



NEWS RELEASE FROM ADARO ENERGY

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Adaro Energy Signs Three Year Option Agreement to Lend Funding and Acquire Controlling Interest in Coal Miner PT Bhakti Energi Persada

Jakarta, May 30th, 2012 --- PT Adaro Energy Tbk (“company”) (IDX : ADRO) is delighted to announce that on May 28th, 2012 in Jakarta, it entered into an option to provide a convertible loan for a period of three years (referred to below as Option One), to acquire a controlling interest in coal miner PT Bhakti Energi Persada (“BEP”) and an option, to acquire the majority shares from the controlling shareholders of BEP (referred to below as Option Two, and, together with Option One are referred to as Options or Option Agreements). Adaro Energy will have full control of the management, operations, and all the funding of BEP from the date of the signing of the Options.

President Director Mr. Garibaldi Thohir, said, “we are delighted with the BEP Options we have signed. We feel BEP has excellent potential to help us achieve our main goal of generating substantial sustainable long-term value from Indonesian coal. We worked for two years to negotiate a deal that is structured in a unique way to minimize risk to Adaro. While we are excited with the BEP opportunity, we must also emphasize that we will use our best judgment before injecting any funds to develop the asset.”

Key success factors such as market readiness, receiving required permits from the government, land availability, social and community support, and completing engineering and geological studies must first be in place before any large capital expenditures will be deployed.

President Director Thohir added, “our investors should not have the perception that once the Options are signed, we will immediately deploy capital to fund BEP. We are entering into these Options to properly assess an opportunity, while minimizing the risk to Adaro’s capital. We want to ensure both the acquisition risks and the execution risks are addressed well in advance.”



BEP, which was established in 2002, owns seven low grade thermal coal licenses (known in Indonesian as an IUP) in the District of Muara Wahau, East Kutai Regency, East Kalimantan. BEP also owns two transport businesses in East Kalimantan, which own the hauling road that will be used to transport BEP’s coal to the seashore. The seven concessions form one very large contiguous thermal coal deposit. SRK Consulting (Australasia) Pty Ltd (“SRK”) estimated BEP’s concessions to have JORC compliant total resources of 9.53 billion tonnes. In 2010, Adaro Energy hired Marston, an international mining consultant firm out of St Louis Missouri, USA, to conduct a mining and development study, which verified certain technical assumptions used by SRK in their 2008 and 2009 JORC resource reports. Marston’s estimate of insitu coal tonnages was essentially the same as the SRK estimate as the difference was within acceptable limits.

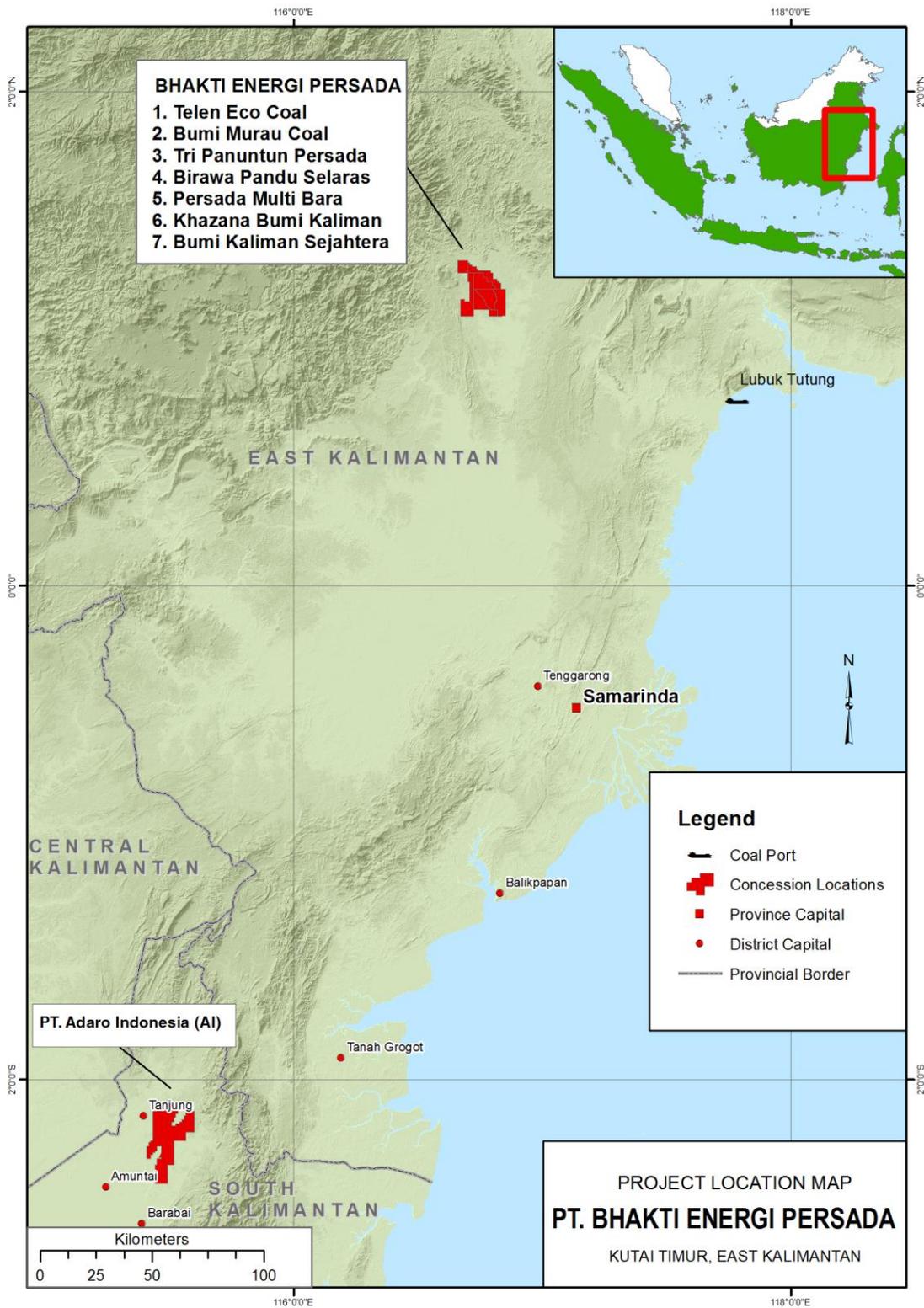
The Option Agreements give Adaro Energy two options to acquire BEP. It is a unique structure designed to minimize the risk to Adaro Energy. Option One provides Adaro the option to lend up to US\$500 million to acquire 51% equity in BEP over a period of three years. Adaro can make a decision to convert the loan into equity at the end of the three year period. Option Two also has a three year maturity and was signed with PT Persada Capital Investama (“PCI”), PT Triputra Investindo Arya (“TIA”) and the descendants of the late Mr. Winarto. PCI and TIA each have a 30.787% stake in BEP and combined with the 18.216% Winarto family stake, own 79.8% of the equity of BEP. Option Two provides Adaro a right to acquire shares held by the controlling shareholders of BEP (together holding 79.8% shares in BEP) in exchange for 2,381.7 million shares of Adaro Energy. Both Options are only options for Adaro Energy and not its obligations.

PCI and TIA are owned by two of Adaro Energy’s five key shareholders, Mr. Benny Subianto and Mr. Teddy Rachmat. Adaro Energy is 63% held by five key shareholders and no single shareholder has a controlling interest of Adaro Energy. In June 2011, in an unrelated transaction, Adaro Energy acquired 10.22% of BEP for US\$66 million from third party minority holders.

Coal Tonnage within BEP Concessions as Estimated by Marston

Company Name	Area (ha)	Total (Mt)
PT Telen Eco Coal (TEC)	6,844	987
PT Persada Multi Bara (PMB)	4,950	3,176
PT Khazana Bumi Kaliman (KBK)	5,066	950
PT Bumi Kaliman Sejahtera (BKS)	4,921	1,650
PT Bumi Murau Coal (BMC)	5,012	1,973
PT Birawa Pandu Selaras (BPS)	2,575	305
TOTAL		9,040

Note: Marston’s estimate of insitu coal tonnages to a radii of 2,000 meters from accepted points of observation. Marston adjusted the coal density using the Preston-Sanders method to account for moisture.





BEP is located in Muara Wahau, Kutai Timur Regency approximately 250 kilometers (km) north of Balikpapan and 125 km from the coast. The Coal Resource area extends over the seven coal concession areas:

Rationale of the Transaction

After over two years of careful consideration, Adaro Energy decided to enter into option agreements to lend funds and possibly acquire BEP as it is one of the largest undeveloped deposits of low-rank thermal coal in East Kalimantan.

While the coal is low grade, BEP's coal has low sulphur and low ash so the marketing of BEP's coal will leverage Adaro Indonesia's 20 years of marketing Envirocoal, which is also a low pollutant, low heat value coal. BEP's coal seams are thick and can be mined using a low strip ratio, which averages for mine life below 0.5 bank cubic meters of overburden per tonne of coal. Because of the simple geology and the easy mining conditions it will be possible to operate BEP's mines at a very low cost.

The challenge of bringing the coal a long distance through the communities of Kalimantan to the coast will play to Adaro Indonesia's strengths, after having transported coal successfully in South Kalimantan for twenty years without serious disruption. The BEP concessions are subject to a 3% royalty and a 25% corporate income tax, which together with the low mining costs, will help ensure an attractive profit margins and good financial returns.

The BEP grade of thermal coal is already accepted in certain markets and is likely to increase in terms of market acceptance. In countries like India, locally sourced coal is blended with coal imported from Indonesia of a similar or lower calorific value than the BEP coal. Finally, there are many additional options for the BEP coal besides direct sales to customers such as coal blending, coal upgrading, mine mouth power plants, gasification and liquefaction. None of these additional options were considered in conducting the BEP valuation, nor deciding upon the transaction, and should these options become commercially viable, it would create considerable upside to the value of BEP.

While there is a strong rationale to acquire a controlling stake in BEP, there are still risks if the market for low grade coal does not grow as fast as experts have forecasted, or other unforeseen risks occur that result in BEP not being a viable business. Recognizing the risks, Adaro Energy has structured the BEP transaction such that decisions can only be made in the best interest of Adaro Energy. As well, Adaro Energy's interest are further protected, given that only two of the five key shareholders of Adaro Energy own the controlling stake in BEP that Adaro Energy is targeting.

Two Different Options to Acquire BEP

The three year Option Agreements provide for two alternative acquisition structures. Adaro Energy will make no upfront payment to the controlling shareholders and the



option itself costs nothing. Adaro Energy only commits funds towards the development of BEP's mines. During the three-year period of the Option agreements, Adaro Energy will be in full control of BEP and its management and will closely monitor funding of all the development costs.

Option One (Convertible Loan and Share Subscription Agreement): Up to \$500 million Spent on BEP Development Over Three Years for Up to 51% of BEP

Over a three-year period, Adaro Energy provides loans to BEP to fully fund and manage all the spending on the development of the BEP mines, up to US\$500 million. At any point during the end of the three years of Option One, Adaro Energy can convert the amount it has loaned to BEP for its development, to an equity interest in BEP. If Adaro spends less than US\$500 million, the amount of equity interest earned will be calculated on a pro rata basis.

Rao, Yuhal and Partners, a Bapepam approved independent valuer, has put the BEP equity value at US\$854.3 million. By choosing Option One and not having to pay US\$435.7 million for 51% of BEP upfront, Adaro Energy minimizes the potential upfront sunk costs. Option One limits the downside to Adaro Energy as it will only lose the money it would otherwise have spent on developing BEP if it had owned it, but will not lose the money it normally would have had to spend to acquire the majority equity stake and control.

If Adaro Energy spends US\$500 million on the development of BEP, using as a starting point the current valuation by the independent valuer of US\$854.3 million, the value of BEP could possibly rise to US\$1,354.3 million. If Adaro Energy then invokes the option and acquires 51% of BEP, it will have paid far less than 51% of US\$1,354.3 million.

Should the value of BEP increase significantly, Option One gives Adaro Energy the opportunity to acquire up to 51% of BEP's equity by spending a predetermined fixed amount on BEP's development.

Since Adaro Energy would have management control over BEP upon signing of the two Options, it would use its expertise and prudence in the development efforts including the amount it spends on the development of BEP mines.

Since this Option is an Option and not an obligation, at any stage, Adaro Energy can pull back on the development efforts and exit from this transaction or wait until end of the Option period and decide. In such a situation, it will have its portion of loaned amount converted into BEP shares using the base of US\$500 million for 51% shares in BEP.

Option Two (Option Agreement): 2,381.7 million Shares of Adaro Energy for 79.8% of BEP



By choosing Option Two, Adaro Energy can acquire the 79.8% of BEP shares held by PCI, TIA and the Winarto Family, by offering a fixed amount of 2,381.7 million newly issued shares of Adaro Energy. Using the independent valuer's valuation of US\$854.3 million, 79.8% shares in BEP are valued at US\$681.7 million. At around their current valuation of Rp1,700 per share (before the recent volatility in the market), 2,381.7 million of Adaro Energy shares are worth US\$440 million.

This Option is structured such that it caps the upside potential for BEP majority shareholders to the maximum returns on AE share price increase from current level so long as increase in BEP value is at least at the same level as value of AE shares. Should AE shares increase in value much higher than BEP's majority stake of 79.8%, than it would be logical for AE not to exercise this Option. However, even if relative value of BEP increases significantly more than AE's, AE is not obliged to offer more shares than 2,381.7 million. In such a situation Adaro Energy can choose to exercise conversion of the Loan into equity as provided in Option One to acquire shares in BEP.

This Option also avoids a need for renegotiating price for controlling stake at a later date after Adaro Energy has helped BEP develop its mine. By structuring the Option Two upfront, Adaro Energy has retained the rights to benefit from the development efforts it will undertake on BEP.

As well as avoiding the use of cash to acquire the controlling equity stake of BEP, Option Two helps to align the interests of all Adaro Energy shareholders, including minorities and the non-related key shareholders. This is the case as the sellers would likely not accept shares of Adaro Energy as compensation for their controlling stake of BEP if they felt BEP was not going to create value or if they felt BEP could potentially destroy value of Adaro Energy's shares. Exercise of Option Two will also strengthen the capital structure of Adaro Energy as it would have used a substantial amount of equity to fund a large acquisition.

A Massive Coal Resource

BEP hired international engineering consultants SRK to perform a JORC compliant coal resource evaluation of the BEP coal deposits, which was completed in 2009. The international standards known as the JORC Code, which are determined by the Australasian Institute of Mining and Metallurgy, were used in making the JORC reports. During the Due Diligence period Adaro Energy hired Marston, an international mining consultant firm out of St Louis Missouri, USA, to verify certain technical assumptions contained in the SRK JORC Coal Resource Report and to complete a non JORC estimate of the coal mining potential.

The coal resources contained in the seven concessions held by BEP are all part of one large deposit. The coal occurs within the Miocene aged Muara Wahau Formation, which is gently folded into a large syncline. The coal seams crop continuously around the syncline within the concession boundaries. There are three main seams,



which comprise the coal resource, with average seam thickness ranging from 28 meters for the upper seam to 14 meters from the middle seam and 8 meters for the lower seam.

BEP's total JORC compliant Coal Resources have been estimated at 9.528 billion tonnes. No coal resources were estimated for the PT Tri Panuntun Persada (TPP) concession as it contains thinner bottom seams.

Quality of BEP's Coal

The coal in the Muara Wahau formation is lignite coal. The BEP coal is of a consistent quality with a low average calorific heat value of 3,379 kilocalories per kilogram.

Parameter	Value
Total Moisture (% gar)	46.9
Inherent Moisture (% adb)	14.5
Ash (% adb)	4.4
Volatile Matter (% adb)	42.0
Fixed Carbon (% adb)	39.1
Total Sulphur (% adb)	0.1
Calorific Value (kcal/kg gar)	3,379
Calorific Value (kcal/kg adb)	5,434

*from the Marston report of 2010. Marston's estimates of the in situ coal quality for aggregated BEP Concession Areas based on a radii of 2,000 meters from accepted points of observation.

Thermal Coal Markets

In view of the strong prospects for continued strong economic development in emerging market Asia, the prospect of continued strong demand for Indonesia's subbituminous thermal coals also looks promising. Given the lack of practical substitutes, combined with technological advancements in coal-fired power production, thermal coal is likely to be the main fuel used to generate electricity in emerging market Asia.

Although thermal coal prices have experienced some short term weakness, long term thermal coal prices are expected to remain historically robust due to strong demand, in combination with higher thermal coal production costs due to greater scarcity of thermal coal deposits, longer transportation distances from the deposits and higher processing costs.

Seaborne demand for thermal coal is forecast by Wood Mackenzie to grow to 1.556 billion tonnes by 2020, increasing by almost 750 million tonnes from 2012. The Pacific trade is expected to grow substantially over that period, with Japan, China, India and Korea the largest importers. India's thermal coal import demand will likely overtake Japan by 2014, but will not overtake China through the forecast period. To 2020, India is forecast to increase its thermal coal imports significantly, with South Africa and Indonesia satisfying the majority of that import demand. It is expected



that sub-bituminous and low grade exports from Indonesia to India will grow strongly over that period. In China and India, significant investment is budgeted for new coal fired power plants. It has become imperative for these countries to secure economic, reliable, long-term coal supply and this will drive the demand for Indonesian coal.

Market Outlook for BEP's Coal

BEP's coal is a low grade coal, with an energy value of 3,379 kcal/kg GAR. The market for internationally traded low grade coal has grown at a rate of over 20% since 2005, though starting at a low base. The internationally traded demand for low grade coal is forecast by Wood Mackenzie to grow to 276 million tonnes by 2020.

China's demand for imported thermal coal soared in 2009 and growth continued in 2010. However, through to the end of 2011, domestic supply growth kept pace with demand growth, such that imports leveled off. However, according to recent news reports, from January to April 2012, China's thermal coal imports grew at approximately 70% over same period last year. In the long term, total thermal coal demand growth is expected to result in an increase in low grade coal imports, mostly for blends.

India's demand for thermal coal imports is expected to grow at a CAGR of 11% from 2011 to 2021. Much of this growth will be for new power plants built on the coastal locations to receive imported coal. Indian coal is high ash and so to reduce ash disposal costs, power plants are required to blend with the low ash imports from places like Indonesia.

The Indonesian domestic market for thermal is expected to grow from approximately 86 million tonnes today to approximately 197 million tonnes by 2020. Much of the growth will be from power generation, built to primarily utilize low grade coal.

Low Capex Infrastructure, Big Production Volumes

BEP has seven concessions some of which are in exploration stage and others in exploitation stage that are licensed to mine for 20 to 30 years with the potential to extend twice for 10 years each. The mines are largely undeveloped except for exploration activities.

The coal will be mined, crushed at the mine, transported along an approximately 130 kilometer privately held roadway to the coast of East Kalimantan, loaded onto barges and then loaded onto customers vessels. BEP's coal will likely be sold FOB vessel.

Just like in South Kalimantan and South Sumatra, Adaro Energy will, via BEP, build, own and operate a low capital cost, safe and efficient hauling road, together with barging and ship loading infrastructure, to ensure the reliable transportation and delivery of the BEP coals. Total initial capital expenditure on the above to commence commercial production within the next three years is up to US\$300 million. In the long run, there are plans to develop a conveyor belt and other infrastructures.



Many studies have been conducted in the past to demonstrate the BEP coal deposits are technically and economically feasible. Preliminary analysis suggests the BEP mines could achieve a combined 50 million tonnes per year around the year 2024, assuming suitable coal market demand. The current development plan is to bring the BEP concessions to production in 2014. From one million tonnes of production in year one, volumes are expected to climb to 8 million tonnes by year three and grow to 50 million tonnes by year 12 of operation.

Low Price, Low Operating Cost, Good Margins

The BEP coal is lower rank and therefore BEP will have to charge a relatively lower price. Wood Mackenzie predicts the nominal price for Newcastle coal with a heat value of 6,322 kcal/kg gar will average just over US\$133 per tonne from 2012 until 2020 and steadily increases every year throughout that period from a forecast US\$117 per tonne in 2012. For Indonesian coal with a heat value of 5,000 kcal/kg GAR, Wood Mackenzie forecasts the average price from 2012 until 2020 will be just under US\$96 per tonne. For the BEP coal, Adaro Energy forecasts a price ranging in the high US\$20s to US\$30s per tonne.

The more than 130 kilometer distance from the seashore means BEP's transportation costs will be relatively higher. Together with lower prices for the coal, it is imperative that BEP must carefully plan and manage its capital expenditures and operating costs. However, the expected low operating costs of the mines due largely to an extremely low strip ratio will allow BEP to generate an attractive profit margin. The expectations of low operating costs are due mainly to the low costs of using open-cut mining and the close proximity of the coal seams to the surface. Given the coal seams are not deep in the ground, the BEP mines have a very low total average strip ratio at less than 0.5 bank cubic meters per tonne.

As with our new coal acquisitions in South Sumatra, it is likely that BEP will use Adaro Energy's subsidiaries, including mining contractor Saptaindra Sejahti (SIS) to carry out mining activities in BEP.

The plan to develop BEP coal deposits will draw from and will be modeled on Adaro Indonesia's successful business model in South Kalimantan. This includes developing and owning a low capital cost, vertically integrated coal supply chain from pit to port, running an efficient, safe and reliable operation, maintaining exemplary and close relations with governments and local communities, generating good margins and good returns, maintaining a strong financial structure to fund operations and growth, and focusing on reliability and dependability to best serve blue chip customers.

Adaro Energy's Director of Operations, Mr. Chia Ah Hoo, said, "The development and operation of BEP's coal concessions will require skillful planning and



management. However, given Adaro Energy's experience and expertise we remain confident we will be able to make BEP a success."

Development Alternatives and Long Term Strategy

While Adaro Energy's consideration in making the BEP acquisition is based on the market for the direct sale of the coal, there are alternative development plans that would partly form the long term strategy for BEP and would result in considerable upside to the BEP valuation. The development alternatives for BEP include building mine-mouth power plants, blending with higher heat value coals, coal enhancement, gasification, and liquefaction.

Ownership Structures and Nature of Affiliation

BEP is owned 30.787% each by PCI (a company owned by Mr. Benny Subianto and family) and TIA (a company owned by Mr. Teddy Rachmat and family). Mr. Subianto and Mr. Rachmat, individually and through PCI and TIA are two members of the group of five key shareholders of Adaro Energy. Mr. Rachmat and Mr. Subianto individually and through TIA and PCI each own approximately 12%-13% of Adaro Energy. The other three key shareholders of Adaro Energy, Mr. Edwin Soeryadjaja, Mr. Garibaldi Thohir and Mr. Sandiaga Uno, do not own, nor ever have owned, any shares of BEP. The five key shareholders own a combined 63% interest in Adaro Energy and no one individual shareholder has control of Adaro Energy.

Adaro Energy's President Director, Mr. Garibaldi Thohir, said, "We have been putting this transaction together for over two years now. Throughout that time we have actively engaged our shareholders to solicit their feedback on the idea of acquiring BEP. We received good suggestions, which we took into consideration as we went about negotiating and structuring the BEP deal. The main message we received from our shareholders was to be transparent about the transaction and ensure the price was fair."

Adaro Energy took over two years to negotiate the unique two options structure, including a three year period to determine the business prospects for BEP. No cash was paid for the options themselves nor any cash upfront for the majority shareholders in BEP equity. Any and all cash Adaro Energy spends is to go solely to fund the development of BEP as directed by Adaro Energy and then Adaro Energy has the choice to convert the development money into an equity stake in BEP or to issue Adaro Energy shares for a larger controlling stake of BEP equity. The structure was carefully constructed as to ensure the transaction is conducted on an arm's length basis and to avoid potential related party conflicts.

As well as the structure of the transaction, risks to Adaro Energy are further minimized in that only two of the five main shareholders of Adaro Energy own the controlling stake in BEP. This ensures the evaluation of this transaction was scrutinized fairly and completely, not just from the perspective of protecting the rights of minority shareholders, but also the rights of the non-related substantial



shareholders. Finally, with Option Two, the payment for the controlling stake of the BEP equity is made not with additional cash, but with shares in Adaro Energy, which helps to ensure that the interests of the selling parties, the non-related key shareholders and the minority shareholders are all aligned.

The transaction is uniquely structured to favour the interests of Adaro Energy.

IDX and Capital Market Supervisory Board Rules

The BEP transaction is an affiliated transaction as regulated by Capital Market Supervisory Board and Financial Institution ("Bapepam-LK) under its Rule No. IX.E.1, as attached to the Decree of the Chairman of Bapepam-LK No. Kep-412/BL/2009 dated 25 November 2009 regarding Affiliated Transactions and Conflict of Interest Transactions ("Rule No. IX.E.1"). However this transaction is regarded as a fair transaction in line with a fairness opinion given by an independent party KJPP Rao, Yuhai & Partner (fairness opinion report).

This transaction is also considered a material transaction as regulated by Bapepam-LK Rule No. IX.E.2, as attached to the Decree of the Chairman of Bapepam-LK No. Kep-614/BL/2011 dated 28 November 2011 regarding Material Transactions and Changes to Main Business Activities ("Rule No. IX.E.2") because the transaction value is greater than 20% but less than 50% of the company's consolidated equity. The disclosure of this transaction, which is in line with Bapepam's Rule No. IX.E.2, has been reported to the capital market regulator and the stock exchange regulator, and has become public information since 30 May 2012.

Independent Valuation of US\$854.3 million

Rao, Yuhai and Partners, a Bapepam approved Independent Valuer carried out a valuation and prepared a fairness report on the BEP transaction. They determined the BEP's existing equity value to be US\$854.3 million. In assessing the valuation, Adaro Energy, as well as the Independent Valuer, adopted a conservative build up of production volume. We assume 30 years of production of 1.2 billion tonnes (from resources of over 9 billion tonnes) rising to 50 million tonnes per year by year 12 of operation. We assume a stripping ratio of 2.0 for the first 3 years and an average SR of 0.43 for 30 years.

Third Party Assessments and Legal Due Diligence

Over the lengthy assessment and due diligence period, many third party assessments were conducted. SRK were advised by BEP in 2009 to determining the JORC reserves and resources of the seven concessions owned by BEP. As well, Adaro Energy retained the services of Marston, an international mining consulting firm out of St Louis Missouri, USA, to verify the BEP resources and to conduct a non JORC study of the mining potential of the combined BEP coal resources. Mackenzie provided a report on low grade coal that helped Adaro Energy ascertain the likely sale price for coal of this nature.



Adaro Energy also retained services of Rao, Yuhai and Partners to conduct the BEP valuation and fairness report on the transaction.

A full legal due diligence was completed by law firm Hendra Soenardi.

Adaro Energy's Strategy Underlying the BEP Acquisition

The acquisition of BEP is part of Adaro Energy's strategy to create maximum long-term shareholder value from Indonesian coal, which itself is based on the premise that demand for Indonesian coals will continue to be strong.

As an Indonesian company adhering to the highest standards, with many years of experience and expertise, together with the geological potential of Indonesia, over the past few years, Adaro Energy has received and carefully considered several coal acquisition opportunities. In order to increase coal reserves and resources and to reduce risk by diversifying, after a thorough assessment, Adaro Energy made select acquisitions of large Indonesia coal deposits in 2010 and 2011. Adaro Energy prefers to acquire green field coal deposits as doing so leverages its expertise and can therefore add greater value for its investors.

In terms of diversifying geographic locations, Adaro Energy will now have a foothold in the four main coal provinces of Indonesia: South Kalimantan, East Kalimantan, Central Kalimantan and South Sumatra. In March 2010, Adaro Energy made its first coal acquisition when it acquired 25% in a large Central Kalimantan metallurgical coal project called IndoMet Coal, which is 75% owned by BHP Billiton. In the second half of 2011, Adaro Energy acquired controlling stakes in two large thermal coal deposits (PT Mustika Indah Permai, 75% and PT Bukit Enim Energi, 61%) and 35% of a logistics company, SMS, in South Sumatra.

In terms of diversifying license maturities and products, after acquiring BEP, Adaro Energy will have all or a portion of 8 Coal Contracts of Work and 9 licenses (IUPs), all with different maturities, and will be able to offer the full range of coal products, from low grade subbituminous coal to coking coal.

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