

Nusantara Energy plc

ANNUAL REPORT

for the year ended

31 December 2010

Nusantara Energy plc

COMPANY INFORMATION

Directors	M J M Groat R A M Healey K D Irons A Kingsley (resigned 27 August 2010) A Irawan B Hosking
Secretary	M J M Groat
Company registration number	06156525
Registered office	Mitre House 160 Aldergate Street London EC1A 4DD
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Bankers	Barclays Bank plc One Churchill Place London E14 5HP
Business address	Arena Business Centre Holy Rood Close Poole Dorset BH17 7FJ

Nusantara Energy plc

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Nusantara Energy plc

DIRECTORS' REPORT

For the period ended 31 December 2010

The directors present their report together with the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITY AND GENERAL INFORMATION

The principal activity of the Group is the development of coal mines in Sumatra, Indonesia, including the acquisition of economic interests in those mines and potential mines.

The Company is a public limited company incorporated and domiciled in England.

CHAIRMAN'S STATEMENT

The last twelve months have brought their frustrations but, as I stand back to assess the situation, I remain positive about our current position. Discussions have been taking place with a number of interested parties, and in June 2011, we signed a Heads of Terms with an interested buyer. This group is well funded and has a strong Indonesian presence. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals.

I am very aware of the desire of many shareholders to be able to realise their investment, and the Board is continuing to explore a number of alternatives. Having said that, I am in frequent discussions with the potential buyer and, as I write, I am confident they will come to us with an acceptable offer before the end of 2011.

Our attractions to trade buyers are several:-

- We have a JORC Statement, independently verified, showing that to date our exploration work on the Jambi project has identified 721 million tonnes of JORC Resources, of which 482 million tonnes are JORC Reserves.
- Coal prices have increased significantly over the past two years and, at current price levels, our project looks increasingly financially robust.
- We have brought into our direct ownership the three local companies that own the underlying concessions, and the mining rights have been converted to allow foreign ownership under the new mining law. In addition to this, on 1 July 2011, the Indonesian Minister of Energy and Mineral Resources published the "Announcement of IUP (mining license) Reconciliation", an official list which identifies those mining concessions having "clean and clear title" and it is satisfying to report that the Group concessions were included within this list.
- To mine in an industrial forest area we need to have a license (the Izin Pinjam Pakai ("IPP")) granted by the Ministry of Forestry, and, as some of our concessions lie within this forest area, we need to obtain this permission before mining can commence. Prior to the IPP being granted, the Ministry carry out a survey of the area and decide whether it is appropriate for mining to take place, an initial decision known as the "In Principle", which we have already secured, and we are now in the process of exercising this right in principle to have the IPP granted.

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DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

CHAIRMAN'S STATEMENT *(continued)*

Taking forward a mining project in the period before going into production requires the patient support of loyal investors, ready to invest in each round of fund-raising. Since the start of 2011, we have secured new equity funding, raising a total of £2.5million by the issue of 6.2million shares at 40p per share, including 4.7million shares issued to the owners of PT Sukses Lancar Santosa ("SLS"), our Indonesian trading partner. In addition, we have secured £6million of debt to help finance the agreed buy out of the minority (see above). The majority of the new funding has been provided by existing shareholders and I am grateful for their continuing support. I have approached several more of our investors seeking additional funding to get us into initial production, pursue the IPP and proceed, with the help of the provincial government, to acquire land rights for the haul road and barge port on the Batang Hari river. Due to the length of time it has taken to obtain such funding support, we have experienced some delays, and this has prevented us from progressing the project as quickly as anticipated.

BUSINESS REVIEW

During 2010, having proved up a large JORC Reserve, the Group continued to prepare the mine site for production by upgrading roads in the immediate area of the mine, commencing bulk sampling, pit preparation and stockpiling, and opening negotiations for off-take agreements, as well as beginning the process to secure the land, access rights and facilities necessary to implement the dedicated haul road and barging solution that will allow production to be ultimately increased to around 20 million tonnes per annum. However, these activities were somewhat impeded by cash shortages experienced by the Group towards the end of 2010 and into 2011.

Despite the Group's difficult cash position in 2011, the Group has continued to move the project towards production. In March 2011, "In Principle" approval was obtained from the Ministry of Forestry to commence mining, and final detailed permission to proceed (the IPP) is awaited.

The Group's Indonesian subsidiaries have developed a close working relationship with a local company specialising in the mining and delivery of coal in the area. The Group have contracted with the owner of this company to assist with government and community relations, and he is proving to be very effective in liaising with the many parties involved, ranging from the local mining department to the provincial governor, from landowners and plantation operators to other local mining companies. He has also been appointed Chairman of the Jambi Mining Association by the Governor.

In February 2011, the Group executed the agreement with SLS, which was originally signed and scheduled for completion in 2010, to acquire their 5% minority stake in PT Artha Nusantara Resources ("ANR") and bring ANR under 100% group control, for a total of US\$19.5million. This payment represented a buyout of future royalty streams payable upon commencement of production at Jambi, which would have amounted to 3% of future revenues for the first five years of operations, and 2% thereafter. This acquisition was funded by the issue of £6million loan notes, the issue of £1.8million share capital and the offset of the US\$7.5million advance previously made to SLS in 2007 and 2008. (These items are discussed in more detail in the Post Balance Sheet Event note on page 9).

In February 2011, the Group also acquired the ownership rights from SLS to the three Indonesian companies which own the mining concessions, for a total of US\$5million. This was settled by the offset of the US\$5million loan previously made by the Group to SLS in 2007. In June 2011, the formal transfer of the concession company shares was completed, following the conversion of these companies to "PMA" status, which permits foreign ownership, following the change in Indonesian mining laws in 2009. This restructuring put a temporary strain on the Group's resources and limited the ability to raise money from existing shareholders for project development, but the directors are of the opinion that it has enhanced tenure, and makes the Group more attractive to a potential buyer. The directors believe that the cost of achieving ownership of 100% of the assets and rights at the Jambi project will ultimately be fully justified by the resulting increase in the value of the project for shareholders.

Nusantara Energy plc

DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

BUSINESS REVIEW *(continued)*

Early in 2011, the directors received an approach from a well-funded buyer interested in taking over the Group, and, in June 2011, the Group signed a Heads of Terms agreement with this potential buyer which outlined the process to move forward to a successful bid. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals.

Meanwhile, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors and further financing will be required until either the sale is complete or alternative options are secured. The directors believe that the Group is likely to proceed with a sale to the potential buyer before the end of 2011, but are continuing to explore other options, such as a strategic partner investment, whereby third parties would invest to fund the project through to production and contract to take part, or all of the mine's output, ultimately leading to a stock exchange listing.

The Group does not currently have any production facilities, and is entirely focussed on development and exploration. For this reason the directors have not monitored any other financial and non-financial key performance indicators. There was a Group loss after taxation for the year of £983,016 (2009: £1,398,322 restated). The directors do not recommend payment of a dividend.

GOING CONCERN

The financial position of the Group, its cash flows and liquidity are described elsewhere in this Report and Accounts. The Group does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. The current economic conditions provide particular challenges to the Board and it is their prime responsibility to ensure that the Group remains a going concern. At the year ended 31 December 2010 the Group had cash and cash equivalents of £0.5million and no borrowings.

In the first half of 2011, the Group issued equity to new and existing investors at a higher price than previous rounds, raising in total approximately £2.5million, and also raised an additional £6million via the issue of loan notes. This money was raised to provide consideration for the agreement signed during 2010 with its local partner, SLS, a company ultimately controlled by A Irawan, a director of Nusantara Energy plc, under which it bought their minority 5% stake in ANR for US\$19.5million, and their 100% ownership of the three concession companies at Jambi for US\$5million. The remainder of the consideration was achieved through the offset of US\$12.5million loans and advances previously made to SLS. This deal was completed in February 2011. This restructuring put a temporary strain on the Group's resources and limited the ability to raise money from existing shareholders for project development, but the directors are of the opinion that it has enhanced tenure, and makes the Group more attractive to a potential buyer. The directors believe that the cost of achieving ownership of 100% of the assets and rights at the Jambi project will ultimately be fully justified by the resulting increase in the value of the project for shareholders.

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DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

GOING CONCERN *(continued)*

Early in 2011, the directors received an approach from a well-funded buyer interested in taking over the Group, and, in June 2011, the Group signed a Heads of Terms agreement with this potential buyer, which outlined the process to move forward to a successful bid. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals.

Meanwhile, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors, and further financing will be required until either the sale is complete or alternative options are secured. The directors believe that the Group is likely to proceed with a sale to the potential buyer before the end of 2011, but are continuing to explore other options, such as a strategic partner investment, whereby third parties would invest to fund the project through to production and contract to take part, or all of the mine's output, ultimately leading to a stock exchange listing. In view of this belief, and the fact that the Group has been successful in placing equity parcels over the last few months, the directors consider the Group to be a going concern for at least twelve months from the date of approval of these financial statements.

RISK REVIEW

The risks inherent in the Group's exploration business are kept under review by the Board and the Risk Committee. When reviewing the risk environment of the Group, it should not be forgotten that mineral exploration businesses are at the higher risk end of investment opportunities, and that when management succeeds in steering through to deliver sustained profitable mining operations, the returns for investors are also high. The key risks at 31 December 2010 are detailed below.

a) Liquidity Risk

The Group has various outgoings in connection with its activities and since the Group is not yet in production, the funds to cover these outgoings come solely from investors. Should investors cease to fund the Group, the Group will run out of money. Management raised funds during 2010 and in the first half of 2011 and, as mentioned elsewhere in this Report, further fund raising is currently ongoing, as the Board has continued to finance the business from month to month by issuing small parcels of shares to new investors and existing investors alike. However, this remains a key risk to the business going forwards and further funds will need to be raised in 2012.

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DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

RISK REVIEW *(continued)*

b) Project Technical Risk

The directors are satisfied that the exploration works now completed demonstrate that the project has a large, valuable deposit of good thermal coal, lying in an easily mined deposit, and are of the opinion that sufficient detail of the haul road and barging plan has been examined to give confidence that the whole project is technically feasible.

c) Indonesia Legal/Operating Risk

Many of the world's best remaining potential mines lie in countries that carry higher than average legal and operating risk. In that context, the challenges of operating in Indonesia are understood by investors, especially those familiar with the coal mining sector. Indonesia is one of the world's largest exporters of thermal coal. Recent changes in the law have helped to clarify the regulatory environment of mining in Indonesia, and enabled the Group to acquire direct ownership rights over the mining concessions.

d) Currency Risk

Currency risk exists in any business operating outside its home currency area. The Group has a conventional range of techniques in place for managing that risk. In general, known specific significant future exchange obligations are anticipated at the time of the commitment arising, by converting sterling into the appropriate currency in which the future commitment falls due; the Group does not set out to speculate on currency movements. The Group will increasingly operate in US dollars and this may mean changing the Group's relationship with sterling. However, for the time being sterling is converted to US dollars and Indonesian rupiah, either for specific expenditure items or routinely to cover expected regular expenditure in Indonesia.

e) Commodity price risk

The Group has economic interests in coal mining concessions, and is therefore exposed to price fluctuations in the commodity market for Indonesian thermal coal. Coal prices have increased significantly over the past two years and, at current price levels, our project looks increasingly financially robust, so coal prices would need to drop a long way before it would become uneconomic to extract these deposits. Moreover, thermal coal prices are predicted to continue at the current high level in the immediate future because of strong underlying demand from growing Asian economies for coal-generated electricity.

DIRECTORS

The directors who served during the year were:

M J M Groat

R A M Healey

K D Irons

A Kingsley (resigned 27 August 2010)

A Irawan

B Hosking

Nusantara Energy plc

DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State that applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- There is no relevant audit information of which the Company's auditors are unaware, and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Nusantara Energy plc

DIRECTORS' REPORT (*continued*)

For the period ended 31 December 2010

POST BALANCE SHEET EVENTS

On 25th February 2011, the Group executed an agreement with its trading partner, SLS, to acquire their 5% minority stake in ANR and bring ANR under 100% group control, for a total of US\$19.5million. Completion of this agreement was originally scheduled for September 2010, but was delayed until 2011. This payment represented a buyout of future royalty streams payable upon commencement of production at Jambi, which would have amounted to 3% of future revenues for the first five years of operations, and 2% thereafter. This acquisition was funded by the issue of £6million loan notes (see detail below), the issue of £1.8million share capital (see detail below) and the offset of the US\$7.5million advance previously made to SLS in 2007 and 2008.

On 25th February 2011, the Group signed a £4million loan note with a Lender who is related to an existing shareholder. Under the terms of this loan note, if the capital is repaid before 25th August 2011, 15% flat rate interest (on a rolled-up basis) will be payable, and the Lender has the option to convert £2million of the loan note to shares at 40p; if the capital is repaid between 25th August 2011 and 24th February 2012, 20% flat rate interest (on a rolled-up basis) will be payable, and the Lender will have the option to convert £3million of the loan notes to share at 40p; and if the capital is repaid between 25th February 2012 and 24th August 2012, 20% annualised interest (on a rolled-up basis) will be payable, and the Lender will have the option to convert the entire loan to share capital at 40p. Final repayment is due on 25th August 2012; if repayment is not made before this date, then the Lender has the option to convert the entire loan to share capital at 1.3694p.

On 25th February 2011, the Group signed a £2million loan note with a second Lender who is an existing shareholder. Under the terms of this loan note, if the capital is repaid before 25th August 2011, 15% flat rate interest (on a rolled-up basis) will be payable; if the capital is repaid between 25th August 2011 and 24th February 2012, 20% flat rate interest (on a rolled-up basis) will be payable; and if the capital is repaid between 25th February 2012 and 24th August 2012, 20% annualised interest will be payable. The Lender has the option to convert £666,667 of the loan into shares at 40p at any time during the loan period. Final repayment is due on 25th August 2012.

On 25th February 2011, the Group issued £1,898,734 worth of shares at 40p to Glittering Ocean, a company related to SLS, as part-payment for the acquisition of the 5% minority interest in ANR from SLS.

On 25th February 2011, the Group acquired the ownership rights from SLS to the three Indonesian companies which own the mining concessions, for a total of US\$5million. This was settled by the offset of the US\$5million loan previously made by the Group to SLS in 2007. On 16th June 2011, the formal transfer of the concession company shares was completed, following the conversion of these companies to "PMA" status, which permits foreign ownership.

On 21st March 2011, the Group raised £494,000 of share capital from existing shareholders, issuing shares at 40p.

On 1st June 2011, a Heads of Terms agreement was signed between the Group and a prospective buyer. This agreement summarises the terms for a proposed takeover of the Group, and outlines the necessary steps leading to a formal offer. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals, and if the takeover is successful, the deal will probably be agreed in the latter part of 2011.

Nusantara Energy plc

DIRECTORS' REPORT *(continued)*

For the period ended 31 December 2010

PAYMENT POLICY AND PRACTICE

It is the Group's normal practice to settle the terms of payment when agreeing the terms of the transaction to ensure that suppliers are aware of those terms, and to abide by them. The number of days' purchases outstanding at 31 December 2010 for the Group and Company was 23 days (2009: 26 days) and 24 days (2009: 15 days) respectively.

GOVERNANCE

The directors have put in place best practice arrangements for good corporate governance broadly in line with the requirements that the London Stock Exchange would place upon the Group if the Company were to be listed. The non-executive directors operate an Audit Committee, a Remuneration Committee, and a Risk Committee. These committees of the Board have clear remits and meet frequently to carry out their duties by working closely with Management.

- **Audit Committee**
This Committee comprises Keith Irons and Brian Hosking, and Malcolm Groat (FCA) attends as Finance Director. The Committee oversees financial control and financial reporting, including meetings with the auditors several times a year.
- **Remuneration Committee**
This Committee comprises Brian Hosking, who works as an executive search consultant in this sector, Keith Irons, and Richard Healey. The Committee oversees remuneration for all Group employees whose salary exceeds £80,000 per annum. Non-executive remuneration is decided by the executive directors, Richard Healey and Malcolm Groat.
- **Risk Committee**
This Committee comprises Keith Irons, Brian Hosking and Malcolm Groat. This Committee is responsible for considering all non-financial aspects of corporate and project risk and for ensuring that Management has the tools to manage these risks appropriately.

AUDITORS

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 489 (4) of the Companies Act 2006.

These financial statements were approved by the Board on 26 August 2011.

M J M Groat
Director

R A M Healey
Director

Nusantara Energy plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY PLC

We have audited the Group financial statements of Nusantara Energy plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Group's ability to continue as a going concern.

The Group incurred an operating loss of £2.6m during the year ended 31 December 2010, and has not yet generated any revenue from operations. The directors are currently pursuing a takeover transaction. As described in note 1.2, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors. Also as explained, the directors are pursuing alternative sources of funding to continue in operational existence for the foreseeable future. These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Nusantara Energy plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY PLC (*continued*)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or;
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Parent Company financial statements of Nusantara Energy plc for the year ended 31 December 2010.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 August 2011

Nusantara Energy plc
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	<i>Notes</i>	Year to 31 December 2010 £	Year to 31 December 2009 Restated £
OVERHEADS			
Administrative expenses		(2,699,955)	(1,969,795)
OPERATING LOSS BEFORE FINANCE			
	3	(2,699,955)	(1,969,795)
FINANCE COSTS			
Interest income	5	187,194	208,088
Foreign exchange gain		1,624,928	427,182
Interest expense	6	-	(1,500)
LOSS FROM CONTINUING ACTIVITIES BEFORE TAXATION			
		(887,833)	(1,336,025)
Income tax expense	8	(95,183)	(62,297)
LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR			
		(983,016)	(1,398,322)
OTHER COMPREHENSIVE LOSS			
Movement on foreign exchange		(799,962)	(617,296)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO EQUITY OWNERS FOR THE YEAR			
		(1,782,978)	(2,015,618)

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

Nusantara Energy plc
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	<i>Notes</i>	At 31 December 2010 £	At 31 December 2009 Restated £	At 31 December 2008 £
<u>ASSETS</u>				
NON CURRENT ASSETS				
Intangible assets	9	9,231,119	7,582,433	4,700,598
Property, plant and equipment	10	157,870	126,352	23,695
Trade and other receivables	11	359,868	2,536,135	2,647,850
		-----	-----	-----
TOTAL NON CURRENT ASSETS		9,748,857	10,244,920	7,372,143
		-----	-----	-----
CURRENT ASSETS				
Trade and other receivables	11	8,285,613	5,489,562	5,594,406
Cash and cash equivalents		514,752	2,163,429	4,025,074
		-----	-----	-----
TOTAL CURRENT ASSETS		8,800,365	7,652,991	9,619,480
		-----	-----	-----
TOTAL ASSETS		18,549,222	17,897,911	16,991,623
		=====	=====	=====
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Trade and other payables	12	(680,585)	(942,528)	(1,214,598)
		-----	-----	-----
NON CURRENT LIABILITIES				
Provisions and deferred tax	12	(10,384)	-	-
		-----	-----	-----
NET ASSETS		17,858,253	16,955,383	15,777,025
		=====	=====	=====
<u>EQUITY</u>				
Equity attributable to equity holders of Parent:				
Issued capital	13	280,640	270,640	245,604
Share premium		22,080,331	19,404,483	16,235,543
Translation reserve		(1,545,771)	(785,958)	(199,130)
Retained deficit		(2,950,720)	(1,927,555)	(498,765)
		-----	-----	-----
		17,864,480	16,961,610	15,783,252
Minority interest		(6,227)	(6,227)	(6,227)
		-----	-----	-----
TOTAL EQUITY		17,858,253	16,955,383	15,777,025
		=====	=====	=====

Nusantara Energy plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

At 31 December 2010

These financial statements were approved by the Board on 26 August 2011.

M J M Groat

Director

Company Registration No. 06156525

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

Nusantara Energy plc
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital	Share premium	Translation reserve	Retained losses attributable to equity holders of Parent Restated	Minority interest	Total Restated
	£	£	£	£	£	£
At 1 January 2009	245,604	16,235,543	(199,130)	(498,765)	(6,227)	15,777,025
Loss for the year	-	-	-	(1,398,322)	-	(1,398,322)
Movement on foreign exchange	-	-	(586,828)	(30,468)	-	(617,296)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	(586,828)	(1,428,790)	-	(2,015,618)
Shares issued during the year	25,036	3,304,315	-	-	-	3,329,351
Costs of raising equity	-	(135,375)	-	-	-	(135,375)
TOTAL TRANSACTIONS WITH EQUITY OWNERS	25,036	3,168,940	-	-	-	3,193,976
At 31 December 2009	270,640	19,404,483	(785,958)	(1,927,555)	(6,227)	16,955,383

The opening balance on 1 January 2009 is the same as the position presented in the 31 December 2008 financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2010

	Share capital	Share premium	Translation reserve	Retained losses attributable to equity holders of Parent	Minority interest	Total
	£	£	£	£	£	£
At 1 January 2010	270,640	19,404,483	(785,958)	(1,927,555)	(6,227)	16,955,383
Loss for the year	-	-	-	(983,016)	-	(983,016)
Movement on foreign exchange	-	-	(759,813)	(40,149)	-	(799,962)
TOTAL COMPREHENSIVE INCOME FOR YEAR	-	-	(759,813)	(1,023,165)	-	(1,782,978)
Shares issued during the year	10,000	2,990,000	-	-	-	3,000,000
Costs of raising equity	-	(314,152)	-	-	-	(314,152)
TOTAL TRANSACTIONS WITH EQUITY OWNERS	10,000	2,675,848	-	-	-	2,685,848
At 31 December 2010	280,640	22,080,331	(1,545,771)	(2,950,720)	(6,227)	17,858,253

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

Nusantara Energy plc
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2010

	<i>Notes</i>	Year to 31 December 2010 £	Year to 31 December 2009 Restated £
CASH FLOWS USED IN OPERATING ACTIVITIES	14	(2,613,988)	(2,793,331)
INVESTING ACTIVITIES			
Interest received		2,791	10,623
Loans advanced		-	724,496
Interest paid		-	(1,500)
Purchase of exploration and evaluation assets		(1,648,686)	(2,881,835)
Purchase of property, plant and equipment		(74,642)	(114,074)
		<hr/>	<hr/>
CASH FLOWS USED IN INVESTING ACTIVITIES		(1,720,537)	(2,262,290)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Issue of ordinary shares		2,685,848	3,193,976
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		2,685,848	3,193,976
		<hr/>	<hr/>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,648,677)	(1,861,645)
Cash and cash equivalents brought forward		2,163,429	4,025,074
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS CARRIED FORWARD		514,752	2,163,429
		<hr/> <hr/>	<hr/> <hr/>

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

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements present information about the Group for the year ended 31 December 2010.

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. .

The financial statements have been prepared under the historical cost convention.

The financial statements are presented on the going concern basis and the directors believe there are sufficient resources to continue trading for at least twelve months from the date of approval of these financial statements.

1.2 Going concern

These consolidated financial statements have been prepared on the going concern basis.

The financial position of the Group, its cash flows and liquidity are described elsewhere in this Report and Accounts. The Group does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. The current economic conditions provide particular challenges to the Board and it is their prime responsibility to ensure that the Group remains a going concern. At the year ended 31 December 2010 the Group had cash and cash equivalents of £0.5million and no borrowings.

In the first half of 2011, the Group issued equity to new and existing investors at a higher price than previous rounds, raising in total approximately £2.5million, and also raised an additional £6million via the issue of loan notes. This money was raised to provide consideration for the agreement signed during 2010 with its local partner, SLS, a company ultimately controlled by A Irawan, a director of Nusantara Energy plc, under which it bought their minority 5% stake in ANR for US\$19.5million, and their 100% ownership of the three concession companies at Jambi for US\$5 million. The remainder of the consideration was achieved through the offset of US\$12.5million loans and advances previously made to SLS. This deal was completed in February 2011. This restructuring put a temporary strain on the Group's resources and limited the ability to raise money from existing shareholders for project development, but the directors are of the opinion that it has enhanced tenure, and makes the Group more attractive to a potential buyer. The directors believe that the cost of achieving ownership of 100% of the assets and rights at the Jambi project will ultimately be fully justified by the resulting increase in the value of the project for shareholders.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

1 ACCOUNTING POLICIES *(continued)*

1.2 Going concern *(continued)*

Early in 2011, the directors received an approach from a well-funded buyer interested in taking over the Group, and, in June 2011, the Group signed a Heads of Terms agreement with this potential buyer which clearly outlined the process to move forward to a successful bid. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals.

Meanwhile, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors, and further financing will be required until either the sale is complete or alternative options are secured. The directors believe that the Group is likely to proceed with a sale to the potential buyer before the end of 2011, but are continuing to explore other options, such as a strategic partner investment, whereby third parties would invest to fund the project through to production and contract to take part, or all of the mine's output, ultimately leading to a stock exchange listing. In view of this belief, and the fact that the Group has been successful in placing equity parcels over the last few months, the directors consider the Group to be a going concern for at least twelve months from the date of approval of these financial statements.

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2010. Control is achieved where the Company has the power to govern the financial statements and operating policies of an investee entity so as to obtain benefits from its activities.

The accounting policies of the subsidiary are uniform with the Parent Company. The results of the subsidiary are included in the consolidated financial statements from the effective date of acquisition.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation unless there are indicators of impairment.

The minority interest share of any loss is restricted to the level of the minority interest investment.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31 December 2010

1 ACCOUNTING POLICIES (*continued*)

1.4 Foreign currencies

The consolidated financial statements are presented in sterling, which is also the functional currency of the parent company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than sterling are translated into sterling upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity, and translated into sterling at the closing rate.

1.5 Employee benefits

Defined contribution pension scheme: The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

1.6 Share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions. Shares warrants granted by the Group vest immediately after grant. All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to retained losses in the statement of financial position. If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

The fair value has been arrived at using the Black-Scholes model. The key inputs to these models include: exercise price; share price volatility; dividend yield (if any); lapse rate, etc.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31 December 2010

1 ACCOUNTING POLICIES (*continued*)

1.7 Taxation

Income tax expense represents the sum of the tax currently payable.

Current tax is the tax currently payable based on taxable profit for the year using tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax is recognised on the difference between carrying values of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that a taxable profit will be available against which deductible temporary differences can be utilised.

Tax losses which are available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets relating to brought forward tax losses are not yet recognised by the Group, but they will be recognised when it is probable that taxable profit will be available in the future.

1.8 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

1.9 Interest income and expense

Interest income and expenses are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income and expenses arising from interest bearing financial instruments are recognised in the statement of comprehensive income using the effective interest method on the bases of the cost of the financial instruments.

1.10 Exploration and evaluation assets

All costs associated with mineral exploration and investments are capitalised on a project-by-project basis, pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. Such capitalised expenditure is reviewed for impairment at each statement of financial position date.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the related expenditures will be transferred to mining assets and amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished or a project abandoned, the related costs are written off. Where the Group maintains an interest in a project, but the value of the project is considered to be impaired, a provision against the relevant capitalised costs will be raised.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

1 ACCOUNTING POLICIES *(continued)*

1.11 Property, Plant and Equipment

Property, plant and equipment are held at historical cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment over their estimated useful economic lives. The useful economic lives are assessed at least annually. The rates generally applicable are:

Motor vehicles 33%
Plant & equipment 25%
Computer equipment 50%
Fixtures, fittings & office equipment 20%

Material residual value estimates are updated as required, but at least annually. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

1.12 Capital risk management

The Group's capital risk management objectives are:

- To ensure the Group's ability to continue as a going concern;
- To increase the value of the assets of the business; and
- To maximise the return to shareholders through optimisation of debt equity balance.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production and cash flow, either with partners or by our own means.

The Group monitors capital on the basis of the carrying amount of equity plus its Group loans, less cash and cash equivalents as presented on the face of the consolidated statement of financial position. Capital for the reporting periods under review is summarised in note 13 and in the consolidated statement of changes in equity.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders (in the future), return capital to shareholders, issue new shares, or sell assets to reduce debt.

1.13 Reserves

Equity comprises the following:

- "Share capital" is the nominal value of equity shares
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- "Translation reserve" represents the differences arising from translation of investments in overseas subsidiaries
- "Retained deficit" represents retained

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

1 ACCOUNTING POLICIES *(continued)*

1.14 Financial instruments

The Group does not use structured financial instruments. Currency transactions are carried out using spot rates from Group bankers, and any surplus funds are held on short term deposit.

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All of the Group's financial assets are classified as loans and receivables. All of the Group's financial liabilities are classified as other payables carried at amortised cost.

(i) Trade and other receivables

Trade receivables and loans are measured initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Investments

Investments are recognised where a purchase of an investment is under contract and are initially measured at cost, including transaction costs. Provisions against investments are made when there is evidence that the recoverable amount is lower than the carrying amount, for example when the trading activity and profitability of the investee is much reduced.

(iii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand which is readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Trade and other payables

Trade payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

(v) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Nusantara Energy plc
NOTES TO THE FINANCIAL STATEMENTS *(continued)*
For the year ended 31 December 2010

1 ACCOUNTING POLICIES *(continued)*

1.15 Standards and amendments to existing standards effective 1 January 2010

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the Group:

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IAS27 (revised)	Consolidated financial statements	1 July 2009
Amendment IAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRS 1 (revised)	First-time adoption of International Financial Reporting Standards	1 January 2010
IFRIC 18	Transfers of assets from customers	1 July 2009
Improvements to IFRSs (2009)	-	1 January 2010
Amendment IFRS 2	Group cash-settled share-based payment transactions	1 January 2010
Amendment IFRS 1	Additional exemptions for first-time adopters	1 January 2010

Standards, amendments and interpretations to existing standards currently in issue but not effective for accounting periods on/after 1 January 2010 are:

Standard/Interpretation	Content	Applicable for financial years beginning on/after
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
IAS 24 (revised 2009)	Related party disclosures	1 January 2011
Amendment IAS 32*	Classification of rights issues	1 February 2010
IFRIC 19*	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment IFRIC 14*	Prepayments of a minimum funding requirement	1 January 2011
Improvements to IFRS (2010)	-	1 July 2010/ 1 January 2011
Amendment IFRS 7*	Disclosures - transfers of financial assets	1 July 2011
Amendment IAS 12*	Income taxes: deferred tax: recovery of underlying assets	1 January 2012

*Not expected to be relevant to the Group.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31 December 2010

1 ACCOUNTING POLICIES (*continued*)

1.16 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY

In the application of the Group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

Exploration and evaluation costs are accounted for in accordance with IFRS6 "Exploration for and evaluation of mineral resources" and where the recognition criteria are met the costs are capitalised as intangible assets.

Key sources of estimation uncertainty

Impairment of intangible assets

In accordance with the Group's accounting policies, the Group tests annually to see whether any of its exploration and evaluation projects have suffered impairment. The recoverable amount of the cash generating units is determined using discounted cash flow analysis which requires the use of estimates on a number of input variables.

Fair value of financial instruments

The Group has both financial assets and liabilities which are recognised at fair value and subsequently are measured at amortised cost. Where estimates of receipts or payments are revised their carrying value is adjusted to reflect actual and revised estimated cash flows. The adjustment is recognised as income or expense in profit or loss.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Group is the Black-Scholes valuation model.

3 OPERATING LOSS

	Year to 31 December 2010	Year to 31 December 2009 Restated
	£	£

The operating loss is stated after charging:

Auditors' remuneration paid to Grant Thornton Worldwide:

Fees payable to the Group's auditor for the audit of the Group's annual accounts	39,598	30,000
Other services related to taxation	25,531	13,773
All other services	3,617	11,288
Depreciation expense	43,124	11,417
Operating lease rentals	124,731	80,533
Tax penalties and charges	80,648	131,682

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

4 STAFF COSTS

	Year to 31 December 2010	Year to 31 December 2009 Restated
	£	£
Staff costs for the Group, including directors' remuneration, were as follows:		
Wages and salaries	978,488	980,734
Social security costs	77,796	53,599
Money purchase pension contributions	29,115	17,689
	<u>1,085,399</u>	<u>1,052,022</u>

Total directors' remuneration for the Group for the year is £555,911 (2009: £623,752).

The highest paid director for the year was paid £213,088 (2009: £210,716), and received defined contribution pension contributions of £21,000 (2009: £6,875). No other directors accrued pension benefits during the year (2009: 1 director).

On revisiting the fair value estimates of the share based payments in relation to the warrants issued in 2008, management has identified that the share based payment expense was incorrectly scheduled in previous years, and, as a result, have reduced the period over which the share-based payment is charged to equate to the vesting period attached to the warrants.

As a result, comprehensive income statements for 2008 and 2009 have been restated. The full fair value estimate of the share based payment has been recognised in the income statement for 2008, resulting in an additional charge for the year of £332,038, thereby reducing the profit for that year from £376,556 to £44,518, whilst a credit of £144,050 has been made to the 2009 income statement, so reducing loss for that year from £1,542,372 to £1,398,322. There is no impact on net assets in any year as a result of these restatements.

The Group considers its' directors to be the key management personnel.

	2010 No.	2009 No.
The average monthly number of employees for the Group, including directors, during the period was as follows:		
Management and administration	16	14
Operational	6	-
	<u>22</u>	<u>14</u>

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

5	INTEREST INCOME	Year to 31 December 2010 £	Year to 31 December 2009 £
	Unwinding of discounting on interest free loan	184,403	197,465
	Bank interest	2,791	10,619
	Other interest	-	4
		<u>187,194</u>	<u>208,088</u>
		<u><u>187,194</u></u>	<u><u>208,088</u></u>
6	INTEREST EXPENSE	Year to 31 December 2010 £	Year to 31 December 2009 £
	Loan interest	-	1,318
	Bank interest	-	182
		<u>-</u>	<u>1,500</u>
		<u><u>-</u></u>	<u><u>1,500</u></u>
7	SEGMENTAL ANALYSIS		

In the opinion of the directors, the operations of the Group comprise one class of business being the exploration and development of coal and other minerals. The Group's main operations are located within Indonesia.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

8 INCOME TAX EXPENSE	Year to 31 December 2010 £	Year to 31 December 2009 Restated £
Taxation on profit on ordinary activities		
Overseas taxation	91,321	62,297
Corporation tax	3,862	-
	<u>95,183</u>	<u>62,297</u>
Total current tax	<u><u>95,183</u></u>	<u><u>62,297</u></u>

The tax incurred for the period is lower than the standard rate of corporation tax of 28% (2009: 28%) in the UK

	Year to 31 December 2010 £	Year to 31 December 2009 Restated £
Loss on ordinary activities before tax	(887,833)	(1,336,025)
Loss on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 28% (2009: 28%)	(248,593)	(374,087)
Effects of:		
Expenses not deductible for tax purposes	176,217	80,857
Bad debt (reversal) / provision not deductible for tax purposes	(1,374,725)	1,214,097
Brought forward tax losses utilised against current year liabilities	(41,627)	(13,979)
Overseas withholding tax chargeable	89,637	62,297
Net fair value adjustment on loans	(56,486)	(45,695)
Currency losses / (gains)	1,169,830	(1,136,343)
Other permanent timing differences	380,930	275,150
	<u>95,183</u>	<u>62,297</u>
Current charge for the period	<u><u>95,183</u></u>	<u><u>62,297</u></u>

In the prior year, Indonesian withholding tax charges and penalties of £131,682 were included in Income tax expense. In 2010, these amounts have been reclassified as Administration Expenses, so the 2009 comparatives have been restated accordingly.

Factors that may affect future tax charges

The Group has tax losses carried forward of £1,741,230 (2009: £387,208) that are available for offset against future taxable profits.

Unrecognised deferred tax assets

The Group has a deferred tax asset of £487,544 (2009: £108,418) due to taxable losses carried forward. This has not been recognised in the Group accounts due to the uncertainty of the realisation of this asset in the foreseeable future.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

9	INTANGIBLE ASSETS	Exploration	Exploration	Exploration
		and evaluation	and evaluation	and evaluation
		assets	assets	assets
		2010	2009	2008
			Restated	
		£	£	£
	Cost and net book value			
	At 1 January	7,582,433	4,700,598	147,207
	Additions	1,046,196	2,534,571	4,533,944
	Currency movements	602,490	347,264	19,447
		<hr/>	<hr/>	<hr/>
	At 31 December	9,231,119	7,582,433	4,700,598
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The technical feasibility and commercial viability of extracting a mineral resource are not yet demonstrable in the above intangible assets. These assets are not amortised until technical feasibility and commercial viability is established. No impairment review has been carried out as there are no facts and circumstances which suggest that the carrying value may exceed the recoverable amount.

In the prior year, Guarantee Deposits of £133,351 were included within Exploration and Evaluation assets. In 2010, these amounts have been reclassified as Trade and Other Receivables, so the 2009 comparatives have been restated accordingly.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

10 PROPERTY, PLANT AND EQUIPMENT	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2009	10,853	18,627	1,360	-	30,840
Additions	-	14,769	3,834	104,993	123,596
Currency movements	802	1,376	101	-	2,279
	<u>11,655</u>	<u>34,772</u>	<u>5,295</u>	<u>104,993</u>	<u>156,715</u>
Depreciation					
At 1 January 2009	(2,035)	(4,657)	(453)	-	(7,145)
Charged in the year	-	(2,649)	(828)	(7,940)	(11,417)
Depreciation capitalised	(2,914)	(6,668)	(730)	-	(10,312)
Currency movements	(150)	(566)	(104)	(669)	(1,489)
	<u>(5,099)</u>	<u>(14,540)</u>	<u>(2,115)</u>	<u>(8,609)</u>	<u>(30,363)</u>
Net book value					
At 31 December 2009	<u>6,556</u>	<u>20,232</u>	<u>3,180</u>	<u>96,384</u>	<u>126,352</u>
At 31 December 2008	<u>8,818</u>	<u>13,970</u>	<u>907</u>	<u>-</u>	<u>23,695</u>

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

10 PROPERTY, PLANT AND EQUIPMENT <i>(continued)</i>	Plant & equipment	Motor vehicles	Computers	Fixtures, fittings and office equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2010	11,655	34,772	5,295	104,993	156,715
Additions	-	82,190	1,480	-	83,670
Currency movements	926	2,762	421	8,342	12,451
	<u>11,655</u>	<u>34,772</u>	<u>5,295</u>	<u>104,993</u>	<u>156,715</u>
At 31 December 2010	12,581	119,724	7,196	113,335	252,836
	<u><u>12,581</u></u>	<u><u>119,724</u></u>	<u><u>7,196</u></u>	<u><u>113,335</u></u>	<u><u>252,836</u></u>
Depreciation					
At 1 January 2010	(5,099)	(14,540)	(2,115)	(8,609)	(30,363)
Charged in the year	-	(18,505)	(2,116)	(22,503)	(43,124)
Depreciation capitalised	(3,145)	(15,346)	(263)	-	(18,754)
Currency movements	(405)	(1,290)	(183)	(847)	(2,725)
	<u>(5,099)</u>	<u>(14,540)</u>	<u>(2,115)</u>	<u>(8,609)</u>	<u>(30,363)</u>
At 31 December 2010	(8,649)	(49,681)	(4,677)	(31,959)	(94,966)
	<u><u>(8,649)</u></u>	<u><u>(49,681)</u></u>	<u><u>(4,677)</u></u>	<u><u>(31,959)</u></u>	<u><u>(94,966)</u></u>
Net book value					
At 31 December 2010	3,932	70,043	2,519	81,376	157,870
	<u><u>3,932</u></u>	<u><u>70,043</u></u>	<u><u>2,519</u></u>	<u><u>81,376</u></u>	<u><u>157,870</u></u>
At 31 December 2009	6,556	20,232	3,180	96,384	126,352
	<u><u>6,556</u></u>	<u><u>20,232</u></u>	<u><u>3,180</u></u>	<u><u>96,384</u></u>	<u><u>126,352</u></u>

The Group's property, plant and equipment are free from any mortgage or charge. None of the Group's property, plant and equipment is owned by the Company.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

11	TRADE AND OTHER RECEIVABLES	At	At	At
		31 December 2010	31 December 2009 Restated	31 December 2008
		£	£	£
	Non current			
	Loans receivable	-	2,402,784	2,647,850
	Guarantee deposits	359,868	133,351	-
		<hr/>	<hr/>	<hr/>
		359,868	2,536,135	2,647,850
		<hr/>	<hr/>	<hr/>
	Current			
	Loans receivable	7,500,167	4,906,525	5,207,730
	Prepayments and accrued income	785,446	583,037	386,676
		<hr/>	<hr/>	<hr/>
		8,285,613	5,489,562	5,594,406
		<hr/>	<hr/>	<hr/>

Non current

The Group has granted guarantee deposits to PT Samhutani, an Indonesian based forestry company, for usage of PT Samhutani land, and when the Group commences production, the guarantee deposits will be converted in lieu of paying compensation to PT Samhutani.

In the prior year, Guarantee Deposits were included within Exploration and Evaluation assets. In 2010, these amounts have been reclassified as Trade and Other Receivables, so the 2009 comparatives have been restated accordingly.

Current

Loans receivable include a US\$5million loan, after a fair value adjustment, and a US\$7.5million loan, both due from SLS, a company ultimately controlled by A Irawan, a director of Nusantara Energy plc. In 2009, US\$5million of this balance, after a fair value adjustment, was included in non current assets.

Under the agreement signed in February 2011 between the Group and SLS, these amounts, totalling US\$12.5million, were applied as part of the purchase consideration to be paid by the Group to buy out the 5% minority interest in ANR, and acquire direct ownership of the mining concessions.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

12	TRADE AND OTHER PAYABLES	At 31 December 2010 £	At 31 December 2009 £	At 31 December 2008 £
	Non Current			
	Provisions	10,384	-	-
		<u>10,384</u>	<u>-</u>	<u>-</u>
	Current			
	Trade payables	242,924	99,375	739,932
	Other payables	199,047	642,273	288,759
	Accruals and deferred income	238,614	200,880	185,907
		<u>680,585</u>	<u>942,528</u>	<u>1,214,598</u>
	Current			

Included in other payables is £112,618 (2009: £473,159, 2008: £285,602) due in relation to overseas taxation. The above listed payables were all unsecured. The fair value of trade and other payables is not materially different to the carrying values presented.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

13 SHARE CAPITAL

	At 31 December 2010 £	At 31 December 2009 £	At 31 December 2008 £
Authorised			
400,000,000 Ordinary shares of 0.1p each	400,000	400,000	400,000
	=====	=====	=====
Allotted, called up and fully paid			
280,640,295 (2009: 270,640,295, 2008: 245,603,671) Ordinary shares of 0.1p each	280,640	270,640	245,604
	=====	=====	=====

During the year the Company issued 10,000,000 ordinary shares of 0.1p for a total consideration of £3,000,000 excluding share issue costs, and including a share premium of £2,990,000.

The Company has granted warrants to subscribe for shares as follows:

	Exercise price (p)	At 1 January 2010	Granted in year	Exercised in year	At 31 December 2010
Warrants granted 20 August 2008	25p	2,200,000	-	-	2,200,000
		=====	=====	=====	=====
		2,200,000	-	-	2,200,000
		=====	=====	=====	=====

The warrants granted in August 2008 expire on 20 August 2011. These warrants were exercisable immediately upon grant and so were exercisable at 31 December 2010.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

14 RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	At	At
	31 December 2010	31 December 2009 Restated
	£	£
Operating loss	(2,699,955)	(1,969,795)
Depreciation charged	43,124	11,417
Exchange rate gain (loss)	824,966	(190,114)
Increase in receivables	(619,784)	(507,937)
Decrease in payables	(251,559)	(272,070)
Unwinding of discounting on interest free loan	184,403	197,465
Income taxes paid	(95,183)	(62,297)
	<hr/>	<hr/>
Net cash (used in) / generated from operating activities	(2,613,988)	(2,793,331)
	<hr/>	<hr/>

15 SHARE BASED PAYMENTS

Share warrants

The Group operates a scheme under which directors and employees may be awarded warrants convertible to ordinary shares in Nusantara Energy plc. The only condition attached to the warrants is that the warrant holder must be a director or employee of Nusantara Energy plc at the date of exercise.

No share warrants were granted to directors and employees of the Company in 2010. The main assumptions used to arrive at the value per option are detailed in the table below:

Grant date	Stock price (pence)	Exercise price (pence)	Volatility	Expiry period (years from issue)	Interest rate
20 August 2008	25	25	95%	3	4.25%

The warrants granted in August 2008 expire on 31 August 2011. These warrants were exercisable at 31 December 2010.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

16 OPERATING LEASE COMMITMENTS

The Group had the total of future minimum lease payments under non-cancellable operating leases as follows;

	Land and Buildings 2010 £	Land and Buildings 2009 £
Expiry date:		
Not later than one year	61,851	63,214
Between one and three years	12,696	69,803
	<u> </u>	<u> </u>

17 RELATED PARTY TRANSACTIONS

During the year fees of £189,940 (2009: £159,540) were paid for consulting services provided by Mr M Groat to Med Mining and Minerals Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £23,905 (2009: Nil) was outstanding.

During the year fees of £36,000 (2009: £36,000) were paid for consulting services provided by Mr K Irons to Southington Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £3,525 (2009: Nil) was outstanding.

During the year fees of £23,333 (2009: £Nil) were paid for consulting services provided by Mr B Hosking to ABH Investments Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £3,427 (2009: Nil) was outstanding.

During the year fees of £24,000 (2009: £41,000) were also paid to Meyer Hosking, a company of which Mr B Hosking is a director, in relation to recruitment services. No amounts were outstanding at the end of either 2010 or 2009.

During the year fees of £194,750 (2009: £144,295) were paid to Bath Travel, a company of which Mr R Healey is the Non-Executive Chairman, in relation to air travel costs. At the end of 2010 £14,383 (2009: £818) was outstanding.

During the year fees of £3,872 were paid to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. At the end of 2010 £1,410 (2009: £765) was outstanding.

18 ULTIMATE CONTROLLING PARTY

As at 31 December 2010 there is considered to be no ultimate controlling party.

19 POST BALANCE SHEET EVENTS

Post balance sheet events are discussed in the Directors' report on page 9.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

20 FINANCIAL INSTRUMENTS	At 31 December 2010 £	At 31 December 2009 £	At 31 December 2008 £
Categories of financial instruments			
Financial Assets			
Loans and receivables	7,500,167	7,309,309	7,855,580
Cash and cash equivalents	514,752	2,163,429	4,025,074
	<u>8,014,919</u>	<u>9,472,738</u>	<u>11,880,654</u>
Financial Liabilities			
At amortised cost – falling due within one year	511,530	469,639	928,996

The Group's principal financial assets are loans and receivables, whilst the financial liabilities of the Group are wholly comprised of trade and other payables. The carrying amount of the Group's financial assets and liabilities are stated at their approximate fair value.

The Group did not hold or issue any financial instruments for trading purposes at the Statement of financial position date.

The Group has not pledged any of its financial assets as collateral for its financial liabilities. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

(a) Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's exposure to interest rate risk related primarily to cash and cash equivalents, as the Group does not hold any interest bearing borrowings, hence the interest rate risk is considered to be immaterial.

(b) Foreign Currency Risk

Foreign currency denominated financial assets and liabilities, translated into sterling as the closing rate, are as follows:

	US\$ £'000s	IDR £'000s
Financial Assets		
Loans and receivables	8,089	4
Cash and cash equivalents	171	120
	<u>8,260</u>	<u>124</u>
Financial Liabilities		
Trade and other payables	46	48

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

For the year ended 31 December 2010

20 FINANCIAL INSTRUMENTS (*continued*)

(b) Foreign Currency Risk (*continued*)

The following information illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and liabilities and the sterling/US dollar and sterling/Indonesian rupiah exchange rates, on the assumption that all consolidated statement of comprehensive income sensitivities also impact upon equity.

The information below assumes a +/- 19% change in the sterling/US dollar and a +/- 16% sterling/Indonesian rupiah exchange rate for the period ended 31 December 2010. These percentages have been based on the approximate average market volatility in exchange rates in the previous 16 months. Bearing in mind current economic conditions and the financial outlook both in the UK and throughout Europe, the Board is of the opinion that, as far as it is possible predict future currency movements, historical exchange movements over the last 16 month provide a reasonable estimation of possible future fluctuations in exchange rates.

If sterling had weakened / strengthened against the US dollar by 19% the following impact would have resulted – net result for the year up by £1,598,000, down by £1,598,000 respectively, and equity up by £1,598,000, down by £1,598,000 respectively.

If sterling had weakened / strengthened against the Indonesian rupiah by 16% the following impact would have resulted – net result for the year up by £11,000, down by £11,000 respectively, and equity down by £11,000, up by £11,000 respectively.

The Group undertakes transactions principally in sterling and US dollar. Whilst the Group continually monitors its exposure to movements in currency rates, it does not utilise hedging instruments to protect against currency risks. The main currency exposure risk to the Group is in relation to advances denominated in US dollars. The currency risk arising on items denominated in Indonesian rupiah is considered to be immaterial.

(c) Liquidity Risk

An objective of the Group is to manage its funding risk to ensure that it can meet its financial obligations as and when they fall due. At the year end there was no debt outstanding. As the Group operates, it will incur costs which will need to be covered by liquid funds, so although there is no risk at the year end, the Group will continue to be exposed.

(d) Credit Risk

The Group's maximum exposure to credit risk is £8,800,365 (2009: £10,055,775, 2008: £12,267,330).

In relation to cash and cash equivalents, the Group manages its credit risk by holding surplus funds in high credit worthy institutions, and maintains minimum balances with financial institutions in remote locations.

The principal credit risk is attributable to trade receivables being advances made to trading partners in Indonesia in respect of future royalties payable. The Group continues to monitor its credit exposure in this matter and management are satisfied that there are no doubtful receivables in this period for which the Group has not made provision.

Nusantara Energy plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

21 PRIOR YEAR RESTATEMENTS

On revisiting the fair value estimates of the share based payments in relation to the warrants issued in 2008, management has identified that the share based payment expense was incorrectly scheduled in previous years, and, as a result, have reduced the period over which the share-based payment is charged to equate to the vesting period attached to the warrants.

As a result, comprehensive income statements for 2008 and 2009 have been restated. The full fair value estimate of the share based payment has been recognised in the income statement for 2008, resulting in an additional charge for the year of £332,038, thereby reducing the profit for that year from £376,556 to £44,518, whilst a credit of £144,050 has been made to the 2009 income statement, so reducing loss for that year from £1,542,372 to £1,398,322. There is no impact on net assets in any year as a result of these restatements.

In the prior year, Indonesian withholding tax charges and penalties of £131,682 were included in Income Tax Expense. In 2010, these amounts have been reclassified as Administration Expenses, so the 2009 comparatives have been restated accordingly. This means that the Income Tax Expense has decreased and Administration Expenses have risen in 2009. See the operating loss and tax notes.

In the prior year, Guarantee Deposits of £133,351 were included within Exploration and Evaluation assets. In 2010, these amounts have been reclassified as Trade and Other Receivables greater than one year, so the 2009 comparatives have been restated accordingly. This has increased the Trade and Other Receivables greater than one year category and reduced the Exploration and Valuation assets category in 2009. See the intangible asset and the trade and other receivables notes.

Nusantara Energy plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUSANTARA ENERGY PLC

We have audited the Parent Company financial statements of Nusantara Energy plc for the year ended 31 December 2010 which comprise the Parent Company balance sheet, the Parent Company reconciliation of movements in shareholders' funds and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Company's ability to continue as a going concern.

The Company incurred a loss of £0.2m for the year ended 31 December 2010, and has not yet generated any revenue from operations. The directors are currently pursuing a takeover transaction. As described in note 1.2, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors. Also as explained, the directors are pursuing alternative sources of funding to continue in operational existence for the foreseeable future. These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Nusantara Energy plc

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NUSANTARA ENERGY PLC (*continued*)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Nusantara Energy plc for the year ended 31 December 2010.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 August 2011

Nusantara Energy plc
COMPANY BALANCE SHEET
 At 31 December 2010

	<i>Notes</i>	At 31 December 2010 £	At 31 December 2009 £
FIXED ASSETS			
Fixed asset investments	5	276,090	276,090
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	6	-	2,533,217
Debtors: amounts falling due within one year	6	21,520,626	14,486,976
Cash at bank		309,042	2,157,656
		<u> </u>	<u> </u>
TOTAL CURRENT ASSETS		21,829,668	19,177,849
		<u> </u>	<u> </u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	7	(476,057)	(310,620)
		<u> </u>	<u> </u>
NET CURRENT ASSETS		21,353,611	18,867,229
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		21,629,701	19,143,319
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Called up share capital	8	280,640	270,640
Share premium account	9	22,080,331	19,404,483
Profit and loss account	9	(731,270)	(531,804)
		<u> </u>	<u> </u>
SHAREHOLDERS' FUNDS	10	21,629,701	19,143,319
		<u> </u>	<u> </u>

The financial statements were approved by the Board on 26 August 2011.

M J M Groat
 Director

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

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

1 SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with all applicable UK accounting standards. The principal accounting policies which differ from those set out in note 1 to the consolidated financial statements are noted below.

1.1 Basis of preparation of financial statements

These financial statements present information about the Company for the year ended 31 December 2010 as an individual entity. The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. These financial statements present information about the Company for the year ended 31 December 2010.

A consolidated cash flow statement has been included in the consolidated Group financial statements. The Company has therefore taken advantage of the exemption under FRS1 (Revised 1996) "Cash flow statements" not to produce a cash flow statement.

1.2 Going Concern

These financial statements have been prepared on the going concern basis.

The Company does not currently have any production assets and is in a development phase in which it is reliant on external sources of funds. The current economic conditions provide particular challenges to the Board and it is their prime responsibility to ensure that the Company remains a going concern. At the year ended 31 December 2010 the Company had cash and cash equivalents of £0.3million and no borrowings.

In the first half of 2011, the Company issued equity to new and existing investors at a higher price than previous rounds, raising in total approximately £2.5million, and also raised an additional £6million via the issue of loan notes. This money was raised to provide consideration for the agreement signed during 2010 with its local partner, PT Sukses Lancar Sentosa ("SLS"), a company ultimately controlled by A Irawan, a director of Nusantara Energy plc, under which it bought their minority 5% stake in PT Artha Nusantara Resources ("ANR) for US\$19.5million, and their 100% ownership of the three concession companies at Jambi for US\$5million. The remainder of the consideration was achieved through the offset of US\$12.5million loans and advances previously made to SLS. This deal was completed in February 2011. This restructuring put a temporary strain on Company resources and limited the Company's ability to raise money from existing shareholders for project development, but the directors are of the opinion that it has enhanced tenure, and makes the Company more attractive to a takeover bidder. The directors believe that the cost of achieving ownership of 100% of the assets and rights at the Jambi project will ultimately be fully justified by the resulting increase in the value of the project for shareholders.

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.2 Going Concern *(continued)*

Early in 2011, the directors received an approach from a well-funded buyer interested in taking over the Company, and, in June 2011, the Company signed a Heads of Terms agreement with this potential buyer which clearly outlined the process to move forward to a successful bid. The Heads of Terms allowed the potential buyer to conduct initial due diligence and, if satisfactory, to confirm its intention to proceed towards a formal takeover, subject to satisfactory completion of confirmatory drilling. The potential buyer has now confirmed the drill programme, and management anticipates that this drilling will take two months to complete following receipt of the necessary government approvals.

Meanwhile, the Board has continued to finance the business from month to month by issuing small parcels of shares to new and existing investors and further financing will be required until either the sale is complete or alternative options are secured. The directors believe that the Company is likely to proceed with a sale to the potential buyer before the end of 2011, but are continuing to explore other options, such as a strategic partner investment, whereby third parties would invest to fund the project through to production and contract to take part, or all of the mine's output, ultimately leading to a stock exchange listing. In view of this belief, and the fact that the Company has been successful in placing equity parcels over the last few months, the directors consider the Company to be a going concern for at least twelve months from the date of approval of these financial statements.

1.3 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.4 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

2	AUDITORS REMUNERATION	Year to 31 December 2010 £	Year to 31 December 2009 £
	Auditors' remuneration paid to Grant Thornton UK LLP:		
	Fees payable to the Company's auditor for the audit of the Company's annual accounts	30,000	30,000

3 COMPANY RESULTS

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the Company for the year ended 31 December 2010 was £199,466 (2009: £34,735 restated).

4	STAFF COSTS	Year to 31 December 2010 £	Year to 31 December 2009 Restated £
	Staff costs, including directors' remuneration, were as follows:		
	Wages and salaries	590,690	794,249
	Social security costs	38,418	52,542
	Money purchase pension contributions	29,115	17,689
		<u>658,223</u>	<u>864,480</u>

Total directors' remuneration for the Company for the year is £445,573 (2009: £536,512).

The highest paid director for the year was paid £102,750 (2009: £166,000), and received defined contribution pension contributions of £21,000 (2009: £6,875). No other directors accrued pension benefits during the year (2009: 1 director).

On revisiting the fair value estimates of the share based payments in relation to the warrants issued in 2008, management has identified that the share based payment expense was incorrectly scheduled in previous years, and, as a result, have reduced the period over which the share-based payment is charged to equate to the vesting period attached to the warrants.

As a result, profit and loss accounts for 2008 and 2009 have been restated. The full fair value estimate of the share based payment has been recognised in the profit and loss account for 2008, resulting in an additional charge for the year of £332,038, thereby increasing the loss for that year from £512,739 to £844,777, whilst a credit of £144,050 has been made to the 2009 profit and loss account, so reducing the loss for that year from £178,785 to £34,735. There is no impact on net assets in any year as a result of these restatements.

	2010 No.	2009 No.
The average monthly number of employees for the Company, including directors, during the period was as follows:		
Management	9	10

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

5	FIXED ASSET INVESTMENTS	Shares in Group undertakings
	Cost	
	At 1 January 2010	276,090
	Additions	-
		<hr/>
	At 31 December 2010	276,090
		<hr/> <hr/>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Business	Country of Incorporation	Holding	Cost at 31 December 2010 £
PT Artha Nusantara Resources	Mining	Indonesia	95%	118,312
PT Artha Nusantara Mining	Mining	Indonesia	100%	157,778
				<hr/> <hr/>

6	DEBTORS	At 31 December 2010 £	At 31 December 2009 £
	Due after more than one year		
	Amounts owed by Group undertakings	-	2,533,217
		<hr/>	<hr/>
	Due within one year		
	Amounts owed by Group undertakings	21,484,225	14,420,663
	Other debtors	20,682	50,594
	Prepayments and accrued income	15,719	15,719
		<hr/>	<hr/>
		21,520,626	14,486,976
		<hr/> <hr/>	<hr/> <hr/>

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

7	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	At 31 December 2010 £	At 31 December 2009 £
	Trade creditors	229,347	58,304
	Other creditors	131,772	169,114
	Accruals and deferred income	114,938	83,202
		<u>476,057</u>	<u>310,620</u>

8	SHARE CAPITAL	At 31 December 2010 £	At 31 December 2009 £
	Authorised		
	400,000,000 Ordinary shares of 0.1p each	400,000	400,000
		<u>400,000</u>	<u>400,000</u>
	Allotted, called up and fully paid		
	280,640,295 (2009: 270,640,295) Ordinary shares of 0.1p each	280,640	270,640
		<u>280,640</u>	<u>270,640</u>

During the year the Company issued 10,000,000 ordinary shares of 0.1p for a total consideration of £3,000,000.

The Company has granted warrants to subscribe for shares as follows:

	Exercise price (p)	At 1 January 2010	Granted in year	Exercised in year	At 31 December 2010
Warrants granted 20 August 2008	25p	2,200,000	-	-	2,200,000
		<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>2,200,000</u>

The warrants granted in August 2008 expire on 31 August 2011. These warrants were exercisable at 31 December 2010.

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2010

9 RESERVES	Share premium account £	Profit and loss account £
At 1 January 2010	19,404,483	(531,804)
Loss for the year	-	(199,466)
Premium on shares raised during the year	2,990,000	-
Costs of raising equity	(314,152)	-
	<hr/>	<hr/>
At 31 December 2010	22,080,331	(731,270)
	<hr/> <hr/>	<hr/> <hr/>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Shareholders' funds £
At 1 January 2010	19,143,319
Loss for the year	(199,466)
Shares issued during the period	10,000
Share premium on shares issued (net of expenses)	2,675,848
	<hr/>
At 31 December 2010	21,629,701
	<hr/> <hr/>

11 SHARE BASED PAYMENTS

Share-based payments are set out in note 15 of the Group financial statements.

12 OPERATING LEASE COMMITMENTS

The Company had the total of future minimum lease payments under non-cancellable operating leases as follows;

	Land and Buildings 2010 £	Land and Buildings 2009 £
Expiry date: Not later than one year	8,820	8,820
	<hr/> <hr/>	<hr/> <hr/>

Nusantara Energy plc

COMPANY NOTES TO THE FINANCIAL STATEMENTS *(continued)*

For the year ended 31 December 2010

13 RELATED PARTY TRANSACTIONS

During the year fees of £189,940 (2009: £159,540) were paid for consulting services provided by Mr M Groat to Med Mining and Minerals Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £23,905 (2009: Nil) was outstanding.

During the year fees of £36,000 (2009: £36,000) were paid for consulting services provided by Mr K Irons to Southington Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £3,525 (2009: Nil) was outstanding.

During the year fees of £23,333 (2009: £Nil) were paid for consulting services provided by Mr B Hosking to ABH Investments Ltd, a company of which he is a director. This amount has been included in the Staff Costs note. At the end of 2010 £3,427 (2009: Nil) was outstanding.

During the year fees of £24,000 (2009: £41,000) were also paid to Meyer Hosking, a company of which Mr B Hosking is a director, in relation to recruitment services. No amounts were outstanding at the end of either 2010 or 2009.

During the year fees of £194,750 (2009: £144,295) were paid to Bath Travel, a company of which Mr R Healey is the Non-Executive Chairman, in relation to air travel costs. At the end of 2010 £14,383 (2009: £818) was outstanding.

During the year fees of £3,872 were paid to Kew Kars, a company of which Mr R Healey is a director, in relation to chauffeur services. At the end of 2010 £1,410 (2009: £765) was outstanding.

14 PRIOR YEAR RESTATEMENTS

On revisiting the fair value estimates of the share based payments in relation to the warrants issued in 2008, management has identified that the share based payment expense was incorrectly scheduled in previous years, and, as a result, have reduced the period over which the share-based payment is charged to equate to the vesting period attached to the warrants.

As a result, profit and loss accounts for 2008 and 2009 have been restated. The full fair value estimate of the share based payment has been recognised in the profit and loss account for 2008, resulting in an additional charge for the year of £332,038, thereby increasing the loss for that year from £512,739 to £844,777, whilst a credit of £144,050 has been made to the 2009 profit and loss account, so reducing the loss for that year from £178,785 to £34,735. There is no impact on net assets in any year as a result of these restatements.

15 POST BALANCE SHEET EVENTS

Post balance sheet events are discussed in the Directors' report on page 9.