

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

1. General Information

Sumatra Copper & Gold plc's (the 'Company') registered number is 5777015. The Company was incorporated in England on 11 April 2006 in the form of a company limited by shares and was later changed to a public limited company. It is domiciled in the United Kingdom. The Company's shares are traded in the form of CHES Depository Interests on the Australian Stock Exchange.

The Company acts as the parent company of the Group.

The Company's registered address is 39 Parkside, Cambridge CB1 1PN United Kingdom.

2. Principal Accounting Policies

Basis of preparation

The financial statements have been prepared on an historical cost basis as modified by certain financial assets and liabilities at fair value through the profit or loss. The financial statements are presented in GB Pounds and all values are rounded to the nearest Pound except when otherwise indicated. The financial statements have been prepared on the going concern basis, assuming the Group will continue as a going concern, and therefore realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial statements.

The Group is currently involved in exploration and evaluation of its gold/silver projects and is yet to commence mining operations. A pre-feasibility study for its Tembang project is underway and is expected to be completed by mid-2011. Subject to satisfactory completion of the pre-feasibility study, work on planning the mine development at the Group's Tembang project is due to commence during 2011, with mining anticipated to commence in 2013, subject to permitting and financing.

At 31 December 2010 the Group had cash and cash equivalents of £4,247,841. In the absence of additional funding the Group's current cash and cash equivalents balance allows the Group to continue its current level of activities for a number of months, but not for more than a full 12 months from the date of signing these financial statements. In order to contribute to the funding of the Tembang mine development and the Group's other projects the Group will need to obtain other sources of finance.

The Directors have a reasonable expectation that the Group will be able to raise adequate resources either from its current investors or alternative sources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements. However there is currently no committed funding in place and this indicates the existence of a material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) (including interpretations) as adopted by the European Union and comply with the Companies Act 2006.

New standards, amendments and interpretations

(a) Standards, amendments and interpretations effective in 2010

IFRS 3 (Revised), "Business combinations" The revision to this standard changes accounting for business combinations. While the acquisition method is still applied, there are significant changes to the treatment of contingent payments, transaction costs and the calculation of goodwill. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009. This could impact the Group's financial statements in the future if it makes acquisitions.

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FOR THE YEAR ENDED 31 DECEMBER 2010

2. Principal Accounting Policies (CONT)

Amendment to IAS 39, "Financial Instruments: Recognition and measurement of eligible hedged items"

This amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. It is effective for periods beginning on or after 1 July 2009 and must be applied retrospectively. This has not impacted the Group since it does not currently designate any financial instruments as hedges.

Amendment to IFRS 2, "Share-based payments; Group cash-settled transactions" This amendment provides a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. It is effective for periods beginning on or after 1 January. This has had no material impact on the Group.

IAS 27 (Revised), "Consolidated and separate financial statements" This amendment revises the accounting for transactions with non-controlling interests. It requires the effects of all increases or decreases in the ownership of subsidiaries to be recorded in equity if there is no change in control. They will therefore no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the company is re-measured to fair value and a gain or loss is recognised in the income statement. This is effective for accounting periods beginning on or after 1 July 2009. This has had no material impact on the Group. This will impact the Group in future years as the non-controlling interests were acquired post year end.

Annual improvements 2009 This is a series of amendments to 12 standards as part of the IASB program on annual improvement. These are effective for accounting periods beginning on or after 1 January 2010. These improvements have had no material impact on the results of the Group.

(b) Standards, amendments and interpretations effective in 2010 but not relevant to the Group

IFRIC 15, "Agreements for construction of real estate" This clarifies which standard (IAS 18, 'Revenue', or IAS 11, 'Construction contracts') should be applied to particular transactions and means that IAS 18 is applied to a wider range of transactions. This is not relevant to the Group as it does not have any transactions involving real estate. This standard was endorsed by the EU for periods beginning on or after 1 December 2010.

IFRIC 16, "Hedges of a net investment in a foreign operation" This clarifies the usage and requirements of IAS 21 with respect to net investment hedging. This is not relevant to the Group as it does not undertake such activities. This interpretation was endorsed by the EU for periods beginning on or after 1 July 2009.

IFRIC 17, "Distributions of non-cash assets to owners" This clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. This is not relevant to the Group as it does not make any distributions of assets to its owners. This interpretation was endorsed by the EU for periods beginning on or after 1 July 2009.

IFRIC 18, "Transfer of assets from customers" This clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. This is not relevant to the Group as it does not engage in such activities. This interpretation was endorsed by the EU for periods beginning on or after October 2010.

(c) Standards, amendments and interpretations that are not yet effective and have not been early adopted

Amendment to IAS 24, "Related party disclosures" This removes the requirement for government-related entities to disclose details of all transactions with the government and it clarifies and simplifies the definition of a related party. This is effective for accounting periods beginning on or after 1 January 2011. This will not impact the Group.

Amendment to IFRIC 14, "Prepayments of a minimum funding requirement" This relates to companies that are required to make minimum funding contributions to a defined benefit pension plan. The Group does not have any such schemes and therefore it will not be relevant. It is effective for annual periods beginning on or after 1 January 2011.

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2. Principal Accounting Policies (CONT)

IFRIC 19, "Extinguishing financial liabilities with equity instruments" This clarifies the accounting when an entity re-negotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. This is effective for accounting periods beginning on or after 1 July 2010. As the Group currently does not have any debt, this is not likely to be relevant.

Amendment to IAS 32, "Rights Issues" This addresses the accounting for rights issues which are denominated in a currency other than the functional currency of the issuer. Prior to the amendment, such rights issues were accounted for as derivative liabilities. The amendment states that, if such rights are issues pro-rata to an entity's existing shareholders for a fixed amount of any currency, they should be classified as equity, regardless of the currency in which the exercise price is denominated. This is effective for accounting periods beginning on or after 1 February 2010. This will impact the Group should it carry out future rights issues.

Annual improvements 2010 This is a series of amendments to 6 standards as part of the IASB program on annual improvement. These are effective for accounting periods beginning on or after 1 January 2010. These improvements are not expected to have any material impact on the results of the Group.

Basis of consolidation

The consolidated financial statements incorporate the results and position of the Company and those companies where there are certain contractual arrangements in place which result in the majority of current and future economic benefits being attributable to the Company. The contractual arrangements broadly state that where a commercial mining project is developed between the parties, then the parties have agreed that the majority of the economic benefits will be attributable to the company and the minority of the economic benefit will be attributable to the Indonesian parties. The financial statements of the Company and consolidated entities are made up to 31 December each year.

Non-controlling interests in the results and position of the entities that are consolidated are shown as a separate item in the consolidated financial statements. Non-controlling interests consist of the amount of those interests at the effective date of the business combination and share of the change in net assets since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling interests in the entities' net assets are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make additional investments to cover the losses.

The level of the non-controlling interests is determined by reference to the contractual arrangements between the Company, PT Nusa Palapa Minerals and PT Dwinad Nusa Sejahtera, and includes the share capital of the Indonesian entities not owned by the Company.

Significant accounting judgements, estimates and assumptions

Estimates and judgements

In the process of applying the Group's accounting policies, management makes various judgements and estimations that can significantly affect the amounts recognised in the financial statements. Estimates and judgements are evaluated using historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are the assumptions used in determining the fair value of the share options issued, and the capitalisation of exploration and evaluation expenditure.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010



2. Principal Accounting Policies (CONT)

Exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised where it is considered likely that the expenditure will be recovered by future exploitation or sale, or where activities have not reached a stage which permits a reasonable assessment of the existence of commercially recoverable reserves. This process necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether economically viable extraction operations can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy it is concluded unlikely that the expenditure will be recovered by future exploitation or sale, the relevant amount capitalised is written off to the income statement.

Carried forward exploration and evaluation expenditures are disclosed in Note 12 and relate to the capitalisation of expenditure costs from activities in Indonesia.

Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in GB Pounds, which is the Group's presentation currency, and the company's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All exchange differences are recognised in the income statement, except where financing of a foreign subsidiary through long-term loans is intended to be as permanent as equity. Such balances are treated as part of the net investment and any exchange differences are recorded in reserves. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at the exchange rates that are prevailing at the balance sheet date; and
- income and expenses are translated at the average exchange rate for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated on a straight line basis over the following expected useful life of the assets. Computer hardware is depreciated at a rate of between 25% and 33.3% per annum, computer software, furniture and fixtures, machinery and equipment, exploration equipment, communication equipment and vehicles at a rate of 25% per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

2. Principal Accounting Policies (CONT)

Exploration and evaluation costs

Exploration and evaluation costs related to an area of interest are written off as incurred except when they are carried forward as an asset in the balance sheet where the rights of tenure of an area are current and it is believed that the costs will be recouped through successful development and exploitation of the area of interest, or alternatively by its sale.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation costs are written off where the above conditions are no longer satisfied.

The Group performs impairment testing when facts and circumstances suggest that the carrying amount has been impaired. If it is determined that the asset has been impaired it is immediately written off in the income statement.

Investments and other financial instruments

Financial instruments are classified as either loans and receivables or available-for-sale financial assets, as appropriate. Financial instruments are initially recognised at cost on the trade date, which includes directly attributable transaction costs. The Company determines the classification of its financial instruments after initial recognition and measurement following initial recognition is set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other categories of financial assets. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded on financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within short-term borrowings in the current liabilities on the balance sheet.

Provisions

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

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2. Principal Accounting Policies (CONT)

Employee benefits

The Group makes defined contributions to Indonesia's and the United Kingdom's state health and retirement benefit and unemployment schemes at the statutory rates in force during the years, based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost. The Group has no post-retirement benefits or significant other benefits requiring accrual.

Other operating income

Receipts from the income of options to third parties to acquire stakes in subsidiary undertakings are recognised in the income statement once all the Group's obligations in respect of the option have been met.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Interest income is recognised as the interest accrues using the effective interest method.

Income tax

Current tax

The current income tax charge is calculated in accordance with taxation regulations in each jurisdiction that have been or are subsequently enacted by the reporting date. Current tax is based on the taxable income and tax allowable expenses reported by the Group. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are only recognised when there is sufficient probability of future taxable profits.

Share based payments

The Group issues equity-settled share-based payments to its Employees and certain advisers. In accordance with IFRS 2, 'Share-based Payments', equity-settled share-based payments are measured at fair value at the date of grant. Fair value is normally measured by use of a Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest.

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3. Segmental Information

IFRS 8 *Operating Segments* requires a management approach under which segment information is presented on the same basis as that provided to the chief operating decision maker. For the Group, internal reporting is based on the Group's three geographical markets: Australia, Indonesia and the United Kingdom. Hence segment information is reported in the same manner. The Group operates in one principal area of activity, that of exploration and development of gold tenements.

Revenue, loss before tax and net assets are all within one activity, that of gold exploration and development.

Segment information on a geographical basis is set out below. Group revenue for the year to 31 December 2010 was £nil (2009: £nil). Accordingly no segment revenue has been provided.

2010:

	Australia £	Indonesia £	United Kingdom £	Total £
Operating loss	(438,432)	(250,260)	(631,543)	(1,320,235)
Net financial income				449,578
Loss before tax				(870,657)
Non-current assets	-	11,878,157	3,118	11,881,275
Segment assets	3,744,378	12,704,891	46,214	16,495,483
Segment liabilities	51,502	875,743	70,218	997,463

2009:

	Australia £	Indonesia £	United Kingdom £	Total £
Operating loss	(151,819)	53,114	(1,698,417)	(1,797,122)
Net financial income				685,569
Loss before tax				(1,111,553)
Non-current assets	-	7,904,564	832	7,905,396
Segment assets	3,352,576	7,835,338	438,473	11,626,387
Segment liabilities	58,528	253,461	152,961	464,950

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4. Other Operating Income

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Option fee	320,550	-
Profit on the sale of investment	-	127,427
	320,550	127,427

The option fee relates to the US\$0.5 million non-refundable fee received by the Group on the issuance of the unexercised option to Newcrest to acquire a 25% interest in the Company's Tembang project upon the investment of an additional US\$9.5 million.

5. Loss on Ordinary Activities Before Taxation

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
This has been arrived at after charging/(crediting) the following:		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	52,603	17,558
Fees payable to the Company's auditor and its associates for other services pursuant to legislation	32,195	41,428
Fees payable to the Company's auditor and its associates for tax services	17,744	-
Directors' remuneration	257,222	280,521
Foreign exchange gains	(368,301)	(747,795)
Other payroll and related expenses	633,971	497,211
Share option costs	376,878	825,719
Legal and professional fees	143,664	268,303
Depreciation	1,557	39,246
Exceptional administrative expense - reversal of provision for exploration expenditure	-	(290,877)

In 2008, an exceptional provision for exploration expenditure related to two projects where uncertainty existed surrounding the transitional provisions under the 2009 Indonesian mining legislation was made. During 2009 an IUP was granted for one of these projects, and the provision for exploration expenditure on this project was released.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

6. Directors' Emoluments and Interests

The Directors' remuneration for the year ended 31 December 2010:

	Emoluments £	Pension and life insurance £	Total £
Warwick Morris	44,751	-	44,751
Jocelyn Waller	118,948	-	118,948
Lord Daresbury	22,400	-	22,400
Peter Nightingale	9,565	-	9,565
Michael Price	22,400	-	22,400
Alan Flint	39,158	-	39,158
	257,222	-	257,222

The Directors' remuneration for the year ended 31 December 2009:

	Emoluments £	Pension and life insurance £	Total £
Warwick Morris	43,403	-	43,403
Jocelyn Waller	111,822	1,200	113,022
Alan Flint	96,892	-	96,892
Lord Daresbury	14,202	-	14,202
Michael Price	14,202	-	14,202
	280,521	1,200	281,721

During 2010 no retirement benefits accrued to Directors under a defined contribution scheme (2009 - one Director).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010



6. Directors' Emoluments and Interests (CONT)

The interests of the Directors in the Company's share option scheme were as follows:

	At 31 December 2009 Number	Granted during year Number	Lapsed during year Number	At 31 December 2010 Number	Exercise price A\$
Warwick Morris	2,200,000	-	-	2,200,000	0.20
	-	500,000	-	500,000	0.25
Jocelyn Waller	2,500,000	-	-	2,500,000	0.20
	-	500,000	-	500,000	0.25
Lord Daresbury	1,500,000	-	-	1,500,000	0.20
	-	250,000	-	250,000	0.25
Michael Price	750,000	-	-	750,000	0.20
	-	250,000	-	250,000	0.25
Alan Flint	3,000,000	-	(3,000,000)	-	0.20
	9,950,000	1,500,000	(3,000,000)	8,450,000	-

Following the end of the year Warwick Morris has exercised 2,200,000 A\$0.20 options, receiving 2,200,000 CDIs for cash consideration totalling A\$440,000.

During 2009 the exercise price of the outstanding options issued to Directors was repriced to A\$0.20, the price at which CDIs were offered to the public under the Company's Initial Public Offering.

	At 31 December 2008 Number	Granted during year Number	Lapsed during year Number	At 31 December 2009 Number	Exercise price £
Warwick Morris	2,200,000	-	-	2,200,000	0.20
Jocelyn Waller	2,500,000	-	-	2,500,000	0.20
Alan Flint	2,500,000	500,000	-	3,000,000	0.20
Lord Daresbury	1,500,000	-	-	1,500,000	0.20
Michael Price	750,000	-	-	750,000	0.20
	9,450,000	500,000	-	9,950,000	-

NOTES TO THE FINANCIAL STATEMENTS

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7. Employee Information

The average number of persons employed by the Group during the year was:

	Year ended 31 December 2010 Number	Year ended 31 December 2009 Number
By activity		
Administration	64	54
Exploration and evaluation	105	75
	169	129

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Staff costs (for the above persons)		
Wages and salaries	861,836	607,873
Share option compensation charge	89,448	338,161
Social security costs	29,357	25,983
Pension costs	-	1,200
Life assurance	-	412
	980,641	973,629

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors.

Key management costs

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Staff costs (for the above persons)		
Wages and salaries	257,222	280,521
Share option compensation charge	45,668	328,082
Social security costs	20,201	14,709
Pension costs	-	1,200
Life assurance	-	412
	323,091	624,924

The Group contributed to an individual's defined contribution pension scheme as part of his remuneration. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £nil (2009: £1,200). An amount of £nil (2009: £nil) was included in payables at the year end.

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8. Financial Income

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Bank interest income	81,832	38,060
Exchange gains	368,301	747,795
	450,133	785,855

9. Financial Expense

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Loan interest	-	100,263
Bank interest expense	554	23
	554	100,286

10. Tax on Loss on Ordinary Activities

(a) Analysis of charges for the year

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Current tax:		
UK corporation tax on profits for the period	-	-
Tax loss on ordinary activities	-	-

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FOR THE YEAR ENDED 31 DECEMBER 2010

10. Tax on Loss on Ordinary Activities (CONT)

(b) Factors affecting the current tax charge for the year

Reconciliation between the actual income tax expense and the product of accounting loss:

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Loss on ordinary activities before tax:	(870,657)	(1,111,553)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 21% (2009: 21%)	(182,838)	(233,426)
Effect of:		
Expenses not deductible for tax purposes	27,349	169,526
Differences between capital allowances and depreciation	-	295
Difference in Indonesian tax rate	12,341	(2,360)
Chargeable gain	-	22,700
Losses carried forward	143,148	43,265
	-	-

(c) Deferred tax

At 31 December 2010, the Group had potential and unrecognised deferred tax assets as follows:

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Tax effect of temporary differences because of:		
Differences between capital allowances and depreciation	-	(3,278)
Tax losses carried forward	763,712	620,563
	763,712	617,285

Deferred tax assets in respect of losses are not recognised as there is insufficient evidence that they are recoverable. The deferred tax assets would be recoverable if the company were to become profitable in the future.

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11. Loss Per Share

Loss per share calculation is:

	Year ended 31 December 2010	Year ended 31 December 2009
Loss attributable to equity holders	£(870,657)	£(1,111,553)
Weighted average number of shares	132,226,962	76,815,744
Loss per share - basic	£(0.0066)	£(0.0145)
Loss per share - diluted	£(0.0066)	£(0.0145)

For fully diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options. As the Group is loss-making, none of the potentially dilutive securities are currently dilutive.

12. Exploration and Evaluation Costs

	£
Cost:	
At 31 December 2008	5,652,196
Additions	1,582,055
Release of provision	290,877
Exchange movements	286,203
At 31 December 2009	7,811,331
Additions	3,264,566
Exchange movements	680,977
At 31 December 2010	11,756,894

13. Property, Plant and Equipment

	£
Cost:	
At 31 December 2008	156,981
Additions	15,669
Exchange movements	8,090
As at 31 December 2009	180,740
Additions	68,118
Exchange movements	14,859
As at 31 December 2010	263,717

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13. Property, Plant and Equipment (CONT)

	£
Accumulated Depreciation:	
As at 31 December 2008	45,196
Charge for the year	39,246
Exchange movements	2,233
As at 31 December 2009	86,675
Charge for the year	49,112
Exchange movements	3,549
As at 31 December 2010	139,336
Net Book Value:	
As at 31 December 2010	124,381
As at 31 December 2009	94,065
As at 31 December 2008	111,785

14. Prepayments and Other Receivables

	2010 £	2009 £
Loans to related parties	61,998	24,947
Prepayments and other receivables	164,519	192,747
Sales tax receivable	139,850	103,916
	366,367	321,610

15. Cash and Cash Equivalents

	2010 £	2009 £
Cash at bank and on hand	4,247,841	3,399,381

16. Trade and Other Payables

	2010 £	2009 £
Trade payables	337,047	148,228
Other taxes and social security costs	373,179	275,016
Accruals and other payables	287,237	41,706
	997,463	464,950

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17. Share Capital and Premium

	Number of shares	Called up Share capital £	Share premium account £
As at 31 December 2008	65,246,150	652,462	-
Issued in period	62,240,552	622,405	6,198,240
Capital reduction	-	-	(506,092)
As at 31 December 2009	127,486,702	1,274,867	5,692,148
Issued in period	26,427,479	264,275	4,232,681
Issue costs	-	-	(123,907)
As at 31 December 2010	153,914,181	1,539,142	9,800,922

On 17 July 2009 the Group reorganised its share capital by changing the par value of the shares from £0.02 per share to be £0.01 per share and increasing its authorised share capital to 300,000,000 shares of £0.01 per share.

The above table has been restated to reflect the number of shares based on this subdivision.

During the year ended 31 December 2010:

- The Group issued 10,000,000 shares for cash totalling A\$2,500,000 (£1,436,750) to Newcrest Mining Limited. There were no amounts unpaid on the shares issued.
- The Group issued 1,483,750 shares for cash totalling £267,075 to Mirabaud Securities plc following their exercise of 1,483,750 warrants at £0.18 per share. There were no amounts unpaid on the shares issued.
- The Group issued 10,666,664 shares for cash totalling A\$3,199,999 (£1,985,431) to a range of institutional and sophisticated investors. There were no amounts unpaid on the shares issued. Share issue costs totalled £123,907.
- The Group issued 50,000 shares for cash totalling £7,500 to Macquarie Bank Limited following their exercise of 50,000 warrants at £0.15 per share. There were no amounts unpaid on the shares issued.
- The Group issued 3,034,000 shares for cash totalling A\$910,222 (£570,273) to the Company's shareholders under the Company's Security Purchase Plan. There were no amounts unpaid on the shares issued.
- The Group issued 1,193,065 shares for cash totalling A\$357,920 (£229,927) to Newcrest Mining Limited. There were no amounts unpaid on the shares issued.

All shares issued during the year were in the form of CHES Depository Interests.

During the year ended 31 December 2009:

- The Group issued 60,000,000 shares for cash totalling A\$12,000,000 (£6,566,559) under the Group's Initial Public Offering. There were no amounts unpaid on the shares issued. Share issue costs totalled £506,092.
- The Group issued 721,552 shares in lieu of Director's fees of £86,805.
- The Group issued 19,000 shares in lieu of consultant's fees of £3,420.
- The Group issued 1,500,000 shares to parties promoting the Group's Initial Public Offering.

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FOR THE YEAR ENDED 31 DECEMBER 2010

17. Share Capital and Premium (CONT)

Share option scheme

Under the Group's share option scheme, share options are granted to Directors and to selected employees. The exercise price is the greater of the nominal value of the share or an amount specified by the Board which if granted at or around a placing must not be less than the price issued at the time of the placing. Options are conditional on the employee completing two years service (the vesting period). Fifty percent of the options granted are exercisable after one year and the remainder after two years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. Options have no voting or dividend rights.

	Average exercise price per share	Options Number
As at 31 December 2008	£0.16	9,540,000
Granted	£0.20	1,420,000
Forfeited	£0.20	(60,000)
As at 31 December 2009	A\$0.20	10,900,000
Granted	A\$0.26	4,470,000
Forfeited	A\$0.20	(3,370,000)
As at 31 December 2010	A\$0.22	12,000,000

The above table has been restated to reflect the 2:1 share split in 2009.

Prior to the Group's Initial Public Offering the exercise price of all outstanding options issues under the share options scheme were restated at A\$0.20.

The employee options outstanding at 31 December 2010 have an exercise price in the range of A\$0.20 to A\$0.35 and a weighted average contractual life of 5.89 years.

Following the end of the year an additional 250,000 options have lapsed and 2,200,000 A\$0.20 options were exercised.

In addition, there are 7,751,322 options issued to Macquarie Bank with an exercise price of A\$0.20 and 10,000,000 options issued to Newcrest Mining Limited with an exercise price of A\$0.38. These options have no voting or dividend rights.

Options

29,751,322 outstanding options of the Group were exercisable as at 31 December 2010. The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was £414,357. The significant inputs into the model were a weighted average share price equal to the option exercise price at the grant date, a volatility of 90.0%, an expected option life of two years and an annual risk-free interest rate of 50%. It has been assumed that no dividends will be paid. The volatility has been based on calculated over the period since the Company's securities commenced trading on the ASX.

The total charge in the year was £376,878 (2009: £784,077).

Warrants

- The Group issued 1,483,750 shares for cash totalling £267,075 to Mirabaud Securities plc following their exercise of 1,483,750 warrants at £0.18. There were no amounts unpaid on the shares issued.
- The Group issued 50,000 shares for cash totalling £7,500 to Macquarie Bank Limited following their exercise of 50,000 warrants at £0.15. There were no amounts unpaid on the shares issued.

There were no additional warrants on issue at 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010



18. Related Party Transactions

At 31 December 2010, monies advanced to Directors as travel advances totalled £1,000 (2009: £2,391).

At 31 December 2010 there is a loan receivable of £61,998 (2009: £24,947) to the Group's Indonesian partner, Adi Sjoekri. Following the completion of the transaction with Adi Sjoekri in February 2011 whereby the Company acquired Adi Sjoekri's interests in the Indonesian operating entities the loan receivable was offset against the consideration payable to Adi Sjoekri.

During the year ended 31 December 2010, Peter Nightingale, a Director, had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust since Peter Nightingale became a Director, which were in the ordinary course of business and on normal terms and conditions, amounted to A\$32,111 (2009 - A\$ nil). At 31 December 2010 there was an amount outstanding of A\$65 (2009 - A\$ nil).

19. Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as trade and other payables and cash and cash equivalents, which arise directly from its operations. The Group did not enter into derivative transactions to manage the interest rate and currency risks arising from the Company's operations and its sources of finance. In 2010 the Group did not undertake trading in financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit terms provided by suppliers. The Group analyses ageing of its assets and maturity of its liabilities and plans its liquidity depending on expected repayment of various instruments. In case of insufficient or excessive liquidity the Group reallocates resources and funds to provide optimal financing of its business needs.

Short term financing is available from the Group's current cash resources; long term financing is planned to be obtained through the issue of shares.

No liquidity table for financial liabilities has been presented as all of the Group's financial liabilities are payable within 12 months.

(b) Foreign currency risk

In common with many other businesses in the United Kingdom, foreign currencies play a significant role in the underlying economics of the business transactions of the Group. As at 31 December 2010, the exchange rate of UK Pound was 1.5471 to the US Dollar, 14,090 to the Indonesian Rupiah and 1.5225 to the Australian Dollar. The rate at the date of issue of these financial statements was 1.60 to the US Dollar, 13,829 to the Indonesian Rupiah and 1.5583 to the Australian dollar.

At 31 December 2010, if the pound had weakened/strengthened by 1% against the US dollar/other currencies with all other variables held constant, the post-tax loss for the year would have been £32,736 (2009: £61,709) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated cash, trade payables, accruals and other liabilities.

(c) Credit risk

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and certain receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

19. Financial Risk Management Objectives and Policies (CONT)

Capital risk management

The Group regards its share capital and reserves as its equity and uses its monthly management accounts to monitor the level of cash available to plan for future fundraisings. Additionally, the Group has prepared detailed cash flow forecasts, which are compared on a monthly basis to actual expenditures. The Group is not subject to any external covenants.

20. Ultimate Controlling Party

The Group has no ultimate controlling party.

21. Cash Used in Operations

	Year ended 31 December 2010 £	Year ended 31 December 2009 £
Cash flows from operating activities		
Loss before tax	(870,657)	(1,111,553)
Adjustments for:		
Depreciation	1,557	39,246
Profit on disposal of investment	-	(127,427)
Share options charge	376,878	825,719
Provision/(reversal) against deferred exploration costs	-	(290,877)
Interest and other financial income	(441,417)	(618,963)
Financial expense	554	100,286
Option fee income	(320,550)	-
Operating loss before working capital changes	(1,253,635)	(1,183,569)
Increase in prepayments and other receivables	(28,247)	(109,740)
Increase in trade payables, accruals and other liabilities	264,948	98,407
Cash used in operations	(1,016,934)	(1,194,902)

22. Post Balance Sheet Events

On 28 February 2011 the Company announced that it had completed the agreement with its Indonesian partner Adi Sjoekri to give the Company a direct shareholding interest in each of the 5 Indonesian operating entities that currently hold exploration licences of 100% for a consideration of 3,800,000 new Sumatra CHESS depository interests for shares and amounts of A\$368,000 in cash, of which A\$68,000 had already been paid at 31 December 2010.