PT. LANNA HARITA INDONESIA
COAL MINING COMPANY

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ANNUAL
REPORT
2010

PT. LANNA HARITA INDONESIA
COAL MINING COMPANY

MINE

IS YOURS

MINE
IS
YOURS

MINE
IS
YOURS

PT. Lanna Harita Indonesia was established under the third generation Coal Contract of Work (CCOW III), granted in 2001 and extending until 2031. For us, this period of 30 years gives us an opportunity to make a positive contribution to the community and the surrounding environment. Our company has initiated and supported more than 30 social development programs and activities in some of the following areas: education, religion, health care, infrastructure development, and fish farming. Because we all belong to the same land. “What is mine is yours”, is our motto of sharing.


THE NATURAL WEALTH IN THE EARTH ALLOWS US TO BENEFIT.

IN RETURN, WE GIVE BACK TO THE EARTH, ITS BEAUTY AND PRODUCTIVITY.

IN RETURN, WE PUT KNOWLEDGE AND SKILL DEVELOPMENT BACK INTO THE COMMUNITY.

YOUR COMPETENCE AND SKILL ARE AN IMPORTANT CONTRIBUTION FOR OUR MINING OPERATION.

ALL YOUR EFFORTS AND ENERGY PUT INTO YOUR WORK KEEP US STRONG.

IN RETURN, WE ENCOURAGE AND PROMOTE THE HEALTH AND WELL BEING OF THE COMMUNITY.

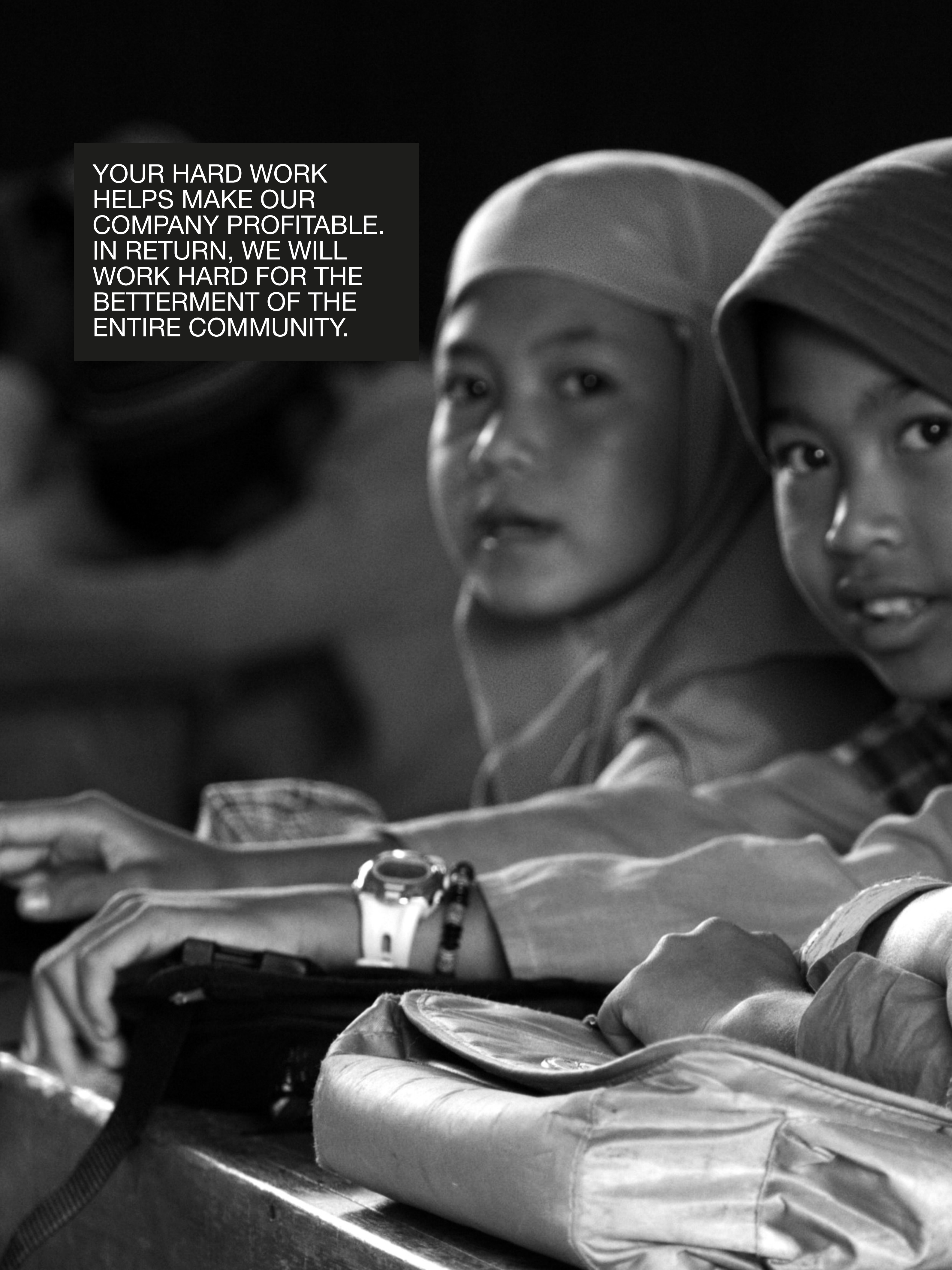
YOUR SUPPORT DURING DIFFICULT TIMES OF NATURAL DISASTER MAKES ALL THE DIFFERENCE.

IN RETURN, WE SUPPORT THE BUILDING OF IMPORTANT PUBLIC UTILITIES.

YOUR COMMITMENT TO YOUR WORK SHOWS US WHAT FAITH MEANS.

IN RETURN, WE ARE COMMITTED TO SUPPORT YOUR CHOICES OF FAITH.

YOUR HARD WORK HELPS MAKE OUR COMPANY PROFITABLE. IN RETURN, WE WILL WORK HARD FOR THE BETTERMENT OF THE ENTIRE COMMUNITY.



THIS IS THE OUTCOME OF EVERYONE'S FAITHFUL DEDICATION.

“**WHAT IS**
MINE
IS YOURS”

CONTENTS

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.

MISSION

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

BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS

BOARD OF COMMISSIONERS

Mr. Lim HariyantoWijayaSarwono	President Commissioner
Mr. Parisian Simanungkalit	Commissioner
Mr. Kraisi Sirirungsi	Commissioner
Mr. Arkom Louharanoo	Commissioner
Mr. Srihasak Arirachakaran	Commissioner
Mr. Saharat Vatanatumrak	Commissioner
Mr. Ng Han Whatt Henry	Commissioner

BOARD OF DIRECTORS

Mr. Pilas Puntakosol	President Director
Mr. Anun Louharanoo	Director
Mr. Thamrong Angsakul	Director/Managing Director
Mr. Winyoo Boonkamol	Director
Mr. Lim GunawanHariyanto	Director
Mr. Lim Gunardi Hariyanto	Director
Mr. Lee Boon Wah	Director

COMPANY PROFILE

Location :

General Office:	KawasanBisnisGranadha 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 – DasaPampang, 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 USD1,000 per share totaling USD 10,500,000
Paid-up Capital :	8,000 ordinary shares at USD1,000 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 :

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

REPORT OF THE BOARD OF DIRECTORS

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 operating results for the past year 2010. I am pleased to report that, as compared with the previous year 2009, the global coal market situation in 2010 became better with increase in the global demand for coal driving up the seaborne coal price in 2010, due in part to growing energy requirements from the world's two largest coal consumers; namely China and India. This was in spite of global financial and economic crisis occurred during year during 2009 to 2010 with certain impact to the Company and others in the other industries.

Accordingly, the Company was able to achieve excellent operating results, having total revenue of USD 101,684,578 with the net profit of USD 22,774,984 or net earnings per share of USD 2,847 per share. In comparison with the previous year 2009, the total revenue increased by USD 41,007,500 or 67.58 percent. In 2010, the Company posted its highest net profit ever in its history at USD 22,774,984, an increase of USD 8,204,409 or 56.31 percent from the previous year 2009.

In 2010, the Company's coal sales volume increased considerably from 1,220,620 tons in 2009 to 2,200,519 tons in 2010 or an increase of 80.28 percent, mainly due to the flooding accident that shut down the Company's coal mining operation during the 1st quarter of year 2009. The sales revenue before deduction of royalty fee increased from USD 68,323,910.61 in 2009 to USD 114,051,982.44 in 2010. Based on these sales revenues, in comparison with previous year 2009, the average coal selling price in 2010 retreated from USD 55.97 per ton to USD 51.83 per ton, or a decrease of 7.99 percent, partly due to the lower quality of coal being produced. Despite the decrease in average coal sales price, the Company's EBITDA margin in 2010 was 46.70 percent, representing a decrease of only 3.00 percent from 2009. The Company's pretax profit and net profit in 2010 were USD 32,694,721 and USD 22,774.984, respectively, or net earnings per share of USD 2,847 per share.

It is anticipated that coal consumption and pricing in 2011 will remain buoyant with strong demand from China and India. The price of coal should increase in the same direction as the oil price due to increasing global energy demand in accordance with continuing recovery of global economic condition.

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 and achieve good operating results, and shall foster the Company's business to achieve sustainable business growth and development in long term.

Mr. Pilas Puntakosol
President Director

FINANCIAL INFORMATION

Financial Summary

(Unit: USD)

FYE December	2006	2007	2008	2009	2010
Total Revenue	52,968,389	46,314,999	80,209,903	60,677,078	101,684,578
Sales Revenue	52,491,457	45,803,743	80,297,098	59,830,680	100,764,761
EBITDA	22,921,026	16,036,616	41,520,639	30,155,444	47,483,775
EBITDA margins (%)	43.27%	34.63%	51.65%	49.70%	46.70%
Pretax profit	10,575,040	8,766,900	29,916,926	20,853,079	32,694,721
Net Profit	7,417,085	6,161,546	20,961,728	14,570,575	22,774,984
Earnings Per share (USD/Share)	927	770	2,620	1,821	2,847
Earnings Per share growth (%)	(43.95%)	(16.94%)	240.26%	(30.50%)	56.31%
Dividend	6,000,000	8,400,000	18,400,000	14,000,000	22,400,000
Dividend Payout (%)	80.89	136.33	87.78	96.08	98.35

Profit & Loss

FYE December	2006	2007	2008	2009	2010
Sales Revenue (net)	52,491,457	45,803,743	80,297,098	59,830,680	100,764,761
Cost of Goods Sold	(29,570,431)	(29,767,127)	(38,776,459)	(29,675,236)	(53,280,986)
Gross Profit	22,921,026	16,036,616	41,520,639	30,155,444	47,483,775
Operating Expenses	(12,822,918)	(7,780,972)	(11,516,518)	(10,148,763)	(15,708,871)
Income from Operations	10,098,108	8,255,644	30,004,121	20,006,681	31,744,904
Other Income	476,932	511,256	(87,195)	846,398	919,817
Income before Provision For Income Tax	10,575,040	8,766,900	29,916,926	20,853,079	32,694,721
Provision for Income Tax	(3,157,955)	(2,605,354)	(8,955,198)	(6,282,504)	(9,919,737)
Net Profit	**7,417,085**	**6,161,546**	**20,961,728**	**14,570,575**	**22,774,984**

Balance Sheets

(unit : USD)

FYE December	2006	2007	2008	2009	2010
Current Assets					
Cash on hand and in banks	3,016,383	1,650,786	18,743,127	4,696,778	11,974,583
Trade Receivables	2,794,405	5,243,951	5,890,345	7,294,395	11,814,121
Other Receivables	-	-	2,132,763	4,842,059	2,709,296
Inventories	3,984,877	1,935,245	49,128	5,901,680	1,853,258
Prepaid Expenses	36,098	23,635	41,042	37,296	46,860
Pre- Payments	-	-	-	-	-
Prepaid Taxes	4,120,225	3,973,931	3,472,714	4,858,310	5,705,509
Other Current Assets	580,225	130,508	161,219	39,655	203,467
Total Current Assets	**14,532,213**	**12,958,056**	**30,490,338**	**27,670,173**	**34,307,094**
Non-Current Assets					
Deferred Exploration and Development costs (Net)	2,108,739	1,608,311	924,034	888,045	624,064
Property, Plant and Equipment (Net)	3,389,083	2,059,778	1,139,047	820,906	921,823
Deferred Tax Assets	143,334	495,867	859,778	756,653	814,722
Other Non-Current Assets	334,636	336,080	406,716	313,757	1,319,992
Total Assets	**20,508,005**	**17,458,092**	**33,819,913**	**30,449,534**	**37,987,695**
Liabilities and Shareholders' Equity					
Current Liabilities	5,650,626	6,200,180	17,707,859	12,085,993	18,652,741
Non-Current Liabilities	564,250	803,237	1,495,651	1,176,563	1,372,992
Total Liabilities	**6,214,876**	**7,003,417**	**19,203,510**	**13,262,556**	**20,025,733**
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
General reserves	-	-	-	1,600,000	1,600,000
Retained Earnings	6,293,129	2,454,675	6,616,403	7,586,978	8,361,962
Total Shareholders' Equity	**14,293,129**	**10,454,675**	**14,616,403**	**17,186,978**	**17,961,962**
Total Liabilities and Shareholders' Equity	**20,508,005**	**17,458,092**	**33,819,913**	**30,449,534**	**37,987,695**

Key Drivers

FYE December	2006	2007	2008	2009	2010
Average Coal Sales Prices (USD/ton)	35.46	32.63	63.57	55.97	51.83
Production Output (tons)	1,684,776	1,479,745	1,301,670	1,351,558	2,123,658
Sales Volume (tons)	1,667,104	1,598,524	1,447,330	1,220,620	2,200,519
Stripping Ratio	6.53	6.98	9.05	9.51	6.39

DIVIDEND PAYMENT POLICY

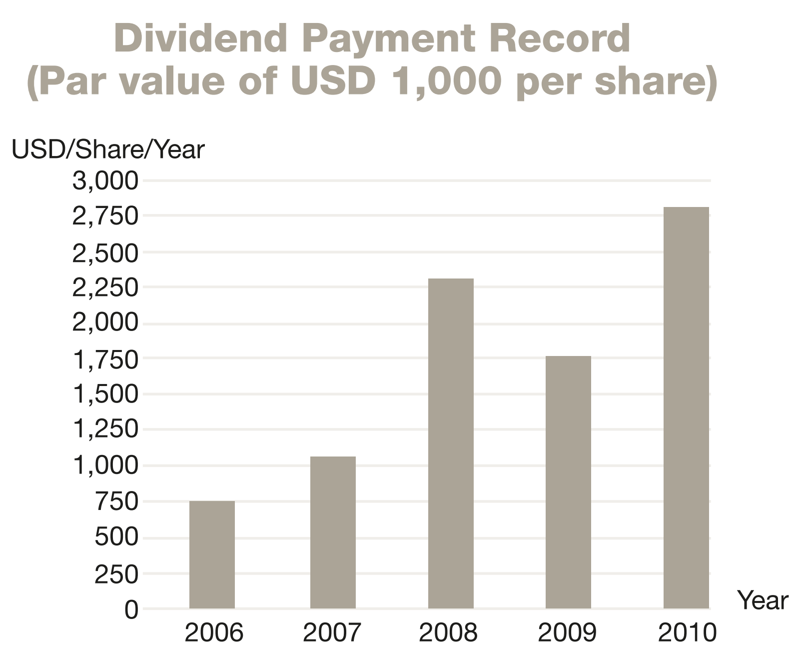
The Company's dividend payment policy to the shareholders:

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 2010: The Company's net income according to the financial statements was at USD 22,774,984 or USD 2,847 per share. The Company has approved for the appropriation of earnings of year 2010 for the purpose of dividend payment to the shareholders at USD 2,800 per share, totaling USD 22,400,000 or 98.35 percent of the net profit, which is in line with the Company's dividend payment policy above.

Dividend Payment Record:

Dividend	2006	2007	2008	2009	2010
Earnings Per Share (USD/Share)	927	770	2,620	1,821	2,847
Dividend Per Share (USD/Share)	750	1,050	2,300	1,750	2,800
Dividend Payment Ratio (%)	80.89	136.33	87.78	96.08	98.35



BUSINESS ACTIVITIES

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 by trucks thru 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 Prince Idex (ICI) to be used as a reference or 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 to achieve optimum price level. In addition, the Company has continually developed ways to optimize its coal quality by bringing in modern technology for continuing improvement of coal production and operation.

Industrial Trend

Coal price at end of 2010 significantly increased by over 30 percent from the beginning of the year, due mainly to strong global demand for coal and this trend should continue for the following years due to increasing energy consumption in the Asia region, especially China and India. These are the two largest consumers of coal which continue to have growing demand for energy. Even though both China and India have massive coal reserves and their own production, they have become big importers of coal due to rapid increase in their energy consumption. The increase in the number of coal-fired power plants for these countries will certainly keep up the high demand for coal. In addition, the rising trend of oil price should also drive up the demand of coal as a less expensive source of alternate energy. Though, the increase in coal price in 2011 may not be as high as the rise in 2010 as major coal-exporting countries increase their supply of coal to the global coal market. However, the disruptions in coal supply from Australia due to flooding in coal producing Queensland in late 2010 through early 2011 quickly drove up the price of coal in the first quarter of 2011.

SIGNIFICANT EVENTS IN THE PAST YEAR

July 2010 :

- PT. Lanna Harita Indonesia was awarded the Green Certificate for excellent environmental management in 2009-2010 from the Governor of East Kalimantan, Indonesia, in July 2010.

28 October 2010:

- PT. Lanna Harita Indonesia was awarded the Largest Tax Payer, from the Finance Ministry-Directorate General of Tax of Samarinda City.

20 November 2010:

- PT. Lanna Harita Indonesia was awarded the Silver Category for HIV & AIDS Prevention Program in Workplace from the Ministry of Labor of Indonesia.

December 2010

- PT. Lanna Harita Indonesia was awarded the Blue Certificate for environmental management in 2009-2010 from the Ministry of Environment of Indonesia.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(For the Financial Statements of Year 2010)

(1) Revenues

Description	Year 2010		Year 2009		Increase/(Decrease)	
	USD	%	USD	%	USD	%
● Sale Revenue from Coal	100,764,761	99.10	59,830,680	98.60	40,934,081	68.42
● Other Revenue	919,817	0.90	846,398	1.40	73,419	8.67
Total Revenues	**101,684,578**	**100.00**	**60,677,078**	**100.00**	**41,007,500**	**67.58**

In 2010, the Company's total revenues were USD 101,684,578, an increase from the previous year by USD 41,007,500 or 67.58 percent, due mainly to the fact that the Company's revenue from coal sale in 2010 increased from the previous year by USD 40,934,081 or 68.42 percent, from USD 59,830,680 to USD 100,764,761 as the coal sales volume higher than the previous year 2009 is 80.28 percent, but the average coal sales price per ton were slightly lower than the previous year 2009.

(2) Expenses

Description	Year 2010		Year 2009		Increase/(Decrease)	
	USD	%	USD	%	USD	%
● Cost of sales	53,280,986	52.88	29,675,236	49.60	23,605,750	79.55
● **Selling and administrative expenses**	**15,708,871**	**15.59**	**10,148,763**	**16.96**	**5,560,108**	**54.79**

Due to the increase in coal sales volume to 2,200,519 tons in 2010 from 1,220,620 tons in 2009, an increase of 80.28 percent, the cost of sales in year 2010 increased from year 2009 by USD 23,605,750 or increase of 79.55 percent. The same reason may also be applied to the increase in selling and administrative expenses.

(3) Profit

Description	Year 2010		Year 2009		Increase/(Decrease)	
	USD	%	USD	%	USD	%
Sales Revenue	100,764,761	100.00	59,830,680	100.00	40,934,081	68.42
Less Cost of Sale	53,280,986	52.88	29,675,236	49.60	23,605,750	79.55
Gross Profit	47,483,775	47.12	30,155,444	50.40	17,328,331	57.46
Net Profit	**22,774,984**		**14,570,575**		**8,204,409**	**56.31**

In 2010, the Company's gross profit was at USD 47,483,775 or 47.12 percent of the sales revenue, an increase of USD 17,328,331 increase from year 2009. In the meantime, the net profit for 2010 was at USD 22,774,984 or an increase of USD 8,204,409 from year 2009.

(4) Assets and Liabilities

Description	As at December		Increase/(Decrease)	
	31st, 2010	31st, 2009	USD	%
Total Asset	37,987,695	30,449,534	7,538,161	24.76
Total Liabilities	20,025,733	13,262,556	6,763,177	50.99
Total Shareholders' Equity	17,961,962	17,186,978	774,984	4.51
Book Value-USD per Share (Registered par value of USD 1,000 per share)	**2,245.25**	**2,148.37**	**96.88**	**4.51**

(A) Assets

The Company's total assets as at the end of year 2010 increased from the end of year 2009 by USD 7,538,161 or an increase of 24.76 percent, consisting of:

(1) Current assets increased by USD 6,636,921 from the previous year, or a decrease of 23.99 percent, due to following reasons.

(1.1) Cash and equivalent increased by USD 7,277,805 from the previous year, or an increase of 154.95 percent, due to the increase in the coal sales revenue.

(1.2) Accounts receivable increased by USD 4,519,726 from the previous year, or an increase of 61.96 percent on undue credit.

(1.3) Inventories decreased by USD 4,048,422 from the previous year, or a decrease of 68.60 percent.

(1.4) Prepaid tax increased by USD 847,199 from the previous year, or an increase of 17.44 percent, which were the overpayment of value added tax.

(2) Non-current assets increased by USD 901,240 from the previous year or an increase of 32.43 percent, due to the guarantee to PT Perusahaan Listrik Negara (Persero) amount of USD 816,948 and the guarantee for reclamation amount of USD 195,197.

(B) Liabilities

The Company's total liabilities as at end of year 2010 increased from the end of year 2010 by USD 6,763,177 or an increase of 50.99 percent, due to following reasons.

(1) Trade accounts payable increased by USD 4,738,688 from the previous year or an increase of 131.56 percent, due to increased coal production in December 2010 as compared with that of December 2009.

(2) Accrued expenses decreased by USD 1,255,646 from the previous year or a decrease of 17.19 percent, due to decreased volume of overburden removal and coal delivery.

(3) Taxes payable increased by USD 3,051,004 from the previous year or an increase of 317.59 percent, due to advance payment of corporate income tax and therefore, no additional tax payment required.

(4) Provision for employee benefits increased by USD 196,429 from the previous year or an increase of 16.69 percent, due to the increase in annual salary adjustments.

(C) Total Shareholders' Equity

The total shareholders' equity of the Company as at December 31, 2010 increased from the end of year 2009 by USD 774,984 or an increase of 4.51 percent, resulting in the increase of book value per share from USD 2,148.37 per share at end of 2009 to USD 2,245.25 per share at end of 2010.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

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Report No. RPC-560/PSS/2011

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

We have audited the accompanying balance sheets of PT Lanna Harita Indonesia (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in shareholders' 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, 2010 and 2009, 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, Suherman & Surja

Drs. Hari Purwantono
Public Accountant License No. 98.1.0065

February 4, 2011

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, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	11,974,583	4,696,778
Trade receivables	4	11,814,121	7,294,395
Other receivables	5	2,709,296	4,842,059
Inventories	6	1,853,258	5,901,680
Prepaid taxes	13a	5,705,509	4,858,310
Other current assets	7	250,327	76,951
TOTAL CURRENT ASSETS		**34,307,094**	**27,670,173**
NON-CURRENT ASSETS			
Deferred exploration and development costs, net	8	624,064	888,045
Property, plant and equipment, net	9	921,823	820,906
Deferred tax assets	13e	814,722	756,653
Other non-current assets	10	1,319,992	313,757
TOTAL NON-CURRENT ASSETS		**3,680,601**	**2,779,361**
TOTAL ASSETS		**37,987,695**	**30,449,534**

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

BALANCE SHEETS

December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2010	2009
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade payables	11	8,340,490	3,601,802
Accrued expenses	12	6,047,794	7,303,440
Taxes payable	13b	4,011,787	960,703
Due to related parties	14	148,133	137,028
Other current liabilities		104,537	83,020
TOTAL CURRENT LIABILITIES		**18,652,741**	**12,085,993**
NON-CURRENT LIABILITY			
Provision for employee service entitlements	22	1,372,992	1,176,563
TOTAL LIABILITIES		**20,025,733**	**13,262,556**
SHAREHOLDERS' EQUITY			
Share capital			
Authorised, issued, and fully paid - 8,000 shares at par value of Rp 82,088,000,000 or equivalent to US$1,000 per share	15	8,000,000	8,000,000
Appropriate general reserves	17	1,600,000	1,600,000
Retained earnings		8,361,962	7,586,978
TOTAL SHAREHOLDERS' EQUITY		**17,961,962**	**17,186,978**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**37,987,695**	**30,449,534**

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

STATEMENTS OF INCOME

Years ended December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2010	2009
NET SALES	18	100,764,761	59,830,680
COST OF GOODS SOLD	19	53,280,986	29,675,236
GROSS PROFIT		**47,483,775**	**30,155,444**
OPERATING EXPENSES			
Selling	20	11,506,141	6,193,407
General and administrative	21	4,202,730	3,955,356
OPERATING EXPENSES		**15,708,871**	**10,148,763**
INCOME FROM OPERATIONS		**31,774,904**	**20,006,681**
OTHER INCOME/(EXPENSES):			
Foreign exchange gain, net		166,002	595,017
Interest income		86,664	204,571
Miscellaneous income		667,151	46,810
Other income, net		919,817	846,398
INCOME BEFORE CORPORATE INCOME TAX		**32,694,721**	**20,853,079**
CORPORATE INCOME TAX EXPENSE/(BENEFIT)			
Current	13c	9,977,806	6,179,379
Deferred	13c	(58,069)	103,125
Corporate income tax expenses,net		**9,919,737**	**6,282,504**
NET INCOME		**22,774,984**	**14,570,575**

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	Issued and paid-up capital	Appropriated general reserve	Retained earnings	Total Shareholders' equity
Balance as of December 31, 2008		**8,000,000**	**-**	**6,616,403**	**14,616,403**
Dividends	16	-	-	(12,000,000)	(12,000,000)
Appropriated general reserves	17	-	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**	**1,600,000**	**7,586,978**	**17,186,978**
Dividends	16	-	-	(22,000,000)	(22,000,000)
Net income for 2010		-	-	22,774,984	22,774,984
Balance as of December 31, 2010		**8,000,000**	**1,600,000**	**8,361,962**	**17,961,962**
Dividend per share - 2009					**1.50**
Dividend per share - 2010					**2.75**

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

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before corporate income tax		32,694,721	20,853,079
Adjustments to reconcile income before corporate			
income tax to net cash provided by operating activities:			
Provision for employee service entitlements	22	706,197	179,478
Depreciation of property, plant and equipment	9	340,431	358,315
Amortization of deferred exploration and development costs	8	1,235,435	560,920
Gain on sales from fixed assets		(27,204)	-
Interest income		(86,664)	(204,571)
Cash flows from operating activities before changes		34,862,916	21,747,221
in operating assets and liabilities			
Changes in operating assets and liabilities:			
Trade receivable		(4,519,726)	(1,404,050)
Other receivables		-	(1,980,189)
Inventories		4,048,422	(5,852,551)
Prepaid taxes		(847,199)	(566,740)
Other current assets		(173,376)	128,341
Other non-current assets		(1,006,235)	92,959
Trade payables		4,738,688	719,934
Accrued expenses		(1,255,646)	504,530
Taxes payable		51,330	(23,347)
Due to related parties		11,105	(44,864)
Other current liabilities		21,517	8,087

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

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

	Notes	2010	2009
Cash generated from operations		35,931,796	13,329,601
Interest received		86,664	201,271
Proceeds from tax refund		2,132,763	-
Payment of corporate income tax		(6,978,052)	(14,513,550)
Payment of employee service entitlements		(509,768)	(498,566)
Net cash provided by/(used in) operating activities		**30,663,403**	**(1,481,244)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in deferred exploration and development costs	8	(971,454)	(524,931)
Acquisition of property, plant and equipment	9	(540,709)	(40,174)
Proceeds from sales of fixed assets		126,565	-
Net cash used in investing activities		**(1,385,598)**	**(565,105)**
CASH FLOWS FROM FINANCING ACTIVITY:			
Payment of dividends	16	(22,000,000)	(12,000,000)
Net cash used in financing activity		**(22,000,000)**	**(12,000,000)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**7,277,805**	**(14,046,349)**
CASH AND CASH EQUIVALENT AT BEGINNING OF YEAR	**3**	**4,696,778**	**18,743,127**
CASH ON HAND AND IN BANKS AT END OF YEAR	**3**	**11,974,583**	**4,696,778**

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

NOTES TO THE FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009
(Expressed in United States Dollars, unless otherwise stated)

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 Letter 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, 2010 and 2009, the Company had 189 and 199 permanent employees (unaudited), respectively.

The composition of the Company's Boards of Commissioners and Directors as at December 31, 2010 and 2009 is as follows:

<u>Board of Commissioners</u>

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

1. General (Continued)

<u>Board of Directors</u>

President Director	: Pilas Puntakosol
Directors	: Anun Lauharanoo
	Winyoo Boonkamol
	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, 2010 and 2009 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.

b. Non-functional currency transactions and balances

The Company maintains its accounting records and presents its financial statements 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, 2010 and 2009 were as follows (in full Rupiah):

	2010	2009
US Dollar 1/Rupiah	8,991	9,400

c. Related party transactions

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

d. Trade receivables

Trade receivables are recognized and carried at original invoice amount less allowance for impairment of receivables.

Prior to 2010, allowance for impairment of receivable is determined based upon a review of the status of the receivable at the balance sheet date. Effective January 1, 2010, the Company adopted the PSAK No. 50 (Revised 2006) and PSAK No. 55 (Revised 2006) and the allowance is determined in accordance with such revised PSAKs (see Note 2n).

2. Summary of significant accounting policies (Continued)

e. Inventories

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.

f. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment. 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:

		Years
Land improvements	8	years
Transportation and equipment	8	years
Exploration tools	4 - 8	years
Plant and machinery	3 - 10	years
Furniture and fixtures	4	years
Office equipment	4	years

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 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 when these assets are substantially ready for use.

g. Deferred exploration and development costs

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

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.

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 the current statement of income.

2. Summary of significant accounting policies (Continued)

h. 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 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 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 shareholders' 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.

i. Provision for employee 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 that date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees.

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.

j. 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).

k. Financial instruments

Effective January 1, 2010, the Company adopted PSAK No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" and PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement" which superseedes PSAK No. 50, "Accounting for Investments in Certain Securities" and PSAK No. 55 (Revised 1999), "Accounting for Derivative Instruments and Hedging Activities".

PSAK No. 50 (Revised 2006) prescribes the requirements for the presentation of financial instruments and information that should be disclosed in the financial statements, whereas PSAK No. 55 (Revised 2006) prescribes 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.

2. Summary of significant accounting policies (Continued)

Financial assets

Initial recognition

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, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge.

The Company determined the classification of their financial assets at initial recognition and, where allowed and appropriate, re-evaluates the classification of those assets at each financial period end.

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

The Company's financial assets include cash and cash equivalents, trade receivable, other current asset other than prepaid expenses and other non-current assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- Financial assets at fair value through profit or loss

  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

  Derivative assets are classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the balance sheets at fair value with gains or losses recognized in the statements of income.

  The Company did not have any financial assets at fair value through profit and loss as of December 31, 2010.

- Loans and receivables

  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 carried at amortized cost using the effective interest rate method, and gains and losses are recognized in the statements of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  The Company's cash and cash equivalents, trade receivables, other current assets other than prepaid expenses and other non-current assets other than advance for land acquisition are included in this category.

- Available-For-Sale ("AFS") financial assets

  AFS financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized in the shareholder's equity until the investment is derecognized. At that time, the cumulative gain or loss previously recognized in the shareholder's equity shall be reclassified to profit or loss as a reclassification adjustment.

  The Company did not have any AFS financial assets as of December 31, 2010.

2. Summary of significant accounting policies (Continued)

- Held-to-maturity ("HTM") investments

  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Company has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the statement of profit and loss when the investments are derecognized or impaired, as well as through the amortization process.

  The Company did not have any HTM investments as of December 31, 2010.

Derecognition of financial assets

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

i. the contractual rights to receive cash flows from the asset have expired; or

ii. the company has transferred their 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) substantially transferred all the risks and rewards of the asset, or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred their rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the company and continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (i) the consideration received, including any new assets obtained less any new liabilities assumed, and (ii) any cumulative gain or loss which had been recognized in the shareholder's equity, should be recognized in the statements of income.

Impairment of financial assets

At each balance sheet date, the Company assess whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Summary of significant accounting policies (Continued)

- Financial assets carried at amortized cost

  For loans and receivable carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

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

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in statements of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company.

  If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced (reversed) by adjusting the allowance for impairment account. The recovery should not lead to the carrying amount of the asset exceeds its amortized cost that would have been determined had no impairment loss been recognized for the asset at the reversal date. The amount of reversal is recognized in the statements of income. If a future write-off is later recovered, the recovery is recognized in the statements of income.

- Financial assets carried at cost

  If there is objective evidence that an impairment has occurred over equity instruments that do not have the quotation and is not carried at fair value because fair value can not be measured reliably, then the amount of any impairment loss is measured as the difference between the carrying value of financial assets and the present value of estimated future cash flows discounted at the prevailing rate of return on the market for a similar financial asset. Impairment losses are not recoverable in the next period.

Financial liabilities

<u>Initial recognition</u>

Financial liabilities within the scope of PSAK No. 55 (Revised 2006) are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determine the classification of their financial liabilities at initial recognition.

2. Summary of significant accounting policies (Continued)

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs. The Company's financial liabilities include trade payables, accrued expenses, due to related parties and other current liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative liabilities are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statements of income.

  As of December 31, 2010, the Company did not have any financial liabilities at fair value through profit or loss.

- Loans and borrowings

  After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. At balance sheet date, the accrued interest is recorded separately from the respective principal loans as part of current liabilities. Gains and losses are recognized in the statements of income when the liabilities are derecognized as well as through the amortization process using the effective interest rate method.

  The Company's trade payables, accrued expenses, due to related parties and other current liabilities are included in this category.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Derivative financial instruments

The Company enter into and engage in permitted foreign currency swap contracts, if considered necessary, for the purpose of managing the foreign exchange exposures emanating from the Company' loans in foreign currencies. These derivative financial instruments are not designated in a qualifying hedge relationship and are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives during the period that do not qualify for hedge accounting are taken directly to profit or loss.

2. Summary of significant accounting policies (Continued)

Derivative assets and liabilities are presented under current assets and current liabilities, respectively. Embedded derivative is presented with the host contract on the balance sheets which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

Net changes in fair value of derivative instruments and settlement of derivative instruments are charged or credited to current operations and presented as part of "Gains (Loss) on Foreign Exchange" in the statements of 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 balance sheets 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 permitted by PSAK No. 55 (Revised 2006), 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.

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 cash equivalents

	2010	2009
Cash on hand	2,166	1,469
Cash in banks	6,972,417	2,695,309
Time Deposit	5,000,000	2,000,000
	11,974,583	**4,696,778**

4. Accounts receivables

	2010	2009
Third parties:		
Glencore International AG	4,151,784	6,936,549
Weihai Jinhou Import & Export Trading Co., Ltd.	4,015,184	-
Adani Global Pte. Ltd.	2,043,856	-
PT Tedco Resources	-	357,846
	10,210,824	7,294,395
Related party:		
Lanna Resources Public Co., Ltd. (Note 14)	1,603,297	-
	11,814,121	**7,294,395**

5. Other receivables

	2010	2009
Advance payment for corporate income tax assessment (Note 13f)		
- Fiscal year 2007	2,709,296	2,709,296
- Fiscal year 2006	-	2,132,763
	2,709,296	**4,842,059**

6. Inventories

	2010	2009
Finished coals	1,685,217	4,259,141
Raw of material ("ROM") coals	150,073	1,628,356
Spare parts and fuel	17,968	14,183
	1,853,258	**5,901,680**

7. Other Current Assets

	2010	2009
Coal hauling receivables	175,264	-
Interest receivable	1,359	3,300
Others prepaid expenses	73,704	73,651
	250,327	**76,951**

8. Deferred exploration and development costs

	2010	2009
Beginning balance	888,045	924,034
Addition during the year	971,454	524,931
	1,859,499	1,448,965
Less amortization during the year	(1,235,435)	(560,920)
Ending balance	**624,064**	**888,045**

9. Property, plant and equipment

	Balance December 31, 2009	Addition	Deductions	Balance December 31, 2010
2010 Movements				
At cost:				
Land	163,399	-	-	163,399
Land improvement	527,463	-	-	527,463
Office equipment	232,556	17,641	(26,013)	224,184
Furniture and fixtures	60,655	1,563	(2,076)	60,142
Exploration tools	172,754	7,728	(25,081)	155,401
Plant and machinery	3,776,059	124,000	(97,006)	3,803,053
Transportation and equipment	263,880	377,263	(238,845)	402,298
	5,196,766	528,195	(389,021)	5,335,940
Construction in-progress	-	12,514	-	12,514
	5,196,766	540,709	(389,021)	5,348,454
Accumulated depreciation:				
Land improvement	513,034	14,430	-	527,464
Office equipment	187,604	20,391	(23,815)	184,180
Furniture and fixtures	59,012	788	(2,076)	57,724
Exploration tools	152,902	13,134	(24,811)	141,225
Plant and machinery	3,303,352	245,856	(88,290)	3,460,918
Transportation and equipment	159,956	45,832	(150,668)	55,120
	4,375,860	340,431	(289,660)	4,426,631
Net book value	**820,906**			**921,823**

9. Property, plant and equipment (Continued)

	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**

	2010	2009
Depreciation of expenses were charged to:		
Cost of goods sold (Note 19)	294,867	264,717
General and administrative expenses (Note 21)	45,564	93,598
	340,431	**358,315**

10. Other non-current assets

	2010	2009
Guarantee to PT Perusahaan Listrik Negara (Persero)	816,948	-
Advance for land acquisitions	279,352	232,628
Guarantee of reclamation	195,197	-
Others	28,495	81,129
	1,319,992	**313,757**

11. Trade payables

	2010	2009
PT Bukit Makmur Mandiri Utama	4,426,213	2,516,967
PT Mitra Indah Lestari	2,008,728	985,278
PT Cahaya Energi Mandiri	1,585,882	-
Others	319,667	99,557
	8,340,490	**3,601,802**

12. Accrued expenses

	2010	2009
Coal transshipment	2,173,429	698,259
Royalty (Note 25b)	1,537,243	878,521
Bunker and dispatch	614,865	510,696
Reclamation	539,070	539,070
Rental	235,537	125,290
Salaries and wages	20,000	16,382
Overburden removal and coal delivery	-	3,556,903
Others	927,650	978,319
	6,047,794	**7,303,440**

13. Taxation

a. Prepaid taxes:

	2010	2009
Overpayment of value added tax	4,157,545	3,310,346
Overpayment of corporate income tax		
- Fiscal year 2009	1,547,964	1,547,964
Total prepaid taxes	**5,705,509**	**4,858,310**

b. Taxes payable:

	2010	2009
Corporate income tax	2,999,754	-
Value added tax	531,788	428,740
Employee income tax - article 21	279,546	440,460
Withholding taxes - articles 23 and 26	186,932	81,449
Withholding tax - article 15	12,982	7,388
Withholding tax - article 4(2)	785	2,666
Total taxes payable	**4,011,787**	**960,703**

c. Corporate income tax expense/(benefit):

	2010	2009
Current	9,977,806	6,179,379
Deferred	(58,069)	103,125
	9,919,737	**6,282,504**

13. Taxation (Continued)

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

	2010	2009
Income before corporate income tax	32,694,721	20,853,079
Add/(deduct):		
Permanent differences:		
Non-deductible expenses	483,445	302,506
Income subject to final tax	(105,949)	(208,300)
Temporary differences:		
Provision for employee service entitlements	196,429	(319,088)
Property, plant and equipment	(2,867)	(24,652)
Taxable income	33,265,779	20,603,545
Corporate income tax at maximum marginal tax rate of 30%	9,979,734	6,181,064
Effect of income tax at statutory rates less than 30%	(1,928)	(1,685)
Corporate income tax expense - current	**9,977,806**	**6,179,379**

Corporate income tax (overpayment)/payable:

	2010	2009
Corporate income tax expense	9,977,806	6,179,379
Less prepayments of income tax	(6,978,052)	7,727,343)
Corporate income tax payable/(overpayment of corporate income tax)	**(2,999,754)**	**(1,547,964)**

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.

e. Deferred tax assets

	2010	2009
Provision for employee service entitlements	411,898	352,969
Property, plant and equipment	402,824	403,684
	814,722	**756,653**

13. Taxation (Continued)

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 underpayment of corporate income tax amounting to Rp289 million (US$31,147) instead of an overpayment of Rp19,473 million (equal to 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 Public Co., Ltd. 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 Public Co., Ltd.

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 had made an appeal to Tax Court as a response to the decision letter from the 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 amounted 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 Public Co., Ltd., as discussed above. The Company did not agree with such corrections and filed an objection letter on such tax assessment on June 25, 2009.

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 tax underpayment based on tax assessment amounted 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.

On October 8, 2010, the Company received of the Tax Court's Decision No. Put-25806/PP/M.IX/15/2010, in relation to the Company's appeal of the tax assessment for 2006 corporate income tax with decision in favor to the Company.

Following the receipt of the Tax Court decision:

- The Company has received refund for the restitution amounted to Rp18,485 million on November 9, 2010. The Company has recorded this refund as current year deduction in relation to outstanding other receivables for fiscal year 2006 amounted to US$2,132,768.
- The Company also received interest related to tax paid in advance for fiscal year 2006 amounted to Rp138 million. The interest received has been recorded as part of current year's interest income.

To date, the Company has not yet received any result of the fiscal year 2007 cases as mentioned above. The Company believes that the Tax Court will accept its objections as they have conducted sales transaction based on arms-length transaction principles, and accordingly, no provision is considered necessary.

14. Related party transactions and balances

	2010	2009
Trade receivable:		
Lanna Resources Public Co., Ltd.	1,603,297	-
Due to related party:		
Lanna Resources Public Co., Ltd.	148,133	137,028
	1,751,430	**137,028**

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 Lana Resources Public Co., Ltd., a shareholder of the Company. Total sales during 2010 and 2009 amounted to US$14,550,371 and US$4,751,167, respectively.
2. The Company charged PT Citra Harita Mineral for using the Company's coal hauling road and special operating port amounting to US$236,063 and US$8,430 in 2010 and 2009, respectively, which was recorded as "other income" in the statements of income.
3. The Company paid to PT Lanna Mining Services for the management/financial service fees amounting to US$60,000 and US$72,000 in 2010 and 2009, 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$0.5/MT and selling expense reimbursement amounting to US$0.25/MT. During 2010 and 2009, the Company paid the fees to Lanna Resources Public Co., Ltd., amounting to US$1,356,793 and US$ 835,793, 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, 2010 and 2009 are as follows:

	Subscribed and fully paid		
Shareholders	Number of shares	Percentage of ownership	Total
Lanna Resources Public Co., Ltd., Thailand	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 February 26, 2010, May 31, 2010, July 30, 2010, September 30, 2010, and December 30, 2009, the Board of Commissioners approved the payment of dividends for the 2010 financial year in the amounts of US$2,000,000, US$4,000,000,US$4,000,000, US$10,000,000 and US$2,000,000, respectively. Such dividends were paid by the Company on February 25, 2010, May 21, 2010, July 21, 2010, September 24, 2010 and December 28, 2010 to its shareholders.

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 its shareholders.

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$1,600,000. 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.

18. Net Sales

	2010	2009
Sales of coal	114,051,982	68,323,911
Less royalty (Notes 25b)	(13,287,221)	(8,493,231)
Net sales	**100,764,761**	**59,830,680**

19. Cost of goods sold

	2010	2009
Production costs:		
Overburden and removal expenses	26,146,370	25,054,408
Coals hauling	7,770,165	5,309,568
Purchase of ROM coal	7,159,213	-
Rental	2,289,916	1,169,321
Amortization	1,235,436	560,920
Salary and wages	1,116,222	937,651
Water and electricity	630,312	342,913
Repairs and maintenance	564,519	351,904
Drilling contractor	413,826	352,854
Per diem and traveling expenses	359,770	261,126
Other tax, licences and fees	310,813	313,706
Depreciation	294,867	264,717
Employee welfare	147,732	98,869
Others	789,618	533,099
	49,228,779	35,551,056
ROM coals:		
Beginning balance	1,628,356	11,677
Ending balance	(150,073)	(1,628,356)
Total production costs	50,707,062	33,934,377
Finished coals:		
Beginning balance	4,259,141	-
Ending balance	(1,685,217)	(4,259,141)
Cost of goods sold	**53,280,986**	**29,675,236**

20. Selling expenses

	2010	2009
Coal transshipment	9,323,970	5,357,614
Coal handling and bunker	1,940,930	835,793
Others	241,241	-
	11,506,141	6,193,407

21. General and administrative expenses

	2010	2009
Salaries and wages	1,484,555	1,328,296
Perdiem and traveling	520,721	467,119
Directors' remuneration	409,200	415,669
Professional fees	338,425	241,288
Public relation	160,674	181,830
Repairs and maintenance	146,716	153,907
Employee welfare	120,475	129,476
Rental	108,174	155,839
Communications	71,939	63,301
Depreciation	45,564	93,598
Office supplies	38,834	42,301
Others	757,453	682,732
	4,202,730	**3,955,356**

22. Provision For Employee Service Entitlements

The provision for employee service entitlements as at December 31, 2010 was determined based on the valuation reports of an independent actuary, PT Sentra Jasa Aktuaria, dated February 2, 2011, while in 2009, the Company performed self-estimation on the provision for employees service entitlement. The significant assumptions used in the calculation of employee service entitlements by the independent actuary for 2010 and 2009 are as follows:

	2010	2009
Discount rate	9% per annum	12% per annum
Salary increase	9% per annum	5% per annum
Normal retirement age	55 years of age or	55 years of age

The following tables summarize the component of net employee service benefit expense recognized in the Company's statements of income and the amounts were recognized in the Company's balance sheets for the employee service entitlement.

22. Provision For Employee Service Entitlements (Continued)

Movements of employee service benefits liability

The movements of the liability on employee service benefits during the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Beginning balance	1,176,563	1,495,651
Net employee service benefits expense	706,197	179,478
Benefits payment	(509,768)	(498,566)
Ending balance	**1,372,992**	**1,176,563**

23. Financial instruments

The following table sets forth the financial assets and financial liabilities of the Company and as of December 31, 2010:

	Carrying Amount	Fair Value
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	11,974,583	11,974,583
Trade receivable	11,814,121	11,814,121
Other current assets, other than prepaid expense	176,623	176,623
Other non-current assets, other than advance for land acquisition	1,040,641	1,040,641
Total	25,005,968	25,005,968
Financial Liabilities		
Liabilities at amortized cost:		
Trade payables	8,340,489	8,340,489
Accrued expenses	5,906,987	5,906,987
Due to related party	148,133	148,133
Other current liabilities	104,537	104,537
Total	**14,500,146**	**14,500,146**

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 arms-length transaction, other than in a forced or liquidation sale.

23. Financial instruments (Continued)

The fair value of cash and cash equivalents, trade receivables, other current assets other than prepaid expenses, other non-current assets other than advance for land acquisition, trade payables, accrued expenses, other current liabilities and due to related party approximate their carrying amounts due to their short-term nature.

24. Financial risk management objectives and policies

The principal financial liabilities of the Company consist of trade payables, accrued expenses, other current liabilities and due to related party. 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 and cash equivalents, trade receivables, other current assets other than prepaid expense and other non-current assets other than advance for land acquisition which arise directly from their operations.

The main risks arising from the Company's financial instruments are foreign exchange rate risk, interest rate risk, credit risk, liquidity risk and 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. Interest rate risk

Fair value and cash flow interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the risk of changes in market interest rates relates primarily to their time deposits. Interest rate fluctuations influence the interest income of time deposits of the Company.

b. Currency exchange rate risk

Currency exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in currency exchange rates. The Company's exposure to exchange rate fluctuations results primarily from trade receivables from sales and trade payables from purchase in non functional currencies.

c. Credit risk

Credit risk is the risk that one party of financial instruments will fail to discharge its obligation and will incur a financial loss to other party. The Company is exposed to credit risk arising from the credit granted to their customers. The Company trade only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the exposure to bad debts.

The Company has no concentration of credit risk as its trade receivables relate to the good term of payment from all of the Company's customers.

d. Liquidity risk

The liquidity risk is defined as a risk when the cash flow position of the Company indicates that the short-term revenue is not enough to cover the short-term expenditure.

The Company manages its liquidity profile to be able to finance its capital expenditure and service its maturing debts by maintaining sufficient cash and the availability of funding through an adequate amount of advance from shareholders.

24. Financial risk management objectives and policies (Continued)

The Company regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	Below 1 year	1-2 years	3-5 years	Over 5 years	Total	Fair value Dec. 31, 2010
Current liabilities						
Trade payables	8,340,490	-	-	-	8,340,490	8,340,490
Accrued expenses	6,047,794	-	-	-	6,047,794	6,047,794
Due to related parties	148,133	-	-	-	148,133	148,133
Other current liabilities	104,537	-	-	-	104,537	104,537
	14,640,954	**-**	**-**	**-**	**14,640,954**	**14,640,954**

25. 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 2010, the Company has fully paid the 2010 dead rent and land rent amounted to US$47,454.50.

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 2010, the Company has paid the royalty from sales of coal for January 2010 to December 2010 amounted to US$13,287,221, and accrued the December 2010 royalty to Government amounted to US$1,537,243.

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

26. Accounting standard issued but not yet effective

The new and revised accounting standards ("PSAK") and interpretation ("ISAK") recently issued by the Indonesian Accounting Standards Board ("ISAB") but not yet effective are in 2010 as follows:

Effective for financial statements beginning 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.

26. Accounting standard issued but not yet effective (Continued)

- 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.

- PSAK No. 3 (Revised 2010), "Interim Financial Reporting"
  Prescribes the minimum contents of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period.

- PSAK No. 4 (Revised 2009), "Consolidated and Separate Financial Statements"
  Shall be applies 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"
  Required that's segment information be 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. 8 (Revised 2010), "Events after the Reporting Period"
  Prescribes when an entity should adjust its financial statements for events after the reporting period, and disclosures about the date when financial statements are authorized for issue and events after the reporting period. Requires an entity not to prepare financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

- 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. 19 (Revised 2010), "Intangible Assets"
  Prescribes the accounting treatment for intangible assets that are not dealt with specifically in another PSAK. Requires the recognition of an intangible asset if, and only if, the specified criteria are met, and also specifies how to measure the carrying amount of intangible assets and related disclosures.

- PSAK No. 22 (Revised 2010), "Business Combinations"
  Applies to a transaction or other event that meets the definition of a business combination to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

- PSAK No. 23 (Revised 2010), "Revenue"
  Identifies the circumstances in which the criteria on revenue recognition will be met and, therefore, revenue will be recognized. Prescribes the accounting treatment of revenue arising from certain types of transactions and events. Provides practical guidance on the application of the criteria on revenue recognition.

- 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 correction of errors.

26. Accounting standard issued but not yet effective (Continued)

- 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 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.

- 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 recognized 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 Programmers"
  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 goods or services or at discounted prices.

- 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"
  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.

- ISAK No. 17, "Interim Financial Reporting and Impairment"
  Requires that en entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Effective for financial statements beginning on or after January 1, 2012:

- PSAK No. 18 (Revised 2010), "Accounting and Reporting by Retirement Benefit Plans"
  Established the accounting and reporting by the plans to all participants as a group. This Standard complements PSAK No. 24 (Revised 2010), "Employee Benefits".

- PSAK No. 24 (Revised 2010), "Employee Benefits"
  Established the accounting and disclosures for employee benefits.

- PSAK No. 34 (Revised 2010), "Accounting for Construction Contracts"
  Prescribes the accounting treatment of revenue and costs associated with construction contracts.

26. Accounting standard issued but not yet effective (Continued)

- PSAK No. 46 (Revised 2010), "Accounting for Income Taxes"
  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 balance sheet; and transactions and other events of the current period that are recognized in the financial statements.

- PSAK No. 50 (Revised 2010), "Financial Instruments: Presentation"
  Established 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 Payment"
  Specifies the financial reporting by an entity when it undertakes a share-based payment transaction.

- PSAK No. 60, "Financial Instruments: Disclosures"
  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. 61, "Accounting for Government Grants and Disclosures of Government Assistance"
  Applies in the accounting for, and in the disclosures of, government grants and in the disclosures of other forms of government assistance.

- ISAK No. 13, "Hedges of Net Investment in a Foreign Operation"
  Applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with PSAK No. 55 (Revised 2006). Refers to the parent entity and to the financial statements in which the net assets of foreign operations are included as consolidated financial statements.

- ISAK No. 15, "PSAK No. 24 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
  Provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under PSAK No. 24 (Revised 2010), "Employee Benefits".

- ISAK No. 18, "Government Assistance - No Specific Relation to Operating Activities"
  Prescribes government grants to entities that meet the definition of government grants in PSAK No. 61, "Accounting for Government Grants and Disclosures of Government Assistance", even if there are no conditions specifically relating to the operating activities of the entity other than the requirement to operate in certain regions or industry sectors.

- ISAK No. 20, "Income Taxes-Changes in the Tax Status of an Entity or its Shareholders"
  Prescribes how an entity should account for the current and deferred tax consequences of a change in tax status or that of its shareholders.

The Company is presently evaluating and has not determined the effects of these PSAKs and ISAKs on its financial statements.

27. Completion of the financial statements

The management of the Company is responsible for the completion of these financial statements that were completed on February 4, 2011.