

No : 313/P.01/11

Independent Auditor's Report

**Board of Directors and Stockholders
PT Barasentosa Lestari**

We have audited the accompanying balance sheets of PT Barasentosa Lestari as of March 31, 2011 and 2010, the related statements of income, changes in equity and cash flows for the years ended March 31, 2011 and 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PT Barasentosa Lestari as of March 31, 2011 and 2010 and the results of its operations and its cash flows for the years ended, in conformity with the generally accepted accounting principles in Indonesia.

As discussed in Note 3 to the financial statements, effective January 1, 2010 the Company adopted Statement of Financial Accounting Standard (SFAS) No. 50 (2006 Revision), "Financial Instruments : Presentation and Disclosures" and SFAS No. 55 (2006 Revision), "Financial Instruments : Recognition and Measurement". These revised SFAS have been applied prospectively.

As described in Note 21 to the financial statements, the Company adopted Financial Accounting Standards (SFAS) No. 24 (Revised 2004) regarding Employee Benefit. Comparative figures for 2010 have not been restated as the impact of the changes in accounting policy are not material.

The accompanying financial statements have been prepared assuming that the Company will continue to operate as going concern entity. As discussed in Note 22 to financial statements, the Company has suffered recurring losses continuously from the beginning of its operations and has an accumulated deficit. Management's plans regarding those matters are described in Note 22 and the majority shareholder of the Company, PT Duta Sarana Internusa has confirmed that they will continue to provide financial support to the Company. The accompanying financial statements do not include any adjustments that might result from the outcome of the above matters.

Ciwi Paino, CPA
License No. 03.1.0860

April 28, 2011

The accompanying financial statements are intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not that of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT BARASENTOSA LESTARI
BALANCE SHEETS
March 31, 2011 and 2010
(In US Dollar Currency)

ASSETS	Notes	2 0 1 1	2 0 1 0
		US\$	US\$
CURRENT ASSETS			
Cash and cash equivalents	2b,2e,5	425,749	602,611
Advance payments	2b,6	195,071	32,254
Prepayments	7	66,090	119,065
Other receivables	2b,2d,8, 22d	57,826	57,901
Total current assets		744,736	811,831
NON CURRENT ASSETS			
Other receivables	2b,2d,8, 22d	15,006	72,376
Refundable deposits		3,368	2,368
Plant and equipment, net	2f,9	3,869,110	816,274
Deferred exploration expenditures	2c,10	21,817,997	14,407,304
Deferred tax assets	2j,11c	16,060	-
Total non current assets		25,721,541	15,298,322
TOTAL ASSETS		26,466,277	16,110,153

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

PT BARASENTOSA LESTARI
BALANCE SHEETS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

LIABILITIES AND EQUITY	Notes	2 0 1 1	2 0 1 0
		US\$	US\$
CURRENT LIABILITIES			
Other payables	2b,2g,12	70,131	-
Accrued expense	2b,2d,13, 19b	773,120	2,607,347
Taxes payable	2j,11b	46,958	269,499
Total current liabilities		890,209	2,876,846
NON CURRENT LIABILITIES			
Other payables	2b,2d,2g, 12,19a	7,205,820	13,218,108
Provisions defined post- employment benefits	2l,2o	82,831	-
Deferred tax liabilities	2j,11c	-	517
Total non current liabilities		7,288,651	13,218,625
EQUITY			
Capital stock			
Authorized, issued and fully paid-up capital 3,500 shares at Rp 1,000,000 par value each	14	898,734	898,734
Additional paid-in capital		78,555	78,555
Other contributed capital	12	171,108	-
Mandatory convertible bonds	16	18,402,803	-
Accumulated deficit	23	(1,263,783)	(962,607)
Total equity		18,287,417	14,682
TOTAL LIABILITIES AND EQUITY		26,466,277	16,110,153

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

PT BARASENTOSA LESTARI
STATEMENTS OF INCOME
For the years ended March 31, 2011 and 2010
(In US Dollar Currency)

	Notes	2 0 1 1	2 0 1 0
		US\$	US\$
Operating expenses			
General and administrative expenses	2h,17	307,390	94,204
Operating loss		(307,390)	(94,204)
Other income (expenses) – net	2h,2i,18	(10,363)	(2,333)
Loss before income tax		(317,753)	(96,537)
Corporate income tax			
Current tax – Nil	2j,11a	–	–
Deferred tax – Income (expense)	2j,11c	16,577	(517)
Total corporate income tax		16,577	(517)
Net loss		(301,176)	(97,054)

The accompanying notes form an integral part of
these financial statements

PT BARASENTOSA LESTARI
STATEMENTS OF CHANGES IN EQUITY
For the years ended March 31, 2011 and 2010
(In US Dollar Currency)

	Capital stock	Additional paid in capital	Other contributed capital	Mandatory convertible bonds	Accumulated deficit	Total
	US\$	US\$	US\$	US\$	US\$	US\$
Balance as of March 31, 2009	898,734	78,555	–	–	(865,553)	111,736
Net loss for the year			–	–	(97,054)	(97,054)
Balance as of March 31, 2010	898,734	78,555	–	–	(962,607)	14,682
Net loss for the year	–	–	–	–	(301,176)	(301,176)
Mandatory convertible bonds	–	–	–	18,402,803	–	18,402,803
Other contributed capital	–	–	171,108	–	–	171,108
Balance as of March 31, 2011	898,734	78,555	171,108	18,402,803	(1,263,783)	18,287,417

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

PT BARASENTOSA LESTARI
STATEMENTS OF CASH FLOWS
For the years ended March 31, 2011 and 2010
(In US Dollar Currency)

	2 0 1 1	2 0 1 0
	US\$	US\$
Cash flows from operating activities		
Loss before income tax	(317,753)	(96,537)
Adjustments to reconcile net loss to net cash used in operating activities		
Loss on disposal of plant and equipment	176	-
Post employment benefit expenses	82,831	-
Depreciation of plant and equipment	155,870	3,850
Operating loss before working capital changes	(78,876)	(92,687)
Advance payments	(162,817)	(32,254)
Prepayments	52,975	(119,065)
Other receivables	57,445	(130,277)
Refundable deposit	(1,000)	(2,368)
Other payables	(5,942,156)	9,032,676
Accrued expenses	(1,834,227)	2,607,346
Taxes payable	(222,541)	269,499
Net cash provided by (used in) operating activities	(8,131,197)	11,532,870
Cash flows from investing activities		
Exploration expenditures	(7,410,693)	(10,110,136)
Other contributed capital	171,108	-
Mandatory convertible bonds	18,402,803	-
Proceeds from disposal of plant and equipment	1,212	-
Payments to acquire plant and equipment	(3,210,095)	(820,124)
Net cash provided by (used in) investing activities	7,954,335	(10,930,260)
Net increase (decrease) in cash and cash equivalents	(176,862)	602,611
Cash and cash equivalents at beginning of year	602,611	-
Cash and cash equivalents at end of year	425,749	602,611

The accompanying notes form an integral part of these financial statements

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS
March 31, 2011 and 2010
(In US Dollar Currency)

1. GENERAL

a. Articles of Association

PT Barasentosa Lestari (the Company), domiciled in Jakarta, was established based on notarial deed of No. 219 dated February 14, 1990 of Endrawila Parmata, SH, notary in Jakarta, which has been approved by the Minister of Justice of the Republic of Indonesia under Decision Letter No. C2-1064.HT.01.01-Th.92 dated February 4, 1992. Based on notarial deed No. 215 dated August 25, 1993 of Benny Kristianto, SH, notary in Jakarta, the Company received approval to change its status from a non-facility limited liability company into a limited liability company with Domestic Capital Investment facility according to Law of Investment No. 6/1968. The Company's articles of incorporation have been amended several times and the latest amendment was made based upon notarial deed No. 125 dated January 31, 2008 of Sugito Tedjamulja, SH, notary in Jakarta, concerning the changes of the Company's articles of association to conform with Law No 40 Year 2007 of Limited Liability Company, which has been approved by the Minister of Justice of the Republic of Indonesia under Decision Letter No. AHU-24328.AH.01.02 dated May 12, 2008. Until the date of this report this amendment has not been published in the State Gazette.

The Company's parent entity is PT Duta Sarana Internusa, a company incorporated in the Republic of Indonesia. The Company is required to prepare financial statements for the years ended March 31, 2011 and 2010 for the consolidation purpose.

The principal activity of the Company is coal mining and developing a mine-mouth power plant. The Company's head office is located in Jakarta, and the mine operating site is in Muara Lakitan, South Sumatra.

b. Coal Mining Operation Agreement

Based on the Coal Mining Operation Agreement (the "Coal Agreement") No. 015/PK/PTBA-BL/1994, which was entered into by the Company and PT Tambang Batubara Bukit Asam (Persero) ("PTBA") on August 15, 1994, the Company has been granted a coal exploration and exploitation license on 100,000 hectares in Musi Banyu Asin and Musi Rawas Regency, South Sumatra Province.

The Minister of Mines and Energy's Decree No. 062.K/29/M.PE/1998 dated January 23, 1998 reduced the area from 100,000 hectares to 55,820 hectares and stated that exploration activity should occur in the period from August 15, 1996 up to August 14, 1999. In March 1998, the Company ceased its exploration activity.

Based on Decree No. 2083/20.01/DJG/2001 dated 10 September 2001 from Director General of Geology and Mineral Resources ("DGGMR"), the Company was granted a license to continue its exploration activity from July 1, 2001 to June 30, 2002.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

1. **GENERAL (Continued)**

b. **Coal Mining Operation Agreement (Continued)**

Based on Decree No. 2343/40.00/DPM/2002 dated September 20, 2002, the DGGMR refused the Company's proposal to further extend the exploration activity period, and confirmed that the exploration activity period expired on July 29, 2003. The Company lodged its exploration activity report to the DGGMR and expressed its intention to enter into the feasibility stage.

Based on Decree No. 242.K/40.00/DJG/2004 dated October 25, 2004, the DGGMR has approved the extension of the feasibility study period of the Company from July 30, 2004 to July 29, 2005. Based on the Decree, the Coal Agreement area was reduced to 24,385 hectares.

Based on Decree No. 1570/40.00/DJG/2005 dated August 5, 2005, the DGGMR has approved the extension of the feasibility study period of the Company from July 19, 2005 to July 18, 2006.

On April 7, 2009, the Company has obtained the approval of final feasibility study from the Directorate General of Mineral Coal and Geothermal of Department of Energy and Mineral Resources Republic of Indonesia for area of 24,385 hectares in Musi Banyuasin and Musi Rawas Regency, South Sumatra Province.

On July 28, 2010, the Company has received construction stage approval from DGGMR No. 449.K/30/DJB/2010. The approval of construction stage is granted for KW96PBO159 area of 24,385 hectares in Musi Banyuasin and Musi Rawas Regency, South Sumatra Province for the period from July 30, 2009 up to July 29, 2012.

On February 17, 2011, the Company has received forest use right permit No. SK.40/Menhut-II/2011 for exploration/feasibility study of coal mining in permanent production forest and convertible production forest on behalf PT Barasentosa Lestari in Lakitan II Forest, Musi Rawas Regency, South Sumatra Province, area of 988 hectare, for the period from February 17, 2011 up to February 17, 2013.

c. **Board of Directors and Commissioner**

As of March 31, 2011 and 2010, the composition of the Company's Board of Directors and Commissioners are as follow :

	2 0 1 1	2 0 1 0
Commissioners	: Mr. Raaj Kumar	Mr. Raaj Kumar
President Director	: Mr. Bingrosalto L. Tobing	-
Director	: Mr. Ashis Basu	Mr. Ashis Basu

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Company, which affects the determination of its financial position and results of its operations, is presented below.

a. Basis of Preparation of the Financial Statements

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in Indonesia. The financial statements have been prepared under historical cost concept and on the accrual basis, unless otherwise stated.

The statement of cash flows is prepared based on the indirect method by classifying cash flows on the basis of operating, investing and financing activities. For the purpose of the cash flow statement, cash and cash equivalent include cash in hand, cash in banks, and time deposits with a maturity period of 3 months or less, as long as these time deposits are not pledged as collateral for borrowings nor restricted.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect :

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and
- the reported amounts of revenues and expenses during the reporting period.

Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates.

Figures in the financial statements are expressed in United States Dollar, unless otherwise stated.

b. Financial assets and liabilities

In 2006, the DSAK issued PSAK 50 (Revised 2006) "Financial Instruments: Presentation and Disclosures" and PSAK 55 (Revised 2006) "Financial Instruments: Recognition and Measurement". These standards amend both PSAK 50 "Accounting for Investments in Certain Securities" and PSAK 55 "Accounting for Derivative Instruments and Hedging Activities". Both standards are applicable for financial statements covering periods beginning on or after January 1, 2010.

In implementing PSAK 50 (Revised 2006) and PSAK 55 (Revised 2006), the Company classifies financial instruments into financial assets and financial liabilities.

Financial assets

The Company classifies its financial assets in the following categories of (i) financial assets at fair value through profit and loss, (ii) loans and receivables, (iii) held-to-maturity financial assets, and (iv) available-for-sale financial assets. The classification depends on the purpose for which the financials assets were acquired. Management determines the classification of its financial assets at initial recognition.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. **ACCOUNTING POLICIES (Continued)**

b. **Financial assets and liabilities (Continued)**

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative receivables are also categorised as asset held for trading unless they are designated and effective as hedging instruments.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunctions with designated financial assets are included in “foreign exchange gain/loss”.

There are no financial assets categorised as held for trading.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. The Company’s loans and receivables comprise of other receivables, cash and cash equivalents and refundable deposit in the balance sheet.

(iii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Management has the positive intention and ability to hold to maturity, other than:

- a) those that the Company upon initial recognition designates as at fair value through profit or loss;
- b) those that the Company designates as available for sale; and
- c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including transaction costs and subsequently measured at amortised cost, using the effective interest method.

There is no financial assets that classified as held-to-maturity financial assets.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. **ACCOUNTING POLICIES (Continued)**

b. **Financial assets and liabilities (Continued)**

Financial assets (Continued)

(iv) Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are intended to be held for indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or not classified in any of the other categories.

Available-for-sale financial assets are initially recognised at fair value, plus transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets are derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of changes in equity is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains or losses on monetary assets classified as available-for-sale are recognised in the income statement.

There are no financial assets that are classified as available-for-sale financial assets.

The Company uses settlement date accounting for regular way contracts when recording financial assets transactions.

Financial liabilities

The Company classifies its financial liabilities in the category of (i) financial liabilities at fair value through profit or loss and (ii) financial liabilities measured at amortised cost.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial liabilities classified as held for trading. A financial liability is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term and for which there is evidence of a recent actual pattern of short term profit taking. Derivative payables are also categorised as liabilities held for trading unless they are designated and effective as hedging instruments.

There are no financial liabilities categorised as held for trading.

Gain and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial liabilities are included in "foreign exchange gain/loss".

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. **ACCOUNTING POLICIES (Continued)**

b. **Financial assets and liabilities (Continued)**

Financial liabilities (Continued)

(ii) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit and loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are other payables and accrued expenses.

Fair value estimation

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price, while for financial liabilities it uses ask price.

The fair value of financial instruments that are not traded in active markets is determined by using valuation technique. The Company uses discounted cash flow methods and makes assumptions that are based on market conditions existing at each balance sheet date which are used to determine fair value for the remaining financial instruments.

c. **Deferred exploration expenditures**

Exploration expenditures incurred is capitalized and carried forward, on an area of interest basis, provided one of the following conditions is met:

- i. Such cost are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- ii. Exploration activities in the area of interest have not yet reached the stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or in relation to the area are continuing.

Ultimate recoupment of exploration expenditure carried forward is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area. Exploration expenditures in respect of an area of interest, which has been abandoned or for which a decision has been made by the Company's Directors against the commercial viability of the area of interest, are written-off in the period the decision is made.

Deferred exploration expenditures represents the accumulated cost relating to general investigation, administration and license, geology and geophysics expenditures before the commencement of the Company's commercial operations. Deferred exploration expenditure is amortized from the commencement of commercial production.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Transactions with Related Parties

In conducting its business, the Company has transactions with its related parties in accordance with the definition in SFAS 7 regarding Related Party Disclosures.

All significant transactions with related parties are disclosed in the financial statements.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposit held on call with banks and other short term highly liquid investments with original maturities of three months or less.

f. Plant and Equipment

The cost of a plant and equipment comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Once a mining project has been commercially viable, expenditure other than that of land, buildings, plant and equipment is capitalised together with any amounts transferred from exploration and evaluation. This includes costs incurred in preparing the site for mining operations, including stripping costs. Depreciation is charged from such date. Costs associated with a start up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period. Development costs incurred after the commencement of production are capitalised to the extent they give rise to a future economic benefit. Net interest on borrowings related to construction or development projects is capitalised until the point when substantially all the activities that are necessary to make the asset ready for use are complete. Other borrowing costs are expensed.

Plant and equipment are stated at cost less accumulated depreciation. Historical cost covers expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Since April 2010, the Company changes the estimated useful lives as follows:

	Years	% per annum
Buildings and roads	10	10
Computers	4	25
Office equipment	4	25
Furniture and fixtures	4	25

The cost of maintenance and repairs is charged as an expense as incurred. Expenditures which extend the future life of assets or provide further economic benefits by increasing capacity or quality of production is capitalized and depreciated over the remaining useful life of the related assets.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Plant and Equipment (Continued)

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the financial statements and the resulting gains and losses on the disposal of plant and equipment are recognized in the statements of income.

Plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amounts which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at lowest level for which they are separately identifiable cash flow.

g. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

h. Expense Recognition

Expenses that do not meet the conditions for deferred exploration expenditure recognition are treated as expenses in the current period and recognized when these are incurred (accrual basis).

i. Foreign Currency Translation

(1) Reporting Currency

The financial statements are presented in US Dollar.

(2) Transactions and Balances

Transactions denominated in Rupiah and other currencies are converted into US Dollar at the exchange rate prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities in Rupiah and other foreign currencies are translated at the exchange rates prevailing at that date.

Exchange gains and losses arising on transactions in Rupiah and other foreign currencies and on the translation of Rupiah and other foreign currencies monetary assets and liabilities are recognized in the statement of income.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Income Tax

Current tax expense is provided based on the estimated taxable income for the year. Deferred tax assets and liabilities are recognized for temporary differences between commercial and tax bases of assets and liabilities at each reporting date. Future tax benefit, such as the carry forward of unused tax losses, if any, is also recognized to the extent that realization of such tax benefit is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realized or the liabilities are settled, based on the applicable tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date. Changes in the carrying amount of the deferred tax assets and liabilities due to change in tax rates is charged to current year operations, except to the extent that it relates to items previously charged or credited to equity.

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

k. Impairment of Non-Financial Asset

Non financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

l. Employee Benefits

The Company provides defined benefit post-employment benefits to its employees in accordance with Labor Law No. 13/2003. No funding has been made to this defined benefit plan.

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the present value of the Company's defined benefit obligations is recognized on the straight-line basis over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The benefit obligations recognized in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has adopted SFAS No. 50 (Revised 2006), "Financial Instruments: Presentation and Disclosures" and SFAS No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurements" prospectively on January 1, 2010 in accordance with the transitional provisions in accordance with the Technical Bulletin No. 4 concerning the transitional provisions for the first adoption of SFAS No. 50 (2006 Revision) and SFAS No. 55 (2006 Revision) as issued by Indonesian Institute of Accountants and has applied the transitional provisions of those standards, as follow:

Effective interest rate

The effective interest rate for financial instruments measured at amortised cost, for example borrowings, that were acquired prior to and still have a balance remaining as at January 1, 2010 is calculated by referring to the future cash flows that will be generated from the time SFAS 55 (Revised 2006) is first implemented up to the maturity of the financial instruments.

Effective January 1, 2010, the Company used the effective interest method for computing the amortised cost of borrowings. The impact of changing the interest rate methods on the Company is considered immaterial.

Impairment of financial instruments

As at January 1, 2010, the Company determined any possible impairment of financial instruments based on conditions existing at that date. Any difference between this impairment and the impairment calculated based on previous applicable accounting principles is adjusted to the retained earnings as at January 1, 2010. The impact of impairment of financial instruments on the Company is considered immaterial.

4. CHANGES IN ACCOUNTING POLICIES

In 2011, the Company changed its accounting policy in plant and equipment in order to appropriate to useful life of the assets. As a result of changes in accounting policy, there is no material adjustment to the presentation of plant and equipment balance in 2010, therefore the beginning balance of retained earning was not restated. As a result, financial statement year 2010 was not restated.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2011 and 2010
(In US Dollar Currency)

5. CASH AND CASH EQUIVALENTS

	2011 US\$	2010 US\$
Cash on hand	<u>10,049</u>	<u>3,556</u>
Cash in banks :		
PT Bank Central Asia Tbk		
US Dollars	364,705	420,139
Rupiah	50,995	178,916
	<u>415,700</u>	<u>599,055</u>
Total	<u><u>425,749</u></u>	<u><u>602,611</u></u>

6. ADVANCE PAYMENTS

This account represents advance payment to supplier and advance paid to the employee for the Company's operational activities of the Company.

7. PREPAYMENTS

	2011 US\$	2010 US\$
Rental		
House	32,830	74,207
Office	20,708	29,695
Guest house	12,542	15,163
Insurance	10	-
Total	<u><u>66,090</u></u>	<u><u>119,065</u></u>

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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8. OTHER RECEIVABLES

	2 0 1 1 US\$	2 0 1 0 US\$
Related parties :		
Mr. Bingrosalto L. Tobing	72,832	130,277
Less current portion of other receivables	(57,826)	(57,901)
Long term portion of other receivables	15,006	72,376

The Company has granted a personal loan amounted Rp 1,584,000,000 (equivalent with US\$ 181,880.81) to Mr. Bingrosalto L. Tobing, the Company's key management. This loan amount will be repaid by in 36 equated monthly installment of Rp 44,000,000 (equivalent with US\$ 5,052.24) per month. This loan bears no interest.

The fair value of loans to related parties are based on cash flows discounted using a rate based on the borrowing rate of 8%. The discount rate equals to Bank Indonesia lending rate plus appropriate credit rating.

As of March 31, 2011, the difference between the amount of other receivable US\$ 75,784 and its fair value of US\$ 72,832 (present value using current market rates for similar loan) is shown up in 2010 from the effective rate was charged as part of employee cost.

9. PLANT AND EQUIPMENT

The details of plant and equipment are as follows:

	2 0 1 1				
	Beginning balances US\$	Additions US\$	Disposals US\$	Reclassification US\$	Ending balances US\$
Acquisition cost :					
Buildings	25,135	45,701	—	212,965	283,801
Computer	59,800	125,192	1,419	26,939	210,512
Office equipment	26,676	17,899	—	536,769	581,344
Furniture and fixtures	9,143	52,116	—	187,977	249,236
Construction in progress	731,388	2,969,187	—	(964,650)	2,735,925
	852,142	3,210,095	1,419	—	4,060,818
Accumulated depreciation :					
Buildings	25,135	11,840	—	—	36,975
Computer	9,684	40,179	30	—	49,833
Office equipment	536	77,043	—	—	77,579
Furniture and fixtures	513	26,808	—	—	27,321
	35,868	155,870	30	—	191,708
Book value	816,274				3,869,110

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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9. **PLANT AND EQUIPMENT (Continued)**

	Beginning Balances US\$	2 0 1 0		Ending Balances US\$
		Additions US\$	Disposals US\$	
Acquisition cost :				
Buildings	25,135	–	–	25,135
Computer	6,883	52,917	–	59,800
Office equipment	–	26,676	–	26,676
Furniture and fixtures	–	9,143	–	9,143
Construction in progress	–	731,388	–	731,388
	<u>32,018</u>	<u>820,124</u>	<u>–</u>	<u>852,142</u>
Accumulated depreciation :				
Buildings	25,135	–	–	25,135
Computer	6,883	2,801	–	9,684
Office equipment	–	536	–	536
Furniture and fixtures	–	513	–	513
	<u>32,018</u>	<u>3,850</u>	<u>–</u>	<u>35,868</u>
Book value	<u>–</u>			<u>816,274</u>

The depreciation expenses were allocated in:

	2 0 1 1 US\$	2 0 1 0 US\$
General and administrative expenses (Note 17)	<u>155,870</u>	<u>3,850</u>

In 2011 and 2010, the plant and equipment were insured against losses by fire and other risks amounted to Rp 20,750,723,520 (equivalent with US\$ 2,382,676) and nil, respectively.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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10. DEFERRED EXPLORATION EXPENDITURES

	2011 US\$	2010 US\$
General investigation expenses		
Feasibility study expenses	2,665,509	2,517,448
Exploration extension	949,438	949,438
Drilling expenses	753,971	677,984
Airborne and digital expenses	515,031	515,031
Detailed mine study	385,718	385,718
Survey expenses	245,812	218,993
Analysis expenses	206,591	206,591
Rental	402,505	202,234
Geophysical services	145,865	145,865
Geological mapping expenses	116,525	107,007
Sub contractor expenses	80,569	80,569
Desk study	4,091	4,091
	<u>6,471,625</u>	<u>6,010,969</u>
Other exploration expenses		
Consultation	7,727,726	5,090,228
Salaries and allowances	4,420,297	1,334,386
Traveling expenses	575,040	190,787
Licenses and regional tax	420,522	393,112
Interest expenses	320,573	115,922
Recruitment charges	273,487	264,430
Office expenses	259,681	166,004
Equipment rental and vehicle expenses	139,621	139,621
Fuel expenses	131,284	21,586
Hire charges	124,771	-
Communications	111,151	30,108
Transportation expenses	110,216	96,634
Repairs and maintenance	80,885	38,551
Professional fee	68,665	68,665
Medical allowances	66,383	21,146
Business promotion	64,540	-
Depreciation expense	64,018	64,018
Manpower outsourcing	44,506	44,506
Staff welfare	35,944	-
Representation and entertainment	31,219	31,219
Socialisation cost	25,696	25,696
Training	16,732	-
Capital expenditure	-	189,197
Other expenses (less than US\$ 10,000)	233,415	70,519
	<u>15,346,372</u>	<u>8,396,335</u>
Total	<u><u>21,817,997</u></u>	<u><u>14,407,304</u></u>

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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11. TAXATION

a. Income tax expense

Income tax expenses for the year ended March 31, 2011 and 2010 are nil.

The Company does not make reconciliation between income before tax per statements of income and taxable income as per March 31, 2011 and 2010 because the fiscal year of the Company is from period January 1 up to December 31.

Reconciliation between loss before provision for income tax as per statements of income and estimated taxable losses as per December 31, 2010 and 2009 are as follow :

	2 0 1 0 US\$	2 0 0 9 US\$
Loss before income tax per statements of income	(254,775)	(61,177)
Non-deductible expenses	97,836	273
Timing differences	638	(545)
Tax losses to be carried forward	<u>(156,302)</u>	<u>(61,449)</u>

The Company has accumulated corporate income tax losses which are available to be carried forward and offset against future taxable income for five years following fiscal years :

	2 0 1 0 US\$	2 0 0 9 US\$
December 31, 2005	-	209,493
December 31, 2006	203,245	203,245
December 31, 2007	61,212	61,212
December 31, 2008	62,202	62,202
December 31, 2009	61,449	61,449
December 31, 2010	156,302	-
Total	<u>544,410</u>	<u>597,601</u>

b. Taxes payable

	2 0 1 1 US\$	2 0 1 0 US\$
Income tax		
Article 21	41,969	30,599
Article 4(2) and 23	4,989	8,350
Value added tax	-	230,550
Total	<u>46,958</u>	<u>269,499</u>

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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11. **TAXATION** (Continued)

c. Deferred tax assets

	As of March 31, 2010 US\$	2011 Credited to the statement of income for the year US\$	As of March 31, 2011 US\$
Deferred tax liabilities			
Provision for severance payments	-	20,708	20,708
Depreciation of plant and equipment	(517)	(4,131)	(4,648)
Total	<u>(517)</u>	<u>16,577</u>	<u>16,060</u>
	As of March 31, 2009 US\$	2010 Credited to the statement of income for the year US\$	As of March 31, 2010 US\$
Deferred tax liabilities			
Depreciation of plant and equipment	-	(517)	(517)
Total	<u>-</u>	<u>(517)</u>	<u>(517)</u>

As of March 31, 2011 and 2010, the Company has an unrecognized deferred tax asset in respect of the 2010 and 2009 tax losses of US\$ 136,102 and US\$ 149,400, respectively. Tax assets have not been recognized on the basis that there is significant uncertainty as to whether the tax losses will be offset by sufficient taxable profits in the future.

d. Administration

On September 2, 2008, the Government enacted an amendment to the income tax law with effect from January 1, 2009, stipulating that the income tax for corporation's will be set to a flat rate of 28% starting in 2009, and further reduced to 25% starting 2010. In addition to the impact in the current income tax for 2009, the revision will also impact the deferred income tax previously set up to reflect the reduction in effective tax rate.

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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12. OTHER PAYABLES

	2 0 1 1 US\$	2 0 1 0 US\$
Related parties :		
PT Duta Sarana Internusa (DSI)		
Other payables	–	5,865,303
Revolving loan	7,205,820	7,352,805
	7,205,820	13,218,108
Third parties	70,131	–
Total	7,275,951	13,218,108
Less current portion of other payables	(70,131)	–
Total	7,205,820	13,218,108

- a. In 2010, the other payable to DSI amounted US\$ 5,865,303, respectively, has no repayment schedule and non bearing interest. DSI will decide whether this payable will be converted as paid-in capital or will be stated in the loan agreement and treated as long term loan. This conversion period up to 12 (twelve) month from March 31, 2010.

Starting from April 1, 2010, the Company's has entered into Mandatory Convertible Agreement with DSI, and has convert the other payables amounted US\$ 5,865,303 into mandatory convertible bonds.

- b. On November 1, 2009, the Company has entered into loan agreement with DSI, the Company's stockholder. Based on the loan agreement, DSI should provide an unsecured loan with a revolving line of credit in which DSI may make advance provided that the aggregate amount of all loan outstanding under the line of credit at any one time shall not exceed US\$ 10,000,000.

The details of the loan are as follow:

Interest rate	:	6.35%
Settlement date	:	March 31, 2011
Amount of installment	:	USD 10 million/outstanding amount as on that date plus any interest as due on this date

On April 1, 2010, the Company has entered into loan agreement with DSI, the Company's stockholder. Based on the loan agreement, DSI should provide an unsecured loan with a revolving line of credit in which DSI may make advance provided that the aggregate amount of all loan outstanding under the line of credit at any one time shall not exceed US\$ 40,000,000.

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12. OTHER PAYABLES (Continued)

The details of the loan are as follow:

Interest rate	:	LIBOR + 0.5%
Settlement date	:	March 31, 2012
Amount of installment repayment	:	USD 40 million/outstanding amount as on that date plus any interest as due on this date

In 2010, the above loan was shown in the balance sheets at present value using a market interest rate of LIBOR + 2% per annum. The difference between loan to shareholder as of January 1, 2010 amounted plus additional loan to shareholder withdrawn in 2010 at origination of the loan in total of US\$ 7,351,817 and its fair value of US\$ 7,180,709 (present value using current market rates for similar loan) are treated as an equity contribution to the Company and represents a further investment of Holdings.

13. ACCRUED EXPENSE

	2011 US\$	2010 US\$
Related parties :		
Interest	258,664	115,921
Consultancy	212,251	2,137,500
	<hr/> 470,915	<hr/> 2,253,421
Third parties :		
Variable pay allowance	289,368	—
Social security	12,374	8,868
Travel	463	855
Construction work in progress	—	185,115
Logistic consultant	—	73,294
Transportation	—	34,812
Professional fees	—	17,970
Geological mapping	—	13,977
Office maintenances	—	7,862
Office supplies	—	3,727
Survey	—	2,459
Communication	—	2,035
Capital expenditure	—	1,762
Others	—	1,190
	<hr/> 302,205	<hr/> 353,926
Total	<hr/> <u>773,120</u>	<hr/> <u>2,607,347</u>

PT BARASENTOSA LESTARI
NOTES TO FINANCIAL STATEMENTS (Continued)
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14. CAPITAL STOCK

Based on deed of share ownership transferred No. 36 dated February 24, 2009 of Mala Mukti, S.H., LL.M, notary in Jakarta, Mr. Buntardjo Hartadi Sutanto, the Company stockholders has transferred his ownership of 1 share with total nominal value of Rp 1,000,000 to PT Unsoco. Therefore the composition of stockholder as of March 31, 2011 and 2010 is as follows :

Stockholders	Number of shares	Par value (Rp thousand)	Par value US\$	Percentage of ownership %
PT Duta Sarana Internusa	3,499	3,499,000	898,477	99.97
PT Unsoco	1	1,000	257	0.03
	<u>3,500</u>	<u>3,500,000</u>	<u>898,734</u>	<u>100.00</u>

15. GENERAL RESERVE

The Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in March 1995 requires the establishment of a general reserve from net profits amounting to at least 20% of a company's issued and paid up capital. This regulation has been amended by Indonesian Limited Company Law No. 40 year 2007 which also requires companies to set up a general reserve amounting to at least 20 % of the issued and paid-up share capital.

As of March 31, 2011 and 2010, the Company has not yet established a general reserve as it is in accumulated loss position.

16. MANDATORY CONVERTIBLE BONDS

	2011 US\$	2010 US\$
Related parties :		
PT Duta Sarana Internusa	<u>18,402,803</u>	<u>-</u>

On April 1, 2010, the Company and PT Duta Sarana Internusa, the Company's shareholder, has entered into Mandatory Convertible Bonds Issuance Agreement. Based on this agreement DSI should provide fund with a maximum of US\$ 40,000,000 up to July 31, 2012.

This convertible bond should be converted into shares at maximum of 5 years starting from the date of issuance of the bonds.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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19. **RELATED PARTY TRANSACTIONS (Continued)**

b. Accrued expenses (Note 13)

	2 0 1 1 US\$	2 0 1 0 US\$
PT Duta Sarana Internusa	258,664	115,921
GMR Consulting Services Pvt Ltd	212,251	2,137,500
	<u>470,915</u>	<u>2,253,421</u>

c. Mandatory convertible bonds (Note 16)

	2 0 1 1 US\$	2 0 1 0 US\$
PT Duta Sarana Internusa	<u>18,402,803</u>	<u>-</u>

d. Other receivables (Note 8)

	2 0 1 1 US\$	2 0 1 0 US\$
Mr. Bingrosalto L. Tobing	<u>72,832</u>	<u>130,277</u>

20. **POST EMPLOYMENT BENEFITS OBLIGATION**

Referring to Labor Law No. 13/2003 regarding severance payments, requires companies to pay their employees, termination, appreciation and compensation benefits in case of employment dismissal based on the employee's number of years provided the conditions set forth in the decree are met. The Company is presently evaluating the effects of the law and did not record provision in the 2010 financial statements, because it is considered immaterial.

In 2011, the Company provides post-employment benefits for its qualifying employees in accordance with Labor Law No. 13/2003. The number of employees entitled to the benefits is 25 peoples in 2011.

Amounts recognized in the statement of income in respect of these post-employment benefits are as follows :

	2 0 1 1 US\$	2 0 1 0 US\$
Current service cost	77,735	-
Interest cost	4,456	-
Amortisation of actuarial loss	640	-
Total expense	<u>82,831</u>	<u>-</u>

Past service cost has been charged to the 2011 statement of income because the impact to the 2010 statement of income was not material.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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17. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 US\$	2010 US\$
Depreciation (Note 9)	155,870	3,850
Post-employment benefit expenses (Note 20)	82,831	-
Tax and licenses	25,556	19,535
Deadrent	24,857	37,939
Audit and tax consultancy fee	13,329	32,189
Employee cost	2,952	-
Others	1,995	691
	<u>307,390</u>	<u>94,204</u>

18. OTHER INCOME (EXPENSES)

	2011 US\$	2010 US\$
Interest income	2,327	712
Foreign exchange gain, net	8,142	-
Loss on disposal plant and equipment	(176)	-
Bank administration charges	(4,407)	(342)
Donations	(16,249)	(2,703)
	<u>(10,363)</u>	<u>(2,333)</u>

19. RELATED PARTY TRANSACTIONS

In conducting its business, the Company entered into certain business and financial transactions with its related parties.

Related parties	Nature of related parties	Transactions/balance
PT Duta Sarana Internusa	Stockholder	Other payables, accrued expenses, mandatory convertible bonds
GMR Consulting Services Pvt Ltd	Affiliated company	Accrued expenses
Mr. Bingrosalto L. Tobing	Key management	Other receivables

a. Others payables (Note 12)

	2011 US\$	2010 US\$
PT Duta Sarana Internusa	<u>7,205,820</u>	<u>13,218,108</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
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20. **POST EMPLOYMENT BENEFITS OBLIGATION (Continued)**

The amounts included in the balance sheets arising from the Company's obligation in respect of these post-employment benefits are as follows :

	2 0 1 1 US\$	2 0 1 0 US\$
Present value obligation	144,496	-
Unrealized actuarial gain	(61,665)	-
Net obligation	<u>82,831</u>	<u>-</u>

Movements in the net liability recognized in the balance sheet are as follows :

	2 0 1 1 US\$	2 0 1 0 US\$
Beginning balance	-	-
Expenses	82,831	-
Ending balance	<u>82,831</u>	<u>-</u>

	2 0 1 1 US\$	2 0 1 0 US\$
Employee benefits expense are allocated to :		
General and administrative expenses (Notes 17)	<u>82,831</u>	<u>-</u>

The cost of providing post-employment benefits is calculated by independent actuary, PT Konsul Penata Manfaat Sejahtera.

The actuarial valuation was carried out using the following key assumptions:

	2 0 1 1	2 0 1 0
Discount rate	8% per annum	-
Salary increment rate	8 % per annum	-
Mortality rate	CSO - Male	-
Resignation rate	5% p.a. up to age 40 years old and reducing linearly to 0.25% p.a. at age 50 years old and thereafter	-
Normal pension	55 years old	-

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21. COMMITMENT AND CONTINGENT LIABILITIES

As of March 31, 2011 and 2010 , the Company had no significant commitments or contingent liabilities.

As of March 31, 2011 and 2010, the Company has not made any provision for mine closure as it has not yet entered the production stage.

22. ACCUMULATED DEFICIT

The accumulated deficit due to recurring operating losses up to March 31, 2011 and 2010 were US\$ 1,263,783 and US\$ 962,607, respectively.

The Company is dependent upon the continuing financial support of its ultimate controlling stockholder. The accompanying financial statements do not include the effect of any adjustments that may be required if the company cannot continue as a going concern. Management considers that its ongoing plans will allow it to continue as a going concern for the foreseeable future. These plans include the ability to defer payment of current liabilities to the Company's ultimate controlling stockholder, which has confirmed to management that it will not recall these current liabilities to the detriment of the Company.

Vision to the ultimate stockholder of the Company has committed to provide funding to enable the Company to started its commercial operation and generate income on its own, through shareholder loan in a form of Mandatory Convertible Bond to the stockholder of PT Duta Sarana Internusa, the Company shareholder.

The financial statements have been prepared on going concern basis, and do not include any adjustment that might results from the outcome of the uncertainties. Related effects will be reported in the financial statement as they become known and can be estimated.

23. FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Company. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to the following risks from its use of financial instruments:

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23. **FINANCIAL RISK MANAGEMENT (Continued)**

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign exchange risk

Changes in exchange rates have affected and may continue to affect the Company's results operations and cash flows. Some of the Company's obligations and capital expenditures are, and expected will continue to be, denominated in Rupiah.

Interest rate risk

Interest rate exposure is monitored to minimize any negative impact to the Company. Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

To measure market risk fluctuations in interest rates, the Company primarily uses interest margin and spread analysis.

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Fair value risk

The fair value of the financial assets and liabilities are included at the amount at which instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale. The carrying amounts of other receivables, cash and cash equivalents, other payables and accrued expenses approximate their fair values due to their short-term nature.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may align the dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Company's approach to capital management during the year.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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23. **FINANCIAL RISK MANAGEMENT**(Continued)

Capital Management (Continued)

The Company, being a limited liability company, is subject to externally-imposed capital requirement. Per the Laws of the Republic of Indonesia No. 40 of 2007 concerning Limited Liability Company, the minimum capital requirement to qualify as a limited liability company is Rp 50 million. As at March 31, 2011 and 2010, the Company has complied with the minimum requirement having a paid in capital of US\$ 898,734.

24. **NEW ACCOUNTING STANDARD**

Indonesian Institute of Accountants has issued the following revised accounting standards :

1. SFAS 1 (Revised 2009) – Presentation of Financial Statements (applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 1 (Revised 1998) – Presentation of Financial Statements.
2. SFAS 2 (Revised 2009) – Cash Flow Statements applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 2 (Revised 1994) –Cash Flows Statements
3. SFAS 48 (Revised 2009) – Impairment of Assets (applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 48 (Revised 1998) – Impairment of Assets.
4. SFAS 7 (Revised 2010) – Disclosure of Related Parties (applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 7 (Revised 1994) – Disclosure of Related Parties.
5. SFAS 10 (Revised 2010) – The Impact of Foreign Exchange Gain (Loss) (applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 10 (Revised 1994) – Transaction in Foreign Currency.
6. SFAS 23 (Revised 2010) – Income (applicable for financial statements covering periods beginning on or after 1 January 2011). This standard will replace SFAS 23 (Revised 1994) – Income.

The Company is still evaluating the possible impact of these standards on the financial statements.

25. **APPROVAL AND AUTHORIZATION TO ISSUE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the Company's Directors on April 28, 2011.