HANDINI RESOURCES LIMITED

ACN 115 095 264

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

HANDINI RESOURCES LIMITED

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CORPORATE DIRECTORY

CHAIRMAN	Dato' Ramiah Anpalagan
MANAGING DIRECTOR	Ray Handini
NON-EXECUTIVE DIRECTOR	Ratna Handini
COMPANY SECRETARY	Faris Azmi Abdul Rahman
REGISTERED OFFICE	125 Royal Street East Perth WA 6004 Australia
PRINCIPAL OFFICE	125 Royal Street East Perth WA 6004 Australia
AUDITORS	Stantons International Level 1, 1 Havelock Street West Perth WA 6005 Australia
SHARE REGISTRAR	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA6153 Australia
STOCK EXCHANGE LISTING	Australian Stock Exchange (Home Exchange: Perth, Western Australia) Code: HDI
BANKERS	National Australia Bank, Perth

CORPORATE GOVERNANCE STATEMENT

Since listing on the Australian Securities Exchange ("ASX"), Handini Resources Limited has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company's and the Board, resources available and activities of the Company.

Further information about the Company's corporate governance practices is set out on the Company's website at www.handiniresources.com. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Company's 2009/2010 financial year (**"Reporting Period"**), except as mentioned specifically, the Company has complied with each of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council (**"ASX Principles and Recommendations"**).

Given the present limited resources, size and composition of the Board as a result of the ongoing business re-modelling, the functions of the Company's previously established nomination, audit and remuneration committees have been temporarily suspended until re-structuring of the Company's operations have been completed. Accordingly, there were no meetings for these committees during the year ended 30 June 2010.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

The directors present their report together with the financial report of Handini Resources Limited (the "Company") for the year ended 30 June 2010 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the year are:

Dato' Ramiah Anpalagan
Non-Executive Director – appointed on 21 November 2007; designated Chairman from 3 February 2010

Dato' Ramiah is the Chairman of the Audit Committee. He is a lawyer by profession. He obtained his first degree in Applied Science from Curtin University of Technology, Western Australia in 1985, proceeded to do a business course in the same university and obtained a Graduate Diploma in Business Administration in 1989. He then obtained a Bachelor of Law (Honours) degree from University of East London in the United Kingdom in 1992 and another bachelor's degree in law from Bond University in Queensland. Studying part-time while practising law he completed the Masters in Business Administration degree from the University of Southern Queensland. Dato' Ramiah is also the current Chairman of the board of directors of Coal Fe Resources Ltd (Company No. ABN 41 121 969 819) to which he was appointed as director on 28 September 2006. He has not held any directorships in other publicly listed companies within the last three years.

Mr Ray Handini
Managing Director – appointed on 3 February 2010

Mr Handini was formerly the Chief Executive Officer of the Company. He is a British and Australian trained chartered accountant and admitted as a Barrister and Solicitor in the Supreme Court of Western Australia. He post graduated with a LLM degree from Deakin University and an MBA degree from Hull University (UK). He has varied working experience drawn from investment banking, property development, quarrying, oil palm and tea plantation, timber extraction, manufacturing and coal mining with a career spanning more than 35 years. He is responsible for developing the Company's investment in the coal mining industry in Indonesia and the subsequent listing of the Company on the ASX. He has not held any directorships in other publicly listed companies within the last three years.

Mrs Ratna Handini
Non-Executive Director – appointed on 3 February 2010

Mrs Handini is the founder and a major shareholder of the Company having developed the Muara Bungo and Tabalong coal mines in Sumatra and Kalimantan respectively, Indonesia since 2004. She is an entrepreneur and holds degrees in Law and Arts from universities in Indonesia and the United States of America. She is also a member of the Board of Commissioners of PT Nusantara Termal Coal, the concessionaire of the Muara Bungo coal mine. She has not held any directorships in other publicly listed companies within the last three years.

Mr Antony Goldfinch
Non-Executive Director – Chairman – appointed on 21 November 2007; resigned on 1 December 2009

Mr Goldfinch graduated with a LL.B degree from University of Auckland and a LL.M degree from University of Western Australia. He is a lawyer by profession and has had many years experience in litigation matters and experience in most areas of commercial and business disputes. He has practiced in mining law in Western Australia (both litigious and non-litigious). He now practices primarily in the commercial area. He has not held any directorships in other publicly listed companies within the last three years.

Mr Mohammad As'ad
Non-Executive Director – appointed on 5 February 2008; resigned on 3 February 2010

Mr As'ad is an engineer by profession. He obtained his degree in Chemical Engineer from Bandung Institute of Technology, Indonesia in 1983. He has over 15 years in product development and over 20 years in chemical industry. He was also involved in planning and evaluated oil wells production around Indonesia. Presently he is also a director of Drilchem Pty Ltd which provides technical support to oil companies and markets drilling equipment fluid additives. He has not held any directorships in other publicly listed companies within the last three years.

Mr Vikas Agarwal
Non-Executive Director – appointed on 7 November 2008; retired on 29 January 2010

Mr Agarwal is in charge of the VISA Group's international operations and leads the global coal and coke business of the group. He has been instrumental in securing coking joint ventures in Australia and in the finalization of the thermal coal off-take agreement with the Company in Indonesia. He has not held any directorships in other publicly listed companies within the last three years.

COMPANY SECRETARY

Mr Faris Azmi Abdul Rahman – *appointed on 3 April 2009*

Mr Faris has a Bachelor of Commerce from Bond University in Queensland and is Fellow of CPA Australia. He has several years of work experience, having worked in auditing with Arthur Andersen in Malaysia, in the Securities Issues Department of the Malaysian Securities Commission and in the Corporate Finance Department of a Malaysian securities company. He has also spent some time in Indonesia developing mining interests.

DIRECTORS' MEETINGS

The number of directors' meetings and the number of meetings attended by each director of the Company during the year are:

	Board Meetings	
Director	**Held while director**	**Attended**
Dato Ramiah Anpalagan	4	4
Mr Ray Handini (appointed on 03.02.10)	2	2
Mrs Ratna Handini (appointed on 03.02.10)	2	2
Mr Antony Goldfinch (resigned on 01.12.09)	1	1
Mr Mohammad As'ad (resigned on 03.02.10)	2	2
Mr Vikas Argawal (retired on 29.01.10)	1	-

PRINCIPAL ACTIVITY

The principal activity of the Company is investment in coal assets and financing of coal exploration and mining projects.

OPERATING RESULTS

The loss after tax attributable to equity holders of the Company for the year ended 30 June 2010 amounted to $1,997,759 (2009: $8,946,101).

REVIEW OF OPERATIONS

The Company successfully convened its annual general meeting on 29 January 2010.

On the mining operations side, there have not been further exploration activities since the last review in December 2009. On 8 June 2009 Ravensgate had prepared an independent assessment of the exploration potential of the PT Global Multi Energi (PTGME) tenement. The exploration tenement is situated near the town of Tanjung in South Kalimantan. The purpose of the geological investigation was to assess any issues relevant to the possible JORC compliancy of the historically reported, but as yet unclassified, grade and tonnage figures produced by the Indonesian consultants, and also to assess the overall exploration potential of the property.

The PTGME tenement covers some 2,047 hectares and is located to the north of Tanjung in South Kalimantan on Borneo Island. The tenement lies 64 kilometres due north of Tanjung. By road the tenement area is approximately 90 kilometres from Tanjung. It takes approximately three hours to drive from Tanjung to the tenement area.

Acquisition of PT Nusantara Termal Coal ("NTC")

As disclosed in the financial report for the half-year ended 31 December 2009, PT Bungo Raya Nusantara ("BRN") is the legal owner of 18,750 shares issued by NTC ("NTC Shares") representing 60% of its equity. BRN has pledged the NTC Shares to Coal Fe Resources Limited ("CFRL") pursuant to a Pledged of Shares Agreement dated 14 September 2007 as security for a loan made to CTI which is BRN's holding company. Based on a Settlement and Release Agreement dated 15 May 2008 between CFRL, BRN and CTI, BRN has agreed to sell the NTC shares to fulfill its corporate guarantee obligation. BRN has granted full power of attorney to CFRL to sell and transfer the NTC Shares to other parties to settle its obligation and obtain a release from CFRL.

On 16 May 2008 the Company entered into a Conditional Share Sale Agreement ("CSSA") with Coal Fe Resources Limited ("CFRL") as attorney for BRN to purchase 18,750 shares in NTC by issuing 10,000,000 shares in the Company to Coal Fe.

Under the CSSA, the Company would acquire all rights, title and interest in or attached to the NTC Shares and would be entitled to all benefits, gains or proceeds arising from the NTC Shares and would execute all rights of ownership and would perform all obligations with respect thereto, subject to certain conditions precedent which as at the date of this report are still pending.

As the conditions precedent have not yet been fulfilled, particularly the approval of the Indonesian Minister for Energy and Geothermal due to an injunction being granted to a claimant of the NTC Shares who claimed that such shares belonged to him, and the Company does not have operational or functional controls, NTC has not been consolidated as a subsidiary for the year ended 30 June 2010.

DIVIDENDS

No dividend has been declared or paid by the Company to the date of this report.

ENVIRONMENTAL REGULATION

The Company's activities in the exploration and mining of coal through its investee companies overseas are subject to environmental regulations under Indonesian legislation. However, the Company's investment activities are not subject to any significant environmental regulations under either Commonwealth or State Legislation. However, the directors believe that the Company has adequate systems and procedures in place for the awareness and management of its environmental requirements, and are not aware of any breach of those requirements as they apply to the Company.

SIGNIFICANT EVENT AFTER BALANCE DATE

On 24 December 2010 the Company announced that it has concluded an arrangement with PT Nusantara Termal Coal ("NTC") whereby the Company's prepaid coal purchase of AUD 24 million will be settled by the Company receiving a cash payment of AUD12.9 million. The first payment of AUD6.2 million has been received on 23 December 2010 whilst the final AUD6.7 million will be received on or before 31 January 2011. Further, the Company shall be allotted equity in a new company on or before 31 January 2011 to be formed for the purpose of holding 22.22% indirect interest in NTC in exchange for the direct investment holding of 24.8% in NTC valued at AUD 12.1 million to facilitate a raising of working capital for NTC from financial institutions.

The Company intends to use the cash proceeds to reduce its liabilities by partial redemption of its convertible bond and for working capital.

An application will be made to the Exchange to uplift the suspension of the Company in the new year.

DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over shares issued by the Company at the date of this report is as follows:

Director	Ordinary shares: As at 30.06.10/ date of resignation	Ordinary shares: As at 30.06.09/ date of resignation	Options over shares: As at 30.06.10/ date of resignation	Options over shares: As at 30.06.09/ date of resignation
Dato Ramiah	2,000,000	2,000,000	1,500,000	1,500,000
Mr Ray Handini - *appointed on 03.02.10*	*11,317,987	*10,000,000	3,500,000	3,500,000
Mrs Ratna Handini - *appointed on 03.02.10*	138,123,000	111,500,000	-	-
Mr Antony Goldfinch - *resigned on 01.12.09*	2,000,000	2,000,000	1,500,000	1,500,000
Mr Garry Hodges - *resigned on 25.02.09*	-	2,000,000	1,500,000	1,500,000
Mr Mohammad As'ad – *resigned on 03.02.10*	2,000,000	2,000,000	1,500,000	1,500,000
	155,440,987	129,500,000	9,500,000	9,500,000

* Indirectly held via Profleet Securities Pty Ltd and Accent Capital Pty Ltd

DIRECTORS' REMUNERATION (AUDITED)

The Remuneration Committee is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Company. Broadly, the Company's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest quality.

Details of Remuneration for the Year Ended 30 June 2010

30 June 2010	Short-term		Post Employment	Long Service Leave	Share-based Payments		Total	% Performance related
	Salary & Fees	Other Benefits	Super-annuation Benefits		Ordinary shares	Options Over Ordinary shares		
	$	$	$	$	$		$	%
Directors:								
Dato' Ramiah Anpalagan	62,250	-	-	-	-	40,523	102,773	-
Mr Ray Handini - appointed on 03.02.10	-	-	-	-	-	-	-	-
Ratna Handini	31,042	-	-	-	-	-	31,042	
Antony Goldfinch - resigned on 01.12.09	20,833	-	-	-	-	40,523	61,356	
Mohammad As'ad - resigned on 03.02.10 **(i)**	(34,500)	-	-	-	-	40,524	6,024	-
Vikas Agarwal - retired on 29.01.10(i)	(48,098)	-	-	-	-	-	(48,098)	
Garry Hodges - resigned on 25.02.09						40,524	40,524	-
Executives:								
Julian Cheng (Head,Export Sales)*	-	-	-	-	-	-	-	-
Company Secretary:								
Faris Azmi Abdul Rahman*	-	-	-	-	-	-	-	-
TOTAL	31,527	-	-	-	-	162,094	193,621	-

(i) Due to the reversal of closing accrual for Directors fees from 30 June 2009 as no contract of employment was in place and no fees paid during the current financial period.

Details of Remuneration for the Year Ended 30 June 2009

30 June 2009	Short-term		Post Employment	Long Service Leave	Share-based Payments		Total	% Performance related
	Salary & Fees	Other Benefits	Super-annuation Benefits		Ordinary shares	Options Over Ordinary shares		
	$	$	$	$	$		$	%
Directors:								
Antony Goldfinch	74,500	-	-	-	40,000	75,250	189,750	-
Mohammad As'ad	74,500	-	-	-	40,000	75,250	189,750	-
Dato' Ramiah Anpalagan	74,500	-	-	-	40,000	75,250	189,750	-
Vikas Agarwal	48,098	-	-	-	-	-	48,098	-
Garry Hodges	95,557	-	-	-	40,000	75,250	210,807	-
Executive s:								
Ray Handini(CEO)*	-	-	-	-	-	-	-	-
Julian Cheng (Head,Export Sales)*								
Company Secretary:								
Faris Azmi Abdul Rahman*	-	-	-	-	-	-	-	-
David Ballantyne	-	-	-	-	-	-	-	-
Robert Collins	-	-	-	-	-	-	-	-
TOTAL	367,155	-	-	-	160,000	301,000	828,155	-

*Mr Ray Handini and Mr Faris Azmi, together with Mr Julian Cheng (Head, Export Sales), are executives seconded to the Company by Profleet Securities Pty Ltd which charged a management fee of $300,000 for the financial year to manage the-day-to-day operations of the Company and its activities in Indonesia. The fair value of share options in 2010 relates to share options granted in 2009 but did not vest until after 30 June 2009.

OPTIONS

There were no options granted, exercised or lapsed in 2010.

Options granted as part of remuneration in 2009 are as follows:

Options Granted as Part of Remuneration for 2009

	Value of Options Granted During the Year	Value of Options Exercised During the Year	Value of Options Lapsed During the Year	Remuneration Consisting of Options for the Year
	$	$	$	%
Directors:				
Antony Goldfinch	138,938*	-	-	39.66
Mohammad As'ad	138,938*	-	-	39.66
Dato' Ramiah Anpalagan	138,938*	-	-	39.66
Vikas Agarwal	-	-	-	-
Garry Hodges	138,938*	-	-	35.70
Chief Executive Officer:				
Ray Handini	-	-	-	-
Company Secretary:				
Faris Azmi Abdul Rahman*	-	-		
David Ballantyne	-	-		
Robert Collins		-		
Total	555,752	-	-	38.73

No compensation options were granted for the year ended 30 June 2010. The particulars of outstanding options are as follows:

Compensation Options for the Year Ended 30 June 2010

	Grant Date	Number Granted	Number Vested	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Date Vested & Exercisable
Antony Goldfinch	31.07.2008	-	375,000	9.26 cents	50 cents	31.07.2012	31.07.2009
Mohammad As'ad	31.07.2008	-	375,000	9.26 cents	50 cents	31.07.2012	31.07.2009
Dato' Ramiah Anpalagan	31.07.2008	-	375,000	9.26 cents	50 cents	31.07.2012	31.07.2009
Vikas Agarwal	-	-	-	-	-	-	-
Garry Hodges	31.07.2008	1,500,000	375,000	9.26 cents	50 cents	31.07.2012	*
Ray Handini	-	-	-	-	-	-	-

Compensation options granted for the year ended 30 June 2009 are as follows:

Compensation Options for the Year Ended 30 June 2009

	Grant Date	Number Granted	Number Vested	Fair Value per Option at Grant Date	Exercise Price per Option	Expiry Date	Date Vested & Exercisable
Antony Goldfinch	31.07.2008	1,500,000	-	9.26 cents	50 cents	31.07.2012	*
Mohammad As'ad	31.07.2008	1,500,000	-	9.26 cents	50 cents	31.07.2012	*
Dato' Ramiah Anpalagan	31.07.2008	1,500,000	-	9.26 cents	50 cents	31.07.2012	*
Vikas Agarwal	-	-	-	-	-	-	-
Garry Hodges	31.07.2008	1,500,000	-	9.26 cents	50 cents	31.07.2012	*
Ray Handini	-	-	-	-	-	-	-

*375,000 options vested and exercisable on 31.07.09, 375,000 options vested and exercisable on 31.07.2010, 750,000 options vested and exercisable on 31.07.2011

The relevant interest of each director in the options issued by the Company at the date of this report is as follows:

Director	Options
Mr Mohammad As'ad	1,500,000
Mr Antony Goldfinch	1,500,000
Mr Garry Hodges	1,500,000
Dato Ramiah Anpalagan	1,500,000
Mr Ray Handini	3,500,000
Mrs Ratna Handini	-
	9,500,000

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

During or since the end of the year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

SHARES UNDER OPTION

Unissued ordinary shares of Handini Resources Limited under option at the date of this report are as follows:

Date options Granted	Expiry Date	Exercise Price	Number under Option
31 January 2007	31 January 2011	50 cents	6,000,000
31 July 2008	31 July 2012	50 cents	6,000,000

AUDIT SERVICES

During the year, Stantons International Pty Ltd, the Company's auditors have not performed other services in addition to their statutory duties.

Details of the amounts paid to the auditors of the Company for audit services and to other firms for non-audit services provided during the year are set out below.

	2010 $	2009 $
Audit and review of financial reports	49,078	20,000
Other non-audit services	-	8,629
	49,078	28,629

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 44 of the financial report.

Dated at Kuala Lumpur this 27th day of January 2011

Signed in accordance with a resolution of the directors:

Ray Handini
Director

HANDINI RESOURCES LIMITED

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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue	2 (a)	83,401	83,003
Audit fees	2 (c)	(49,078)	(25,349)
Accounting fees		(10,000)	(30,081)
Management fees		(300,000)	(300,000)
Other expenses	2 (b)	(1,722,082)	(8,673,674)
Loss before income tax		(1,997,759)	(8,946,101)
Income tax	3	-	-
Loss for the year after income tax		**(1,997,759)**	**(8,946,101)**
Other comprehensive income		-	-
Income tax on other comprehensive income		-	-
Total comprehensive income		-	-
Total comprehensive loss for the year		**(1,997,759)**	**(8,946,101)**
Attributable to:			
Owners of the parent		(1,997,759)	(8,946,101)
Non-controlling interests		-	-
		(1,997,759)	(8,946,101)
Basic loss per ordinary share (cents) at 30 June	13(b)	1.00	5.93

Diluted loss per share is not disclosed as it would not reflect an inferior position.

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	4	2,145	202,339
Trade and other receivables	5	55,539	37,813
Total current assets		57,684	240,152
NON-CURRENT ASSETS			
Property plant & equipment	6	107,948	140,331
Prepaid coal purchases & coal acquisition costs	7	24,000,000	24,000,000
Investment in unquoted entity	8	2,050,000	2,105,151
Other assets	9	1,416,779	1,261,720
Total non-current assets		27,574,727	27,507,202
TOTAL ASSETS		27,632,411	27,747,354
CURRENT LIABILITIES			
Trade and other payables	10	2,180,997	342,215
Convertible bond	12	13,830,848	26,026,655
		16,011,845	26,368,870
NON-CURRENT LIABILITIES			
Other payables	11	135,364	1,340,661
Total non-current liabilities		135,364	1,340,661
TOTAL LIABILITIES		16,147,209	27,709,531
NET ASSETS		**11,485,202**	**37,823**
EQUITY			
Issued capital	13	20,468,821	7,185,777
Option reserve	14	463,094	301,000
Equity component of convertible bond	12	1,529,049	1,529,049
Accumulated losses		(10,975,762)	(8,978,003)
TOTAL EQUITY		**11,485,202**	**37,823**

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital $	Option Reserve $	Equity Component $	Accumulated Losses $	Non-controlling Interest $	Total $
Balance at 1 July 2009	7,185,777	301,000	1,529,049	(8,978,003)	-	37,823
Loss for the year	-	-	-	(1,997,759)		(1,997,759)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year				(1,997,759)		(1,997,759)
Transactions with owner recorded directly into equity						
Issue of shares	13,311,500	-	-	-	-	13,311,500
Transaction costs	(28,456)	-	-	-	-	(28,456)
Addition during the year	-	162,094	-	-	-	162,094
Converted into shares	-	-	-	-	-	-
Balance at 30 June 2010	**20,468,821**	**463,094**	**1,529,049**	**(10,975,762)**	**-**	**11,485,202**

	Issued Capital $	Option Reserve $	Equity Component $	Accumulated Losses $	Non-controlling Interest $	Total $
Balance at 1 July 2008	530,973	-	-	(31,902)	-	499,071
Loss for the year	-	-	-	(8,946,101)	-	(8,946,101)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year				(8,946,101)		(8,946,101)
Transactions with owner recorded directly into equity						
Issue of shares	7,370,000	-	-	-	-	7,370,000
Transaction costs	(715,196)	-	-	-	-	(715,196)
Addition during the year	-	301,000	1,529,049	-	-	1,830,049
Balance at 30 June 2009	7,185,777	301,000	1,529,049	(8,978,003)	-	37,823

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

HANDINI RESOURCES LIMITED

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash payments in the course of operations		(260,996)	(765,526)
Interest received		32,025	27,853
Net cash used in operating activities	17	(228,971)	(737,673)
Cash flows from/(to) investing activities			
Unsecured advances made by company		(67,956)	(2,281,720)
Purchase of plant & equipment		-	(5,000)
Net cash used in investing activities		(67,956)	(2,286,720)
Cash flows from/(to) financing activities			
Cost of issue of share capital		(28,456)	-
Unsecured advances drawn/Repayment of advances		-	(215,049)
Earnest refundable deposits made		-	(292,238)
Advance from Related party		140,000	5,000
Advance from other		-	19,159
Issue of share capital		-	3,400,000
Repayment of hire purchase creditor		(14,811)	(9,968)
Net cash provided by financing activities		96,733	2,906,904
Net increase in cash and cash equivalents held		(200,194)	(117,489)
Cash and cash equivalents at beginning of financial year		202,339	319,828
Cash and cash equivalents at end of financial year	4	**2,145**	**202,339**

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Handini Resources Limited (the "Company") is a company domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of Handini Resources Limited was recognised for issue in accordance with a resolution of directors on 27th January 2011.

(a) Statement of compliance

The financial report is a general purpose financial report which complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(b) Basis of preparation

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

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

Going Concern

The entity has incurred a loss after tax for the year of $1,997,759 (2009: $8,946,101) and has working capital deficiency as at 30 June 2010 of $15,954,161 (2009: $26,128,718 deficiency). The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors believe that sufficient funds can be raised to meet the entity's working capital requirements. However, the directors recognise that the ability of the entity to continue as a going concern and to pay their debts as and when they fall due is dependent on the ability of the entity to secure additional funding.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the entity will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises. Notwithstanding this, there is significant uncertainty whether the entity will be able to continue as a going concern.

Should the entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the entity be unable to continue as a going concern.

(c) Revenue recognition

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and service tax (GST).

(d) Trade and other receivables

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 60 days are carried at amounts due.

Prepaid expenses

Prepaid expenses are capitalised to the statement of financial position and expensed in the period to which they relate.

(e) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.
Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Recoverable amount of assets

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Income tax

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of taxable temporary differences associated with investments in associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be recognised:

Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

In respect of deductible temporary differences associated with investments in, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be recognised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be recognised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is recognised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Handini Resources Limited has unused tax losses. However, no deferred tax balances have been recognized, as it is considered that asset recognition criteria have not been met at this time.

(i) Earnings per share

(i) *Basic Earnings per share*

Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of Handini Resources Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings per Share*

Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(j) Share based payments

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black Scholes option valuation methodology. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. The fair value determined at the grant date is expensed on a straight line basis over the vesting period, based on the entity's estimate of equity instruments that will eventually vest.

(k) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property of the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(m) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(n) New accounting standards and interpretations for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

(n) New accounting standards and interpretations for application in future periods (cont'd)

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009-8; Amendments to Australian Accounting Standards - Company Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).
  These amendments clarify the accounting for Company cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

(n) New accounting standards and interpretations for application in future periods (cont'd)

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Company.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

(o) Exploration, evaluation and acquisition expenditure

Exploration and evaluation costs are expensed as incurred. Acquisition costs are accumulated in respect of each separate area of interest. Acquisition costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated acquisition costs written off to the extent that they will not be recoverable in the future. Amortisation is not charged on acquisition costs carried forward in respect of areas of interest in the development phase until production commences.

		2010 $	2009 $
2. REVENUES AND EXPENSES			
(a) Income			
Interest income		83,401	83,003
(b) Included in other expenses are as follows:			
Bank charges		1,439	2,596
Depreciation	(Note 6)	32,383	21,589
Write off property, plant and equipment		-	7,295
Interest expense - Hire purchase		19,804	8,660
- Convertible Bond	(Note 12)	1,115,691	932,821
- Others		73,411	72,068
Impairment of prepaid cost purchases and coal acquisition costs		-	6,560,000
Share based director remuneration		162,094	461,000
c) Auditor's Remuneration			
Audit and review of financial reports - current year		31,500	20,000
- under provision in prior year		17,578	
Other non-audit services – other firms		-	5,349

3. INCOME TAX

(a) Income tax benefit

(b) Numerical reconciliation between tax benefit and pre-tax net loss

	2010 $	2009 $
Loss before income tax credit	(1,997,759)	(8,946,101)
Prima facie tax benefit on loss before tax	(599,328)	(2,683,830)
Tax effect of:		
Expenses which are not tax deductible	54,913	2,170,489
Unused tax losses	589,034	556,253
Share issue expenses recognised in equity	(44,619)	(42,912)
Tax as provided in accounts	-	-

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised

	2010 $	2009 $
Potential at 30%	724,598	727,900

(d) Unrecognised temporary differences

There are no temporary differences for which deferred tax assets have not been recognised.

(e) Tax Rates

The potential tax benefit at 30 June 2010 in respect of tax losses not brought to account has been calculated at 30%.

	2010 $	2009 $
4. CASH AND CASH EQUIVALENTS		
Cash at bank	2,145	202,339

The entity's exposure to interest rate risk and a sensitivity analysis for the financial assets and liabilities are disclosed in note 18.

5. TRADE AND OTHER RECEIVABLES		
Others	55,539	37,813

As of 30 June 2010 trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

6. PROPERTY PLANT & EQUIPMENT

	Office Equipment $	Website Development cost $	Leased Motor Vehicle $	Total $
At cost at 1 July 2008	4,034	3,347	-	7,381
Addition	-	-	161,920	161,920
Disposal	(4,034)	(3,347)	-	(7,381)
At cost at 30 June 2009	-	-	161,920	161,920
Addition	-	-	-	-
At cost at 30 June 2010	-	-	161,920	161,920

	Office Equipment $	Website Development cost $	Leased Motor Vehicle $	Total $
Accumulated Depreciation at 1 July 2008	86	-	-	86
Addition	-	-	21,589	21,589
Disposal	(86)	-	-	(86)
Accumulated Depreciation at 30 June 2009	-	-	21,589	21,589
Addition	-	-	32,383	32,383
Accumulated Depreciation at 30 June 2010	-	-	53,972	53,972

Net book value	2010 $	2009 $
As at 30 June	107,948	140,331

7. PREPAID COAL PURCHASES & COAL ACQUISITION COSTS

The payment for the purchase consists of:

	2010 $	2009 $
138,000,000 shares in the Company at 2 cents each	2,760,000	2,760,000
Convertible bond (Note 12)	27,800,000	27,800,000
	30,560,000	30,560,000
Less: Provision for impairment	(6,560,000)	(6,560,000)
	24,000,000	24,000,000

Under the Joint-Venture Mining Agreement dated 16 May 2008 the Company had purchased in advance 14,400,000 metric tonnes of coal from NTC for a total consideration as set out above.

As mentioned in Note 21, the Company, subsequent to the year end, concluded an arrangement with NTC whereby the Company's prepaid coal purchase of AUD 24 million would be settled by the Company receiving a cash payment of AUD12.9 million. The first payment of AUD6.2 million has been received on 23 December 2010 whilst the final AUD6.7 million will be received on or before 31 January 2011. Further, the Company shall be allotted equity in a new company on or before 31 January 2011 to be formed for the purpose of holding 22.22% indirect interest in NTC in exchange for the direct investment holding of 24.8% in NTC valued at AUD 12.1 million to facilitate the raising of working capital for NTC from financial institutions.

8. INVESTMENT IN UNQUOTED ENTITY

	2010 $	2009 $
18,750 ordinary shares in PT Nusantara Termal Coal(a)	1,050,000	1,050,000
Advances to PT Nusantara Termal Coal(b)	1,000,000	1,055,151
	2,050,000	2,105,151

a) The investment in PT Nusantara Termal Coal ("NTC") comprises 18,750 ordinary shares or 60% equity interest in NTC. The Company acquired the shares via a Conditional Share Sale Agreement ("CSSA") entered with Coal Fe Resources Limited on 18 May 2008 by issuing 10,000,000 ordinary shares in the Company subject to certain conditions precedent. As the conditions precedent have not yet been fulfilled, particularly the approval of the Indonesian Minister for Energy and Geothermal, due to an injunction being granted to a claimant of the NTC Shares who claimed that such shares belonged to him, and the Company does not have operational or functional controls, NTC has not been consolidated as a subsidiary for the financial year ended 30 June 2010. (Refer to Note 21 for sale of investment in NTC post year end).

b) The advances to PT Nusantara Termal Coal were fully repaid to the Company on the 8 December 2010.

	2010 $	2009 $
9. OTHER ASSETS		
Interest in joint venture (i)	1,416,779	1,261,720
	1,416,779	1,261,720

(i) The interest in joint-venture relates to the investment made to date in the Tabalong Coal Project with PT Global Multi Energi (GME). Under the joint-venture the Company agreed to invest US$1,000,000 in GME.In consideration of the said investment the Company has the right to purchase 70% of the coal deposits within the concession area given to GME.

	2010 $	2009 $
10. TRADE AND OTHER PAYABLES		
Interest-bearing advances (a)	1,411,916	-
Other creditors and accrual	752,563	324,723
Hire-purchase creditor – current portion (b)		
Gross	32,336	32,336
Interest payable	(15,818)	(14,844)
	2,180,997	342,215

a) The interest bearing advances from shareholders, namely, Profleet Securities Pty Ltd and Accent Capital Pty Ltd are unsecured and carry interest at 6% per annum. These will be settled subsequent to the financial year-end date.

b) The hire purchaser creditor is secured against the leased motor vehicle of the Company.

11. NON-CURRENT OTHER PAYABLES

		2010	2009
Interest-bearing advances		-	1,198,504
Hire purchase creditor – non-current portion	Note 10(b)		
Gross		165,306	192,878
Interest payable		(29,942)	(50,721)
		135,364	1,340,661

12. CONVERTIBLE BOND

		2010 $	2009 $
Face value		27,555,704	27,800,000
Set-off against earnest refundable deposits for advance coal purchases (Note 7)		-	(1,177,117)
		27,555,704	26,622,883
Convertible bond-interest(unwinding discount)	Note 2(a)	1,115,693	932,821
		28,671,397	27,555,704
Less: Converted into shares		(13,311,500)	-
		15,359,897	27,555,704
Equity component		(1,529,049)	(1,529,049)
Debt component		13,830,848	26,026,655

The Company entered into an agreement on 21 November 2007 with PT Nusantara Indocoal ("NTC"), a company incorporated in Indonesia, for the purchase of 14,400,000 tonnes of coal from NTC. The agreement provides for advance payment for the coal purchase by the issue, among others, of a convertible bond for $27,800,000 (USD20,000,000) less earnest deposits of $1,177,117 paid.

The features of the convertible bond (still to be redeemed) are as follows:

- Redeemable within 24 months from the date of the agreement (USD10,000,000 is redeemable within 6 months of issue or is payable in cash at the option of the Company);
- Convertible at 50 cents each into shares in the Company at any time at the option of the holder or the Company with conversion being mandatory after 24 months (if not redeemed or converted before that time);
- To 30 June 2010,$13,311,500 was converted into 26,623,000 shares(Note 13(a))

	2010 $	2009 $
13. ISSUED CAPITAL		
217,423,001 (2009:190,800,001) fully paid ordinary shares	20,468,821	7,185,777

(a) ORDINARY SHARES	2010 Number of Shares	2009 Number of Shares	2010 $	2009 $
Movements during the year				
Balance at beginning of year	190,800,001	28,000,001	7,185,777	530,973
Public issue at 50 cents per share	-	6,800,000	-	3,400,000
Issue to vendor of subsidiary-China Time	-	-	-	
International Limited at 2 cents per share	-	138,000,000	-	2,760,000
Issue to Coal Fe Resources Ltd	-	10,000,000	-	1,050,000
Issue to Directors at 2 cents per share	-	8,000,000	-	160,000
Transaction costs	-	-	(28,456)	(715,196)
Convertible bond converted into shares	26,623,000	-	13,311,500	-
Balance at end of year	217,423,001	190,800,001	20,468,821	7,185,777

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends that are declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after creditors.

(b) LOSS PER SHARE

The calculation of basic loss per share at 30 June 2010 is based on the loss attributable to ordinary shareholders of $1,997,759 (2009: $8,946,101) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 199,674,334 (2009: 150,866,668).

Diluted earnings per share have not been disclosed because it results in more favourable earnings per share figure than basic earnings per share

		2010 $	2009 $
14. OPTION RESERVE			
Balance at beginning of year		301,000	-
Additions	Note 2	162,094	301,000
Balance at end of year		463,094	301,000

The option reserve is made up of options issued to directors and employees in consideration of their contribution to the company.

Movements in options of the Company during the past two years were as follows:
30 June 2010

Date	Details	No. of Listed Options	No. of Unlisted Options	Issue Price	$
01/07/2009	Opening Options balance	-	12,000,000	-	-
	Option conversion	-	-	-	-
	Options issued	-	-	-	-
	Less: transaction costs	-	-	-	-
30/06/2010	Closing Options balance	-	12,000,000	-	-

30 June 2009

Date	Details	No. of Listed Options	No. of Unlisted Options	Issue Price	$
01/07/2008	Opening Options balance	-	6,000,000	-	-
	Option conversion	-	-	-	-
31/07/2008	Options issued	-	6,000,000	-	-
	Less: transaction costs	-	-	-	-
30/06/2009	Closing Options balance	-	12,000,000	-	-

Options in issue

At 30 June 2010, the Company had the following options on issue

- 1,500,000 options to subscribe for fully paid shares exercisable at 50 cents at any time after the vesting period of 12 months from the date of grant and on or before the expiry date of 31 July 2012
- 1,500,000 options to subscribe for fully paid shares exercisable at 50 cents at any time after the vesting period of 24 months from the date of grant and on or before the expiry date of 31 July 2012
- 3,000,000 options to subscribe for fully paid shares exercisable at 50 cents at any time after the vesting period of 36 months from the date of grant and on or before the expiry date of 31 July 2012
- 6,000,000 options to subscribe for fully paid shares exercisable at 50 cents at any time after before the expiry date of 31 January 2011

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Company at any time during the year and unless otherwise indicated were key management personnel for the entire year:

Dato' Ramiah Anpalagan	Chairman/Non-Executive Director
Mr Ray Handini	Managing Director (Appointed on 3 February 2010)
Mrs Ratna Handini	Non-Executive Director (Appointed on 3 February 2010)
Mr Mohammed As'ad	Non-Executive Director (Resigned on 3 February 2010)
Mr Vikas Argawal	Non-Executive Director (Retired on 29 January 2010)
Mr Ray Handini	Chief Executive Officer
Mr Faris Azmi Abdul Rahman	Company Secretary
Mr Julian Cheng	Head, Export Sales

a) Remuneration of key management personnel

(i) Remuneration policy

Executive directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive directors receive a fixed monthly fee for their services.

Broadly, the Company's remuneration policy is to ensure that any remuneration package properly reflects the person's duties and responsibilities and that it is competitive in attracting, retaining and motivating people of the highest calibre.

The Company does not have any scheme relating to retirement benefits for non-executive directors.

No director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests at the end of the year except for the contracts mentioned in d) below in which the directors have an interest.

Mr Ray Handini, Mr Faris Azmi and Mr Julian Cheng are executives seconded to the Company by Profleet Securities Pty Ltd which charged a management fee of $300,000 for the financial year.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES CONT'D

(iii) Compensation by category

	2010	2009
	$	$
Short-term fees	31,527	367,155
Post employment	-	-
Share-based payments	162,094	461,000
Other	-	-
	193,621	828,155

b) Movement in Options

The movement during the last two years in the number of options over ordinary shares in Handini Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 01/07/09 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Exercised	Net Change Other (No. Options)	Balance at Resignation (No. Options)	Balance 30/06/10 (No. Options)	Total Vested 30/06/10 (No. Options)	Total Exercisable 30/06/10 (No. Options)
Directors:								
Anthony Goldfinch (resigned 01.12.09)	1,500,000	-	-	-	1,500,000	-	375,000	375,000
Mohammed As'ad (resigned 03.02.10)	1,500,000	-	-	-	1,500,000	-	375,000	375,000
Ratna Handini (appointed 03.02.10)	-	-	-	-	-	-	-	-
Ray Handini (appointed 03.02.10)	3,500,000	-	-	-	-	3,500,000	3,500,000	3,500,000
Dato' Ramiah Anpalagan	1,500,000	-	-	-	-	1,500,000	375,000	375,000
Vikas Argawal	-	-	-	-	-	-	-	-
Executive:						-	-	-
Julian Cheng	-	-	-	-	-	-	-	-
Company Secretary:								
Faris Azmi Abdul Rahman	-	-	-	-	-	-	-	-
David Ballantyne	-	-	-	-	-	-	-	-
Robert Collins	-	-	-	-	-	-	-	-
Total	8,000,000	-	-	-	3,000,000	5,000,000	4,625,000	4,625,000

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

b) Movement in Options (cont'd)

	Balance 01/07/08 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Exercised	Net Change Other (No. Options)	Balance at Resignation (No. Options)	Balance 30/06/09 (No. Options)	Total Vested 30/06/09 (No. Options	Total Exercisable 30/06/09 (No. Options)
Anthony Goldfinch (resigned 01.12.09)	-	1,500,000	-	-	-	1,500,000	-	-
Mohammed As'ad (resigned 03.2.10)	-	1,500,000	-	-	-	1,500,000	-	-
Dato' Ramiah Anpalagan	-	1,500,000	-	-	-	1,500,000	-	-
Garry Hodges (Resigned 25.2.09)	-	1,500,000	-	-	1,500,000	-	-	-
Executives:								
Ray Handini	3,500,000	-	-	-	-	3,500,000	3,500,000	3,500,000
Julian Cheng	-	-	-	-	-	-	-	-
Company Secretary:								
Faris Azmi Abdul Rahman	-	-	-	-	-	-	-	-
David Ballantyne	-	-	-	-	-	-	-	-
Robert Collins	-	-	-	-	-	-	-	-
Total	3,500,000	6,000,000	-	-	1,500,000	8,000,000	3,500,000	3,500,000

c) Movement in shares

The movement during the last two years in the number of ordinary shares in Handini Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Balance 01/07/09 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance at Resignation (No. of Shares)	Balance 30/06/10 (No. of Shares)
Directors:						
A Goldfinch (resigned 01.12.09)	2,000,000	-	-	-	2,000,000	-
Mohammed As'ad(resigned 03.02.10)	2,000,000	-	-	-	2,000,000	-
Ratna Handini (appointed 03.02.10)	111,500,000	-	-	26,623,000	-	138,123,000
Ray Handini (appointed 03.02.10)	*10,000,000	-	-	1,317,987	-	11,317,987
Dato' Ramiah Anpalagan	2,000,000	-	-	-	-	2,000,000
Company Secretary:						
Faris Azmi Abdul Rahman	-	-	-	-	-	-
David Ballantyne	-	-	-	-	-	-
Total	127,500,000	-	-	27,940,987	4,000,000	151,440,987

* Indirect interest by virtue of the following related parties: Profleet Securities Pty Ltd 10,000,000 shares and Accent Capital Pty Ltd 1,317,987 shares.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

c) Movement in shares (cont'd)

	Balance 01/07/08 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance at Resignation (No. of Shares)	Balance 30/06/09 (No. of Shares)
Directors:						
A Goldfinch (resigned 01.12.09)	-	2,000,000	-	-	-	2,000,000
Mohammed As'ad(resigned 03.02.10)	-	2,000,000	-	-	-	2,000,000
Dato' Ramiah Anpalagan	-	2,000,000	-	-	-	2,000,000
Vikas Agarwal	-	-	-	-	-	-
Garry Hodges (resigned 25.02.09)	-	2,000,000	-	-	2,000,000	-
Chief Executive Officer:						
Ray Handini	-	-	-	*121,850,000	-	121,850,000
Julian Cheng	-	-	-	-	-	-
Company Secretary:						
Faris Azmi Abdul Rahman	-	-	-		-	-
David Ballantyne	-	-	-	-	-	-
Robert Collins	-	-	-	-	-	-
Total	-	8,000,000	-	121,850,000	2,000,000	127,850,000

* Indirect interest by virtue of the following related parties: Ratna Handini (spouse) 111,500,000 shares, Profleet Securities Pty Ltd 10,000,000 shares and Accent Capital Pty Ltd 350,000 shares.

d) Directors' transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company during the year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management personnel	Transaction	2010 $	2009 $
Ray Handini	Management services from Profleet Securities	300,000	300,000
	Advances made by Profleet Securities and Accent Capital to the Company	1,835,006	1,198,504

Mr Ray Handini, Ms Ratna Handini and Mr Faris Azmi are deemed to be interested in the transaction concluded on 22 December 2010 that is mentioned in Note 21 by virtue of their equity interests and/or positions as directors in certain of the parties to the agreement.

16. SEGMENT INFORMATION

The Company's activities which comprise the review of investment opportunities are predominantly located in Western Australia.

Mining activities of the Company which comprise the review of operations of PT Nusantara Termal Coal and the surveillance of export sales to Visa Group are located in Indonesia.

Exploration activities of the Company which comprise the funding of the exploration activities of the Tabalong coal project and the review of the drilling results are predominantly located in Indonesia.

17. NOTES TO THE STATEMENT OF CASH FLOWS

	2010 $	2009 $
a) Reconciliation of Cash		
For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:		
Cash and bank balances	2,145	202,339
b) Reconciliation of Loss After Income Tax to Net Cash Flows from Operating Activities		
Loss after income tax	(1,997,759)	(8,946,101)
Non Cash Activities:		
Impairment of prepaid coal purchases and coal acquisition costs	-	6,560,000
Depreciation charged	32,384	21,589
Share based payment	162,094	461,000
Property Plant and Equipment written off	-	7,295
Interest expense	1,189,103	1,004,889
Interest income	(51,376)	(55,151)
Change in trade and other receivables	(17,726)	(54,920)
Change in trade and other payables	454,309	263,726
Net cash used in operating activities	**(228,971)**	**(737,673)**

c) Non cash financing and investing activities:

	2010 $	2009 $
Acquisition of assets by means of finance leases (Note 6)	-	174,617
Settlement of prepaid coal purchases and coal acquisition costs in shares and convertible bonds	-	30,560,000
Settlement of investment in PT Nusantara Termal Coal in shares (Note 8)	-	1,050,000
Convertible bond converted into shares	13,311,500	-

18. FINANCIAL INSTRUMENTS DISCLOSURE

The Company's principal financial instruments comprise cash and unsecured loans. The main purpose of these financial instruments is to raise finance for the Company's operations.

The Company has various other financial instruments such as trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised in this note.

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Interest rate risk

The entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of change in the market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Non Interest Bearing $		Weighted Average Effective Interest Rate $		Floating Interest Rate $		Fixed Interest Rate $		Total $	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets										
Cash and cash equivalents	-	-		3.62	2,145	202,339	-	-	2,145	202,339
Receivables	55,539	37,813	8.25	8.25	-	-	1,000,000	1,055,151	1,055,539	1,092,964
Other Financial Assets	-	-	-	-	-	-	-	-	-	-
Total Financial Assets	55,539	37,813			2,145	202,339	1,000,000	1,055,151	1,057,684	1,295,303
Financial Liabilities										
Interest bearing liabilities	-	-	6.00	6.00	-	-	15,242,764	27,225,160	15,242,764	27,225,160
Trade and other payables	752,563	324,723	8.50	8.50	-	-	151,882	159,648	904,445	484,371
Total Financial Liabilities	752,563	324,723			-	-	15,394,646	27,384,808	16,147,209	27,709,531
Net Financial Assets	(697,024)	(286,910)			2,145	202,339	(14,394,646)	(26,329,657)	(15,089,525)	(26,414,228)

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Credit risk

The credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally the carrying amount, net of any provision for doubtful debts.

The total credit risk exposure of the Company could be considered to include the difference between the carrying amount of the receivable and the realisable amount.

At statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases.

Sensitivity analysis

Interest Rate

The following table summarises the sensitivity of the entity's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2010 and 2009.

Consolidated Entity	Carrying Amount $	Interest Rate Risk -1%		Interest Rate Risk +1%	
2010		Net Loss $	Equity $	Net Gain $	Equity $
Financial Assets:					
Cash and cash equivalents	2,145	(21)	(21)	21	21

Consolidated Entity	Carrying Amount $	Interest Rate Risk -1%		Interest Rate Risk +1%	
2009		Net Loss $	Equity $	Net Gain $	Equity $
Financial Assets:					
Cash and cash equivalents	202,339	(2,023)	(2,023)	2,023	2,023

18. FINANCIAL INSTRUMENTS DISCLOSURE (CONT'D)

Fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

19. COMMITMENTS FOR EXPENDITURE

Exploration Expenditure

The obligations not provided for in the accounts and are payable as estimated by the directors are as follows:

	2010 $	2009 $
Less than one year	500,000	500,000
Between one and five years	-	-
More than five years	-	-
	500,000	500,000

20. CONTINGENT LIABILITIES

The Company does not have any contingent liabilities at the end of the financial year.

21. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 24 December 2010, the Company announced that it had concluded an arrangement with PT Nusantara Termal Coal ("NTC") whereby the Company's prepaid coal purchase of AUD 24 million would be settled by the company receiving a cash payment of AUD12.9 million.

The first payment of AUD6.2 million has been received on 23 December 2010 whilst the final AUD6.7 million will be received on or before 31 January 2011.

Further, the Company shall be allotted equity in a new company on or before 31 January 2011 to be formed for the purpose of holding 22.22% indirect interest in NTC in exchange for the direct investment holding of 24.8% in NTC valued at AUD 12.1 million to facilitate a raising of working capital for NTC from financial institutions.

The Company intends to use the cash proceeds to reduce its liabilities by partial redemption of its convertible bond and for working capital.

An application will be made to the Australian Securities Exchange to lift the suspension of the Company in 2011.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the accompanying financial statements and notes as set out on pages 10 to 38 are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated entity;
   c. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1(a) to the financial statements.

2. in the directors' opinion:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;

3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated this 27th day of January 2011.

Signed in accordance with a resolution of the directors.

Ray Handini
Director

ASX ADDITIONAL INFORMATION

As at 19 January 2011

Number of holders of listed equity securities

Ordinary share capital

217,423,001 fully paid ordinary shares are held by 4,156 individual shareholders.
All issued ordinary shares carry one vote per share.

Distribution of holders of listed equity securities

	Number of shareholders
1 – 1,000	3,345
1,001 – 5,000	438
5,001 – 10,000	177
10,001 – 100,000	116
100,001 and over	80

The number of shareholders holding less than a marketable parcel is 3,345 assuming a share value of 50 cents per share.

Substantial shareholders

	Fully paid ordinary shares	
Ordinary shareholder	Number	%
R-Al-Hikmah Pty Ltd	109,750,000	50.48
Ratna Handini	26,623,000	12.24

Twenty largest holders of ordinary shares

		Fully paid ordinary shares	
	Ordinary shareholder	Number	%
1	R-Al-Hikmah Pty Ltd	109,750,000	50.48
2	Ratna Handini	26,623,000	12.24
3	Profleet Securities Pty Ltd	10,000,000	4.60
4	Visa Comtrade (Asia) Limited	6,800,000	3.13
5	Sri Bagus Guritno	3,000,000	1.38
6	Garry Hodges	2,000,000	0.92
7	Dato Ramiah Anpalagan	2,000,000	0.92
8	Mohammed As'ad	2,000,000	0.92
9	Indo Capital Pty Ltd	2,000,000	0.92
10	Indon Resources Pty Ltd	2,000,000	0.92
11	Coalfield Holdings Pty Ltd	2,000,000	0.92
12	Antony Goldfinch	2,000,000	0.92
13	Limas Madya Nusantara	2,000,000	0.92
14	Zulkifli Nurdin	2,000,000	0.92
15	Lim Oi Wah & Low Su-Shing	2,000,000	0.92
16	Mineral Capital Pty Ltd	1,690,000	0.78
17	Wiltrade Sdn Bhd	1,500,000	0.69
18	Accent Capital Pty Ltd	1,317,987	0.61
19	Courage City International Ltd	1,152,381	0.53
20	Elohim Nominees Pty Ltd	1,048,220	0.48

ASX ADDITIONAL INFORMATION (CONT'D)

Unquoted equity securities

	Class	Unlisted options Number	No. of holders
1	Unlisted options exercisable at 50 cents each on or before 31 January 2011	6,000,000	4
2	Unlisted options exercisable at 50 cents each on or before 31 July 2012	6,000,000	4

Unquoted equity security holdings greater than 20%

	Unlisted option holder	Unlisted options Number	%
1	Profleet Securities Pty Ltd	3,500,000	29.16

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HANDINI RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Handini Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Handini Resources Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1(a).

Inherent Uncertainty Regarding Going Concern, the carrying value of Investments in Unquoted Entity and Prepaid Coal Purchases and Coal Acquisition Costs.

Without qualification to the audit opinion expressed above, attention is drawn to the following matters:

As referred to in Note 1(b) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2010, the Company had negative working capital of $15,954,161 and had incurred a loss for the year of $1,997,759. The ability of the Company to continue as a going concern and meet its planned expenditure commitments is subject to the conversion of the convertible note and/or raising of further equity and/or loan capital and successfully exploiting its coal interests. In the event that the Board is not successful in recapitalising the Company, securing loan capital and exploiting the coal interests, the Company may not be able to continue as a going concern and the realisable value of its assets may be significantly less than their carrying values.

The recoverability of the carrying value of the Prepaid Purchases and Coal Acquisition Costs of $24,000,000 and the investment in Unquoted Entity of $2,050,000 is dependent upon the successful conclusion of the company's arrangement with PT Nusantara Termal Coal ("NTC") whereby the Company's prepaid coal purchase of $24,000,000 and 24.8% direct holding in NTC of $1,050,000 will be settled by the company receiving a cash payment of $12,900,000 and an indirect holding in NTC of 22.55%. In the event the Company may not be able to continue as a going concern, and/or the Company is unable to complete the arrangement, the value of the Coal Acquisition Costs and the Investment in Unquoted Entity may be significantly less than their carrying values.

The recoverability of the carrying value of the Interest in Joint Venture with PT Global Multi Energy totalling $1,416,779 is dependent on a number of assumptions including, inter alia, successful commercialisation of the Tabalong coal project, the price of coal and the ability to extract and mine the coal at a profit. In the event the Company may not be able to continue as a going concern and/or the Joint Venture may not be able to extract and mine the coal at a profit, the value of the Interest in Joint Venture may be significantly less than its carrying value.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 9 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of Handini Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director
West Perth, Western Australia
27 January 2011

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27 January 2011

Board of Directors
Handini Resources Limited
125 Royal Street
East Perth, WA 6004

Dear Directors

RE: HANDINI RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Handini Resources Limited.

As Audit Director for the audit of the financial statements of Handini Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director