

MAGNUS ENERGY GROUP LTD.
(Incorporated in Singapore)
(Registration No. 198301375M)

AUDITOR'S QUALIFIED OPINION ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Pursuant to Rule 704(4) of the Listing Manual: Section B Rules of Catalist, the Board of Directors ("Directors") of Magnus Energy Group Ltd. (the "Company") wishes to announce that the Company's independent auditor ("Independent Auditor"), Moore Stephens LLP, has issued their report ("Report") on the financial statements for the Company and its subsidiaries for the financial year ended ("FY") 30 June 2011, highlighting *inter alia*:

Qualified opinion

The basis of qualified opinion and the qualified opinion are as follows:

6. Our audit report dated 7 October 2010 on the financial statements for the previous year ended 30 June 2010 contained a modified report on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2011:
- 6.1 As shown in Note 18 to the financial statements, the Group's investment in Coal Concession Rights of approximately S\$27.7 million (2010: approximately S\$25.6 million) was included in the consolidated statement of financial position at cost less impairment losses.

In addition, the Group has a deferred tax liability of approximately S\$8.0 million (2010: approximately S\$7.2 million) relating to this investment (Note 10).

The investment in the Coal Concession Rights is held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group (Note 14). As explained in Note 18, because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS is uncertain, the directors were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights. Accordingly, we have not been provided with the information and explanations that we considered necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in Coal Concession Rights and the related deferred tax liability as reflected in the consolidated statement of financial position of the Group of approximately S\$27.7 million (2010: approximately S\$25.6 million) and approximately S\$8.0 million (2010: approximately S\$7.2 million) respectively.

Any adjustment to these amounts may have a significant consequential effect on the financial position of the Group as at 30 June 2011 and the results of the Group for the financial year then ended.

- 6.2 The Company has an investment in, and an amount due from, APAC Coal Limited ("APAC"), a subsidiary of the Group, of approximately S\$12.3 million (2010: approximately S\$12.3 million) (Note 14) and approximately S\$0.7 million (2010: approximately S\$0.4 million) (Note 23) respectively. APAC holds a 100% interest in PT Deefu Chemical Indonesia which in turn holds a 100% interest in PT BSS. PT BSS is the holder of the Coal Concession Rights as referred to in paragraph 6.1. The ability of the Company to realise its investment in and amount due from APAC is largely dependent on the successful outcome of the legal proceedings as referred to in 6.1 above.

In view of this, we are unable to carry out auditing procedures necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the recoverability of the Company's investment in, and an amount due from, APAC of approximately S\$12.3 million (2010: approximately S\$12.3 million) and approximately S\$0.7 million (2010: approximately S\$0.4 million) respectively as at 30 June 2011. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2011.

Qualified Opinion

7. In our opinion, except for the matters described in paragraphs 6.1 and 6.2 above, the statement of financial position of the Company and the consolidated financial statements of the Group, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Reports on other legal and regulatory requirements

8. *In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.*

Copy of the aforesaid Independent Auditor's Report, together with extracts of the relevant note to the Financial Statements are annexed to this announcement.

The Directors refer to the Report and wish to state the following:

- (a) as explained in Note 18, because of the uncertainty surrounding the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS, we are unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights amounting to S\$27.7 million (2010: S\$25.6 million). Accordingly, the investment has been included in the statement of financial position at its book value.
- (b) except for the matter stated in paragraph (a) above, the statement of financial position of the Company and the consolidated financial statements of the Group as set out in pages 29 to 93 are drawn up as to give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2011 and the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (c) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Barring unforeseen circumstances and having taken into consideration the abovementioned matter, the Directors believes that as at the date of announcement, there are reasonable grounds to believe that the Group and the Company would be able to continue as a going concern and will be able to pay its debts as and when they fall due.

BY ORDER OF THE BOARD
Magnus Energy Group Ltd.

Koh Teng Kiat
Company Secretary
12 October 2011

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.

This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

*The contact person for the Sponsor is Ms Foo Quee Yin
Telephone number: 6221 0271*

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

1. We have audited the accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 29 to 93, which comprise the statement of financial position of the Company and of the Group as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Audit Opinion

6. Our audit report dated 7 October 2010 on the financial statements for the previous year ended 30 June 2010 contained a modified report on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2011:

- 6.1 As discussed in Note 18 to the financial statements, the Group's investment in Coal Concession Rights of approximately S\$27.7 million (2010: approximately S\$25.6 million) was included in the consolidated statement of financial position at cost less impairment losses.

In addition, the Group has a deferred tax liability of approximately S\$8.0 million (2010: approximately S\$7.2 million) relating to this investment (Note 10).

The investment in the Coal Concession Rights is held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group (Note 14). As explained in Note 18, because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS is uncertain, the directors were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights. Accordingly, we have not been provided with the information and explanations that we considered necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in Coal Concession Rights and the related deferred tax liability as reflected in the consolidated statement of financial position of the Group of approximately S\$27.7 million (2010: approximately S\$25.6 million) and approximately S\$8.0 million (2010: approximately S\$7.2 million) respectively.

Any adjustment to these amounts may have a significant consequential effect on the financial position of the Group as at 30 June 2011 and the results of the Group for the financial year then ended.

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

- 6.2 The Company has an investment in, and an amount due from, APAC Coal Limited ("APAC"), a subsidiary of the Group, of approximately S\$12.3 million (2010: approximately S\$12.3 million) (Note 14) and approximately S\$0.7 million (2010: approximately S\$0.4 million) (Note 23) respectively. APAC holds a 100% interest in PT Deefu Chemical Indonesia which in turn holds a 100% interest in PT BSS. PT BSS is the holder of the Coal Concession Rights as referred to in paragraph 6.1 above. The ability of the Company to realise its investment in and amount due from APAC is largely dependent on the successful outcome of the legal proceedings as referred to in 6.1 above.

In view of this, we are unable to carry out the necessary auditing procedures nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the recoverability of the Company's investment in, and an amount due from, APAC of approximately S\$12.3 million (2010: approximately S\$12.3 million) and approximately S\$0.7 million (2010: approximately S\$0.4 million) respectively as at 30 June 2011. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2011.

Qualified Opinion

7. In our opinion, except for the matters described in paragraphs 6.1 and 6.2 above, the statement of financial position of the Company and the consolidated financial statements of the Group, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Reports on other legal and regulatory requirements

8. In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore

12 October 2011

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

9 Finance Costs

	Group	
	2011	2010
	S\$	S\$
Interest expense:		
- bank overdrafts	834	53,711
- finance leases	6,446	11,062
- bank borrowings	81,330	53,772
	<u>88,610</u>	<u>118,545</u>
Bank charges	202,978	406,739
	<u>291,588</u>	<u>525,284</u>

10 Income Tax Expense

	Group	
	2011	2010
	S\$	S\$
Current tax		
- current year	569,544	770,254
- over provision in respect of prior years	(158,407)	(199,892)
	<u>411,137</u>	<u>570,362</u>
Deferred tax		
- deferred tax expense relating to the origination and reversal of temporary differences	331,754	(156,345)
	<u>742,891</u>	<u>414,017</u>

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to the Group's results before income tax for the year ended 30 June is as follows:

	Group	
	2011	2010
	S\$	S\$
Profit/(Loss) before income tax – continuing operations	3,998,651	(863,384)
Tax at the statutory tax rate of 17% (2010: 17%)	679,771	(146,775)
Tax effect of non-deductible expenses	651,771	783,206
Tax effect of non-taxable income	(617,208)	(154,681)
Over provision in respect of prior years	(62,049)	(200,006)
Deferred tax asset not recognised	12,161	170,227
Utilisation of deferred tax benefits not recognised in previous years	(90,381)	(299,419)
Foreign sourced income	112,011	176,131
Effect of different tax rates in other countries	56,815	85,334
	<u>742,891</u>	<u>414,017</u>

The Group has unutilised tax losses of approximately S\$7,826,000 as at 30 June 2011 (2010: S\$8,433,896) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries of the Group operate and agreement with the tax authorities. The potential deferred income tax assets of approximately S\$1,330,000 (2010: S\$1,433,000) arising from these unutilised tax losses have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2(r).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

10 Income Tax Expense (cont'd)

Movements in deferred tax assets and liabilities during the financial year are as follows:

	At 1 July S\$	Debited/ (Credited) to Profit or loss S\$	Credited to equity S\$	At 30 June S\$
2011				
Group				
<i>Deferred income tax assets</i>				
Provisions	(243,211)	219,123	-	(24,088)
<i>Deferred income tax liabilities</i>				
Property, plant and equipment	51,908	5,488	-	57,396
Available-for-sale financial assets	(453,252)	(14,015)	(265,088)	(732,355)
Unutilised benefits	(926,915)	(134,597)	-	(1,061,512)
Intangible assets	9,247,955	255,755	721,119	10,224,829*
	7,919,696	112,631	456,031	8,488,358
Company				
<i>Deferred income tax liabilities</i>				
Temporary differences	-	-	-	-
2010				
Group				
<i>Deferred income tax assets</i>				
Provisions	(267,735)	24,524	-	(243,211)
<i>Deferred income tax liabilities</i>				
Property, plant and equipment	1,225,718	(1,173,810)	-	51,908
Available-for-sale financial assets	(380,141)	96,976	(170,087)	(453,252)
Unutilised benefits	-	(410,320)	(516,595)	(926,915)
Intangible assets	8,573,115	1,306,285	(631,445)	9,247,955*
	9,418,692	(180,869)	(1,318,127)	7,919,696
Company				
<i>Deferred income tax liabilities</i>				
Temporary differences	32,800	(32,800)	-	-

* Includes a deferred tax liability of approximately S\$8.0 million (2010: approximately S\$7.2 million) in respect of the coal concession rights held in the name of PT BSS.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011.

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprise:

	Company	
	2011 S\$	2010 S\$
Unquoted equity shares, at cost:		
Balance at 1 July	50,298,950	50,348,950
Deregistration/Closure of subsidiaries	(78,850)	(50,000)
	50,220,100	50,298,950
Less: Impairment loss (Note 1)	(23,933,164)	(24,012,014)
Balance at 30 June	26,286,936*	26,286,936

* The amount includes an investment in APAC Coal of approximately S\$12.3 million (2010: approximately S\$12.3 million) after an impairment loss of approximately S\$23.9 million (2010: approximately S\$23.9 million).

Note 1

	2011 S\$	2010 S\$
Movement of the impairment loss:		
Balance at the beginning of the year	(24,012,014)	(24,012,014)
Utilisation of impairment on deregistration of a subsidiary	78,850	-
Balance at the end of the year	(23,933,164)	(24,012,014)

(b) The Company and the Group had the following subsidiaries as at 30 June:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2011 %	2010 %
<i>Held by the Company</i>				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
Mid-Continent Equipment Group Pte Ltd	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	54.35	54.35
MEG Management Sdn Bhd ⁵	Providing management services	Malaysia	100.00	100.00
Bridging Resources Ltd ²	Investment holding	British Virgin Islands	-	100.00
APAC Coal Limited ³	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	56.87
<i>Held by APAC Coal Limited</i>				
PT Deefu Chemical Indonesia ⁷	Trading in chemical materials	Indonesia	56.87	56.87

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

14 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2011 %	2010 %
<i>Held by PT Deefu Chemical Indonesia</i>				
PT Batubara Selaras Saptu ⁷	Coal mining and marketing of coal products	Indonesia	56.87	56.87
<i>Held by Mid-Continent Equipment Group Pte Ltd</i>				
Mid-Continent Equipment (Australia) Pty Ltd ³	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC ¹	Holding of warehouse property	USA	54.35	54.35
Mid-Continent Equipment, Inc. ⁴	Supply of Oilfield equipment	USA	54.35	54.35
Mid-Continent Environmental Project Pte Ltd	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35
<i>Held by Mid-Continent Environmental Project Pte Ltd</i>				
Plant Tech Mid-Continent Industrial Services Pte Ltd ⁶	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	27.18	27.18
<i>Held by Mid-Continent Equipment (Australia) Pty Ltd</i>				
Tubular Leasing Australia Pty Ltd ^{3,6}	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited ³	Supply of oilfield and mining equipment	New Zealand	54.35	54.35
<i>Held by Bridging Resources Ltd</i>				
Songyuan Yongda Oilfields Exploration & Technology Co., Ltd ²	Development of oilfield and mining equipment	The People's Republic of China	-	75.00

The above subsidiaries are audited by Moore Stephens LLP, Singapore except for the following:

- 1 Not required to be audited under the laws of its country of incorporation and is not considered to be significant to the Group.
- 2 This subsidiary was deregistered or disposed during the year.
- 3 Audited by Moore Stephens, Perth, Australia.
- 4 Not required to be audited under the laws of its country of incorporation but reviewed by Hidalgo, Banfill, Zlotnik & Kermali, P.C. CPA., USA for group consolidation purpose.
- 5 Audited by Moore Stephens AC, Johor Bahru, Malaysia.
- 6 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
- 7 Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

17 Goodwill

	Group	
	2011	2010
	S\$	S\$
<u>Cost</u>		
Balance at the beginning and end of year	1,569,703	1,569,703

The goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2011	2010
	S\$	S\$
Mid-Continent Equipment Group Pte Ltd (a)	1,569,703	1,569,703

- (a) The recoverable amount of a CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and direct costs during the periods. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs.

Mid-Continent Equipment Group Pte Ltd prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management has assumed an estimated revenue growth rate of 5% for the first year and a revenue growth rate of 1% per annum for the next 4 years (2010: 5% per annum for 5 years). Management has used a 1% (2010: 1%) growth rate to calculate the terminal value. The rate used to discount the forecast cash flows of the CGU was 7.9% (2010: 2.44%).

Sensitivity analysis

Management had considered the possibility of an increase or decrease in the estimated growth rate and the discount rate used. An increase/decrease in the estimated growth rate and the discount rate used by 100 basis points would not result in a recoverable amount lower than the carrying amount of goodwill.

18 Other Intangible Assets

	Group	
	Cost and Carrying Value	
	2011	2010
	S\$	S\$
<u>Petroleum Exploration License</u>		
- 40% (2010: 40%) participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia	4,338,018	4,334,540
- Currency realignment	367,018	(176,019)
	4,705,036	4,158,521

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

18 Other Intangible Assets (cont'd)

	Group	
	Cost and Carrying Value	
	2011	2010
	S\$	S\$
Coal Concession Rights		
- Coal concession rights granted by the Government of Indonesia for a period of 30 years commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	26,420,450	26,420,450
- Currency realignment	156,310	(2,096,990)
	26,576,760	24,323,460
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	1,138,296	1,180,478
- Currency realignment	(11,915)	54,497
	1,126,381	1,234,975
Total coal concession rights	27,703,141	25,558,435
Total other intangible assets	32,408,177	29,716,956

As at 30 June 2011, the Group has not commenced mining operations relating to the coal concession rights.

Movements in the account are as follows:

	Group	
	2011	2010
	S\$	S\$
Cost:		
Balance at 1 July	65,241,841	64,927,342
Additions/adjustments:		
Exploration and development expenditure	6,704	312,740
Petroleum exploration rights	3,478	1,759
	10,182	314,499
Written off:		
Exploration and evaluation expenditure	(48,886)	-
Balance at 30 June	65,203,137	65,241,841
Accumulated impairment loss:		
Balance at 1 July and 30 June	(33,689,982)	(33,689,982)
Currency alignment	895,022	(1,834,903)
Balance at 30 June	32,408,177	29,716,956

Coal Concession Rights

The coal concession rights, included in the statement of financial position of the Group, at a carrying value of S\$27.7 million (2010: S\$25.6 million) with a corresponding deferred tax liability of approximately S\$8.0 million (2010: S\$7.2 million) included in intangible assets as disclosed in Note 10 to the financial statements, are held in the name of PT Batubara Selaras Sapta ("PT BSS"). In February 2008, the Indonesian Ministry of Law and Human Rights had informed the Group that another party is also registered as the legal owners of PT BSS. In 2009, the Group had filed a case against the Ministry of Law and Human Rights to confirm the Group's legal rights as to the ownership of PT BSS. In November 2009, the Supreme Court upheld an earlier judgement of the High Court, which was not to suspend the registration of the other party as the legal owner of PT BSS.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

18 Intangible Assets (cont'd)

Coal Concession Rights (cont'd)

On the advice of the Indonesian legal counsel, the Group had in April 2010 submitted an application for a Judicial Review to the Chief Justice of the Supreme Court of Indonesia, seeking to overturn the earlier ruling of the High Court. The Indonesian legal counsel had on 6 May 2011 advised that the Judicial Review has been concluded, and that the administrative court does not have the authority to examine the title of ownership of the shares of PT BSS. Instead, only a district court has such an authority. The Group is currently in the preparation of seeking a redress at the district court. Notwithstanding the above, the Group has been advised by the Indonesian Ministry of Energy and Mines to suspend all activities at the coal mine for the foreseeable future. As the outcome of the ongoing legal proceedings relating to Group's ownership interest in PT BSS is uncertain, the directors were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights.

The impairment loss of S\$33,689,982 made in 2009 relates to the impairment of the coal concession rights in Kabupaten Pasir, East Kalimantan, Indonesia. This was derived based on the fair value estimated by an independent valuer, who issued an independent technical valuation report in August 2009, on the Joint Ore Reserves Committee ("JORC")-compliant resource estimate for the coal concession within an 8.9 km² investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222 km². The independent valuer applied the In-situ Method of valuing the mineral resources associated with the 8.9 km² investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222 km² to estimate the fair value of the coal concession rights as at 30 June 2009.

19 Available-for-Sale Financial Assets

	Group		Company	
	2011	2010	2011	2010
	S\$	S\$	S\$	S\$
Quoted equity shares, at fair value	31,706,065	12,061,821	18,618,500	7,411,250
Unquoted equity investments	-	612,302	-	-
	<u>31,706,065</u>	<u>12,674,123</u>	<u>18,618,500</u>	<u>7,411,250</u>

Available-for-sale financial assets amounting to S\$18,618,500 (2010: S\$7,411,250) have been pledged as security against borrowings disclosed in Note 28 to the financial statements.

20 Inventories

	Group	
	2011	2010
	S\$	S\$
At cost:		
Finished goods	10,802,158	14,982,536
Goods-in-transit	1,093,326	1,047,071
	<u>11,895,484</u>	<u>16,029,607</u>
At net realisable value:		
Finished goods	751,698	754,003
Work-in-progress	190,614	132,823
	<u>942,312</u>	<u>886,826</u>
	<u>12,837,796</u>	<u>16,916,433</u>
Cost of inventories sold included in cost of sales amounted to:	<u>44,035,739</u>	<u>62,219,353</u>

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2011

23 Related Parties Balances

The amounts due from/(to) related parties consist of:

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Due from:				
- Subsidiaries (non-trade)	-	-	463,564	741,856
- Associated companies (trade)	-	77,607	-	-
- Joint venture entities				
- trade	634,253	50,574	-	-
- non-trade	-	209,805	-	-
- loan	-	357,713	-	-
	634,253	618,092	-	-
	634,253	695,699	463,564	741,856
Due to:				
- Subsidiaries (non-trade)	-	-	(2,860,537)*	(3,310,033)
- Associated companies (trade)	(36)	-	-	-
- Joint venture entities (trade)	(592,147)	(1,128,558)	-	-
- Other related parties * (trade)	(591,499)	(1,600,418)	-	-
	(1,183,682)	(2,728,976)	(2,860,537)	(3,310,033)

* Refer to Note 36 for the definition of other related parties.

Includes an amount due from APAC Coal Ltd of approximately S\$0.7 million (2010: approximately S\$0.4 million).

Trade amounts are due within normal trade credit terms. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

The loan due to joint venture entities were unsecured, interest free and fully repaid during the year.

24 Cash and Cash Equivalents

	Group		Company	
	2011 S\$	2010 S\$	2011 S\$	2010 S\$
Cash and bank balances	8,089,441	7,779,076	11,734	11,861
Fixed deposits	7,337,609	7,403,676	-	-
	15,427,050	15,182,752	11,734	11,861

Fixed deposits bear interest ranging from 0.07% to 9.35% (2010: 0.00% to 6.5%) per annum.

A subsidiary's fixed deposits of S\$5,227,295 (2010: S\$6,527,505) are pledged as security to certain banks for credit facilities granted to various subsidiaries. These credit facilities of a subsidiary and a joint venture amounted to US\$6,905,200 (2010: US\$9,875,098). The unutilised portion of the credit facilities as at year end amounted to US\$3,601,563 (2010: US\$2,226,897).

As at 30 June 2011, the remaining fixed deposits of the Group of S\$2,110,314 (2010: S\$876,171) are free from encumbrances.

Fixed deposits at the statement of financial position date have an average maturity of up to 12 months (2010: 12 months) from the end of the financial year.