAL (continued)

In 2008, the Company received a letter from the Department of Energy and Mineral Resources ("Directorate") regarding temporary suspension on their mining operation as landslide incident occurred in the Company's vicinity. The Company is given 3 months to perform remediation acts and obtain approval of Director of Technique and Environment Mineral, Coal and Geothermal and Head of Mine Inspection. The Company has temporary suspended its production activity starting from December 7, 2008 and restarted their operations on March 3, 2009 based on the approval letter No. 289/37.02/DBT/2009 from the Directorate, since the Company has satisfactory carried out the remediation acts.

Composition of the Company's Boards of Commissioners and Directors as at December 31, 2009 and 2008 is as follows:

Board of Commissioners

President Commissioner	:	Lim Hariyanto Wijaya Sarwono
Commissioners	:	Drs. Parasian Simanungkalit, S.H.
		Kraisi Sirirungsi
		Arkom Laoharanoo
		Srihasak Arirachakaran
		Saharat Vatanatumrak
		Ng Han Whatt Henry

Directors

President Director	:	Pilas Puntakosol
Directors	:	Anun Lauharanoo
		Pongtorn Kachareon
		Thamrong Angsakul
		Lim Gunawan Hariyanto
		Lim Gunardi Hariyanto
		Lee Boon Wah

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies adopted by the Company conform to generally accepted accounting principles in Indonesia. The significant accounting principles applied consistently in the preparation of the financial statements for the years ended December 31, 2009 and 2008 are as follows:

a. Basis of preparation of its financial statements

The financial statements have been prepared on the accrual basis except for the statements of cash flows. The historical cost basis is used in the preparation of the financial statements, except as otherwise disclosed in the notes to the financial statements. The statements of cash flows have been prepared using the indirect method and classify cash flows into operating, investing and financing activities.

The financial statements are presented in United States Dollars ("US Dollar"), unless otherwise stated.

b. Foreign currency transactions and balances

The Company maintains its accounting records in US Dollar as its functional currency.

Transactions in currencies other than US Dollar are recorded at the prevailing rates of exchange in effect on the date of the transactions.

As of the balance sheet 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 income.

The exchange rates used as of December 31, 2009 and 2008 were as follows (in full Rupiah):

	2009	2008
US$ 1	9,400	10,950
Thailand Baht 1	282	315

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Related party transactions

The Company has transactions with related parties, as defined under the guidelines of Statement of Financial Accounting Standards ("PSAK") No. 7, "Related Party Disclosures".

d. Trade receivables

Receivables are presented at their estimated recoverable value after providing for doubtful accounts based on management's review of the status of each account at the end of the financial year. Receivables are written-off during the period in which they are determined to be uncollectible.

e. Inventories

Effective January 1, 2009, Statements of Financial Accounting Standards ("PSAK") No. 14 (Revised 2008) on "Inventories" supersedes PSAK No. 14 (1994). The adoption of this revised PSAK did not have a significant impact on the 2009 financial statements.

Inventories are carried at the lower of cost and net realizable value.

Cost is 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 in bringing the inventory to its present location and condition, including the costs incurred to sell the products.

(Expressed in United States Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Property, plant and equipment

The Company adopted the revised Statement of Financial Accounting Standards ("PSAK") No. 16 (Revised 2007), "Fixed Assets", PSAK No. 16 (Revised 2007) which is effective prospectively for financial statements beginning on or after January 1, 2008. In implementing PSAK No. 16 (Revised 2007), the Company opted to apply the cost model as the accounting policy for its property, plant and equipment. Accordingly, property, plant and equipment are stated at cost, less accumulated depreciation. Except for land, plant and machinery, the property, plant and equipment are depreciated using the straight-line method over the estimated useful lives, of the assets as follows:

	Years
Land improvements	4 - 8 years
Office equipment	4 - 8 years
Furniture and fixtures	4 - 8 years
Exploration tools	4 - 8 years
Transportation and equipment	8 years

Plant and machinery are depreciated using unit production based on the available coal reserve of 1,675,105 tons (2008: 2,227,490 tons).

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 statements of income for the year.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment of assets

The Company reviews its long-lived assets at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is determined as the greater of an asset's net selling price and value in use. An impairment loss is recognized whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the current year's statement of income.

The carrying amount of an asset for which an impairment loss has been recognized is increased to its recoverable amount if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount of an asset. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h. Deferred exploration and development costs

Deferred exploration and development costs are stated at cost less accumulated amortisation.

Exploration and development costs incurred in an area of interest are accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permit a reasonable assessment of the existence of economically recoverable reserves. When production in an area of interest commences, the accumulated costs for the relevant area of interest are amortised over the life of economically recoverable reserves, based on the unit of production method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred exploration and development cost is reviewed annually to determine whether there is any indication of impairment. Any impairment loss is charged to income currently.

i. Corporate income tax

Current tax expense is provided based on estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Future tax benefits, such as the carryforward 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 balance sheet date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are credited or charged to current year operations, except to the extent that they relate to items previously charged or credited to equity.

Amendments to tax obligations are recorded when an assessment is received or, if appealed against by the Company, when the result of the appeal is determined.

j. Provision for employee service entitlements

The Company recognized a provision for employee service entitlements in accordance with Labor Law No. 13/2003 dated March 25, 2003 ("Labor Law No. 13"). In the absence of an actuarial study on the future of the Company's employees, the Company has self estimated the provision for employee service entitlements. The Company uses the projected unit credit method to determine the present value of benefits, current service cost and past service cost. The benefits liabilities are unfunded. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the benefits concerned become vested.

(Expressed in United States Dollars, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Revenue and expense recognition

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).

l. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based on amounts that differ from those estimates.

3. CASH AND BANKS

	2009	2008
Cash on hand	1,469	1,400
Cash in banks	4,695,309	18,741,727
	4,696,778	**18,743,127**

4. ACCOUNTS RECEIVABLE

	2009	2008
Third parties:		
Glencore International AG	6,936,549	2,497,633
PT Tedco Resources	357,846	-
Siam City Cement Public Company Ltd.	-	1,865,389
Mitsui Mining Company Ltd.	-	1,527,323
	7,294,395	**5,890,345**

(Expressed in United States Dollars, unless otherwise stated)

5. OTHER RECEIVABLES

	2009	2008
Advance payment for corporate income tax assessment (Note 13f)		
- Fiscal year 2006	2,132,763	2,132,763
- Fiscal year 2007	2,709,296	-
	4,842,059	**2,132,763**

6. INVENTORIES

	2009	2008
Finished coals	4,259,141	-
Raw coals	1,628,356	11,677
Spare parts and fuel	14,183	37,451
	5,901,680	**49,128**

7. OTHER CURRENT ASSETS

	2009	2008
Interest receivable	3,300	58,491
Prepayments	2,434	31,196
Others	33,921	71,532
	39,655	**161,219**

8. DEFERRED EXPLORATION AND DEVELOPMENT COSTS

	2009	2008
Beginning balance	924,034	1,608,311
Addition during the year	524,931	363,218
	1,448,965	1,971,529
Less: Amortization during the year	(560,920)	(1,047,495)
Ending balance	**888,045**	**924,034**

(Expressed in United States Dollars, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT

	Balance December 31, 2008	Addition	Deductions	Balance December 31, 2009
2009 Movements				
At cost:				
Land	163,399	-	-	163,399
Land improvement	527,463	-	-	527,463
Office equipment	242,496	28,924	(38,864)	232,556
Furniture and fixtures	81,590	3,018	(23,953)	60,655
Exploration tools	184,539	3,525	(15,310)	172,754
Plant and machinery	3,771,352	4,707	-	3,776,059
Transportation and equipment	263,880	-	-	263,880
	5,234,719	40,174	(78,127)	5,196,766
Accumulated depreciation:				
Land improvement	447,101	65,933	-	513,034
Office equipment	202,905	23,563	(38,864)	187,604
Furniture and fixtures	79,462	3,503	(23,953)	59,012
Exploration tools	147,917	20,295	(15,310)	152,902
Plant and machinery	3,091,316	212,036	-	3,303,352
Transportation and equipment	126,971	32,985	-	159,956
	4,095,672	358,315	(78,127)	4,375,860
Net book value	**1,139,047**			**820,906**

	Balance December 31, 2007	Addition	Deductions	Balance December 31, 2008
2008 Movements				
At cost:				
Land	163,399	-	-	163,399
Land improvement	527,463	-	-	527,463
Office equipment	224,224	18,272	-	242,496
Furniture and fixtures	81,104	486	-	81,590
Exploration tools	181,733	2,806	-	184,539
Plant and machinery	3,775,135	1,325	(5,108)	3,771,352
Transportation and equipment	263,880	-	-	263,880
	5,216,938	22,889	(5,108)	5,234,719
Accumulated depreciation:				
Land improvement	381,168	65,933	-	447,101
Office equipment	172,522	30,383	-	202,905
Furniture and fixtures	76,372	3,090	-	79,462
Exploration tools	127,831	20,086	-	147,917
Plant and machinery	2,305,281	786,035	-	3,091,316
Transportation and equipment	93,986	32,985	-	126,971
	3,157,160	938,512	-	4,095,672
Net book value	**2,059,778**			**1,139,047**

(Expressed in United States Dollars, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	2009	2008
Depreciation of expenses were charged to:		
General and administrative expenses	93,598	48,090
Production costs	264,717	890,422
	358,315	938,512

10. OTHER NON-CURRENT ASSETS

	2009	2008
Advance for land acquisitions	232,628	335,601
Security deposits	24,841	68,167
Others	56,288	2,948
	313,757	406,716

11. TRADE PAYABLES

	2009	2008
PT Bukit Makmur Mandiri Utama	2,516,967	2,511,448
PT Mitra Indah Lestari	985,278	260,374
Others	99,557	110,046
	3,601,802	2,881,868

PT Bukit Makmur Mandiri Utama ("BUMA") and PT Mitra Indah Lestari ("MIL") are the Company's coal mining contractors.

12. ACCRUED EXPENSES

	2009	2008
Overburden removal and coal delivery	3,556,903	1,675,911
Royalty	878,521	1,253,757
Coal transhipment	698,259	2,179,886
Reclamation	539,070	539,070
Bunker and dispatch	510,696	552,721
Rental	125,290	99,998
Salaries and wages	16,382	12,891
Others	978,319	484,673
	7,303,440	6,798,907

(Expressed in United States Dollars, unless otherwise stated)

13. TAXATION

a. Prepaid taxes:

	2009	2008
Overpayment of value added tax	3,310,346	2,743,607
Overpayment of corporate income tax		
- Fiscal year 2007	-	729,107
- Fiscal year 2009	1,547,964	-
Total prepaid taxes	**4,858,310**	**3,472,714**

b. Taxes payable:

	2009	2008
Corporate income tax	-	6,786,207
Value added tax	428,740	474,559
Employee income tax - article 21	440,460	190,168
Withholding taxes - articles 23 and 26	81,449	297,610
Withholding tax - article 15	7,388	19,968
Withholding tax - article 4(2)	2,666	1,745
Total taxes payable	**960,703**	**7,770,257**

c. Corporate income tax expense/(benefit):

	2009	2008
Current	6,179,379	9,319,109
Deferred	103,125	(363,911)
	6,282,504	**8,955,198**

(Expressed in United States Dollars, unless otherwise stated)

13. TAXATION (continued)

d. Reconciliation between income before corporate income tax and corporate income tax expense, and overpayment of corporate income tax:

	2009	2008
Income before corporate income tax	20,853,079	29,916,926
Add/(deduct):		
Permanent differences:		
Non-deductible expenses	302,506	180,863
Income subject to final tax	(208,300)	(241,103)
Temporary differences:		
Provision for employee service entitlements	(319,088)	692,414
Property, plant and equipment	(24,652)	520,622
Taxable income	20,603,545	31,069,722
Corporate income tax at maximum marginal tax rate of 30%	6,181,064	9,320,916
Effect of income tax at statutory rates less than 30%	(1,685)	(1,807)
Corporate income tax expense - current	**6,179,379**	**9,319,109**

Corporate income tax (overpayment)/payable:

	2009	2008
Corporate income tax expense	6,179,379	9,319,109
Less: Corporate income tax installments	7,727,343	2,532,902
(Overpayment of corporate income tax)/ corporate income tax payable	**(1,547,964)**	**6,786,207**

The Company is subject to progressive tax rates up to a maximum of 30%, based on CCOW. The Company is using the marginal tax rate of 30% as stipulated in Tax Law No. 10/1994 instead of fixed tax rate of 28% as stipulated in Tax Law No. 36/ 2008 in calculating the corporate income tax. 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.

(Expressed in United States Dollars, unless otherwise stated)

13. TAXATION (continued)

e. Deferred tax assets

	2009	2008
Provision for employee service entitlements	352,969	448,695
Property, plant and equipment	403,684	411,083
	756,653	859,778

The utilization of deferred tax assets recognized by the Company is dependent upon future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

f. Tax assessment

On March 25, 2008, the Company received a tax assessment letter on the 2006 corporate income tax indicating that the Company has underpaid amounting to Rp289 million (US$31,147) instead of an overpayment of Rp19,473 million (US$2,101,616) as reported in its 2006 annual income tax return ("SPT"). The corrections made by the tax office were primarily due to sales transactions with its major shareholder, Lanna Resources PCL. The Company did not agree with the corrections made by the tax office and filed an objection letter on such tax assessment on April 28, 2008, advising that the Company has referred to the applicable market price when signing contracts with Lanna Resources PCL.

On February 2, 2009, the Company received a decision letter from the Directorate General of Tax, indicating the tax office did not accept the Company's objections. On April 20, 2009, the Company has made an appeal to Tax Court as respond to the decision from Directorate General of Tax.

On March 27, 2009, the Company also received a tax assessment letter No. 00007/206/07/056/09 concerning underpayment of the Company's corporate income tax for fiscal year 2007 amounting to Rp18,060 million (US$1,980,189) instead of an overpayment of Rp5,897 million (US$729,107) as reported in its 2007 annual income tax return ("SPT"). The corrections made by the tax auditors were mainly related to the sales transactions with its major shareholder, Lanna Resources PCL, as discussed above. The Company did not agree with such corrections and filed an objection letter on such tax assessment on June 25, 2009.

(Expressed in United States Dollars, unless otherwise stated)

13. TAXATION (continued)

Based on the Indonesian tax law, the payment is required to process the objection filed to the tax office. The Company has fully paid the 2006 and 2007 underpayment tax based on tax assessment amounting to Rp289 million and Rp18,060 million, respectively. The Company recorded the payment of those tax assessments and reclassified the overpayment of 2006 and 2007 corporate income tax as other receivables.

To date, the Company has not yet received any result of the above mentioned cases. The Company believes that the Tax Court will accept its objections as they have conduct sales transaction based on Arms' Length transaction principle, and accordingly, no provision is considered necessary.

14. RELATED PARTY TRANSACTIONS AND BALANCES

	2009	2008
Balance:		
Due to related parties:		
Lanna Resources Public Co. Ltd.	137,028	180,020
Pan-United Investment Pte. Ltd., (Singapore)	-	1,872
	137,028	181,892

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:

1. The Company sells its coals to Lanna Resources Public Co. Ltd., a shareholder of the Company. Total sales during 2009 and 2008 amounted to US$4,751,167 and US$677,118, respectively.
2. The Company charged PT Citra Harita Mineral for using the Company's coal hauling road and special operating port amounting to US$8,430 and US$183,510 in 2009 and 2008, respectively, which was recorded as "other income" in the statements of income.

(Expressed in United States Dollars, unless otherwise stated)

14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

3. The Company paid to PT Lanna Mining Services for the management/financial service fees amounting to US$72,000 and US$72,000 in 2009 and 2008, respectively, which was recorded as "professional fee expenses" and was presented as part of general and administrative expenses in the statements of income.
4. The Company paid to Lanna Resources Public Co. Ltd., for sales commission fees amounting to US$0.50/MT and selling expense reimbursement amounting to US$0.25/MT. During 2009 and 2008, the Company paid the fees to Lanna Resources Public Co. Ltd., amounting to US$835,793 and US$1,070,469, respectively, which were recorded as "Coal Handling Expenses" and were presented as part of selling expense in the statement of income.

15. SHARE CAPITAL

The details of share ownership as of December 31, 2009 and 2008 are as follows:

	Subscribed and fully paid		
Shareholders	Number of shares	Percentage of ownership	Total
Lanna Resources Public Co. Ltd.	4,400	55	4,400,000
PT Harita Mahakam Mining	2,800	35	2,800,000
Pan-United Investment Pte. Ltd., (Singapore)	800	10	800,000
	8,000	**100**	**8,000,000**

16. DIVIDENDS

Based on resolution of the Board of Directors dated March 31, 2009, June 30, 2009 and September 30, 2009, the Board of Commissioners approved the payment of dividends for the 2009 financial year in the amounts of US$4,000,000, US$4,000,000, and US$4,000,000 respectively. Such dividends were paid by the Company on June 26, 2009, July 24, 2009 and November 24, 2009 to the registered shareholders of the Company for each share held by them.

Based on resolution of the Board of Directors dated April 2008, July 2008, September 2008, November 2008 and December 2008, the Board of Commissioners approved the payment of dividends for the 2008 financial year in the amounts of US$4,800,000, US$3,200,000, US$3,200,000, US$3,200,000 and US$2,400,000, respectively. Such dividends were paid by the Company in April 2008, July 2008, September 2008, November 2008 and December 2008 to the registered shareholders of the Company for each share held by them.

17. GENERAL RESERVES

The Company through Minutes of 2009 Shareholders Annual General Meeting No. 012-LHI/AGMS/VI/2009 dated June 18, 2009 approved the appropriation of 2008 retained earnings as general reserve amounting to US$1,600 thousand. General reserve is required by Indonesian Corporate Law No. 40/2007 and No. 1/1995, 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.

(Expressed in United States Dollars, unless otherwise stated)

18. NET SALES

	2009	2008
Sales of coal	68,323,911	92,002,614
Less: Royalty	(8,493,231)	(11,705,516)
Net sales	**59,830,680**	**80,297,098**

19. COST OF GOODS SOLD

	2009	2008
Production costs:		
Overburden and removal expenses	25,054,408	23,670,845
Coals hauling	5,309,568	7,258,136
Rental	1,169,321	884,698
Salary and wages	937,651	1,005,385
Amortization	560,920	336,830
Drilling contractor	352,854	306,925
Repairs and maintenance	351,904	307,864
Water and electricity	342,913	656,353
Government tax, licences and fees	313,706	252,631
Depreciation	264,717	890,422
Perdiem and traveling expenses	261,126	230,265
Employee welfare	98,869	83,355
Others	533,099	991,101
	35,551,056	**36,874,810**
Raw coals:		
Beginning balance	11,677	241,963
Ending balance	(1,628,356)	(11,677)
Total production costs	**33,934,377**	**37,105,096**
Finished coals:		
Beginning balance	-	1,671,363
Ending balance	(4,259,141)	-
Cost of goods sold	**29,675,236**	**38,776,459**

20. SELLING EXPENSES

	2009	2008
Coal transhipment	5,357,614	7,145,815
Coal handling and bunker	835,793	859,893
	6,193,407	**8,005,708**

(Expressed in United States Dollars, unless otherwise stated)

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2009	2008
Salaries and wages	1,328,296	1,518,996
Perdiem and traveling	467,119	398,432
Directors' remuneration	415,669	408,259
Professional fees	241,288	193,961
Public relation	181,830	121,399
Rental	155,839	88,188
Repairs and maintenance	153,907	109,734
Employee welfare	129,476	116,373
Depreciation	93,598	48,090
Communications	63,301	71,224
Office supplies	42,301	33,402
Others	682,732	402,752
	3,955,356	**3,510,810**

22. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

Detail of provision for employee service entitlements determined in accordance with Note 2j is as follows:

	2009	2008
Balance at beginning of year	1,495,651	803,237
Addition during the year	179,478	692,414
	1,675,129	1,495,651
Payment during the year	498,566	-
Balance at end of year	**1,176,563**	**1,495,651**

The principal assumptions for the calculation of present value of future benefits used by the Company for 2009 and 2008 were as follows:

Discount rate per annum	: 12% (2008: 12%)
Future compensation increase per annum	: 5% (2008: 5%)
Normal retirement age	: 55 (2008: 55)

23. COMMITMENTS AND CONTINGENCIES

a. 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 should be calculated on January 1st and July 1st of each year. During 2009, the Company has fully paid the 2009 dead rent and land rent amounting to US$171,427.

b. Based on CCOW entered into by the Company and the Government, the Company will share to the Government the results of 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. In 2009, the Company has paid the royalty from sales of coal for July to November 2009 amounting to US$7,612,952, and accrued the December 2009 royalty to government amounting to US$878,521.

c. The Company entered into sales commission agreement with Lanna Resources Public Co. Ltd., and the Company shall provide to Lanna Resources Public Co. Ltd., with sales commission fee and selling expense reimbursement schemes with Lanna Resources Public Co. Ltd. The fee arrangements are US$0.50/MT and US$0.25/MT, respectively.

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Accounting Standards issued by Indonesian Accounting Standards Board ("DSAK") up to the date of completion of the Company's financial statements but not yet effective are summarized below:

Effective on or after January 1, 2010:

- PSAK No. 26 (Revised 2008) "Borrowing Costs"
  Prescribes for the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.
- PSAK No. 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures"
  Contains the requirements for the presentation of financial instruments and identifies the information that should be disclosed.
- PSAK No. 55 (Revised 2006) "Financial Instruments: Recognition and Measurement"
  Establishes the principles for recognizing and measuring financial assets, financial liabilities, and some contracts to buy or sell non-financial items.

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (continued)

Effective on or after January 1, 2010: (continued)

- PPSAK No. 1 "Revocation of PSAK No. 32: Accounting for Forestry Enterprises, PSAK No. 35: Accounting for Revenues from Telecommunication Services, and PSAK No. 37: Accounting for Toll Road Operations"
  Applicable for all entities that apply PSAK No. 32, PSAK No. 35 and PSAK No. 37.
- PPSAK No. 2 "Revocation of PSAK No. 41: Accounting for Warrants, and PSAK No. 43: Accounting for Factoring"
  Applicable for all entities that apply PSAK No. 41 and PSAK No. 43.
- PPSAK No. 3 "Revocation of PSAK No. 54: Accounting for Troubled Debt Restructuring"
  Applicable for all entities that apply PSAK No. 54.
- PPSAK No. 4 "Revocation of PSAK No. 31: Accounting for Banking Industry, PSAK No. 42: Accounting for Securities Companies, and PSAK No. 49: Accounting for Mutual Funds"
  Applicable for all entities that apply PSAK No. 31 (Revised 2000), PSAK No. 42 and PSAK No. 49.
- PPSAK No. 5 "Revocation of ISAK No. 6: Interpretation of Paragraphs 12 and 16 of PSAK No. 55 (1999) on Embedded Derivative Instruments in Foreign Currency."

Effective on or after January 1, 2011:

- PSAK No. 1 (Revised 2009) "Presentation of Financial Statements"
  Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
- PSAK No. 2 (Revised 2009) "Statement of Cash Flows"
  Requires the provision of information about the historical changes in cash and cash equivalents by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (continued)

Effective on or after January 1, 2011 (continued):

- PSAK No. 4 (Revised 2009) "Consolidated and Separate Financial Statements"
  Shall be applied in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent and in accounting for investments in subsidiaries, jointly controlled entities and associates when separate financial statements are presented as additional information.
- PSAK No. 5 (Revised 2009) "Operating Segments"
  Segment information is disclosed to enable users of financial statements to evaluate the nature and financial effects of the business activities in which the entity engages and the economic environments in which it operates.
- PSAK No. 12 (Revised 2009) "Interests in Joint Ventures"
  Shall be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.
- PSAK No. 15 (Revised 2009) "Investments in Associates"
  Shall be applied in accounting for investments in associates. Supersedes PSAK No. 15 (1994) "Accounting for Investments in Associates" and PSAK No. 40 (1997) "Accounting for Changes in Equity of Subsidiaries/Associates".
- PSAK No. 25 (Revised 2009) "Accounting Policies, Changes in Accounting Estimates and Errors"
  Prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.
- PSAK No. 48 (Revised 2009) "Impairment of Assets"
  Prescribes the procedures applied to ensure that assets are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized.
- PSAK No. 57 (Revised 2009) "Provisions, Contingent Liabilities and Contingent Assets"
  Aims to provide that appropriate recognition criteria and measurement bases are applied

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (continued)

Effective on or after January 1, 2011 (continued):

to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information.

- PSAK No. 58 (Revised 2009) "Non-Current Assets, Held for Sale and Discontinued Operations"
  Aims to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations.
- SAK ETAP - Entities Without Public Accountability
  Applicable for entities without public accountability, such as those which do not have significant public accountability and publish general purpose financial statements for external users.
- ISAK No. 7 (Revised 2009) "Consolidation-Special Purpose Entities (SPE)"
  Provides for the consolidation of SPEs when the substance of the relationship between an entity and the SPE indicates that the SPE is controlled by that entity.
- ISAK No. 9 "Changes in Existing Decommissioning, Restoration and Similar Liabilities"
  Applies to changes in the measurement of any existing decommissioning, restoration or similar liability recognised as part of the cost of an item of property, plant and equipment in accordance with PSAK No. 16 and as a liability in accordance with PSAK No. 57.
- ISAK No. 10 "Customer Loyalty Programmes"
  Applies to customer loyalty award credits granted to customers as part of a sales transaction, and subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services.
- ISAK No. 11 "Distributions of Non-Cash Assets to Owners"
  Applies to types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners, i.e., distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative.
- ISAK No. 12 "Jointly Controlled Entities (JCE): Non-Monetary Contributions by Venturers"

24. ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE (continued)

Effective on or after January 1, 2011 (continued):

Deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an equity interest in the JCE accounted for using either the equity method or proportionate consolidation.

The Company is presently evaluating and has not determined the effects of these revised and new Standards, Interpretations and Standards Revocation on its financial statements.

25. RECLASSIFICATION

Certain comparative figures in the 2008 financial statements have been reclassified to conform to the 2009 financial statements presentation.

26. COMPLETION OF THE FINANCIAL STATEMENTS

The management of the Company is responsible for the completion of these financial statements that were completed on February 3, 2010.

•••••


Pond No.PE-13
KSU DAYAK MITRA LESTARI 77 HA
PIT D3
PIT D2
PIT D1
KUD DAYAK MAKMUR
o.PE-11
PIT D5
PIT D4
Pond No.PE-08
PIT1-B/1
PIT-2/6
PIT-2/4
MINE OFFICE
WORK SHOP
OFFICE BUMA
HAULING ROAD
PIT3-B/2
PIT-2/2
PIT3-B/3
PIT3-B/4
SP.04
PIT1-B/3
PIT-2/3
PIT-2/5
Pond No.PE-06
nd No.PE-04
Pond No.PE-05

PT. LANNA HARITA INDONESIA
COAL MINING COMPANY

Jl. Bukit Seribu, Desa Pampang, Kel. Sungai Siring Kec. Samarinda Utara, Samarinda 75118, Kalimantan Timur - Indonesia
Telp. +62 (0541) 7030005 - 9 Fax. +62 (0542) 593352-3

Printed on Recycle Paper

PT. LANNA HARITA INDONESIA
COAL MINING COMPANY

Jl. Bukit Seribu, Desa Pampang, Kel. Sungai Siring Kec. Samarinda Utara, Samarinda 75118, Kalimantan Timur - Indonesia
Telp. +62 (0541) 7030005 - 9 Fax. +62 (0542) 593352-3

Printed on Recycle Paper