

# CHAIRMAN'S LETTER

---

Dear Fellow Shareholder,

It is with great pleasure that I present your Company's annual report for its first full year as an ASX listed entity. Much has been achieved in 2010, and we have reached a number of important milestones towards bringing our suite of highly prospective gold and silver projects in Sumatra closer to production.

## **Tembang Project Focus**

Your Board announced its intention to fast-track the Tembang gold and silver project into production by 2013, therefore re-positioning the Company as an emergent gold producer.

We believe the current buoyant gold and silver prices - combined with our successful recent diamond drilling program and estimated production rate of up to 80,000 ounces per annum - clearly demonstrates the project's strong potential to be a profitable mid-sized mine. To effect this, all efforts are now focused on completing a Definitive Feasibility Study by the end of 2011.

Exploration work at Tembang during 2010 discovered two high grade shoots at Belinau, leading to reinterpretation of the mineralising model at Tembang. Subsequent drilling successfully tested the potential high-grade depth extensions of the known resource and has resulted in the just announced higher grade resource of 23.54 Mt @ 1.32 g/t Au and 17.3 g/t Ag, a 39% increase in grade from the previous resource estimate. High grade shoots remain open at depth and an in-fill drilling program is planned for 2011.

While Tembang is now our primary focus, we will continue to explore our extensive land holdings in Sumatra including the Tandai and Sontang projects.

## **Joint venture partner, Newcrest**

In order to maintain the exploration momentum on our other properties, and to generate funds to enable us to explore further at Tembang, we sought to find a partner for our very prospective Tandai project. This effort led to a successful conclusion with a three part transaction with Newcrest Mining announced in July 2010. These transactions included a US\$12 million earn-in on the Tandai property for a 70% interest, a A\$2.5 million investment into Sumatra and an option, which Newcrest Mining have chosen not to exercise, to acquire a 25% interest in the Tembang property for an additional US\$9.5 million following non-refundable consideration paid of US\$500,000.

## **Outlook**

Importantly for our Company, Indonesia saw continued strong growth with GDP up by 6.1% and strong Trade and Current Account Balances. The increasingly stable global economy and continuing resources boom throughout the Asia-Pacific region has created a platform of strong growth for the mining industry - and coupled with the historic gold and silver price performance - we believe your Company is extremely well placed to leverage our position as an emergent gold producer to deliver strong shareholder value in 2011 and beyond. It has been a busy and successful year and I wish to place on record my sincere thanks to all our staff, consultants and board members spread over three continents.

Yours faithfully



**Warwick Morris**  
Chairman