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adaro

Quarterly Activities Report

For the Three Months Ending March 31st, 2009

PT Adaro Energy Tbk (IDX: ADRO)

Introduction

The report will focus on the activities of the company and its subsidiaries, during the preceding quarter. The report will not address specific financial results, which will be released separately. Please email cameron.tough@ptadaro.com and let us know what additional information you may require.

Jakarta,
April 30th, 2009

2009 Guidance

	2008	2009E
EBITDA (million US\$)	460	750-1,000
Production volume - in million of tonnes	38.5	42-45
Stripping ratio - blended (bcm/tonne)	4.25	4.50-4.75

2009 Production Volume and Prices

Adaro Energy continues to target 42-45 million tonnes of production in 2009, although as previously disclosed, the actual number may end up in the lower part of that range. In 1Q09 production went well despite the wet weather conditions. Adaro continues to remain optimistic it can achieve its 2009 price targets. At the moment Adaro's volumes are sold out for 2009 and 80% of the volumes have been priced, with substantially all on a negotiated basis.

Acquisition of Barging and Ship Loading Company

Adaro Energy is nearing completion in relation to the acquisition of a barging and ship loading company. With this acquisition, Adaro Energy will own at least a part of each of the critical pieces of its coal supply chain, which will reduce costs, lower risk, increase flexibility of production, increase control of transportation, and improve reliability.

Adaro Energy has appointed independent parties to assist in providing relevant reports and fairness opinions on the acquisition. The acquisition, which will have an equity value below US\$100 million, will be funded out of Adaro Energy's existing cash flows.

Kelanis River Terminal

In 1Q09, the annual capacity of the Kelanis River Terminal increased from 45 million tonnes to 55 million tonnes after the completion of a US\$20 million capital spending program, half of which was undertaken in 2008. In combination with the dredging of the Barito River channel, completed at the end of last year, Adaro Energy's growth is not expected to be limited by infrastructure for this year and next year.

PT Adaro Energy – Unaudited Consolidated Volumes

	Units	1Q08	1Q09	% Change
Production	‘000 MT	8,374	9,034	8%
Sales *)	‘000 MT	9,407	8,729	-7%

*) Includes coal sold by AE, CTI and AI for 1Q08 and AI and CTI for 1Q09

Operations

PT Adaro Indonesia

	Units	1Q08	1Q09	% change
Overburden	Mbcm	33,913	41,500	22%
Coal Transported	'000 MT	8,374.32	9,033.63	8%
Coal Sold	'000 MT	8,820.84	8,636.72	- 2%
Coal Inventory	'000 MT	495.77	732.15	48%
Strip Ratio	Bcm/tonne	4.25	4.75	12
	Units	1Q09	Plan 1Q09	% variance
Overburden	Mbcm	41,500	49,500	20%
Coal Transported	'000 MT	9,033.63	10,038.80	- 10%
Coal Sold	'000 MT	8,636.72	10,038.80	- 14%
Strip Ratio	Bcm/tonne	4.75	4.75	-

Mining and Hauling (Contractors)

PT Pamapersada Nusantara (“PAMA”), owned by PT United Tractors Tbk, is responsible for nearly half of Adaro Indonesia’s coal production volumes. PT Bukit Makmur Mandiri Utama (“BUMA”) and the Adaro Energy’s subsidiary PT Saptaindra Sejati (“SIS”) are each responsible for 20% respectively. PT Rahman Abdijaya (“RAJ”) conducts around 10% of the mining operations.

Rainy Weather and Contractor Performance

Despite continuing rain all contractors were able to keep a reasonable amount of coal flowing from the mine. In February, the rain abated somewhat (228mm in February compared to 497mm in January), though there was significant time lost due to slippery conditions. In March the rain increased as compare to the previous month, recorded at 274mm. Total water stored in the pits decreased marginally, and there will be a concerted effort to increase the pit dewatering.

In terms of performance against their respective mine plans, all contractors performed satisfactorily, some better than others and due to variables such as differing strip ratios. One contractor did particularly well in terms of both overburden removal and coal mining. Recent changes to Adaro Energy’s mining contractor Saptaindra Sejati (SIS), which is responsible for around 25% of coal production, appear to have significantly lifted their performance.

As expected fuel consumption was higher than average due to the wet conditions.

Overburden Removal

Overburden removal was slightly below plan, due to the wet conditions attributed to the rainy season. In January, for example, overburden removal was 83% of plan at an average rate of 415 kbcm per day (December: 364 kbcm/day), due to the weather as well as holidays.

Inventory

Inventory at the mine actually increased by a small margin in January, February and March, which is a good achievement, given the working conditions were wet and less than ideal. Total reported inventory levels as at the end of March increased to 1.26 Mt. The increase was mainly in pit inventory and product inventory at IBT.

Pit Dewatering

In January water stored in the pit decreased from 5.0 Mm³ to 4.5 Mm³. This level was somewhat worrisome with still two months of rainy season left, but the reduction was an achievement. At the end of March, water stored in the pit decreased from 4.5 Mm³ to 3.6 Mm³.

Road Rock

Deliveries or road rock, used to improve the mining roads during the wet season, were still being delivered under the 2008 orders. Adaro began looking at alternative barging for the 2009 volumes.

Logistics, Hauling, Barging and Ship Loading

(million tonnes)

Exports				Domestic	Total
Floating Cranes	Self Geared	IBT	Barges	Barges	
4,645	1,436	359	15	2,179	8,637

Subsidiary Performance:

Coaltrade Services International Pte Ltd

Coaltrade sold 248,010 tonnes of coal in 1Q09 of which 91,930 tonnes was third party coal. In 1Q08 Coaltrade sold 2,219,200 tonnes of coal of which 349,600 was third party coal.

PT Indonesia Bulk Terminal (“IBT”)

IBT shipped 790,350 tonnes of coal on 14 vessels in 1Q09, or 46% below the plan and a 72% decrease compared to the 2,790,570 tonnes loaded on 44 vessels over the same period in 2008. Of the total 1Q09 amount, 309,530 tonnes were third party shipments, while for 1Q08, 554,490 tonnes were third party shipments.

In addition to existing 3rd party customers the IBT marketing team met with several prospective customers, including 3 blue-chip international firms, and progress was made.

Mining Contracting – SIS

Overburden removal of 24,074,000 bcm was 0.4% above the plan for 1Q09. During 1Q09, SIS transported 2,679,000 tonnes and mined 3,476,000 tonnes.

Safety

There were 3 serious injuries reported for each month of January and February, all involving injuries to the hand.

	1Q09	
	Actual	Plan
LTI	6.00	2.25
LTIFR	0.55	0.50

Environment

	1Q09	Project to Date
Rehabilitation (ha)	34	1,617
Land Disturbed - Mine (ha)	158	1,575
Land Disturbed – Other (ha)	16	2,565
Net Land Disturbed (ha)	140	2,522

Mine Planning

A JORC compliant Resources and Reserves Statement was issued in March 2009. The table below shows the total resources and reserves of Adaro at December 31st, 2008:

Borehole Spacing	Resources				Reserves			
	<250m	>250m <500	>500m <1000		IN-SITU			Recoverable
Location	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	TOTAL (Mt)	Proven (Mt)	Probable (Mt)	TOTAL (Mt)	TOTAL (Mt)
Tutupan	695	705	825	2,225	459	167	626	588
North Paringin	-	-	-	-	-	-	-	-
South Paringin	-	-	-	-	-	-	-	-
Wara 1	292	268	337	897	212	92	304	282
Wara 2	118	134	110	362	-	-	-	-
Total	1,105	1,107	1,272	3,484	671	259	930	870

Project Development

PT Makmur Sejahtera Wisesa (MSW), Mine Mouth Power Plant

To power the overland conveyor, Adaro Energy has decided to proceed with the construction of a 2*30 megawatt (MW) mine mouth power plant.

To be funded by way of project finance, the total estimated project costs are estimated at up to US\$162.5 million, including interest during construction, EPC, switchyard, insurance, contingency, water supply and other associated costs. MSW is exploring ways in which to lower the project costs given the current economic conditions.

In 2008, MSW selected PT. Punj Lloyd Indonesia and Punj Lloyd Pte Ltd Singapore as the Engineering, Procurement and Construction (EPC) contractors. Siemens Industrial Turbomachinery S.R.O, Czech Republic has been selected to provide the steam turbine generators.

In 2009, the plan is to spend up to US\$52.5 million, substantially all funded by the IFC loan.

Kelanis – Tutupan Transportation System

A key part of Adaro Energy's plan to improve efficiency by strengthening the coal supply chain and to increase production to 80 million tonnes by the end of 2013 is to build a 68 km transport system, most likely a multi-stage Over Land Conveyor (OLC), with adjacent crushing plant, stacking system and barge loaders.

During 1Q09, Adaro Energy's team came close to finalizing the design of the crushing and discharge facilities of the OLC and tenders were to soon be issued. Adaro also continued with other re-engineering.

IBT Fuel Terminal

Work continued on the IBT fuel terminal with completion expected in August 2009.

High Capacity Coal Hauling Units

Discussions were held regarding higher capacity coal hauling units, such as 4 trailer rigs, capable of carrying a payload of 248 tonnes. Adaro decided not to proceed with the proposal due to the high capital cost.

Brief Description

Adaro Energy is currently Indonesia's second largest thermal coal producer, operates the largest single coal mine in Indonesia, and is a significant supplier to the global seaborne thermal coal market. With a present capacity of approximately 45Mt per year, the company is planning to increase production capacity to 80Mt per year by the end of 2013. The company has approximately 3.5 billion tonnes of coal reserves and resources and is integrated from exploration through to marketing.

The company's subsidiary, PT Adaro Indonesia commenced mining in 1992 from a coal resource area in the Tanjung district of Indonesia's South Kalimantan Province. Adaro operates under a first generation Coal Cooperation Agreement, or "CCA", with the Government of Indonesia, which is valid until 2022 with rights to extend by mutual consent.

Board of Commissioners:

1. Edwin Soeryadjaya – President Commissioner
2. Theodore Permati Rachmat – Vice President Commissioner
3. Ir. Subianto – Commissioner
4. Lim Soon Huat - Commissioner
5. Djoko Suyanto – Independent Commissioner
6. Palgunadi Tatit Setyawan – Independent Commissioner

Audit Committee:

1. Ir. Palgunadi Tatit Setyawan (Chairman)
2. Dr. Ir. Irwandy Arif, MSc (Member)
3. Mamat Ma'mun, SE (Member)

Board of Directors:

1. Garibaldi Thohir – President Director
2. Christian Ariano Rachmat – Vice President Director
3. Sandiaga S. Uno – Director
4. Andre J. Mamuaya – Director of Corporate Affairs/Corporate Secretary
5. David Tendian – Finance Director
6. Chia Ah Hoo – Operations Director
7. Alastair Grant – Marketing Director

Key Adaro Energy Subsidiaries (100% owned by Adaro Energy, unless otherwise indicated):

1. PT Adaro Indonesia ("AI"): coal mining
2. PT Saptaindra Sejati ("SIS"): mining contractor (85.92%)
3. Coaltrade Services International Pte Ltd ("Coaltrade" or "CTI"): coal trading and marketing agents
4. PT Indonesia Bulk Terminal ("IBT"): coal terminal operation, port facilities
5. PT Makmur Sejahtera Wisesa ("MSW"): mine mouth power plant (99.92%)
6. PT Sarana Daya Mandiri ("SDM"): dredging of Barito river mouth (51.2%)

Summary of Adaro Energy

2009 Production/ Sales Volume	42-45 million tonnes 10 Years CAGR of 14%
Envirocoal	Sub bituminous, moderate CV, high moisture coal, ultra-low pollutants
Customers	41 customers in 17 countries Substantially all blue-chip power utilities
Pricing	All annual price negotiation or index-linked, with adjustment for energy level
Cost	Low to middle production cost compared to peers
Resources – JORC Compliant	3.5 billion tonnes
Location	Tanjung district, South Kalimantan
License	First Generation CCA valid until 2022
Operations	The largest single coal mine in Indonesia. Vertically integrated
Growth Strategy	Expand production, market focus on Asia and to further integrate the operations
IPO & Market Cap	16 July 2008 Market Cap as of April 30, 2009: Rp32.6 trillion (US\$3.1 billion)

Current Capacity

1. Mining equipment: 45 Mt
2. Hauling road: 60 Mt
3. Kelanis: 55 Mt
4. Barges: 50 Mt (70 barges from affiliated and 3rd party companies).
5. Taboneo: 100,000 tonnes per day using 5 floating cranes
6. IBT: 12 Mt
7. Barito River Channel: 200 Mt

Our Location



Operations Map

