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Effective Date	:	4 <sup>th</sup> July 2008
Offering Period	:	8 <sup>th</sup> July 2008 - 10 <sup>th</sup> July 2008
Allotment Date	:	14 <sup>th</sup> July 2008
Refund Date	:	16 <sup>th</sup> July 2008
Date of Electronic Shares Distribution	:	15 <sup>th</sup> July 2008
Listing Date at Indonesia Stock Exchange	:	16 <sup>th</sup> July 2008

CAPITAL MARKET SUPERVISORY BOARD AND FINANCIAL INSTITUTION (BAPEPAM & LK) NEITHER GIVES ANY STATEMENT OF APPROVAL OR DISAPPROVAL OF THESE SECURITIES NOR STATES THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS CONTENT. ANY STATEMENT IN CONFLICT WITH THE FOREGOING SHALL BE AN ACTION AGAINST THE LAW.

PT ADARO ENERGY TBK. ("COMPANY") AND THE LEAD MANAGING UNDERWRITER ASSUME FULL RESPONSIBILITY FOR THE TRUTH OF ALL INFORMATION OR MATERIAL FACTS AND THE SINCERE OPINION HEREIN CONTAINED.



## adaro PT ADARO ENERGY Tbk

### Line of Business:

Integrated Coal Mining through Subsidiary, Domiciled in Jakarta, Indonesia

### Head Office:

Karya Tower, 23<sup>rd</sup> Floor  
Jl. H.R. Rasuna Said, Block X-5, Kav.1-2, Jakarta 12950 - Indonesia  
Phone: +62(21)521 1265; Facs: +62(21)5794 4687

### INITIAL PUBLIC OFFERING

Eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) Registered Common Shares, each share bearing the Par Value of one hundred Rupiah (IDR 100.-), offered to public at the Offer Price of one thousand one hundred Rupiah (IDR 1,100) each share shall be fully paid-up upon submission of the Subscription Form ("FPSP").

### LEAD MANAGING UNDERWRITER



### UNDERWRITERS

PT Amcapital Indonesia, PT Andalan Artha Advisindo Sekuritas, PT Antaboga Delta Sekuritas, PT Asia Kapitalindo Securities, PT Bahana Securities, PT Bapindo Bumi Sekuritas, PT Bumiputera Capital Indonesia, PT CIMB GK Securities, PT Ciptadana Securities, PT Citi Pasific Securities, PT Danasakti Securities, PT Danpac Sekuritas, PT Dhanawibawa Securities, PT Dinamika Usaha Jaya, PT E-capital Securities, PT Equity Securities Indonesia, PT HD Capital, PT Henan Putihrai, PT Indomitra Securities, PT Intifikasa Securindo, PT Kim Eng Securities, PT Kresna Graha Sekurindo, PT Lautandhana Securindo, PT Madani Securities, PT Mahanusa Securities, PT Makindo Securities, PT Makinta Securities, PT Masindo Artha Securities, PT Mega Capital Indonesia, PT Minna Padi Investama, PT Nusadana Capital Indonesia, PT Optima Securities, PT Panca Global Securities, PT Panin Sekuritas, PT Phillip Securities Indonesia, PT Pratama Capital Indonesia, PT Recapital Securities, PT Reliance Securities, PT Samuel Sekuritas, PT Sarijaya Securities, PT Semesta Indovest, PT Sinarmas Sekuritas, PT Sucorinvest Central Gani, PT Trimegah Securities, PT Universal Broker, PT UOB Kay Hian Securities, PT Victoria Sekuritas, PT Wanteg Securindo, PT Yulie Sekurindo

The Lead Managing Underwriter and Underwriters shall guarantee with full commitment in the Company's shares offer.

**THE MAIN BUSINESS RISK FACED BY THE COMPANY AND SUBSIDIARIES IS THE EFFECT FROM HIGH FLUCTUATION OF COAL PRICE ON THE INCOME OF THE COMPANY AND SUBSIDIARY.**

**BUSINESS RISKS OF THE COMPANY AND SUBSIDIARY IN COMPLETE ARE SPECIFIED IN CHAPTER VII HEREIN.**

**THE COMPANY DOES NOT ISSUE ANY COLLECTIVE SHARE CERTIFICATE IN THIS PUBLIC OFFERING, HOWEVER THE SHARES WILL BE ELECTRONICALLY DISTRIBUTED AND ADMINISTERED IN THE COLLECTIVE CUSTODY OF PT KUSTODIAN SENTRAL EFEK INDONESIA (KSEI).**

These shares offered will be entirely listed on PT Bursa Efek Indonesia.



PT Adaro Energy Tbk. (hereinafter referred to as "Company") has submitted a Statement of Registration in connection with this Public Offering to Chairman of the Capital Market Supervisory Board and Financial Institution (BAPEPAM & LK) in Jakarta on 8<sup>th</sup> May 2008 under Letter No. AE/003/08/GT/st based on the requirements stipulated in Law of the Republic of Indonesia No.8/1995 on Capital Market (hereinafter referred to as "Capital Markets Law") and its implementing regulation.

The shares offered in this Public Offering are intended to be listed on the PT Bursa Efek Indonesia according to the Preliminary Agreement of Securities Listing made and signed between the Company and PT Bursa Efek Indonesia on 12<sup>th</sup> June 2008. If the Company does not meet the requirements of securities listing stipulated by PT Bursa Efek Indonesia, this Public Offering shall be null and void by law and the subscription fund received shall be refunded to the subscribers.

The Company, Lead Managing Underwriter and the Capital Market Supporting Institutions and Professionals in the framework of this Public Offering shall be fully responsible for the accuracy of all data and the honesty of opinion, information or reports presented herein according to their respective fields of job based on the conditions governing in the Republic of Indonesia and their respective codes of ethics, norms and professional standards.

In connection with this Public Offering, any affiliated parties shall be prohibited from giving explanation and / or making any statement whatsoever regarding matters not specified herein without prior written consent of the Company and PT Danatama Makmur as the Lead Managing Underwriter.

PT Danatama Makmur as the Lead Managing Underwriter, other Underwriters and Capital Market Supporting Institutions and Professionals expressly state that they are not parties affiliated to the Company, directly or indirectly, as defined in the Capital Markets Law.

This Public Offering is not registered based on the Laws / Regulations other than those governing In the Republic of Indonesia. Whoever outside the territory of the Republic of Indonesia receives this Prospectus, this Prospectus is not intended to be a document an offer for sale of Shares, unless the Offer and purchase of Shares are not in conflict with or not a breach of the laws and regulations prevailing in the country.

**The Company has disclosed all information required to be known by public and there is no significant and relevant fact not disclosed, causing information or material facts set forth in this Prospectus to become untrue and / or misleading.**

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## DEFINITION AND ABBREVIATION

Affiliation	<p>Affiliation is:</p> <ol style="list-style-type: none"> <li>family of marital or blood relationship up to the second degree, both in a collateral line and a direct line;</li> <li>relation between one party and an employee, Director or Commissioner of the relevant party;</li> <li>relation between two (2) companies where there is one or more same members of the Board of Directors or Commissioners;</li> <li>relation between the company and a party, either directly or indirectly, which controls or is controlled by the relevant company;</li> <li>relation between two (2) companies controlled directly or indirectly by the same party; or</li> <li>relation between the company and main shareholder.</li> </ol>
AMDAL	Analysis of Environmental Impacts, comprising ANDAL, RKL and RPL activities.
Subsidiary	Companies in which the Company has the shares holding with voting rights exceeding 50%, either directly or indirectly, or if the Company has 50% or less shares with voting rights, the Company has the capacity to control subsidiaries.
ANDAL	a detailed and in-depth study of the significant impacts of a proposed activity.
US\$	Currency of the United States of America or United States Dollar.
BAE	Securities Administration Bureau.
Bapepam	Capital Market Supervisory Board as referred to in Article 3 of the Capital Markets Law.
Bapepam & LK	Capital Market Supervisory Board and Financial Institution as referred to in Presidential Regulation No.62/2005 and KMK No.606/KMK.01/2005 dated 30 <sup>th</sup> December 2005 on Organization and Work System of BAPEPAM & LK.
Sub-bituminous Coal	Type of coal with low calorie generally used for steam power plant. Sub-bituminous coal has the calorific level between lignite coal and bituminous coal.

Thermal Coal	The term of coal used in combustion process to produce steam for electricity and heat.
bcm	Bank cubic meter.
BEI or Stock Exchange	Indonesia Stock Exchange, stock exchange as referred to in article 1 point 4 of Capital Markets Law, operated by PT Bursa Efek Indonesia, a limited liability company domiciled in Jakarta, where the Company's shares are to be listed.
BNRI	State Gazette of the Republic of Indonesia
Coal reserve	<p>Coal deposit already known of its size, shape, distribution, quantity and quality and economically, technically, by law, environment and socially could be mined when the calculation is conducted. The reserve is divided into Proven Reserve and Probable Reserve.</p> <p>Proven Reserve is a part of mining-worthy minerals reserve based on the measurement of Measured Resources.</p> <p>Probable Reserve is a part of mining-worthy minerals reserve based on the measurement of Predicted Resources.</p>
Crusher	Equipment for making the coal size smaller.
Register of Shareholders	Register issued by KSEI containing information on Securities ownership by the Stockholders in the Collective Custody in KSEI based on the data provided by the Account Holder to KSEI.
DESDM	Ministry of Energy and Mineral Resources.
DHPB	Fund From the Result of Coal Production .
Drilling	Drilling.
DPPS	List of Share Subscription Application.
Effective	The fulfillment of all procedure and requirements of Statement of Registration stipulated in the Capital Markets Law and the provision point 10 of Regulation No.IX.A.2, Attachment to Decision of Bapepam's Chairman No.Kep 25/PM/2003 dated 17 <sup>th</sup> July 2003.
ESDM	Energy and Mineral Resources.
Envirocoal	A registered trademark of the coal sold by a mining strategic business unit, Adaro which is a mining strategic business unit of the Company having low ash and sulfur contents characteristics.

Excavator/Shovel/Wheel Loader	Equipment used for loading soil/coal onto the hauling instrument.
Crushing Facility	A facility comprising Crusher and other equipments, including the infrastructures for crushing coal into certain sizes.
Crushing and Loading Facilities	Crushing facility and the facility for loading coal onto a barge located in Kelanis Village, Dusun Hilir Subdistrict, South Barito Regency, Central Kalimantan Province.
FKP	Allotment Confirmation Form.
FPPS	Subscription Form.
The Guarantor	Edwin Soeryadjaya, Theodore Permadi Rachmat, Ir.Subianto, Garibaldi Thohir, and Sandiaga Salahuddin Uno.
Exchange Days	Any days on which any securities are traded at Stock Exchange, namely from Monday to Friday, except for national holidays or days declared holidays by the Stock Exchange.
Calendar Days	Any days in one (1) year according to Gregorian calendar without exception, including Sundays and national holidays determined by the government at any time.
Workdays	Mondays to Fridays, except for national holidays determined by the Government of the Republic of Indonesia.
KSEI	Abbreviation of <i>Kustodian Sentral Efek Indonesia</i> , assigned to administer the safe keeping of Securities based on Securities Registration Agreement in the Collective Custody, operated by PT Kustodian Sentral Efek Indonesia, a limited liability company domiciled in Jakarta.
Offering Period	Period for share subscription that may be conducted by public by submitting FPPS to the Lead Managing Underwriter, Underwriter and / or Selling Agent as stipulated in the Prospectus and FPPS, unless the Offering period is closed earlier, which is conducted based on the prevailing laws and regulations.
Public	Individuals, either Indonesian Citizens or Foreign Citizens and/or legal entities, either Indonesian legal entities or foreign legal entities, either residing or legally domiciled in Indonesia or abroad.
Overburden	A layer of material overlying a deposit of useful geological materials.



Ultimate Shareholders	Family of Soeryadjaya, Family of Theodore Permadi Rachmat, Family of Ir. Subianto, Family of Thohir, and Sandiaga Salahuddin Uno.
Mining	Activity conducted simply (manually) or by mechanism, covering excavation, dispersion, loading and transportation of minerals.
Mining	The activity, technology and business related to mining industry, from prospecting, exploration, mining evaluation / feasibility study, processing, handling, transportation to marketing and selling.
Underwriter	Parties carrying out the Public Offering on behalf of the Company and making the payment of the proceed of Public Offering to the Company based on Underwriting already having the Securities Account pursuant to Underwriting Agreement.
Lead Managing Underwriter	PT Danatama Makmur
Initial Offering (bookbuilding)	An invitation, directly or indirectly, by Preliminary Prospectus based on the laws and regulations governing Capital Market, with the purpose of among others to know any interest of prospective buyers in the shares to be offered and or the estimated offer price of shares.
Public Offering	Activity of shares offer conducted by the Company to sell the shares to Public based on the procedure regulated in the Capital Markets Law and its implementing regulation.
Collective Custody	Service of collective custodianship on a number of securities possessed by more than one party, whose interest is represented by the custodian as referred to in the Capital Markets Law.
Statement of Registration	Document required to be submitted to Bapepam & LK by the Company and the Lead Managing Underwriter jointly in the framework of Public Offering based on the provisions of the Capital Markets Law.
Company	PT Adaro Energy Tbk., domiciled in Jakarta, a limited liability company established according to and based on the law and regulation of the Republic of Indonesia.
Securities Company	Party conducting the business activity as underwriter, stockbroker and / or investment manager as stipulated in the Capital Markets Law.
PPh	Income Tax

PKP2B (Coal Cooperation Agreement)	Coal Cooperation Agreement (CCA), i.e. namely an Agreement between the mining strategic business unit of Adaro and Coal Mining State Corporation dated 16 <sup>th</sup> November 1982. Based on Amendment to Contract dated 27 <sup>th</sup> June 1997, all rights and obligations of PT Tambang Batubara Bukit Asam (Persero) Tbk. (formerly Coal Mining State Corporation) have been transferred to the Government of Republic of Indonesia (in this matter represented by the Department of Mining and Energy, subsequently changed to Department of Energy and Mineral Resources).
Prospectus	Any written information related to Shares Issue in order that public buy the shares as regulated in Article 1 point 26 of the Capital Markets Law, in conjunction with Regulation No.IX.C.2 of Attachment to Decision of Bapepam's Chairman dated the seventeenth (17 <sup>th</sup> ) day of January one thousand nine hundred and ninety-six (1996) No.KEP 51/PM/1996.
P/E	Price Earning Ratio, i.e. the ratio of share price to net profit per share.
RKL	Environment Management Plan
ROM	Run Of Mine, the newly mined coal that is not yet crushed.
RPL	Environment Monitoring Plan
RUPS	General Meeting of Shareholders
RUPSLB	Extraordinary General Meeting of Shareholders
SDM	Human resources
SKS	Collective Certificate
Stripping Ratio	Ratio of stripped soil bcm to 1 ton coal produced (Stripping Ratio)
Coal Resources	Coal deposit expected to be able to utilize factually, being confident that certain geology could change into Coal Reserve after conducting mine feasibility study and meeting the criteria of mining worthiness
Measured Resources	Coal resources studied geologically and considered as sources having a convincing quantity, but is still not a nominal reserve (the level of geological confidence is over 80%)
Indicated Resources	Coal Resources having the geological confident level over 60%

Inferred Resources	Coal Resources having the geological confident level over 40%.
Open Mine Pit	Mining system by stripping surface soil.
Date of Listing	Date of shares listing on BEI
Transaction	Transaction of buying of shares in AIM, Kerry Coal, Agalia, ATA and SIS as explained in Chapter III on Information On Transaction Plan.
Environment Management Effort (UKL) and Environment Monitoring Effort (UPL)	Efforts conducted in environment management and monitoring by parties responsible for businesses and / or activities not required to conduct AMDAL.

## ABBREVIATION OF COMPANIES' NAMES

Adaro	PT Adaro Indonesia
Adaro Finance	Adaro Finance B.V.
Agalia	Agalia Energy Investments Pte Ltd
Agalia Capital	Agalia Capital Ltd
AIM	Ariane Investments Mezzanine Pte Ltd
Ariane	Ariane Investments (Australia) Limited
Arindo	Arindo Holding (Mauritius) Ltd
Arindo FCM	Arindo FCM (Mauritius) Limited
Arindo Global	Arindo Global (Netherlands) B.V
ATA	PT Alam Tri Abadi
Biscayne	Pt Biscayne Investments
CSP	PT Cipta Sejahtera Persada
Citigroup	Citigroup Financial Products Inc
Coaltrade	Coaltrade Services International Pte Ltd
Decimal	Decimal Investments Ltd
Dianlia	PT Dianlia Setyamukti
Goldman Sachs	Goldman Sachs (Asia) Finance
IBT	PT Indonesia Bulk Terminal
Indonesia Coal	Indonesia Coal Pty Ltd
JPI	PT Jasapower Indonesia
Kerry Coal	Kerry Coal (Singapore) Pte Ltd
MEC	MEC Indo Coal B.V.
MSW	PT Makmur Sejahtera Wisesa
PCI	PT Persada Capital Investama
Rachmalta	RachMalta Investments Ltd
Rachpore	Rachpore Investments Pte Ltd
Rachsing	Rachsing Holdings Pte Ltd
Revere	Revere Group Ltd
RML	Rach (Mauritius) Ltd

Saluno	Saluno Investments Pte Ltd
SIS	PT Saptaindra Sejati
SMP	PT Satya Mandiri Persada
SRIS	PT Saratoga Investama Sedaya
SRSB	PT Saratoga Sentra Business
TIA	PT Triputra Investindo Arya
Trinugraha	PT Trinugraga Thohir
Vencap	Vencap Holdings (1987) Pte Ltd
Vindoor	Vindoor Investments (Mauritius) Limited
Viscaya	PT Viscaya Investments



## SUMMARY

*The summary hereunder forms an integral and inseparable part of, and should be read in connection with more detailed information and the financial statement and the notes specified in, this Prospectus. This summary is made based on the facts and considerations significant to the Company. All the Company's financial information shall be made in Rupiah currency, unless specified otherwise and has been presented pursuant to the generally Accepted Accounting Principle in Indonesia*

## GENERAL

The Company was established under the name PT Padang Karunia, a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on the Company's Deed of Establishment No.25 dated 28<sup>th</sup> July 2004, drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta. The deed was published in BNRI No.59 dated 25<sup>th</sup> July 2006, Supplement No. 8036.

The Company's Articles of Association have been amended several times. The last amendment in the framework of the Public Offering pursuant to Deed No. 62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, S.H., Notary in Jakarta. The Company has changed its name becoming PT Adaro Energy Tbk, amendment to the Company's whole Articles of Association and alteration to the Company's status from a private to a public company. The deed has obtained the approval of the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.AHU-20330.AH.01.02.Tahun 2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258 AH.01.02-Tahun 2008 dated 25<sup>th</sup> April 2008.

The Company's vision is to become an integrated coal-based mining and energy company that is the biggest and most efficient in South East Asia. The Company and Subsidiaries currently deal in the coal mining and trade, coal infrastructures and logistics, and mining contractor service. Each strategic business unit above is positioned as an independent and integrated profit centre so that the Company has the coal production and supply chain that is competitive and reliable and gives optimum value added to all stakeholders of the Company and Subsidiaries.

Based on the Terence Willstead & Associates' Report dated 29<sup>th</sup> February 2008 ("TWA Report"), the Company through its Subsidiaries has minable coal reserves of 928 million tons with the total resources estimated of 2,803 million tons as per 31<sup>st</sup> December 2007. In addition to the large coal reserves, the Company through its Subsidiaries also have the main assets to support the operation such as the highway connecting the mine location to the Crushing Facility in Kelanis and Coal Terminal in Pulau Laut, besides the mining fleet it possesses through SIS, such as Drilling Machine, Bulldozer, Wheel dozer, Excavator, Grader, Articulate Truck, Dump Truck, Wheel Loader, Head Truck, Vessel, Dolly, Crusher, etc.

**Brief explanation on the Company's present Subsidiaries and Affiliated Companies:**

Name	Business Activity	% of Effective Ownership	Year Of Participation Commencement
PT Adaro Indonesia	Coal mining	61%	2005
Adaro Finance B.V.	Finance	61%	2005
Arindo Global (Netherlands) B.V.	Finance	30%	2005
Arindo Holding (Mauritius) Ltd.	Investment	59%	2006
PT Alam Tri Abadi	Trading	92%	2005
PT Biscayne Investments	Consultation and business and management development service	59%	2006
Coaltrade Services International Pte. Ltd.	Coal trade and service	59%	2006
Decimal Investments Ltd.	Investment	92%	2006
PT Dianlia Setyamukti	Trading	92%	2005
PT Indonesia Bulk Terminal	Development, operation and management of coal terminal, and harbor facilities	62%	2006
PT Jasapower Indonesia	General trade and service	92%	2007
MEC Indo Coal B.V	Investment	46%	2006
PT Makmur Sejahtera Wisesa	Supply of power plant, electric power support, and conducting trading activity	100%	2005
Rachmalta Investments Ltd	Investment	46%	2006
Rachpore Investments Pte. Ltd.	Investment	92%	2006
Rachsing Holdings Pte. Ltd.	Investment	92%	2006
Revere Group Ltd.	Investment	92%	2006
Rach (Mauritius) Ltd.	Investment	92%	2006
Saluno Investments Pte. Ltd.	Investment	92%	2006
PT Saptaindra Sejati	Mining Contractor	86%	2005
PT Satya Mandiri Persada	Service including leasing and management of office buildings	86%	2006
Vindoor Investments (Mauritius) Ltd.	Investment	59%	2006

The Company's head office is located in Karya Tower, 23<sup>rd</sup> Floor, JL. H.R. Rasuna Said, Block X-5, Kav. 1-2, Jakarta 12950, Indonesia.

**PUBLIC OFFERING**

The Lead Managing Underwriter and Underwriters on behalf of the Company hereby conduct the Public Offering of eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) Registered Common Shares, each share having the Par Value of one hundred Rupiah (IDR 100.-) with the Offering Price for each share of one thousand one hundred Rupiah (IDR 1,100) to be paid in full upon submission of the FPPS.

These shares will give their holders the same and equal right in any matters as / to other subscribed and fully paid-up shares of the Company.

The Company has obtained a Statement of Effectiveness from Bapepam & LK on the Statement of Registration in the framework of Public Offering that was submitted by the company to Bapepam & LK on 8<sup>th</sup> May 2008.

## CAPITALIZATION STRUCTURE

The Company's capitalization structure and shareholders composition when this Prospectus is issued are as specified in Deed of Statement of Shareholders' Resolutions No.68 dated 31<sup>st</sup> January 2008, drawn up before Humbert Lie, S.H., S.E, MKn, Notary in Tangerang, as follows:

Description	Par Value IDR 100.- each share		
	Shares	Par Value Amount (IDR)	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	22.91%
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.48%
PT Persada Capital Investama	3,520,995,975	352,099,597,500	16.89%
Garibaldi Thohir	2,496,384,062	249,638,406,200	11.97%
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	11.97%
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.60%
T.Permadi Rachmat	724,420,430	72,442,043,000	3.48%
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.17%
Ir. Subianto	416,932,620	41,693,262,000	2.00%
PT Saratoga Sentra Business	110,925,500	11,092,550,000	0.53%
<b>Total subscribed and fully paid-up capital</b>	<b>20,846,631,000</b>	<b>2,084,663,100,000</b>	<b>100.00%</b>
<b>Total shares in portfolio</b>	<b>59,153,369,000</b>	<b>5,915,336,900,000</b>	

As all shares offered in this Public Offering are sold, the Company's Shareholders composition is as follows:

Description	Before Initial Public Offering			After Initial Public Offering		
	Number of Shares	Total Par Value (IDR)	%	Number of Shares	Total Par Value (IDR)	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>		<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>						
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	22.91%	4,775,524,806	477,552,480,600	14.93%
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.48%	4,268,347,697	426,834,769,700	13.34%
PT Persada Capital Investama	3,520,995,975	352,099,597,500	16.89%	3,520,995,975	352,099,597,500	11.01%
Garibaldi Thohir	2,496,384,062	249,638,406,200	11.97%	2,496,384,062	249,638,406,200	7.80%
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	11.97%	2,496,384,062	249,638,406,200	7.80%
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.60%	1,375,877,646	137,587,764,600	4.30%
T.Permadi Rachmat	724,420,430	72,442,043,000	3.48%	724,420,430	72,442,043,000	2.27%
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.17%	660,838,202	66,083,820,200	2.07%
Ir. Subianto	416,932,620	41,693,262,000	2.00%	416,932,620	41,693,262,000	1.30%
PT Saratoga Sentra Business	110,925,500	11,092,550,000	0.53%	110,925,500	11,092,550,000	0.35%
Public	-	-	-	11,139,331,000	1,113,933,100,000	34.83%
<b>Total subscribed and fully paid-up capital</b>	<b>20,846,631,000</b>	<b>2,084,663,100,000</b>	<b>100.00%</b>	<b>31,985,962,000</b>	<b>3,198,596,200,000</b>	<b>100.00%</b>
<b>Total shares in portfolio</b>	<b>59,153,369,000</b>	<b>5,915,336,900,000</b>		<b>48,014,038,000</b>	<b>4,801,403,800,000</b>	

## PLANNED APPROPRIATION OF FUNDS

The funds or proceeds earned from this Public Offering, after deduction by issue costs, will be entirely used by the Company for:

1. Around 92.47% or approximately IDR 10,863,438 million will be used for increasing the Company's investment in PT Alam Tri Abadi ("ATA"), further the funds will be used as follows:
  - a. Around 76.49% or approximately US\$ 901,879,947 or IDR 8,309,180 million will be used to buy 100% shares of Ariane Investment Mezzanine Pte. Ltd. ("AIM"), either directly or indirectly, with the following description:
    - Around 73.21% or approximately US\$660,304,936 or IDR 6,083,507 million will be used for buying:
      - 423,077 shares or equal to 42.31% AIM shares from Arindo FCM in the amount of US\$ 354,310,005 or equal to IDR 3,264,320,950,000;
      - 134,615 shares or equal to 13.46% AIM shares from Vencap in the amount of US\$ 177,154,973 or equal to IDR 1,632,160,200,000;
      - 76,923 shares or equal to 7.69% AIM shares from Goldman Sachs in the amount of US\$ 64,419,979 or equal to IDR 593,512,700,000;
      - 76,923 shares or equal to 7.69% AIM shares from Citigroup in the amount of US\$ 64,419,979 or equal to IDR 593,512,700,000; and
    - Around 26.79% or approximately US\$241,575,011 or IDR 2,225,673 million will be used for buying 250,001 shares or equal to 100.00% shares of Kerry Coal (Singapore) Pte. Ltd. ("Kerry Coal"), as the owner of 28.85% shares of AIM from Gold Pilot International Limited ("Gold Pilot").
  - b. Around 15.00% or approximately US\$176,840,011 or IDR 1,629,258 million will be used for direct purchase of 6,717,602 shares or equal to 100% shares of Agalia Energy Investments Pte. Ltd. ("Agalia") from Agalia Capital Ltd ("Agalia Capital").  
The settlement of purchase transaction of the shares in AIM, Kerry Coal and Agalia is assumed to occur within no later than 3 business days after the Offering Period ends
  - c. Around 8.51% or approximately US\$100,000,000 will be used to pay off a portion of ATA's loan to Adaro and to pay coaltrade's debts. Further the funds will be used to pay off a portion of their loan to syndicate (DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd. Singapore Branch, and UOB Asia Limited) based on the US\$750,000,000 Facilities Agreement dated 2<sup>nd</sup> November 2007.

Current's balance of payables of the Subsidiaries specified above is as follows:

- the payables of PT Adaro Indonesia ("Adaro") to the syndication based on the Facilities Agreement are US\$ 531,732,000. A part of the payables, i.e. US\$ 75 million will be settled from the proceeds of this Public Offering; and

- the payables of Coaltrade Serviced International Pte. Ltd. (“Coaltrade”) to the syndication based on the Facilities Agreement are US\$ 193,268,000. A part of the payables, i.e. US\$ 25 million will be settled from the proceeds of this Public Offering.

The payment of Adaro’s and Coaltrade’s payables are predicted to be settled immediately after the Listing Date of the Company’s shares on Stock Exchange, but no later than the following interest payment period, namely on 7<sup>th</sup> September 2008.

2. Around 3.03% or approximately IDR 356,000 million will be used for buying the 47,477 shares of ATA owned by PT Persada Capital Investama (“PCI”) amounting IDR 118,669,207,743 and 94,951 shares of ATA owned by PT Saratoga Investama Sedaya (“SRIS”) amounting IDR 237,330,916,957. The settlement of this transaction is expected to be completed immediately after the Listing Date of the Company’s shares on Stock Exchange.
3. Around 1.35% or approximately IDR 158,776 million will be used for settlement of payment of sale and purchase of SIS shares owned by PCI as much as 39,036 shares amounting IDR 63,511,572,000, SRIS as much as 39,035 shares amounting IDR 63,509,945,000 and PT Cipta Sejahtera Persada (“CSP”) as much as 19,517 shares amounting IDR 31,754,159,000. The settlement of this transaction is expected to be completed immediately after the Public Offering has ended, but no later than 13<sup>th</sup> September 2008.
4. Around 3.15% or approximately IDR 370,000 million will be used to increase the participation in SIS, further to be used for capital expenditure and working capital of SIS. This transaction shall be settled immediately after the Public Offering has ended.

Further details regarding appropriation of proceeds are provided in Chapter II herein on Use Of Proceeds.

## FINANCE

Financial highlights of the Company and its Subsidiary for the period of 1 (one) month ended on 31st January 2008 and for the year ended on 31st December 2007, originated from the consolidated financial statements which have been audited by Public Accounting Firm Haryanto Sahari & Rekan (member of the PricewaterhouseCoopers) with unqualified opinion with explanatory paragraph regarding restructuring transaction of entities under common control and VAT in Compensation against royalty payment. For the years ended on 31st December 2006 and 2005 originated from the consolidated financial statements which have been audited by Public Accounting Firm Kosasih and Nurdiyaman with Unqualified Opinion of which the preliminary paragraph in the statement of opinion explains the reference to report of other auditor, unaudited subsidiaries, the explanatory paragraph for the going concern of subsidiary and the re-issue of the consolidated financial statements for the years ended 31st December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined consolidated financial statement of the Company and its Subsidiaries dated 31st December 2006 and 2005 and for the years then ended, after restatement for applying the method of pooling-of-interests on restructuring transaction of the entities under common control with the opinion that the consolidated financial statements has been restated properly based on the accounting principles generally accepted in Indonesia.



The financial highlights of the Company and Subsidiaries are as follows:

Items	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
(in IDR million)				
<b>Balance Sheet</b>				
Total Current Assets	5,209,131	4,997,672	3,656,741	4,542,888
Total Non Current Assets	11,088,979	9,691,011	9,686,652	9,310,356
Total Assets	16,298,110	14,688,683	13,343,393	13,853,244
Total Current Liabilities	4,248,336	4,236,744	3,570,179	3,544,316
Total Non Current Liabilities	8,516,140	6,884,515	8,802,157	9,564,737
Minority Interests	1,093,599	1,075,906	584,036	438,354
Total Equity	2,440,035	2,491,518	387,021	305,837
Total Liabilities and Stockholders' Equity	16,298,110	14,688,683	13,343,393	13,853,244
<b>Profit (Loss) Statement</b>				
Revenue	1,115,080	11,592,640	9,748,068	7,174,651
Cost of Revenue	(891,675)	(9,121,200)	(7,787,558)	(5,836,588)
Gross Profit	223,405	2,471,440	1,960,510	1,338,063
Operating Expenses	(18,834)	(250,948)	(219,296)	(163,562)
Operating Income	204,571	2,220,492	1,741,214	1,174,501
Other Income / (Expenses)	32,163	(1,273,467)	(889,935)	(572,806)
Net Income	58,109	132,853	141,133	65,892

\*As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

## STATEMENT OF INDEBTEDNESS

Pursuant to the financial statements for the period of 1 (one) month ended on 31<sup>st</sup> January 2008, audited by Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with unqualified opinion with explanatory paragraph regarding the restructuring transactions of entities under common control and VAT in compensation against royalty payment, the Company has a total liability of IDR 12,764,476 million, with the following breakdowns:

	(in IDR million)
ITEMS	AMOUNTS
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Short-Term Borrowings	
Bank loans	445,968
Other loans	
-Third parties	51,648
Trade payables	
Third parties	1,566,967
Related parties	198,346
Taxes payable	98,828
Accrued expenses	377,358
Convertible bonds	92,910
Current maturity of long-term borrowings:	
Lease payables	121,361
Bank loans	863,349
Other loans – Third parties	6,504
Other current liabilities	765
Royalties payable	424,332
<b>Total Current Liabilities</b>	<b>4,248,336</b>
<b>Non Current Liabilities</b>	
Amounts due to related parties	9,503
Long-term borrowings, net of current maturities	
Lease payables	230,034
Bank loans	7,187,741
Other loans:	
-Third parties	23,423
-Related parties	12,602
Subordinated loan	92,910
Deferred tax liabilities	489,529
Provision for employee benefits	48,006
Accrued stripping costs	422,392
<b>Total non current liabilities</b>	<b>8,516,140</b>
<b>TOTAL LIABILITIES</b>	<b>12,764,476</b>

## BUSINESS PROSPECTS

The high demand for alternative energy has encouraged coal exporting countries to continuously attempt to increase its production volume and Indonesia today is one of the world coal biggest exporters.

There are various types of coal produced by many producers all over the world. However considering the increasing awareness and concern of the world society with air pollution and its impacts on human health as well as environment, today alternative fuel with low emission content has become the main option in society, particularly for steam power plant industry.

Further, the tight supervision on emission in several countries, applying the policy of tight requirements on the use of fuel having negative impacts on environment, has given a separate position to Envirocoal product produced by the Company's coal mining strategic business unit having the characteristic of eco-friendly coal with low contents of ash, sulfur, and nitrogen.

The world high demand for coal product has also encouraged other supporting industries also to develop. The Company does not only have mining strategic business unit, but also has strategic business units that support the main mining activity. These supporting strategic business units of the Company have opportunity also to develop parallel to the rapid growth of coal product. For example, the strategic

business unit of mining contractor service, infrastructures and coal logistics of the Company will be required more to support development of the Company's mining strategic business unit and coal industry in general.

## **BUSINESS RISKS**

The main business risk faced by the Company and Subsidiaries is the effect of high fluctuation of coal price on the revenue of the Company and Subsidiaries.

In performing its business, the Company and its Subsidiary face the risk that may affect the operating income of the Company and its Subsidiary, if their management are not anticipated and prepared properly. The risks that may affect the business of the Company and its Subsidiary in general can be classified as follows:

### Risks Related to the Market Condition and Sales:

1. The effect of high fluctuation of coal price on the income of the Company and Subsidiaries.
2. Business competition.
3. Discontinuation or non-renewal of contracts with customers.

### Risks Related to Production Activity

1. Dependency of the Company and Subsidiaries on contractors.
2. Dependency of the Company and Subsidiaries on main installation, equipments, production facilities and other supporting facilities to undertake the mining activity and other activities.
3. The ability of the Company and Subsidiaries to obtain and provide the need for fuel, spare-parts and other operational activity supporting materials.
4. The increase of fuel price.
5. The limitedness of coal transportation service and line that may interfere with the operational activities of the Company and Subsidiaries.
6. The mining activity of mine strategic business unit, Adaro, is found in a concentrated location.
7. Natural disasters, weather and accident may harm the operational activities of the Company and Subsidiaries.
8. The coal production may be affected by the occurring difference of the predicted geological condition.
9. Proved and probable coal reserves are expressions of judgment based on knowledge, experience and industry practice, and any adjustment to estimated proved and probable coal reserves could adversely affect The Company & its Subsidiaries development and mining plans.

#### Risks Related to the Provisions of the Law and Social Environment

1. Based on any certain conditions, PKP2B giving authority to the mining strategic business unit, Adaro, to conduct mining activities may be terminated or its implementation may be temporarily discontinued by the Government.
2. The mining strategic business unit, Adaro, has today compensated an amount of VAT in on DHPB payment to the government, however there is a possibility that such treatment is not approved by the Government.
3. The Risk in relation to possibility that Government conducts adjustment to Adaro's tax obligation.
4. The operational activity of mining strategic business unit, Adaro, is influenced by the provisions of the prevailing laws and regulations in forestry and environment.
5. The risk on Adaro's mining area that is overlapping with the mining area or other non-mining areas of third parties.
6. The operational activities of the Company and Subsidiaries depend on their ability to obtain, defend and renew all licenses and approvals required.
7. The application of new laws and regulations either in the sectors of mining, environment, harbor affairs, shipping, finance, forestry or other sectors, or the existing interpretation or implementation of the new laws and regulations may have negative impacts on the operational activities and licenses held by the Company and Subsidiaries.
8. Relation with the people around the business areas of the Company and Subsidiaries.
9. Based on the conditions in PKP2B, all fixed assets and equipments purchased in connection with the mining activity of the mining strategic business unit, Adaro, and the coal reserve found in the mining area of Adaro are owned by the Government.

#### Risks Related to Company's Management

1. Company's dependence on Subsidiaries.
2. Legal Claim against Dianlia, one of the Company's subsidiaries, in relation to the legality of Dianlia's ownership in Adaro and IBT shares.
3. The ability of the Company and Subsidiaries to operate effectively may be harmed, if they lose key employees or if the Company, Subsidiaries and their mining contractors cannot get and maintain skilled and trained manpower.
4. The change of exchange rate on the record of the Company's consolidated financial statement.
5. The change of interest rate in relation to outstanding loan in Subsidiaries
6. Control by the Ultimate Shareholder.

Further detail explanation on the above risks can be seen in Chapter VII on Business Risk of this Prospectus.

## COMPETITIVE ADVANTAGES

1. The mine location and characteristics and the operation strategy of the mining strategic business unit, Adaro, give the capacity to produce coal at low cost level.
2. The Company and its subsidiaries are the second biggest coal producer in Indonesia, and the largest single location open pit mine in the southern hemisphere.
3. The Company and Subsidiaries have eco-friendly coal product known widely under the registered trade mark Envirocoal. Various policies applied in many countries in the world, particularly Europe, related to the use of eco-friendly fuel have increased the potential receipt and market demand for eco-friendly coal, and given a separate position to Envirocoal in global market.
4. As one of the biggest integrated coal mining company in Indonesia and having a strong position in its industry, the Company and Subsidiaries have more capability to attract highly qualified HR and to maintain many other main resources they have in order to achieve the Company's objective.
5. The Company through the mining strategic business unit, Adaro, has a market coverage well-distributed. The even distribution either geographically, or the great contribution to the income, also support the stability of business continuation of the Company and Subsidiaries. In addition, the Company's trading relation with its customers has been established in the average for over five years.
6. As company group with integrated strategic business units, the Company and its Subsidiaries have the capacity to increase production rapidly and significantly while continuing to minimize working capital expenditure and being flexible in deciding the production volume based on the market demand and condition.
7. The Company positions each its strategic business unit as profit center, hence making the Company and Subsidiaries different compared to other mining companies. The profit made by each of these strategic business units becomes the buffer in the overall income in each variety of business selection in the future.
8. The Company has strategic business units experienced in the sectors of mining, trading, mining contractor service and infrastructures & logistics.
9. The completeness of the production fleet in the form of instruments, equipments, facilities of crushing, piling-up, transportation, loading, and production and supporting facilities and HR adequately owned by the Company and Subsidiaries today will give quite great competitive power to their competitors.

## DIVIDEND POLICY

Based on the laws and regulations in Indonesia and the Company's Articles of Association, dividend payment shall be approved by the shareholders in the annual RUPS based on recommendation of the Board of Directors. Based on the provisions of the Company's Articles of Association, if the Company books a net profit in a financial year, the Company may distributed dividend to the shareholders based on the recommendation of the Board of Directors at the approval of RUPS.



With respect to (i) the operating income, cash flow, capital adequacy and financial condition of the Company and Subsidiaries in order to reach an optimum growth level in the future; (ii) the requirement to fulfill reserve fund establishment; (iii) the obligations of the Company and Subsidiaries based on agreements with third parties (including creditors); and (iv) compliance with the prevailing laws and regulations and the approval of RUPS; Starting from the fiscal year that the Company's has listed their shares in stock exchange, the Company's management plans the dividend paid up ratio up to 45% of the Company's consolidated net profit annually.

In addition, the Indonesian law enables a limited liability company to pay interim dividend before the closing of the limited liability company's financial year.

The payment of interim dividend may only be made, if the net assets of the limited liability company will not become smaller than the amount of subscribed capital and the fund reserve fixed by the limited liability company, also will not affect the limited liability company's capacity to meet the liability to its creditors.

The interim dividend can be paid based on the Board of Directors' decision after having obtained the approval of the Board of Commissioners.

If after the payment of interim dividend, the Company suffers a loss, the shareholders shall refund the interim dividend received to the Company. The Board of Directors and Board of Commissioners shall be jointly and severally responsible for the loss suffered by the Company, if the shareholders do not refund the interim dividend they received.

## I. PUBLIC OFFERING

The Lead Managing Underwriter and Underwriters on behalf of the Company hereby conduct the Public Offering of eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) Registered Common Shares at a par value of one hundred Rupiah IDR 100.- each share, having the Offer Price of one thousand one hundred Rupiah] (IDR 1,100) each share with total amount of IDR 12,253,264,100,000, to be fully paid upon submission of FPPS.



**PT ADARO ENERGY TBK**

**Line of Business:**

Integrated Coal Mining through Subsidiaries  
Domiciled in Jakarta, Indonesia

**Head Office:**

Menara Karya, 23<sup>rd</sup> Floor  
Jl. H.R. Rasuna Said, Block X-5, Kav.1-2  
Jakarta 12950 - Indonesia  
Phone: +62(21) 521 1265; Facs.: +62(21) 5794 4687

**THE MAIN BUSINESS RISK FACED BY THE COMPANY AND SUBSIDIARIES IS THE EFFECT FROM HIGH FLUCTUATION OF COAL PRICE ON THE INCOME OF THE COMPANY AND SUBSIDIARY.**

**THE COMPANY'S AND SUBSIDIARY'S BUSINESS RISKS IN COMPLETE ARE DISCLOSED IN CHAPTER VII HEREIN.**

The Company was established under the name PT Padang Karunia, a limited liability company established based on and regulated by the law of Republic of Indonesia, based on the Company's Deed of Establishment No.25 dated 28<sup>th</sup> July 2004, drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta. The Deed was published in BNRI No.59 dated 25<sup>th</sup> July 2006, Supplement No.8036.

The Company's Articles of Association have been amended several times. The latest amendment is in the framework of Public Offering, based on Deed No.62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, S.H., Notary in Jakarta. The Company has altered the name to PT Adaro Energy Tbk., amended the whole Company's Articles of Association and altered the Company's status from a private to public company. The Deed has been approved by the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.AHU-20330.AH.01.02.Tahun 2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258.AH.01.02.Tahun 2008 dated 25<sup>th</sup> April 2008.

The shares to be offered and sold to public by Public Offering through Capital Market are eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) shares or at an aggregate Par Value of at most one trillion one hundred and thirteen billion nine hundred and thirty-three million one hundred thousand Rupiah (IDR 1,113,933,100,000), hence after the Public Offering, the number of shares to be subscribed and fully paid-up becomes thirty-one billion nine hundred and eighty-five million nine hundred and sixty-two thousand (31,985,962,000) shares or at an aggregate par value of at most three trillion one hundred and ninety-eight billion five hundred and ninety-six million two hundred thousand Rupiah (IDR 3,198,596,200,000).

Based on letter No.S-4299/BL/2008 dated 4<sup>th</sup> July 2008, the Company obtained a Statement of Effectiveness from Bapepam & LK on the Statement of Registration in the framework of Public Offering submitted by the Company to Bapepam & LK on 8<sup>th</sup> May 2008.

The shares offered entirely comprises new shares issued from the portfolio, giving to the holders the same and equal rights in any matters as / to other shares of the Company that have been subscribed and fully paid-up.

The Company's capitalization structure when this Prospectus is issued is as follows:

Description	Shares	Par Value IDR 100.- each share	
		Total Par Value (IDR)	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	22.91%
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.48%
PT Persada Capital Investama	3,520,995,975	352,099,597,500	16.89%
Garibaldi Thohir	2,496,384,062	249,638,406,200	11.97%
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	11.97%
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.60%
T.Permadi Rachmat	724,420,430	72,442,043,000	3.48%
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.17%
Ir. Subianto	416,932,620	41,693,262,000	2.00%
PT Saratoga Sentra Business	110,925,500	11,092,550,000	0.53%
<b>Total subscribed and fully paid-up capital</b>	<b>20,846,631,000</b>	<b>2,084,663,100,000</b>	<b>100.00%</b>
<b>Total shares in portfolio</b>	<b>59,153,369,000</b>	<b>5,915,336,900,000</b>	

As all the shares offered in this Public Offering have been sold, the Company's pro-forma capitalization structure before and after the Public Offering becomes as follows:

Description	Before Initial Public Offering			After Initial Public Offering		
	Number of Shares	Total Par Value (IDR)	%	Number of Shares	Total Par Value (IDR)	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>		<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>						
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	22.91%	4,775,524,806	477,552,480,600	14.93%
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.48%	4,268,347,697	426,834,769,700	13.34%
PT Persada Capital Investama	3,520,995,975	352,099,597,500	16.89%	3,520,995,975	352,099,597,500	11.01%
Garibaldi Thohir	2,496,384,062	249,638,406,200	11.97%	2,496,384,062	249,638,406,200	7.80%
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	11.97%	2,496,384,062	249,638,406,200	7.80%
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.60%	1,375,877,646	137,587,764,600	4.30%
T.Permadi Rachmat	724,420,430	72,442,043,000	3.48%	724,420,430	72,442,043,000	2.27%
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.17%	660,838,202	66,083,820,200	2.07%
Ir. Subianto	416,932,620	41,693,262,000	2.00%	416,932,620	41,693,262,000	1.30%
PT Saratoga Sentra Business Public	110,925,500	11,092,550,000	0.53%	110,925,500	11,092,550,000	0.35%
	-	-	-	11,139,331,000	1,113,933,100,000	34.83%
<b>Total subscribed and fully paid-up capital</b>	<b>20,846,631,000</b>	<b>2,084,663,100,000</b>	<b>100.00%</b>	<b>31,985,962,000</b>	<b>3,198,596,200,000</b>	<b>100.00%</b>
<b>Total shares in portfolio</b>	<b>59,153,369,000</b>	<b>5,915,336,900,000</b>		<b>48,014,038,000</b>	<b>4,801,403,800,000</b>	

At the same time with the listing of eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) Registered Common Shares offered in this Public Offering or 34.83% of the subscribed and fully paid-up capital after the Public Offering, the Company in the name of the shareholders before the Public Offering shall list twenty trillion eight hundred and forty-six million six hundred and thirty-one thousand (20,846,631,000) Registered Common Shares owned by the shareholders before the Public Offering on the Stock Exchange.

The shares in the name of the shareholders before the Statement of Registration in the framework of Public Offering are stated Effective in total number of 20,846,631,000 Registered Common Shares, shall not be sold by the existing shareholders within the period of eight (8) months after the Company's Statement of Registration as the Public Offer is declared Effective.

The Company does not have any plan to issue or list other shares or other Securities convertible into shares within twelve (12) months since the Company's Statement of Registration in the framework of this Public Offering is declared Effective by Bapepam & LK, except for distribution of option to members of the Board of Directors and Board of Commissioners and the employees and management of the Company and Subsidiaries in connection with the Management and Employee Stock Option Plan (MESOP) program, which option is only able to exercise after 12 months have lapsed since the Company's Statement of Registration in the framework of this Public Offering is declared Effective by Bapepam & LK.

### **Providing of Share Purchase Option to members of the Board of Directors and Board of Commissioners and employees and management of the Company and Subsidiaries / MESOP**

The Company plans to conduct Share Purchase Option program for employees and management or Management and Employee Stock Option Plan (MESOP) to be exercised within the period of at least twenty-four (24) months after the Company's Statement of Registration in the framework of this Public Offering is declared Effective by Bapepam & LK in order to give appreciation for the employees / management performance in the framework of encouraging the company's value increase. For that purpose, the Company's RUPS articulated in Deed No. 62 dated 18<sup>th</sup> April 2008, drawn up before Robert Purba, S.H., Notary in Jakarta, has decided as follows:

- a. the issue of new shares after the Public Offering up to maximum 5% of the Company's Subscribed and Paid-up Capital after Public Offering in the framework of MESOP program to be

offered to the employees and management of the Company and Subsidiaries who meet certain requirements;

- b. to grant power to the Company's Board of Directors to decide the time, conditions and procedure, including but not limited to decide the requirements to become participants, the amount, price to be paid by the participants and the time, in connection with the exercise of MESOP based on the prevailing laws and regulations; and
- c. to give power and authority to the Company's Board of Commissioners to state in a separate Notarial Deed regarding the alteration to the Company's capitalization structure after the exercise of MESOP.

Today, the Company's Board of Directors is preparing the design of MESOP program, including the period of option exercise and other requirements. The distribution of option to members of the Board of Directors and Board of Commissioners and the employees and management of the Company and Subsidiaries can be exercised after the Company's Statement of Registration in the framework of this Public Offering is declared Effective by Bapepam & LK. However the option is just able to exercise after 12 months have lapsed after the Company's Statement of Registration in the framework of this Public Offering is declared Effective by Bapepam & LK. The MESOP Program will be conducted in accordance to requirements in Bapepam Regulation No. IX.D.4 regarding Increase of Capital without The Pre-emptive Right to Subscribe Shares (Right Issue).

Unless stipulated otherwise by the prevailing laws and regulations, members of the Board of Directors and Board of Commissioners and employees of the Company and Subsidiaries will participate in the MESOP program.

### ***Employee Stock Allocation (ESA) Program***

In this Public Offering, based on Directors Resolution dated 26 May 2008, the Company shall conduct ESA Program for the management / employees of the Company and Subsidiaries.

ESA program is a program of shares allotment with the maximum number at zero point eighty seven percent (0.87%) of the number of shares offered to Public or ninety six million five hundred and eighty six thousand (96,586,000) shares. These shares will be paid by the participant (management/employee of the Company & Subsidiaries) at the same price with the IPO Price, which will be fully paid during the Offering Period.

The implementation of ESA is an opportunity to the management/employee of the Company & Subsidiaries to own Company's shares (in which, the participants will have fixed allotment) through this program, the Company expect increasement on the sense of belonging and responsibility of all the participant, hence increasing the Company's and Subsidiaries' performance. In relation to the purpose, The shares bought through ESA Program are not saleable within the period of less than eight (8) months after the Company's Statement of Registration in the framework of this Public Offering has been declared effective by Bapepam & LK.

## II. USE OF PROCEED

The funds earned from this Public Offering, after deduction by the issue costs will be entirely used by the Company for:

1. Around 92.47% or approximately IDR 10,863,438 million will be used for increasing the Company's investment in ATA, further the funds will be used as follows:

a. Around 76.49% or approximately US\$ 901,879,947 or IDR 8,309,180 million will be used to buy 100% shares of AIM, either directly or indirectly, with the following description:

- Around 73.21% or approximately US\$660,304,936 or IDR 6,083,507 million will be used for buying:

- 423,077 shares or equal to 42.31% AIM shares from Arindo FCM in the amount of US\$ 354,310,005 or equal to IDR3,264,320,950,000;
- 134,615 shares or equal to 13.46% AIM shares from Vencap in the amount of US\$ 177,154,973 or equal to IDR 1,632,160,200,000;
- 76,923 shares or equal to 7.69% AIM shares from Goldman Sachs in the amount of US\$ 64,419,979 or equal to IDR 593,512,700,000;
- 76,923 shares or equal to 7.69% AIM shares from Citigroup in the amount of US\$ 64,419,979 or equal to IDR 593,512,700,000; and

- Around 26.79% or approximately US\$241,575,011 or IDR 2,225,673 million will be used for buying 250,001 shares or equal to 100.00% shares of Kerry Coal (Singapore) Pte. Ltd., as the owner of 28.85% shares of AIM from Gold Pilot.

The above transaction shall be hereinafter referred to as "AIM Acquisition Transaction".

b. Around 15.00% or approximately US\$ 176,840,011 or IDR 1,629,258 million will be used for direct purchase of 6,717,602 shares or equal to 100% shares of Agalia from Agalia Capital.

The settlement of purchase transaction of the shares in AIM, Kerry Coal and Agalia is assumed to occur within no later than 3 business days after the Offering Period ends.

The above transaction shall be hereinafter referred to as "Agalia Acquisition Transaction"

c. Around 8.51% or approximately US\$100,000,000 will be used to pay off a portion of ATA's loan to Adaro and to pay coaltrade's debts. Further the funds will be used to pay off a portion of their loan to syndicate (DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd. Singapore Branch, and UOB Asia Limited) based on the US\$750,000,000 Facilities Agreement.

Today, the balance of payables of the Subsidiaries as specified above is as follows:

- Adaro's payables to the syndication based on Facilities Agreement are US\$ 531,732,000. A part of the payable, namely US\$ 75 million will be settled from the proceeds of this Public Offering; and

- Coaltrade's payables to the syndication based on Facilities Agreement are US\$ 193,268,000. A part of the payables, namely US\$ 25 million will be settled from the proceeds of this Public Offering.

The payment of payables of Adaro and Coaltrade is assumed to be settled immediately after the Date of Listing of the Company's shares on Stock Exchange, but no later than the next interest payment period, namely on 7<sup>th</sup> September 2008.

(The payment of part of Adaro's and Coaltrade's loan based on Facilities Agreement above, shall be hereinafter referred to as "Payment of Adaro's and Coaltrade's Loan Based on Facilities Agreement")

Increase of Company's participation in ATA as detailed above shall be hereinafter referred to as "Increase of participation in ATA".

2. Around 3.03% or approximately IDR 356,000 million will be used for buying 47,477 ATA shares owned by PCI in the amount of IDR 118,669,207,743 and 94,951 ATA shares owned by SRIS in the amount of IDR 237,330,916,957. This transaction is assumed to be settled immediately after the Date of Listing of the Company's shares on Stock Exchange.

The above transaction shall be hereinafter referred to as "ATA Shares Purchase Transaction".

3. Around 1.35% or approximately IDR 158,776 million will be used for settlement of payment of sale and purchase of 39,036 SIS shares owned by PCI for the amount of IDR 63,511,572,000, 39,035 SIS Shares owned by SRIS for the amount of IDR 63,509,945,000 and 19,517 SIS Shares owned by CSP for the amount of IDR 31,754,159,000. This transaction will be settled immediately after the Public Offering has ended, but no later than 13<sup>th</sup> September 2008.

The transaction above shall be hereinafter referred to as "Settlement of SIS Shares Purchase Transaction"

4. Around 3.15% or approximately IDR 370,000 million will be used for increasing the participation in SIS, further to be used for capital expenditure and working capital of SIS. This transaction will be settled immediately after the Public Offering has ended.

Transaction above shall be hereinafter referred to as " Increase of Participation in SIS"

AIM Acquisition Transaction and Agalia Acquisition Transaction are not transactions with conflict of interest as regulated in Bapepam Regulation No. IX.E.1, since the sellers party in the above transactions are not directors, commissioners, Company's major shareholders and their affiliated parties.

ATA Shares Purchase Transaction, Settlement of SIS Shares Purchase Transaction, Increase of Participation in ATA and Increase of Participation in SIS are transactions with conflict of interest as specified in Bapepam Regulation No. IX.E.1. This is for the reason that the parties in these transactions (except CSP) are major shareholders of the Company or their affiliated parties. Nonetheless, execution of those transaction after the completion of Public Offering shall not require approval from independent shareholders of the Company since the proposal of those transaction have been disclosed in the prospectus of initial public offering, and therefore are exempted from the obligation to seek approval from General Meeting of Shareholders as required in Bapepam Regulation No. IX.E.1.



AIM Acquisition Transactiona, Agalia Acquisition Transaction, ATA Shares Purchase Transaction, Increase of Participation in ATA, Settlement of SIS Shares Purchase Transaction and Increase of Participation in SIS are material transactions as specified in Bapepam Regulation No. IX.E.2 for the reason that the total value of those transactions exceed 10% of the Company's revenue and 20% of the Company's equity. Nonetheless, execution of those transaction after the completion of Public Offering shall not require approval from shareholders of the Company since the proposal of those transaction have been disclosed in the prospectus of initial public offering, and therefore are exempted from the obligation to seek approval from General Meeting of Shareholders as required in Bapepam Regulation No. IX.E.2.

Based on the Circular issued by Bapepam and LK Number SE-05/BL/2006 dated 29<sup>th</sup> September 2006 on Transparency of Information On Expense Incurred In the Framework of Public Offering, the estimated expenses incurred by the Company is approximately equal to 4.122% of the proceeds of the Public Offering, covering:

1. Underwriting fee approximately 2.125%.
2. Financial Consultant fee approximately 1.600%.
3. Fees of Capital Market Supporting Professionals approximately 0.212%, consisting of service fees for:
  - a. Public Accountant approximately 0.072%
  - b. Legal Consultant approximately 0.075%
  - c. Taxation Consultant approximately 0.038%
  - d. Independent Appraiser approximately 0.010%
  - e. Share Registrar approximately 0.001%
  - f. Notary approximately 0.016%
4. Other expenses (printing, advertisement, public exposure, public offering, international road show, etc.) approximately 0.185%.

The Company will account the realized appropriation of funds earned from Public Offering periodically to the shareholders in RUPS and report it to Bapepam & LK according to Regulation No.X.K.4 of Attachment to Decision of BAPEPAM's Chairman No.Kep-27/PM/2003 dated 17<sup>th</sup> July 2003 on Report on Realized Appropriation of Funds Earned from Public Offering.

In case in the future the Company intends to change the planned appropriation of funds earned from Public Offering, the Company will first report the plan to Bapepam & LK by specifying the reasons and considerations thereof, and the change of fund appropriation shall first obtain the approval of the Company's shareholders in RUPS.

### III. INFORMATION ON TRANSACTION PLAN

#### 1. REASON AND BACKGROUND

A large portion of the proceeds of the Public Offering will be used:

- a. To increase the Company's participation in ATA, further to be used to directly and indirectly purchase 100% shares of AIM and Agalia. AIM and Agalia are indirect shareholders of Adaro, IBT and Coaltrade, in which the effective ownership of AIM and Agalia in the companies is respectively and consecutively at 32.99%, 32.79% and 36.00% ("AIM's and Agalia's Acquisition Transaction");
- b. To buy the shares owned by PCI and SRIS in ATA ("ATA Acquisition Transaction");
- c. To settle payment for the trading of SIS' shares owned by PCI, SRIS and CSP ("Purchase SIS Acquisition Transaction");

(the transactions above hereinafter referred to as "Transaction").

Currently, the Company's ownership on ATA and SIS is respectively at 92.02% and 85.92%. Besides that, the Company's effective indirect shares ownership on Adaro, IBT and Coaltrade, are 61.23%, 61.80% and 58.89%, respectively.

So far Adaro, IBT, Coaltrade and SIS have jointly shown good and sustainable operational and financial performance. Thanks to the bright prospect of coal mining industry, particularly the eco-friendly coal mining industry, the Company has increased the Company's shares ownership in SIS and intends to increase the Company's shares ownership effectively on Adaro, IBT and Coaltrade, either by ATA purchasing AIM's and Agalia's shares or by increasing the Company's shares ownership in ATA by purchasing ATA's shares owned by PCI and SRIS.

The increase of control on the subsidiaries will enable the Company to optimize the synergy produced by integration of its strategic business units.

#### 2. OBJECTIVES AND BENEFITS OF TRANSACTION IMPLEMENTATION

As mentioned earlier, the objective to be achieved by the Company in the implementation of the Transaction is to increase the Company's control on mining strategic business unit, Adaro, infrastructures and logistics strategic business unit, IBT and trading strategic business unit of Coaltrade, which expected to give benefits among others as follows:

- To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
- To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly eco-friendly coal mining industry.
- To enlarge the Company's economic scale significantly, as this company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.
- To give more confidence to the customers as well as prospective customers in the Company' eco-friendly coal for more certain and sustainable coal supply, because of the Company's greater scale.

- To give more flexible financial capability to the Company to be able to give solid support for the Company's business development strategy in the future.

### 3. INCREASE OF CAPITAL

AIM Acquisition Transaction and Agalia Acquisition Transaction, as well as Settlement of Adaro and Coaltrade Loan based on Facility Agreement shall be conducted by and through ATA. Therefore ATA must first increase its authorized capital, issued and paid up capital prior to AIM Acquisition Transaction and Agalia Acquisition Transaction, as well as Settlement of Adaro and Coaltrade Loan based on Facility Agreement, are conducted.

Prior to the end of public offering period, ATA will hold General Meeting of Shareholders to seek approval for the increase of capital. Immediately after the end of public offering period, ATA will request approval from and provide notification to Minister of Law and Human Rights of Republic of Indonesia for the proposed increase of capital.

Capital structure of ATA before and after the increase of capital by Company and ATA Shares Purchase Transaction is as follows:

Description	Before Increase of Capital			After Increase of Capital		
	Number of Shares	Total Par Value (IDR)	%	Number of Shares	Total Par Value (IDR)	%
<b>Authorized capital</b>	<b>6,000,000</b>	<b>6,000,000,000,000</b>		<b>20,000,000</b>	<b>20,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>						
Company	1,642,428	1,642,428,000,000	92.0201%	12,648,294	12,648,294,000,000	99.9999%
PT Saratoga Investama Sedaya	94,951	94,951,000,000	5.3198%	-	-	-
PT Persada Capital Investama	47,477	47,477,000,000	2.6600%	-	-	-
PT Triputra Investindo Arya	1	1,000,000	0.0001%	1	1,000,000	0.0001%
<b>Total subscribed and fully paid-up capital</b>	<b>1,784,857</b>	<b>1,784,857,000,000</b>	<b>100.0000%</b>	<b>12,648,295</b>	<b>12,648,295,000,000</b>	<b>100.0000%</b>
<b>Total shares in portfolio</b>	<b>4,215,143</b>	<b>4,215,143,000,000</b>		<b>7,351,706</b>	<b>7,351,706,000,000</b>	

### 4. INFORMATION ON MATERIAL TRANSACTION AND CONFLICT OF INTEREST

AIM Acquisition Transaction and Agalia Acquisition Transaction are not transactions with conflict of interest as regulated in Bapepam Regulation No. IX.E.1, since the sellers in the above transactions are not directors, commissioners, substantial shareholders of the Company's or their affiliated parties.

ATA Acquisition Transaction, Settlement of SIS Shares Purchase Transaction, Increase of Participation in ATA and Increase of Participation in SIS are transactions with conflict of interest as specified in Bapepam Regulation No. IX.E.1. On the basis of that the parties in these transactions (except CSP) are substantial shareholders of the Company or their affiliated parties. Nonetheless, execution of those transactions after the completion of Public Offering shall not require approval from independent shareholders of the Company since the proposal of those transactions have been disclosed in the Prospectus of Public Offering, and therefore are exempted from the obligation to obtain approval from the General Meeting of Shareholders as required in Bapepam Regulation No. IX.E.1.

AIM Acquisition Transaction, Agalia Acquisition Transaction, ATA Acquisition Transaction, Increase of Participation in ATA, Settlement of SIS Shares Purchase Transaction and Increase of Participation in SIS are material transactions as specified in Bapepam Regulation No. IX.E.2 because the total value

of those transactions exceed 10% of the Company's revenue and 20% of the Company's equity. Nonetheless, execution of those transaction after the completion of Public Offering shall not require approval from shareholders of the Company since the proposal of those transactions have been disclosed in the Prospectus of Public Offering, and therefore are exempted from the obligation to seek approval from General Meeting of Shareholders as required in Bapepam Regulation No. IX.E.2.

## **5. SIGNIFICANT CONDITIONS IN THE COMMITMENT OF SHARE SALE AND PURCHASE AGREEMENT**

With respect to the Purchase Transaction of AIM's and Agalia's Shares, the following agreements have been signed:

- Conditional Sale and Purchase Agreement dated 5<sup>th</sup> May 2008, as amended on 13<sup>th</sup> May 2008 between ATA and Arindo FCM (Mauritius) Limited ("Arindo FCM"), hereinafter referred to as "CSPA Arindo FCM";
- Conditional Sale and Purchase Agreement dated 5<sup>th</sup> May 2008, as amended on 13<sup>th</sup> May 2008 between ATA and Vencap Holdings (1987) Pte. Ltd. ("Vencap"), hereinafter referred to as "CSPA Vencap";
- Conditional Sale and Purchase Agreement dated 5<sup>th</sup> May 2008, as amended on 13<sup>th</sup> May 2008 between ATA and Citigroup Financial Products Inc ("Citigroup"), hereinafter referred to as "CSPA Citigroup";
- Conditional Sale and Purchase Agreement dated 5<sup>th</sup> May 2008, as amended on 13<sup>th</sup> May 2008 between ATA and Gold Pilot International Limited ("Gold Pilot"), hereinafter referred to as "CSPA Gold Pilot";
- Conditional Sale and Purchase Agreement dated 5<sup>th</sup> May 2008, as amended on 13<sup>th</sup> May 2008 between ATA and Goldman Sachs (Asia) Finance ("Goldman Sachs"), hereinafter referred to as "CSPA Goldman Sachs";
- Conditional Sale and Purchase Agreement dated 13<sup>th</sup> May 2008 between ATA and Agalia Capital Ltd. ("Agalia Capital") as seller, Citigroup and Goldman Sachs Strategic Investments (Asia) L.L.C. as the ultimate shareholder of Agalia Capital, hereinafter referred to as "CSPA Agalia";

(CSPA Arindo FCM, CSPA Vencap, CSPA Citigroup, CSPA Gold Pilot, CSPA Goldman Sachs and CSPA Agalia as specified above, hereinafter referred to as "Sale and Purchase Agreements of AIM's and Agalia's Shares").

Arindo FCM, Vencap, Citigroup, Goldman Sachs, Gold Pilot, and Agalia Capital hereinafter shall jointly be referred to as "Sellers of AIM's and Agalia's Shares" and severally be referred to "Seller of AIM's And Agalia's Shares".

With respect to the ATA Acquisition Transaction, the following agreements have been signed:

- Purchase Agreement of ATA's Shares dated 2<sup>nd</sup> May 2008 between the Company as the buyer and PCI as the seller in the sale and purchase transaction of ATA's shares, hereinafter referred to as "CSPA PCI ATA";

- Purchase Agreement of ATA's Shares dated 2<sup>nd</sup> May 2008 between the Company as the buyer and SRIS as the seller in the sale and purchase transaction of ATA's shares, hereinafter referred to as "CSPA SRIS ATA";

(CSPA PCI ATA and CSPA SRIS ATA hereinafter referred to as "Sale and purchase Agreement of ATA's Shares").

With respect to the SIS Acquisition Transaction' Shares, the following agreements have been signed:

- Sale and Transfer of Shares Agreement dated 13<sup>th</sup> March 2008 between the Company and PCI as the seller in the purchase transaction of SIS' shares, hereinafter referred to as "SPA PCI SIS";
- Sale and Transfer of Shares Agreement dated 13<sup>th</sup> March 2008 between the Company and SRIS as the seller in the purchase transaction of SIS' shares, hereinafter referred to as "SPA SRIS SIS";
- Sale and Transfer of Shares Agreement dated 13<sup>th</sup> March 2008 between the Company and CSP as the seller in the purchase transaction of SIS' shares, hereinafter referred to as "SPA CSP SIS";

(SPA PCI SIS, SPA SRIS SIS and SPA CSP SIS hereinafter referred to as "Sale and Purchase Agreements of SIS' Shares").

PCI, SRIS and CSP shall hereinafter jointly be referred to as "Sellers of SIS' Shares".

Significant conditions in Sale and Purchase Agreements of AIM's and Agalia's Shares are as follows:

**a. Transaction Objects**

The Transaction Objects based on the Share Sale and Purchase Agreements are as follows:

- The number of AIM's shares sold based on CSPA Arindo FCM is 423,077 shares.
- The number of AIM's shares sold based on CSPA Vencap is 134,615 shares.
- The number of AIM's shares sold based on CSPA Citigroup is 76,923 shares.
- The number of AIM's shares sold based on CSPA Goldman Sachs is 76,923 shares.
- The number of Kerry Coal's shares sold based on CSPA Gold Pilot is 250,001 shares.
- The number of Agalia's shares sold based on CSPA Agalia is 6,717,602 shares.

**b. Share Purchase Price**

The total purchase price of shares based on the Sale and Purchase Agreements of AIM, Kerry Coal and Agalia shares is as follows:

No.	Transaction	Purchase Price	Price per Share
1.	CSPA Arindo FCM	US\$ 354,310,005 or IDR 3,264,320,950,000	US\$ 837 or IDR 7,715,666
2.	CSPA Vencap	US\$177,154,973 or IDR 1,632,160,200,000	US\$ 1,316 or IDR 12,124,653
3.	CSPA Citigroup	US\$ 64,419,979 or IDR 593,512,700,000	US\$ 837 or IDR 7,715,673
4.	CSPA Goldman Sachs	US\$ 64,419,979 or IDR 593,512,700,000	US\$ 837 or IDR 7,715,673
5.	CSPA Gold Pilot	US\$ 241,575,011 or IDR 2,225,673,450,000	US\$ 966 or IDR 8,902,658
6.	CSPA Agalia	US\$ 176,840,011 or IDR 1,629,258,400,000	US\$ 26 or IDR 242,536

**c. Payment Procedure**

At the closing of AIM's and Agalia's Acquisition Transaction, ATA as the Buyer will pay the whole purchase price by fund transfer to the accounts which will be informed in writing by the

respective Sellers to ATA, such information shall be given no later than 2 working days prior to the Settlement Date (definition “Settlement Date” is a date not exceeding 3 working days upon expiration of the Offering Period).

The settlement plan on the purchase transaction of AIM’s and Agalia’s shares is predicted to occur within 3 working days after the Offering Period has ended.

**d. Conditions of settlement**

Based on the conditions of Sale and Purchase Agreements of AIM’s and Agalia’s Shares, the obligations of ATA as buyer and the Sellers of AIM and Agalia depend on the fulfillment of some conditions, among others are the completion of Company’s Public Offering on or before 31<sup>st</sup> October 2008 and part of funds earned from Public Offering have been remitted to the Sellers as payment of the shares of AIM, Kerry Coal and Agalia.

**e. Termination**

Based on the conditions of Sale and Purchase Agreements of AIM’s and Agalia’s Shares, each Share Sale and Purchase Agreement shall terminate, among others if:

- agreed by the parties in Sale and Purchase Agreements of AIM’s and Agalia’s Shares; and
- all conditions of settlement as specified in each Share Sale and Purchase Agreement are not met or waived before 31<sup>st</sup> October 2008.

**f. Governing Law**

Each Share Sale and Purchase Agreement shall be governed by and subject to the provisions of the law of the Republic of Singapore.

**g. Settlement of Disputes**

Any disputes in connection with the Sale and Purchase Agreements of AIM’s and Agalia’s Shares shall be settled by the arbitration forum in Singapore, applying the rules of Singapore International Arbitration Centre.

**Significant provisions in the Sale and Purchase Agreement of ATA’s Shares are as follows:**

**a. Transaction Objects**

The Transaction Objects based on the Sale and Purchase Agreement of ATA’s Shares are as follows:

- i. The number of ATA’s shares purchased based on CSPA PCI ATA is 47,477 shares.
- ii. The number of ATA’s shares purchased based CSPA SRIS ATA is 94,951 shares.

**b. Share Purchase Price**

The total purchase price of shares in the ATA Acquisition Transaction is as follows:

No.	Transaction	Purchase Price	Price per Share
1.	CSPA PCI ATA	IDR 118,669,207,743	IDR 2,499,509
2.	CSPA SRIS ATA	IDR 237,330,916,957	IDR 2,499,509

**c. Terms of Payment**

The Company shall transfer the sale and purchase price to the account appointed by PCI and SRIS. The transfer instruction shall be given by PCI and SRIS to the Company not more than two (2) working days prior to the Settlement Date (the definition of “Settlement Date” is as specified in the Sale and Purchase Agreement of ATA’s Shares).

This transaction is predicted to be settled immediately after the Date of Listing of the Company’s shares on Stock Exchange.

**d. Settlement requirements**

Based on the provisions of the respective Sale and Purchase Agreements of ATA’s Shares, the obligations of the Company as the buyer and PCI and SRIS as the sellers depend on the fulfillment of some requirements, among others (i) listing of Company’s shares; (ii) effectiveness of ATA’s capital increase; (iii) having obtained the approval of ATA’s shareholders in connection with the transfer of shares and the alteration to ATA’s shareholders composition; (iv) the fulfillment of all requirements as specified in the articles of association of the Company, PCI and SRIS.

**e. Termination**

Based on the provisions of the respective Sale and Purchase Agreements of ATA’s Shares, the respective agreements shall be terminated, among others if:

- agreed by the parties in the respective Sale and Purchase Agreements of ATA’s Shares; and
- There is a material change that harms the Company or its assets.

**f. Governing Law**

The respective Sale and Purchase Agreement of ATA’s Shares shall be governed by and subject to the provisions of the laws of the Republic of Indonesia.

**g. Dispute Settlement**

Any dispute in connection with the Shares Sale and Purchase Agreements shall be settled through the District Court of South Jakarta.



**Significant Provisions in the Sale and Purchase Agreement of SIS' Shares are as follows:**

**a. Transaction Object**

The Transaction Objects based on Sale and Purchase Agreement of SIS' Shares are as follows:

- i. The number of SIS' shares purchased based on SPA PCI SIS is 39,036 shares.
- ii. The number of SIS' shares purchased based SPA SRIS SIS is 39,035 shares.
- iii. The number of SIS' shares purchased based SPA CSP SIS is 19,517 shares.

**b. Share Purchase Price**

The total purchase price of shares in the Purchase Transaction of SIS' Shares is as follows:

No.	Transaction	Purchase Price	Price Per Share
1.	SPA PCI SIS	IDR 63,511,572,000	IDR 1,627,000
2.	SPA SRIS SIS	IDR 63,509,945,000	IDR 1,627,000
3.	SPA CSP SIS	IDR 31,754,159,000	IDR 1,627,000

**c. Terms of Payment**

The payment shall be made within six (6) months upon signing of the agreement or any earlier term as agreed by the parties.

**d. Governing Law**

The respective Sale and Purchase Agreements of SIS' Shares shall be governed by and subject to the provisions of the laws of the Republic of Indonesia.

**e. Dispute Settlement**

Any dispute in connection with the Shares Sale and Purchase Agreements shall be settled through the District Court of South Jakarta.

**6. INFORMATION ON TRANSACTION OBJECTS**

**6.1 Ariane Investments Mezzanine Pte. Ltd. ("AIM")**

**a. Brief History**

AIM is an investment company, established on 27<sup>th</sup> April 2005, having its registered office and domiciled in Singapore.

**b. Business Activity**

AIM's current business activity is in investment.

**c. Capitalization and Share Ownership Structure**

AIM's paid up capital is US\$ 13,000,000, consisting of 1,000,000 shares, with the following composition of shareholders:

Description	Shares	%
<b>Subscribed and fully paid-up capital</b>		
Arindo FCM (Mauritius) Ltd	423,077	42.31%
Kerry Coal (Singapore) Pte Ltd	288,462	28.85%
Vencap Holdings (1987)Pte Ltd	134,615	13.46%
Goldman Sachs (Asia) Finance	76,923	7.69%
Citigroup Financial Products, Inc	76,923	7.69%
<b>Total subscribed and fully paid-up capital</b>	<b>1,000,000</b>	<b>100.00%</b>

**d. Board of Directors**

AIM's current Board of Directors is as follows:

Director : Lim Soon Huat

**e. Summary of Financial Statement**

The financial highlights of AIM for the period of one (1) month ended 31st January 2008 and the years ended 31st December 2007 and 2006 audited by Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph are as follows:

Description	(in US\$)		
	31 <sup>st</sup> January 2008	31 <sup>st</sup> December 2007	2006
Total assets	185,476,439	184,539,809	173,422,229
Total liabilities	184,602,244	184,984,501	165,248,669
Minority interest	-	-	262,416
Total equity	874,195	(444,692)	7,911,144
Revenue	-	-	-
Gross profit	-	-	-
Operating Loss	-	(48,644)	(85,682)
Net income/(loss)	1,318,887	(8,355,836)	(3,115,519)

Increase in net income for the period of one (1) month ended in 31 January 2008 was due to increase of income in affiliated companies which is higher than interest expenses. Net loss for the period of 1 (one) year ended in 31 December 2007 and 2006 is due to higher interest expense compared to affiliated companies' income.

**f. Information on Subsidiary and AIM Associated Companies**

**f.1. PT Viscaya Investments ("Viscaya")**

**Brief History**

Viscaya, domiciled in Jakarta, is a limited liability company established based on Deed No.2 dated 4<sup>th</sup> May 2005, drawn up before Dwi Yulianti, S.H., Notary in Tangerang Regency, and has obtained the approval based on Decree of the Minister of Law and Human Rights of the Republic of Indonesia No.C-12623 HT.01.01.TH.2005. Vicsaya's Deed of Establishment has been published in BNRI (State Gazette of the Republic of Indonesia) No.43 dated 31<sup>st</sup> May 2005, Supplement No.5562.

Viscaya's Articles of Association have been amended several times, lastly by Deed No.9 dated 30<sup>th</sup> September 2005, drawn up before Doktorandus Soebiantoro, S.H., Notary in Jakarta.

### **Business Activities**

Viscaya's current business activities are in the development of management consultation business and service.

### **Share Ownership**

Based on Deed No.12 dated 27<sup>th</sup> June 2005, drawn up before Drs. Soebiantoro, S.H., Notary in Jakarta, Viscaya's capital structure is as follows:

Description	Par Value IDR 954,500 or US\$100 each share			
	Share	IDR	US\$	%
Authorized Capital	599,680	572,394,560,000	59,968,000	
Subscribed and fully paid-up capital				
AIM	114,359	109,155,665,500	11,435,900	76.28
Agalia Energy Investments Pte Ltd	35,545	33,927,702,500	3,554,500	23.71
Arif Rachmat	16	15,272,000	1,600	0.01
<b>Total subscribed and fully paid-up capital</b>	<b>149,920</b>	<b>143,098,640,000</b>	<b>14,992,000</b>	<b>100.00</b>
Total shares in portfolio	449,760	429,295,920,000	44,494,000	

### **Commissioners and Board of Directors**

Based on the Deed of Establishment and Deed Number 12 dated 11 February 2008, drawn up before Humberg Lie,SH, SE, Mkn, Notary in Tangerang, Viscaya's current composition of Commissioners and Board of Directors is as follows:

#### **Commissioner**

Commissioner : George Raymond Zage III

#### **Board of Directors**

Director : Lim Soon Huat

### **Summary of Financial Statement**

Viscaya's financial highlight for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007 and 2006 audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph are as follows:

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December	
		2007	2006
Total assets	1,632,010	1,647,920	1,499,440
Total liabilities	1,714,021	1,741,182	1,489,461
Equity	(82,011)	(93,262)	9,979
Revenue	-	-	-
Gross profit	-	-	-
Operating loss	-	(438)	(234)
Net income/ (loss)	33,684	(171,477)	34,754

(in IDR million)

The increase of net income for the period of one (1) month ended on 31 January 2008 was due to the increase in income of affiliated companies which is higher than interest expenses. Net loss for the period of one (1) year ended on 31 December 2007 and 2006 are due to higher interest expenses, compared to income from affiliated companies.

### Information on Viscaya's Subsidiaries

#### f.1.1. Ariane Investments (Australia) Limited ("Ariane")

##### Brief History

Ariane is a company established on 29 March 2005, and having registered office and domiciled in Australia.

##### Business Activity

Ariane's current business activity is in investment.

##### Capitalization Structure and Shares Ownership

Ariane's subscribed and paid-up capital is US\$137,973,790, divided into 1,000,100 shares, all owned by Viscaya.

##### Board of Directors

Ariane's current Board of Directors comprises of:

Director: Lim Soon Huat

Director: Salman Haq

##### Summary of Financial Statement

The financial highlights of Ariane for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007 and 2006 prepared by the management and unaudited are as follows:

Description	(in US\$)		
	31 <sup>st</sup> January	31 <sup>st</sup> December	
	2008	2007	2006
Total assets	4,448,575	4,448,575	4,448,575
Total liabilities	-	-	-
Equity	4,448,575	4,448,575	4,448,575
Revenue	-	-	-
Cost of revenue	-	-	-
Gross profit	-	-	-
Operating loss	-	-	-
Net income/ (loss)	-	-	-

## Indonesia Coal Pty. Ltd. (“Indonesia Coal”)

### Brief History

Indonesia Coal is a company, established on 9<sup>th</sup> February 1989, having its registered office and domiciled in Australia.

### Business Activity

Indonesia Coal’s current business activity is in investment.

### Capitalization Structure and Shares Ownership

The subscribed and fully paid-up capital of Indonesia Coal is AUD\$100,000 divided into 100,000 shares wholly owned by Ariane.

### Board of Directors

Indonesia Coal’s current Board of Directors comprises of:

Director: Lim Soon Huat

Director: Salman Haq

### Summary of Financial Statement

The financial highlights of Indonesia Coal for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007 and 2006 prepared by the management and unaudited are as follows:

Description	31 <sup>st</sup> January	31 <sup>st</sup> December	
	2008	2007	2006
Total assets	4,448,480	4,448,480	4,448,480
Total liabilities	-	-	-
Equity	4,448,480	4,448,480	4,448,480
Revenue	-	-	-
Cost of Revenue	-	-	-
Gross profit	-	-	-
Operating loss	-	-	-
Net income/ (loss)	-	-	-

#### f.1.2 PT Biscayne Investments (“Biscayne”)

Complete information on Biscayne is shown in Chapter IX point 6 on Information Regarding Subsidiaries.

#### f.1.3 Arindo Global (Netherlands) B.V. (“Arindo Global”)

##### Brief History

Arindo Global is an investment company, established on 31<sup>st</sup> May 2005, having its registered office and domiciled in the Netherlands.

## Business Activity

Arindo Global's current business activity is in financial funding.

## Capitalization and Share Ownership Structure

Arindo Global's current capitalization structure is as follows:

Description	Shares	US\$	%
<b>Authorized Capital</b>			
<b>Subscribed and fully paid-up capital</b>			
AIM	546,000	671,799	26.00%
Agalia Energy Investments Pte Ltd	168,000	206,707	8.00%
Winjaya Investments Pte Ltd	693,000	852,667	33.00%
Rachpore Investments Pte Ltd	693,000	852,667	33.00%
<b>Total subscribed and fully paid-up capital</b>	<b>2,100,000</b>	<b>2,583,840</b>	<b>100.00%</b>

## Board of Directors

Arindo Global's current Board of Directors is as follows:

Director	: Wolbert Hindrik Kamphujs
Director	: Floris van der Rhee
Director	: Equity Trust Co. NV
Director	: Sugito Walujo

## Summary of Financial Statement

The financial highlights of Arindo Global for the period of one (1) month ended 31st January 2008 and the year ended 31st December 2007 prepared by the management and unaudited, while for the year ended 31st December 2006 audited by Arenthals Grant Thornton, Amsterdam with Unqualified Opinion, are as follows:

Description	(in US\$)		
	31st January 2008	31st December 2007	2006
Total assets	1,064,854	1,080,524	10,340,535
Total liabilities	1,064,442	1,064,442	3,532,715
Equity	412	16,082	6,807,820
Revenue	-	-	-
Cost of revenue	-	-	-
Gross profit	-	-	-
Operating (loss)/ income	(15,669)	(6,791,738)	3,860,581
Net (loss)/ income	(15,669)	(6,791,738)	2,645,729

Net loss for the period of 1 (one) month ended on 31 January 2008 was due to operation expenses. Net loss for the period of one (1) year ended on 31 December 2007 was due to financial expense in relation to debt settlement and net income for the period of one (1) year ended on 31 December 2006 was due to income from interest rate swap transaction.

#### f.1.4 Arindo Holdings (Mauritius) Ltd. (“Arindo”)

Complete information on Arindo is shown in Chapter IX point 6 on Information Regarding Subsidiaries.

### 6.2 Kerry Coal (Singapore) Pte. Ltd. (“Kerry Coal”)

#### a. Brief History

Kerry Coal is a company, established on 31<sup>st</sup> March 2005, having its registered office and domiciled in Singapore.

#### b. Business Activity

Kerry Coal’s current business activity is in investment.

#### c. Capitalization Structure and Shares Ownership

Kerry Coal’s current capitalization structure is as follows:

Kerry Coal’s subscribed and paid-up capital is US\$ 250,000 and Sin\$ 1 shares divided into 250,001 shares, wholly owned by Gold Pilot International Limited.

#### d. Board of Directors

Kerry Coal’s current Board of Directors comprises:

Director	: Kuok Oon Kwong
Director	: Kuok Khoon Ho
Director	: Teo La Mei

#### e. Summary of Financial Statement

The financial highlights of Kerry Coal for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007 and 2006 audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph are as follows:

Description	(in US\$)		
	31 <sup>st</sup> January 2008	31 <sup>st</sup> December 2007	2006
Total assets	3,750,170	3,750,170	3,750,001
Total liabilities	3,526,026	3,525,154	3,514,048
Equity	224,144	225,016	235,953
Revenue	-	-	-
Cost of revenue	-	-	-
Gross profit	-	-	-
Operating loss	872	9,546	8,666
Net loss	(872)	(10,937)	(8,666)

Net loss for the period of 1 (one) month ended on 31 January 2008 was due to interest expense, which is higher than the net income of affiliated companies. Net loss for the period of one (1) year ended on 31 December 2007 and 2006 was due to recognition of loss in affiliated companies and interest expense.



### 6.3 Agalia Energy Investments Pte. Ltd. (“Agalia”)

#### a. Brief History

Agalia is a company, established on 20<sup>th</sup> May 2005, having its registered office and domiciled in Singapore.

#### b. Business Activity

Agalia’s current business activity is in investment.

#### c. Capitalization Structure and Shares Ownership

Agalia’s subscribed capital is Sin\$ 6,717,602 (equivalent to US\$4,000,000), divided into 6,717,602 shares wholly owned by Agalia Capital.

#### d. Board of Directors

Agalia’s current Board of Directors comprises:

Director	:	Jason Matthew Brown
Director	:	York Shin Lim Kee
Director	:	Deans Tommy Lo Seen
Director	:	Yan Chong Ng Cheng Hin
Director	:	Tay Lenpo Douglas (Zhen Longbo Douglas)

#### e. Summary of Financial Statement

The financial highlights of Agalia for the period of one (1) month ended on 31st January 2008 and the years ended 31st December 2007 and 2006 audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified opinion are as follows:

Description	(in US\$)		
	31 <sup>st</sup> January 2008	31 <sup>st</sup> December 2007	2006
Total assets	4,000,000	4,000,000	4,000,000
Total liabilities	26,000	24,000	-
Equity	3,974,000	3,976,000	4,000,000
Revenue	-	-	-
Gross profit	-	-	-
Operating loss	2,000	24,000	-
Net Loss	2,000	24,000	-

Net loss for the period of one (1) month ended on 31 January 2008 and for the period of one (1) year ended on 31 December 2007 was due to consultancy expense.

### 6.4 PT Alam Tri Abadi (“ATA”)

#### a. Brief History

ATA was established based on Deed No. 2 dated 1 December 2004, drawn up before Ir. Rusli, SH, Notary in Bekasi, which has been legalized by Minister of Law and Human

Rights of the Republic of Indonesia based on its Decree No. C-31123HT.01.01.TH-2004 dated 23 December 2004 and has been published in BNRI No. 52 dated 1 July 2005, supplement No. 6922.

ATA's Articles of Association has been amended several times, and the latest amendment is based on Deed No. 3 dated 3 January 2008, drawn up before Humberg Lie, SH, SE, MKn, Notary in Tangerang ("Deed No.3/2008"), which has been approved by Minister of Law and Human Rights based on its Decree No. AHU-00535.AH.01.02.Tahun 2008 dated 4 January 2008.

**b. Business Activity**

ATA's current business activity is trading. ATA currently has participation, directly and indirectly, in Adaro, IBT, Coaltrade and JPI.

**c. Capitalization Structure and Shares Ownership**

Based on Deed No.3/2008 jo Unanimous Shareholders Resolution dated 12 June 2008, the capital structure and shareholders composition of ATA are as follows:

Description	Par value of IDR 1,000,000		%
	Shares	US\$	
<b>Authorized Capital</b>	<b>6,000,000</b>	<b>6,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Company	1,642,428	1,642,428,000,000	92.02%
PT Saratoga Investama Sedaya	94,951	94,951,000,000	5.32%
PT Persada Capital Investama	47,477	47,477,000,000	2.65
PT Triputra Investindo Arya	1	1,000,000	0.01
<b>Total subscribed and fully paid-up capital</b>	<b>1,784,857</b>	<b>1,784,857,000,000</b>	<b>100.00</b>
<b>Total Shares in Portfolio</b>	<b>4,215,143</b>	<b>4,215,143,000,000</b>	

**d. Board of Commissioners and Directors**

Based on Deed No.4 dated 15 April 2005, drawn up by Ir. Rusli,SH, Notary in Jakarta, the composition of Board of Commissioners and Board of Directors of ATA are as follows:

**Board of Commissioners**

President Commissioner : Edwin Soeryadjaya  
 Commissioner : Theodore Permadi Rachmat  
 Commissioner : Ir. Subianto

**Board of Directors**

President Director : Garibaldi Thohir  
 Director : Sandiaga Salahudin Uno  
 Director : Christian Ariano Rachmat  
 Director : Andre Johannes Mamuaya

**e. Summary of Financial Statement**

The financial highlights of ATA for the period of one (1) month ended on 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 audited by the Public Accounting Firm Accountant Haryanto Sahari & Rekan (member of

PricewaterhouseCoopers) with Unqualified opinion and explanatory paragraph are as follows:

Description	(in IDR million)			
	31 <sup>st</sup> January	31 <sup>st</sup> December		
	2008	2007	2006	2005
Total assets	13,429,840	11,768,986	11,245,385	12,670,674
Total liabilities	10,454,925	8,750,255	10,316,463	11,937,406
Minority interest	776,062	756,491	465,720	345,609
Equity	2,198,853	2,262,240	463,202	387,659
Revenue	1,001,956	10,592,789	9,196,535	7,296,088
Cost of revenue	790,931	8,434,124	7,422,357	5,961,518
Gross profit	211,025	2,158,665	1,774,178	1,334,570
Operating loss	198,531	1,969,144	1,614,043	1,190,248
Net Loss	56,038	181,967	142,531	198,676

## 6.5 PT Saptaindra Sejati (“SIS”)

### a. Brief History

SIS, domiciled in Jakarta, is a limited liability company established under the laws of the Republic of Indonesia, based Deed of Establishment No. 2 dated 14 June 1999, drawn up before Hasanali Ali Amin, SH, Notary in Jakarta, which has been published in BNRI No. 43 dated 30 May 2000, Supplement No. 2746.

SIS’s Articles of Association has been amended several times, and the latest amendment is based on Shareholders Resolution No. 43 dated 31 March 2008, drawn up before Humberg Lie, SH, SE, MKn, Notary in Tangerang (“Deed No.43/2008”), which has been approved by Minister of Law and Human Rights based on decree No. AHU-16046.AH.01.02.Tahun 2008 dated 1 April 2008.

### b. Business Activity

SIS’ current line of business activity is mining contractor.

### c. Capitalization Structure and Shares Ownership

Based on Deed No.43/2008, capital structure of SIS are as follows:

Description	Par value of IDR 1,000,000		%
	Shares	US\$	
Authorized Capital	1,200,000	1,200,000,000,000	
Subscribed and fully paid-up capital			
The Company	345,873	345,873,000,000	85.92
Joyce Corner International Ltd	56,679	56,679,000,000	14.08
<b>Total subscribed and fully paid-up capital</b>	<b>402,552</b>	<b>402,552,000,000</b>	<b>100.00</b>
<b>Total Shares in Portfolio</b>	<b>797,448</b>	<b>797,448,000,000</b>	

**d. Board of Commissioners and Directors**

Based on Deed No.16 dated 13 February 2008, drawn up before SP. Henny Singgih, SH, Notary in Jakarta, the composition of Board of Commissioners and Board of Directors of SIS are as follows:

**Board of Commissioners**

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Sandiaga Salahudin Uno
Commissioner	:	Christian Ariano Rachmat
Commissioner	:	Kardinal A. Karim
Commissioner	:	Ir. Subianto

**Board of Directors**

President Director	:	Tjahyono Imawan
Vice President Director	:	Budi Rachman
Director	:	Bimantoro Adisanyoto
Director	:	Andre Johannes Mamuaya
Director	:	Cleos Harryanto
Director	:	Anis Sulistiadi
Director	:	A. Kurnia

**e. Summary of Financial Statement**

The financial highlights of SIS for the period of one (1) month ended on 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 audited by the Public Accounting Firm Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified opinion are as follows:

Description	(in IDR million)			
	31 <sup>st</sup> January 2008	2007	31 <sup>st</sup> December	
			2006	2005
Total assets	2,888,516	2,964,865	2,043,288	1,183,420
Total liabilities	2,385,619	2,473,239	1,757,501	966,607
Minority Interest	2	2	153	,316
Equity	502,895	491,624	285,634	216,497
Revenue	121,359	1,404,062	1,108,011	602,404
Cost of Revenue	110,025	1,101,637	907,357	449,791
Gross profit	11,334	302,425	200,654	152,613
Operating loss	5,548	246,566	157,689	129,143
Net Loss	9,614	2,376	70,154	51,391

\*restated

**7. INFORMATION ON PARTIES OF THE TRANSACTION**

**7.1 Information on Sellers**

**a. Arindo FCM (Mauritius) Limited (“Arindo FCM”)**

Arindo FCM was established based on the laws of Mauritius on 6<sup>th</sup> June 2005. The business activity of Arindo FCM is holding shares in AIM. Arindo FCM is currently owned by investment institutions managed by Noonday Asset Management Asia Pte. Ltd

(“Noonday”). Noonday is part of Noonday Global Management (“Noonday Global”), a world investment management company with office in Singapore, Hongkong, London and United States of America. Noonday Global manages investment from various investment institutions and individuals with high value of assets in its relation to Farallon Capital Management, LLC, a world investment company with headquarter in San Francisco, California.

Arindo FCM is currently the holder of 42.31% shares in AIM.

Arindo FCM is addressed at 608 St. James Court, St. Denis Street, Port Louis, Mauritius, Fax. (230) 210-9001.

Currently, Director of Arindo FCM is G. Raymond Zage III and Suzanne Gujadhur.

**b. Vencap Holdings (1987) Pte. Ltd. (“Vencap”)**

Vencap was established based on the laws of the Republic of Singapore, Companies Act (Cap.185) on 26<sup>th</sup> February 1987 under Company Registration Number 00493/1987-H. Vencap is managed by GIC Special Investment Pte. Ltd. (“GICSI”), an investment company that is the extension of Government of Singapore Investment Corporation Pte. Ltd. (“GIC”). GICSI is one of the world biggest investment companies. Currently, Vencap is the holder of 13.46% shares in AIM.

Vencap is addressed at 168 Robinson Road #37-01, Capital Tower, Singapore 068912, Fax. (65) 6889-8590.

Current Directors of Vencap are Kunnasagaran Chinniah and Debi Guha.

**c. Citigroup Financial Products Inc. (“Citigroup”)**

Citigroup was established based on the laws of the States of Delaware. Citigroup is owned by Citigroup Global Market Holding Inc., wholly owned by Citigroup Inc., a company listed on New York Stock Exchange (NYSE). Currently, Citigroup is the holder of 7.69% shares in AIM.

Citigroup is addressed at c/o Citigroup Global Market Asia Limited, 50/F Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, Fax. (852) 2501-8231.

Current Directors of Citigroup are James A. Forese and Michael S. Klein.

**d. Goldman Sachs (Asia) Finance (“Goldman Sachs”)**

Goldman Sachs was established based on the laws of Mauritius. Goldman has its office in Level 3 Alexander House, 35, Cybercity, Ebene, Mauritius, and conducts its business activity in Hong Kong. Goldman Sachs is indirectly owned by Goldman Sachs Group Inc., a company listed on NYSE. Currently, Goldman Sachs is the holder of 7.69% shares in AIM.

Goldman Sachs is addressed at Goldman Level 3, Alexander House 35, Cyber City, Ebene, Mauritius, Fax. (230) 403-0801.

Currently, Directors of Goldman Sachs are James Matthew Brown, Daniel Ledbetter Dees, John Michael Evans, Carsten Norbert Kengeter, Kevin Yi Zhang, York Shin Lim

Voon Kee, Tommy Lo Seen Chong, Archie William Parnell, Eugene T. Reilly and Matthew Thayer Fremont-Smith.

**e. Gold Pilot International Limited (“Gold Pilot”)**

Gold Pilot was established based on the laws of the British Virgin Islands. Currently Gold Pilot is the holder of 100.00% shares in Kerry Coal.

Gold Pilot is addressed at 21/F, CITIC Tower, No.1 Tim Mei Avenue, Central Hongkong. Fax. (852) 2845-9000.

Current Directors of Gold Pilot are Kuok Khoon Ho, Kuok Oon Kwong, Teo La-Mei, Kuok Khoon Ean and Teo Ching Leun.

**f. Agalia Capital Ltd. (“Agalia Capital”)**

Agalia Capital was established based on the laws of the British Virgin Island. Agalia Capital is indirectly owned by Goldman Sachs Group Inc. 75% and Citigroup Inc. 25%. Currently Agalia Capital is the holder of 100.00% shares in Agalia.

Agalia Capital is addressed at Walkers Chambers, 171 Main Street, PO. BOX 92, Road Town, Tortola, VG 1110, British Virgin Islands.

Currently, Directors of Agalia Capital are Jason Matthew Brown, Willie Wong, Christopher Mikosh and Douglas Tay.

**g. PT Saratoga Investama Sedaya (“SRIS”)**

SRIS is a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on Deed of Establishment No. 41 dated 17<sup>th</sup> May 1991 as amended based on Amendment Deed No. 33 dated 13<sup>th</sup> July 1992, drawn up before Rukmasanti Hardjasatya, S.H., Notary in Jakarta, ratified by the Minister of Justice of the Republic of Indonesia based on Decree No.C2-10198.HT.01.01.TH.92 dated 15<sup>th</sup> December 1992 and published in BNRI No. 19 dated 5<sup>th</sup> March 1993, Supplement No. 973.

SRIS’ Articles of Association have been amended several times, lastly by Deed of Minutes of EGMS No.29 dated 31<sup>st</sup> August 1999, drawn up before Rukmasanti Hardjasatya, SH., Notary in Jakarta, approved by the Minister of Law and Legislation based on Decree No.C-10.418.HT.04.TH.2000 dated 17<sup>th</sup> May 2000.

SRIS is addressed at Jl. Ir. H. Juanda III No.8 Jakarta.

**Board of Commissioners and Board of Directors**

Based on Deed No. 13 dated 9<sup>th</sup> April 2008 drawn up before Darmawan Tjoa, S.H., Notary in Jakarta, SRIS’ current composition of members of the Board of Commissioners and Board of Directors is as follows:

**Board of Commissioners**

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Joyce Soeryadjaya Kerr
Commissioner	:	Rosan Perkasa

**Board of Directors**

President Director : Sandiaga Salahuddin Uno  
 Vice President Director : Soeryadi Tenegar  
 Director : Husni Heron

SRIS is the seller of 94,951 ATA shares and 39,035 SIS Shares.

**h. PT Persada Capital Investama (“PCI”)**

PCI, domiciled in Jakarta, is a limited liability company established based on and regulated by the laws of the Republic of Indonesia based on Deed No. 27 dated 9<sup>th</sup> July 2003, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta. PCI’s Deed of Establishment was published in BNRI No. 71 dated 5<sup>th</sup> September 2003, Supplement No. 7962.

PCI’s Articles of Association has been amended, lastly by Deed of Minutes of Extraordinary General Meeting of Shareholders No. 69 dated 28<sup>th</sup> December 2007, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta. The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No. C-AHU-01948.AH.01.02.Tahun 2008 dated 16<sup>th</sup> January 2008.

PCI is addressed at Menara Kadin Indonesia floor 10 unit C, Jl.HR. Rasuna Said Block X-5, kav.2-3, Kuningan Timur, Setiabudi, South Jakarta.

**Board of Commissioners and Directors**

Based on Deed of RUPSLB Resolutions No. 24 dated 8<sup>th</sup> March 2005 drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, the composition of members of the Board of Directors and Board of Commissioners is as follows:

**Board of Commissioner**

President Commissioner : Meity Subianto  
 Commissioner : Arini Saraswaty Subianto  
 Commissioner : Armeilia Widayanti Subianto  
 Commissioner : Ardiani Kartikasari Subianto  
 Commissioner : Doktorandus Setia Budhi  
 Commissioner : Syamsul Hoiri, S.H.

**Board of Directors**

President Director : Ir. Subianto  
 Director : Andre Johannes Mamuaya  
 Director : Crescento Hermawan  
 Director : Toddy Mizaabianto Sugoto  
 Director : Trianto Irawan

PCI is the seller of 47,477 ATA shares and 39,036 SIS Shares.



#### h. **PT Cipta Sejahtera Persada (“CSP”)**

CSP, domiciled in Jakarta, is a limited liability company established based on Deed No.18 dated 21<sup>st</sup> November 2002 drawn up before Michael Josef Widijatmoko, SH., Notary in Jakarta, and obtained the ratification of the Minister of Justice and Human Rights of Republic of Indonesia based on Decree No.C-01487 HT.01.01.TH.2003 dated 23<sup>rd</sup> January 2003. CSP’s Deed of Establishment was published in BNRI No.60 dated 29<sup>th</sup> July 2003, Supplement No.6012.

CSP’s Articles of Association were amended by Deed No.47 dated 24<sup>th</sup> December 2004, drawn up before Darmawan Tjoa, SH., Notary in Jakarta, in connection with the increase of authorized capital, subscribed capital and paid-up capital of CSP that have obtained the approval of the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.C-01658HT.01.04.TH.2005 dated 20<sup>th</sup> January 2005 and announced in BNRI No.22 dated 18<sup>th</sup> March 2005, Supplement No.2767.

CSP is addressed at Kadin Tower, 10<sup>th</sup> Floor, Unit F, Jl. HR Rasuna Said Kav.2-3, South Jakarta.

Currently, the composition of CSP’s Commissioners and Board of Directors is as follows:

Commissioner:	Bambang Budhi Hendarto
Director :	Setia Budhi

CSP is the seller of 19,517 SIS Shares.

#### 7.2 **Information on Buyer**

Complete information on the Company and ATA as Buyer is available in Chapter IX point 6 regarding on Information the Company and Subsidiaries.

### 8. **SUMMARY OF INDEPENDENT VALUATION**

In the implementation of this Transaction, the Company has appointed Truscel Capital (“Truscel”) as an independent party making valuation of the fair market price on the Transactions Objects as of 31<sup>st</sup> January 2008 and fairness opinion of the Transaction.

Summary of valuation report on the fair market price of the Transaction Objects is as follows:

Report No.	Date of Report	Transaction Object	Method Applied	Fair Market Value of Shares
TC/CF/0605/08	5 <sup>th</sup> May 2008	71.15% of AIM’s shares	Income, assets and market approach	IDR 5,056,829,000,000 – IDR 7,062,337,000,000
TC/CF/0305/08	5 <sup>th</sup> May 2008	100% of Kerry Coal’s shares	Income, assets and market approach	IDR 1,815,831,000,000 – IDR 2,547,329,000,000
TC/CF/1205/08	12 <sup>th</sup> May 2008	100% of Agalia’s shares	Income, assets and market approach	IDR 1,991,437,000,000 – IDR 2,785,269,000,000
TC/CF/1305/08	12 <sup>th</sup> May 2008	1.1261% of ATA’s shares	Income, assets and market approach	IDR 323,378,000,000 – IDR 447,832,000,000
TC/CF/0405/08	5 <sup>th</sup> May 2008	24.24% of SIS’ shares	Income & assets approach	IDR 128,340,290,000 – IDR 195,081,277,000
<b>Total</b>				<b>IDR 9,315,815,290,000 – IDR 13,037,848,277,000</b>

The following are assumption of average selling price and Adaro's coal production volume which the main value-driving assumption/factors as the underlying of shares valuation of Transaction Objects:

Description	2008	2009	2010	2011	2012	2013	2014 – 2022
Average Selling Price of Coal ((in US\$) per ton)	39	47	48	46	46	46	46
Production Volume (in million ton)	38	45	52	57	66	75	80

Summary of fairness opinion on the Transaction value from Report made by Truscel No. TC/CF/1906/08 dated 13 June 2008 is as follows:

Company	% Shares	Lower Limit of Fair Market Price (IDR)	Upper Limit of Fair Market Price (IDR)	Value of Transaction	Description
AIM	71,15% Per Share	5,056,829,000,000 7,106,899	7,062,337,000,000 9,925,453	6,083,507,000,000 8,550,256	Transaction value is in the range of Fair Market Value of Shares
Kerry Coal	100% Per Share	1,815,831,000,000 7,263,295	2,547,329,000,000 10,189,275	2,225,673,000,000 8,902,656	Transaction value is in the range of Fair Market Value of Shares
Agalia	100% Per Share	1,991,437,000,000 296,451	2,785,269,000,000 414,623	1,629,258,000,000 242,536	Transaction value is below the range of Fair Market Value of Shares
ATA	1,1261% Per Share	323,378,000,000 2,270,396	447,832,000,000 3,144,171	356,000,000,000 2,499,430	Transaction value is in the range of Fair Market Value of Shares
SIS	24,24% Per Share	128,340,290,000 1,315,124	195,081,227,000 1,999,029	158,776,000,000 1,627,003	Transaction value is in the range of Fair Market Value of Shares

Summary of fairness opinion on the Value of Increase of capital in ATA from Report made by Truscel No. TC/CF/2006/08 dated 16 Juni 2008 is as follows:

Transaction Value per share (Rp)	Lower Limit of Fair Market Price per share after Transaction (IDR)	Upper Limit of Fair Market Price per share after Transaction (IDR)	Description
1,000,000	2,337,909	2,925,584	Transaction value is below the range of Fair Market Value of Shares

Summary of fairness opinion on the Value of Increase of capital in SIS from Report made by Truscel No. TC/CF/0107/08 dated 1 July 2008 is as follows:

Assumption	Transaction value per share (IDR)	Lower Limit of Fair Market Price per share after Transaction (IDR)	Upper Limit of Fair Market Price per share after Transaction (IDR)	Description
Joyce does not use its rights to increase participation	IDR 1,000,000	IDR 1,164,201	IDR 1,520,562	Transaction value is below the range of Fair Market Value of Shares
Joyce uses its rights to increase participation	IDR 1,000,000	IDR 1,152,252	IDR 1,482,680	Transaction value is below the range of Fair Market Value of Shares

## 9. FINANCIAL IMPACTS ON TRANSACTION PLAN

The presentation of pro forma financial information hereunder is to show the transaction impacts that will occur in connection with the use of funds obtained from the Company's Initial Public Offering with the following assumptions:

1. Around 92.47% or approximately IDR 10,863,438 million will be used for increasing the Company's participation in ATA, further the fund will be used as follows:
  - a. Around 76.49% or approximately US\$ 901,879,947 or IDR 8,309,180 million will be used for directly or indirectly purchasing 100% shares of AIM with the following details:
    - Approximately 73.21% or approximately US\$660,304,936 or IDR 6,083,507 million will be used for purchasing 71.15% AIM's shares.
    - Approximately 26.79% or approximately US\$ 241,575,011 or IDR 2,225,673 million will be used for purchasing 100.00% shares of Kerry Coal (Singapore) Pte. Ltd. as the holder of 28.85% AIM's shares.
  - b. Around 15.00% or approximately US\$ 176,840,011 or IDR 1,629,258 million will be used for directly purchasing 100% Agalia's shares.  
AIM and Agalia are indirectly the owners of 32.99% of Adaro's, 32.79% of IBT's and 36.00% of Coaltrade's shares.
  - c. Around 8.51% or approximately US\$ 100,000,000 will be used for settlement of a part of the debts of the Subsidiaries to third parties based on US\$ 750,000,000 of Facilities Agreement dated 2<sup>nd</sup> November 2007.
2. Around 3.03% or approximately IDR 356,000 million will be used for purchasing the shares owned by PCI and SRIS in ATA.
3. Around 1.35% or approximately IDR 158,776 million will be used for settlement of payment of sale and purchase of SIS' shares owned by PCI, SRIS and CSP.
4. Around 3.15% or approximately IDR 370,000 million will be used for increasing the participation in SIS, further to be used for SIS' capital expenditure and working capital.
5. Joyce Corner International Ltd. converted its convertible bonds into SIS' shares of IDR 56,679 million. Moreover, Joyce Corner International Ltd. also pays additional capital of IDR 60,632 million to maintain the percentage of shares ownership in SIS at 14.08%.

The information of proforma consolidated financials below has reviews by Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) which has provided with negative assurance that nothing came to our attention that management assumptions do not provide reasonable basis for presenting the significant effects directly attributable to the event described above

## BALANCE SHEETS

in IDR million

Description	Audit	Pro forma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
<b>Current Assets</b>		
Cash and cash equivalents	893,103	1,327,006
Restricted cash and cash equivalents	54,967	54,967
Available-for-sale investments	1,747,863	1,747,863
Trade receivables, net		
Third parties	1,391,059	1,391,059
Related parties	257,345	257,345
Other receivables - third parties	63,445	63,445
Advances and prepayments	123,715	123,715
Inventories, net	276,550	276,550

Description	Audit	Pro forma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
Prepaid taxes	167,042	167,700
Recoverable tax	159,207	159,207
Deferred financing costs, net	22,578	22,578
Deferred expenses, net	44,366	44,366
Other current assets	7,891	7,891
<b>Total current assets</b>	<b>5,209,131</b>	<b>5,643,692</b>
<b>Non current Assets</b>		
Other Receivables – Related parties	26,146	28,984
Fixed assets, net	3,518,727	3,560,464
Investments in associates	4,755	4,754
Mining properties, net	116,076	14,273,964
Goodwill, net	5,153,242	6,099,804
Deferred exploration and development expenditure, net	85,415	85,415
Loans to related parties – non current portion	2,044,337	344,279
Deferred financing costs, net – non current portion	79,919	79,919
Deferred expenses, net – non current portion	12,165	12,165
Deferred tax assets	31,988	31,988
Restricted cash and cash equivalents non-current portion	11,104	11,104
Other non current assets	5,105	5,105
<b>Total non current assets</b>	<b>11,088,979</b>	<b>24,527,945</b>
<b>Total Assets</b>	<b>16,298,110</b>	<b>30,171,637</b>
<b>Current Liabilities</b>		
Short-term loans		
Bank loans	445,968	445,968
Other loans		
Third parties	51,648	51,648
Trade payables		
Third parties	1,566,967	1,566,967
Related Parties	198,346	198,346
Taxes payable	98,828	108,717
Accrued expenses	377,358	379,437
Convertible bonds	92,910	-
Current maturity of long-term borrowings:		
Lease payables	121,361	121,361
Bank Loans	863,349	863,349
Other loans		
Third parties	6,504	6,504
Other current liabilities	765	765
Royalties payable	424,332	424,332
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>4,167,394</b>
<b>Non Current Liabilities</b>		
Amounts due to related parties	9,503	8,210
Long-term borrowings, net of current maturities:		
Lease payables	230,034	230,034
Bank loans	7,187,741	6,262,741
Other loans		
Third parties	23,423	23,423
Related Parties	12,602	12,602
Subordinated loan	92,910	92,910
Deferred tax liabilities	489,529	4,736,892
Provision for employee benefits	48,006	48,006
Accrued stripping costs	422,392	422,392
<b>Total non current liabilities</b>	<b>8,516,140</b>	<b>11,837,210</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>164,314</b>
<b>Equity</b>		
Share capital	2,084,663	3,198,596
Additional paid in capital	-	10,634,281
Exchange difference due to financial statement translation	(22,365)	(22,365)
Difference in value from restructuring transactions of entities under common control	359,332	167,326

Description	Audit	Pro forma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
Retained earnings	18,405	24,881
<b>Total equity</b>	<b>2,440,035</b>	<b>14,002,719</b>
<b>Total liabilities and equity</b>	<b>16,298,110</b>	<b>30,171,637</b>

## STATEMENTS OF INCOME

in IDR million

Description	Audit	Pro forma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
<b>Revenue</b>	1,115,080	1,115,080
<b>Cost of Revenue</b>	(891,675)	(899,884)
<b>Gross profit</b>	<b>223,405</b>	<b>215,196</b>
<b>Operational expense</b>		
Sales and marketing	(10,366)	(10,366)
General and administration	(8,648)	(8,652)
Total operating expenses	(18,834)	(19,018)
<b>Operating Income</b>	<b>204,571</b>	<b>196,178</b>
<b>Other income/(expenses)</b>		
Interest expenses and financing charges	(57,718)	(57,718)
Interest income	17,938	7,461
Gain/(Loss) on disposal of fixed assets	286	286
Foreign exchange gain/(loss), net	69,876	66,570
Share in net loss of associates	(49)	-
Other income, net	1,830	1,838
	<b>32,163</b>	<b>18,437</b>
<b>Profit before income tax</b>	<b>236,734</b>	<b>214,615</b>
Income tax expense	(101,342)	(98,879)
<b>Profit of ordinary activity before extraordinary item</b>	<b>135,392</b>	<b>115,736</b>
Extraordinary item	(35,618)	(35,618)
<b>Profit before pre-acquisition income</b>	<b>99,774</b>	<b>80,118</b>
Pre-acquisition income	-	(14,583)
<b>Profit before minority interest</b>	<b>99,774</b>	<b>65,535</b>
Minority interest on net income of subsidiaries	(41,665)	(708)
<b>Net income</b>	<b>58,109</b>	<b>64,827</b>

## 10. PROFORMA OF CAPITAL STRUCTURE OF ATA AND SIS BEFORE AND AFTER INCREASE OF CAPITAL BY THE COMPANY

Capital Structure of ATA before and after capital increase by the Company and ATA Acquisition Transaction is as follows:

Description	Before Increase of Capital			After Increase of Capital		
	Number of Shares	Nominal Value (Rp)	%	Number of Shares	Nominal Value (Rp)	%
<b>Authorized Capital</b>	6,000,000	6,000,000,000,000		20,000,000	20,000,000,000,000	
<b>Issued and Paid Up Capital</b>						
The Company	1,642,428	1,642,428,000,000	92,0201%	12,648,294	12,648,294,000,000	99,9999%
PT Saratoga Investama Sedaya	94,951	94,951,000,000	5,3198%	-	-	-
PT Persada Capital Investama	47,477	47,477,000,000	2,6600%	-	-	-
PT Triputra Investindo Arya	1	1,000,000	0,0001%	1	1,000,000	0,0001%
<b>Total Issued and Paid Up Capital</b>	<b>1,784,857</b>	<b>1,784,857,000,000</b>	<b>100,0000%</b>	<b>12,648,295</b>	<b>12,648,295,000,000</b>	<b>100,0000%</b>
<b>Shares in Portfolio</b>	<b>4,215,143</b>	<b>4,215,143,000,000</b>		<b>7,351,706</b>	<b>7,351,706,000,000</b>	

Capital Structure of SIS before and after increase of capital by the Company:

- Ownership structure of SIS before and after the increase of capital, with assumption that Joyce Corner International Ltd as shareholder does not use its rights to increase its participation:

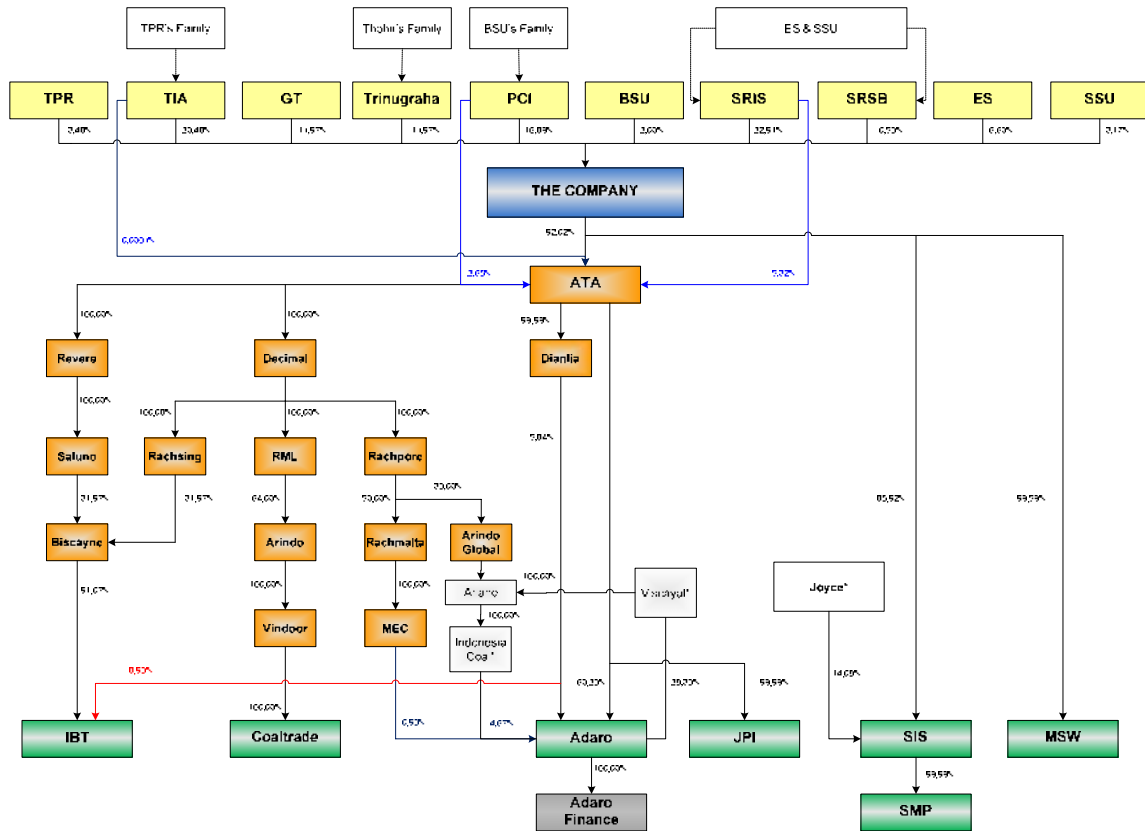
Description	Before Increase of Capital			After Increase of Capital		
	Number of Shares	Nominal Value (Rp)	%	Number of Shares	Nominal Value (Rp)	%
<b>Authorized Capital</b>	1,200,000	1,200,000,000,000		1,200,000	1,200,000,000,000	
<b>Issued and Paid Up Capital</b>						
The Company	345,873	345,873,000,000	85,92%	715,873	715,873,000,000	92,66%
Joyce Corner International Ltd	56,679	56,679,000,000	14,08%	56,679	56,679,000,000	7,34%
<b>Total Issued and Paid Up Capital</b>	<b>402,552</b>	<b>402,552,000,000</b>	<b>100,00%</b>	<b>772,552</b>	<b>772,552,000,000</b>	<b>100,00%</b>
<b>Shares in Portfolio</b>	<b>797,448</b>	<b>797,448,000,000</b>		<b>427,448</b>	<b>427,448,000,000</b>	

- Ownership structure of SIS before and after the increase of capital, with assumption that Joyce Corner International Ltd as shareholder uses its rights to increase its participation:

Description	Before Increase of Capital			After Increase of Capital		
	Number of Shares	Nominal Value (Rp)	%	Number of Shares	Nominal Value (Rp)	%
<b>Authorized Capital</b>	1,200,000	1,200,000,000,000		1,200,000	1,200,000,000,000	
<b>Issued and Paid Up Capital</b>						
The Company	345,873	345,873,000,000	85,92%	715,873	715,873,000,000	85,92%
Joyce Corner International Ltd	56,679	56,679,000,000	14,08%	117,311	117,311,000,000	14,08%
<b>Total Issued and Paid Up Capital</b>	<b>402,552</b>	<b>402,552,000,000</b>	<b>100,00%</b>	<b>833,184</b>	<b>833,184,000,000</b>	<b>100,00%</b>
<b>Shares in Portfolio</b>	<b>797,448</b>	<b>797,448,000,000</b>		<b>366,816</b>	<b>366,816,000,000</b>	

## 11. STRUCTURE OF COMPANY AND SUBSIDIARIES BEFORE AND AFTER TRANSACTION IMPLEMENTATION

Structure of The Company Before Transaction Implementation :




Remarks:

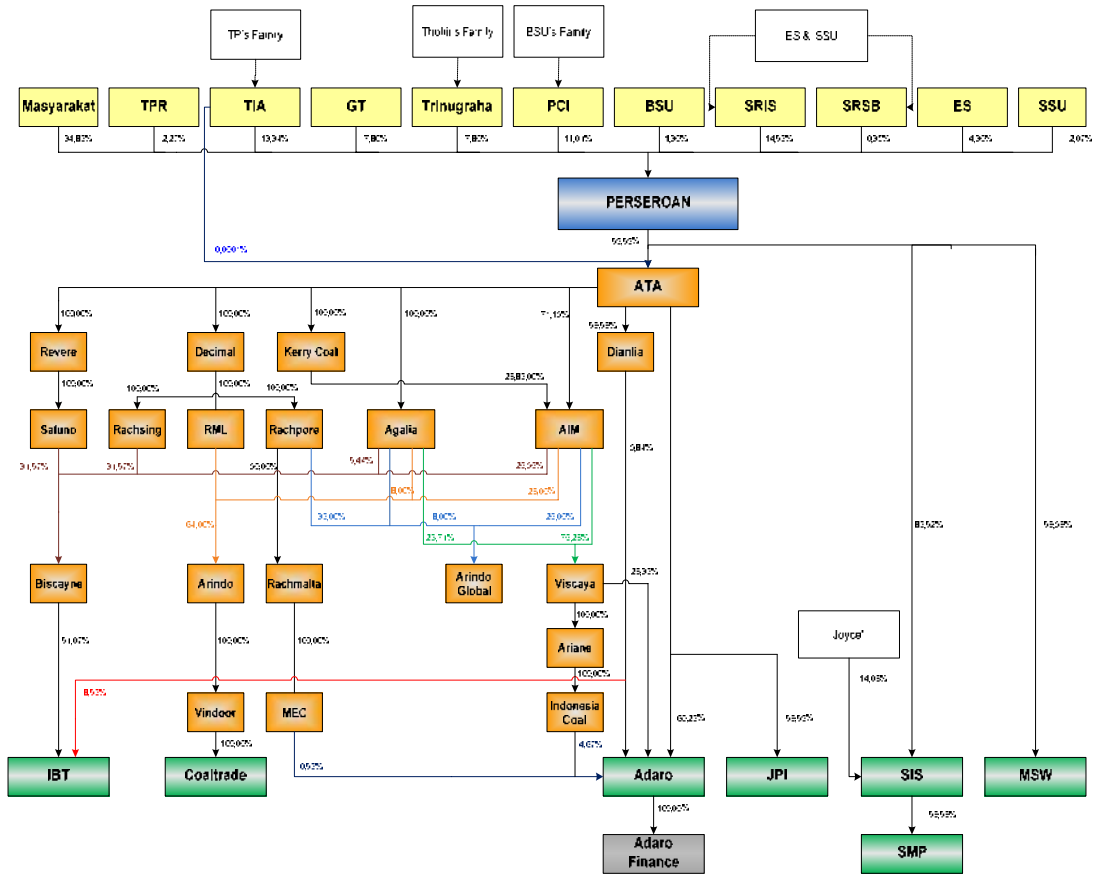
GT: Garibaldi Thohir      ES: Edwin Soeryadjaya      BSU: Ir. Subianto      SSU: Sandiaga Salahudin Uno      TPR: Theodore Permadi Rachmat

\* not included in the Company's structure

---: wholly directly and indirectly controlled

 Operating Company

### Structure of The Company After Transaction Implementation



**Remarks:**

GT: Garibaldi Thohir    ES: Edwin Soeryadjaya    BSU: Ir. Subianto    SSU: Sandiaga Salahudin Uno    TPR: Theodore Permadi Rachmat  
 \* not included in the Company's structure    ---: wholly directly and indirectly controlled     Operating Company

After the Public Offering, the structure of the Company and Subsidiaries may be altered. The Company is currently studying a more efficient and optimal corporate structure, of which the structure could eliminate Subsidiaries with no operational activities and not giving contribution of income or profit to the Company so that the Company's ownership structure on Subsidiaries becomes more efficient. The methods taken for eliminating the Subsidiaries are among others by liquidation, business merger, or by selling or transferring the Company's ownership in its Subsidiaries to the Company's affiliated parties, the Board of Directors, Commissioners, or ultimate Shareholder or the combination of them. If the method taken is by transfer, the transfer value shall refer to the evaluation of the independent appraisal company. The final result of the change of this structure will not reduce the Company's ownership on the Subsidiaries that are the Company's strategic business units, such as Adaro, IBT, Coaltrade, SIS, MSW and JPI.



#### IV. STATEMENT OF INDEBTEDNESS

Pursuant to the financial statements for the one month period ended 31<sup>st</sup> January 2008, audited by Public Accounting Firm: Haryanto Sahari & Rekan (member of the PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph regarding restructuring transactions of entities under common control and VAT in compensation against royalty payment. The Company and its Subsidiaries has a total liabilities of IDR 12,764,476 million, with the following breakdowns:

ITEMS	(in IDR million) AMOUNTS
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Short-term borrowings	
Bank loans	445,968
Other loans	
-Third parties	51,648
Trade payables	
Third parties	1,566,967
Related parties	198,346
Taxes payable	98,828
Accrued expenses	377,358
Convertible bonds	92,910
Current maturity of long-term borrowings:	
Lease payables	121,361
Bank loans	863,349
Other loans – third parties	6,504
Other current liabilities	765
Royalties payable	424,332
<b>Total Current Liabilities</b>	<b>4,248,336</b>
<b>Non Current Liabilities</b>	
Amounts due to related parties	9,503
Long-term borrowings, net of current maturities:	
Lease payables	230,034
Bank loans	7,187,741
Other loans:	
-Third parties	23,423
-Related parties	12,602
Subordinated loans	92,910
Deferred tax liabilities	489,529
Provision for employee benefits	48,006
Accrued stripping costs	422,392
<b>Total non current liabilities</b>	<b>8,516,140</b>
<b>TOTAL LIABILITIES</b>	<b>12,764,476</b>

Further details of the liabilities are as follows:

## CURRENT LIABILITIES

### 1. Bank Loans

Balance of short-term bank loans as of 31<sup>st</sup> January 2008 amounting to IDR 445,968 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
PT Bank Ekspor Indonesia (Persero)	325,185
PT Bank Niaga Tbk	92,910
PT Bank DBS Indonesia	18,582
PT Bank Mandiri (Persero) Tbk	9,291
<b>Total</b>	<b>445,968</b>

### 2. Other Loans

Balance of short-term other loans as of 31<sup>st</sup> January 2008 amounts to IDR 51,648 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
Third party:	
- Hurtado Investments Ltd	51,648
<b>Total</b>	<b>51,648</b>

### 3. Trade Payable:

Balance of trade payables as of 31<sup>st</sup> January 2008 amounts to IDR 1,765,313 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
Third parties:	
- PT Pamapersada Nusantara	622,625
- PT Batuah Abadi Lines	263,765
- PT Bukit Makmur Mandiri Utama	171,346
- PT United Tractors Tbk	68,889
- PT Rig Tender Indonesia	40,735
- PT AKR Corporindo Tbk	40,203
- Others (each below IDR 30,000)	359,404
	<b>1,566,967</b>
Related parties:	
- Orchard Maritime Logistics Pte Ltd	110,861
- PT Rahman Abdijaya	51,135
- PT Pulau Seroja Jaya	22,026
- PT Padangbara Sukses Makmur	7,478
- PT Anugerah Buminusantara Abadi	6,846
	<b>198,346</b>
<b>Total</b>	<b>1,765,313</b>

**4. Taxes Payable:**

Balance of taxes payable as of 31<sup>st</sup> January 2008 amounts to IDR 98,828 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
<b>The Company</b>	
-Income Tax Articles 23 and 26	7,419
-Income Tax Article 21	307
-Final Income Tax Article 15	14
	<b>7,740</b>
<b>Subsidiaries</b>	
-Income Tax Articles 23 and 26	13,667
-Income Tax Article 21	3,454
-Final Income Tax Article 4 (2)	255
-Final Income Tax Article 15	8
-Value Added Tax	685
-Corporate Income Tax	72,912
-Land and Building Tax	107
	<b>91,088</b>
<b>Total</b>	<b>98,828</b>

**5. Accrued Expenses**

Balance of Accrued expenses as of 31<sup>st</sup> January 2008 amounts to IDR 377,358 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
Freight	217,463
Accrued interests	71,013
Fuel cost	53,216
Others	35,666
<b>Total</b>	<b>377,358</b>

**6. Convertible Bonds**

Balance of convertible bonds as of 31<sup>st</sup> January 2008 amounts to IDR 92,910 million, with the following breakdowns:

(in IDR million)	
Items	Amounts
<b>United States Dollars</b>	
Third Party	
Joyce Corner International Ltd	92,910
<b>Total</b>	<b>92,910</b>

**7. Amounts due to related parties**

Balance of amounts due to related parties as of 31<sup>st</sup> January 2008 amounts to IDR 9,503 million, with the following breakdowns:

Items	(in IDR million) Amounts
<b>Indonesian Rupiah</b>	
PT Persada Capital Investama	432
PT Saratoga Sentra Business	432
Others	185
	<b>1,049</b>
<b>United States Dollar</b>	
PT Rachindo Investments	4,645
Arindo Global (Netherland) B.V.	3,809
	<b>8,454</b>
<b>Total</b>	<b>9,503</b>

Amounts due to related parties represent the reimbursement for the expenses paid by Arindo Global and PT Rachindo Investments on behalf of the Company and its Subsidiaries, and cost of acquisition on MSW which is payable to SRSB and PCI.

**8. Current maturity of long-term borrowings**

Balance of current maturity of long-term borrowings comprises lease payables, bank loans, and other third party loans. As of 31<sup>st</sup> January 2008, the outstanding balance is IDR 991,214 million, as further detailed below:

- Lease payable amounting to IDR 121,361 million, mostly represent payable to PT Komatsu Astra Finance and VFS International AB.
- Bank loans amounting to IDR 863,349 million, which comprises loans from DBS Bank Ltd (syndicated loan), PT Bank Mandiri (Persero) Tbk, PT Bank NISP Tbk – OCBC Ltd (syndicated loan), PT Bank Niaga Tbk, PT Bank Permata Tbk, PT Bank Bukopin Tbk, and PT Bank Ekspor Indonesia (Persero).
- Other third party loans amounting to IDR 6,504 million which comprises payable to PT Paiton Energy (formerly PT Paiton Energy Company).

**9. Other Current Liabilities**

Other current liabilities as of 31<sup>st</sup> January 2008 amounting to IDR 765 million.

**10. Royalties Payable**

The Company's royalties payable to the Government as of 31<sup>st</sup> January 2008 amounting to IDR 424,332 million. Mining strategic business Unit, Adaro adopted sales-based cash royalty method to fulfill the Government's share of the production. Payment of the Government's rightful

share is computed based on net sales of mining strategic business Unit, Adaro, which is subject to the audit by the Directorate of Coal and Mineral Business Development [Direktorat Pembinaan Pengusaha Mineral Dan Batubara], DESDM. This royalty is offset against VAT in by mining strategic business Unit, Adaro.

## NON-CURRENT LIABILITIES

### 1. Long Term Borrowings, Net of Current Maturities

Long term borrowings net of current maturities which comprises: lease payable of IDR 230,034 million; bank loans of IDR 7,187,741 million; other third parties loans of IDR 23,423 million and other related parties loans of IDR 12,602 million; and subordinated loan of IDR 92,910 million. Further details on these liabilities are explained below:

#### Lease Payables:

(in IDR million)	
Items	Amounts
PT Komatsu Astra Finance	289,928
VFS International AB	47,513
Others (each below IDR 30,000)	13,954
<b>Total lease payable</b>	<b>351,395</b>
<b>Less: current maturities</b>	<b>(121,361)</b>
<b>Total non current portion</b>	<b>230,034</b>

#### Long-Term Bank loan:

(in IDR million)	
Items	Amounts
<b>Indonesian Rupiah</b>	
PT Bank Niaga Tbk	108
	<b>108</b>
<b>United States Dollar</b>	
DBS Bank Ltd (syndicated loan)	6,968,250
PT Bank Mandiri (Persero) Tbk	418,095
PT Bank NISP Tbk – OCBC Ltd (syndicated loan)	353,025
PT Bank Niaga Tbk	160,750
PT Bank Permata Tbk	69,560
PT Bank Bukopin Tbk	55,494
PT Bank Ekspor Indonesia (Persero)	25,808
	<b>8,050,982</b>
<b>Total long-term bank loan</b>	<b>8,051,090</b>
<b>Less: current maturities</b>	<b>(863,349)</b>
<b>Total non current portion</b>	<b>7,187,741</b>

#### Other Loans

The Company's other long-term loans comprise loan from third parties in the amount of IDR 23,423 million and from related parties in the amount of IDR 12,602 million, as further detailed below:

Items	(in IDR million)
	<b>Amounts</b>
<b>Third parties</b>	
<b>Indonesian Rupiah</b>	
Star Invest Corp	12,000
	<b>12,000</b>
<b>United States Dollar</b>	
Star Invest Corp	11,423
PT Paiton Energy (formerly: PT Paiton Energy Company)	6,504
	<b>17,927</b>
<b>Total other loans - third parties</b>	<b>29,927</b>
<b>Less: current maturities</b>	<b>(6,504)</b>
<b>Total non current portion</b>	<b>23,423</b>
<b>Related parties</b>	
<b>Indonesian Rupiah</b>	
PT Padangbara Sukses Makmur	11,673
PT Interex Sacra Raya	926
<b>Total other loans - related parties</b>	<b>12,602</b>
<b>Less: current maturities</b>	<b>-</b>
<b>Total non current portion</b>	<b>12,602</b>

Subordinated loan

The Company has subordinated loan from third party in the net amount of IDR 92,910 million.

**2. Deferred Tax Liabilities**

The Company's net Deferred Tax Liabilities as of 31<sup>st</sup> January 2008 amounting to IDR 489,529 million, with the following breakdowns:

Items	(in IDR million)
	<b>Amounts</b>
<b>Subsidiaries</b>	
Provision for employee benefits	2,252
Deferred expenditure exploration and development	(61,183)
Difference between commercial and tax net book value of fixed assets	(378,364)
Mining properties	(52,234)
<b>Deferred tax liabilities at end of year</b>	<b>(489,529)</b>

**3. Provision for employee benefits**

The Company's provision for employee benefits as of 31<sup>st</sup> January 2008 amounting to IDR 48,006 million.

#### 4. Accrued Stripping Costs

Accrued stripping costs as of 31st January 2008 amounting to IDR 422,392 million, with the following details:

Items	(in IDR million) Amounts
Carrying amount-beginning balance	(421,522)
Less: Amortization	24
Exchange difference due to financial statement translation	5,728
	<b>(415,770)</b>
Movement of accrued stripping costs	
Movements	(6,704)
Exchange difference due financial statements translation	82
	<b>(6,622)</b>
<b>Accrued stripping costs</b>	<b>(422,392)</b>

#### SUBSEQUENT EVENTS

On 31<sup>st</sup> January 2008, SIS and PT Bank Mandiri (Persero) Tbk entered into a long term facility agreement amounting of US\$ 60 million for the refinancing of loan from the PT Bank NISP Tbk - OCBC Ltd (syndicated loan) as well as for the working capital related to existing and new projects, effective as of 23<sup>rd</sup> January 2008. On 27<sup>th</sup> February 2008, SIS has made drawdown of this facility of US\$ 38 million to fully repaid the loan from PT Bank NISP Tbk. – OCBC Ltd. (syndicated loan).

On 29<sup>th</sup> February 2008, the mining strategic business unit, Adaro, received a renewable credit facility commitment of US\$ 80 million, of which US\$ 30 million was drawdowned on 31<sup>st</sup> March 2008.

On 13<sup>th</sup> March 2008, the Company increased its ownership in the strategic business unit of mining contractor service, SIS, by acquisition of the shares of CSP, SRIS and PCI, respectively and consecutively of 19,517 shares, 39,035 shares and 39,036 shares, with the total transaction value of IDR 158,776 million, and the payment for the purchase of shares shall be made no later than six months after the sale and purchase date. Besides, on 31<sup>st</sup> March 2008, SIS issued 56,679 new shares to Joyce Corner International Ltd. in relation to convertible bonds. Due to these transactions, the Company's ownership on the strategic business unit of mining contractor service, SIS, increases from 71.78% to 85.92%.

On 7<sup>th</sup> April 2008, the outstanding loan from PT. Bank DBS Indonesia was fully repaid by the Company.

On 30<sup>th</sup> April 2008, JPI disposed all its ownership in PT.Nusantara Power Energy to individual third party for IDR 700 million.

On 2<sup>nd</sup> May 2008, the Company entered into several Conditional Sale and Purchase Agreement with PCI and SRIS for the purchase of shares in ATA with the total amounts of IDR 356,000 million.

On 5<sup>th</sup> and 13<sup>rd</sup> May 2008, ATA entered into several Shares Sale and Purchase Agreements with Gold Pilot, Arindo FCM, Citigroup, Goldman Sachs, Vencap, and Agalia Capital Ltd, for the purchase of shares in Kerry Coal, AIM and Agalia Energy Investments Pte Ltd with the total amounts of US\$ 1,078,719,958 million or IDR 9,938,438 million.

On 5th June 2008, ATA entered into a Conditional Sales and Purchase Agreement with PT Rahman Abdijaya for the purchase of shares in PT Sarana Daya Mandiri, with the total amounts of IDR 128 million.

## COMMITMENTS AND CONTINGENCIES

- a. No significant commitments for capital expenditures exist that are not reflected in the accounts as at 31st January 2008
- b. As at 31st January 2008, Adaro uses bank guarantee facility from several banks and financial institutions amounting to equivalent of US\$ 15,464,962 (31st December 2007: US\$ 16,211,716; 2006: US\$ 7,853,449; and 2005: US\$ 5,908,652) which were issued in connection with contracts on sales and reclamation.

Currencies	As of 31st January 2008
Malaysian Ringgit	RM 9,857,688
United States Dollar	US\$ 6,703,750
Indonesian Rupiah	IDR 53,075

- c. As at 31st January 2008, mining strategic business Unit, Adaro has commitments to deliver coal at fixed price to certain customers. The total quantity of coal to be delivered up to year 2011 is 69,572,034 tons (31st December 2007: 70,834,000 tons; 2006: 40,707,333 tons; 2005: 8,037,333 tons).
- d. **Forestry Expenses**  
Based on Government Regulation No.2 dated 4th February 2008, all companies that carry out activity in the area of producing and protected forest but which is not related to forestry activity will have the liability to pay forestry expense ranging from IDR 1,200,000 to IDR 3,000,000 per acre. This levy is effective from 2008.
- e. **Management services**  
On 14<sup>th</sup> February 2007, MSW entered into an agreement for management services with PT Akarya International. MSW shall pay a management fee and project manager fee of US\$168,000 and US\$84,000 per annum (excluding VAT, respectively, on a quarterly basis. The effective date of this agreement is from the time the agreement is signed until the expiration of the Electricity Supply Agreement between MSW and Adaro on 1st October 2022.
- f. **Tax Notification Letter**  
On 10th April 2008, the mining strategic business unit, Adaro, received letters from Tax Service Office Three For Foreign Investment, respectively No.S-225/WPJ.07/KP.0408/2008, No.S-226/WPJ.07/KP.0408/2008 and No.S-227/WPJ.07/KP.0408/2008 containing a notification of correction of Annual Tax Return of Corporate Income Tax of Tax Years 2004, 2005 and 2006.



Under The General Tax Provisions and Procedures Law No.6 in 1983 articles 37 A and Law No.8 in 2007 along with the implementation, the mining strategic business unit, Adaro, intends to further review of the tax notification letter and possibly amend its Annual Corporate Income Tax for year 2004, 2005, and 2006. The correction of Annual Tax Return of Corporate Income Tax may cause incurring tax payable of US\$ 11,304,782 (tax year 2004), US\$ 33,233,919 (tax year 2005), and US\$ 39,234,348 (tax year 2006).

Adaro has paid amounting to US\$33,233,919 to the state treasury relating to the tax notification letter.

g. Conditional Agreement on Settlement of Overlapping Areas of Mining and Plantation

On 29<sup>th</sup> February 2008, the mining strategic business unit, Adaro, PT Cakung Permata Nusa (“Cakung”), PT Cakradenta Agung Pertiwi (“Cakradenta”), and PT Astra Agro Lestari Tbk. (“AAL”) entered into Conditional Settlement Agreement for Mining-Plantation Overlapping Areas (“Conditional Settlement”) for regulating the settlement of status on overlapping of the mining land owned by the mining strategic business unit, Adaro, with the plantation lands of Cakung, Cakradenta and AAL. Based on the agreement, Adaro (or its appointed party) shall give a compensation of US\$ 60,000,000 for Cakung and Cakradenta. In March 2008, the mining strategic business unit, Adaro, has made the payment of US\$ 3,000,000 on the compensation.

h. Interest Rate Swap Contract

On 19<sup>th</sup> March 2008, Adaro signed an interest rate swap contract with DBS Bank Ltd. at the par value of US\$ 600,000,000. The transaction underlying this agreement is the syndicated loan facility agreement of US\$ 750,000,000. Based on this transaction, DBS Bank Ltd. receives payment at the quarterly fixed interest rate of 2.945% annually and pays to Adaro at the floating interest rate of US\$-LIBOR. The agreement will expire on 7<sup>th</sup> December 2012. The par value of US\$ 600,000,000 will be reduced in phases to US\$ 70,588,235 on 7<sup>th</sup> December 2012.

i. Royalty claim

In May 2006, DESDM alleged that Adaro had underpaid the royalties due from coal sales for the period from 2001 and demanded payment. Adaro strongly rejected the allegation because it had discharged its obligation to pay such royalties by way of an offset against the Government’s obligation to reimburse Adaro for its VAT payment as prescribed under the CCA. In May 2006, Adaro filled an objection with the Jakarta Administrative Court against DESDM. Upon Adaro’s application, in May 2006, the Jakarta Administrative Court granted an order restricting DESDM in taking any further administrative steps on the issue until a final and binding judgment is delivered. In September 2006, the Jakarta Administrative Court issued a decision in favour of Adaro. The High Administrative Court concurred with the Jakarta Administrative in February 2007. Proceedings are currently pending in the Indonesian Supreme Court.

In June 2006, DESDM granted authority to the Committee for State Claim Affairs (the “Committee”) to pursue alleged underpayment on its behalf. In July 2007, the Committee issued a demand for payment to Adaro. As this is an industry-wide problem, similar demands have been made by the Committee to other first generation companies.

In September 2007, Adaro filed an objection with the Jakarta Administrative Court against the Committee. Upon Adaro's application, in September 2007 the Jakarta Administrative Court granted an order restricting the Committee from taking any further administrative steps on the issue until a final and binding judgment is delivered. On 15 February 2008, the Jakarta Administrative Court issued a decision in favour of Adaro. Proceedings are currently pending at the High Administrative Court.

The Company does not have any other liabilities other than those already disclosed in this Prospectus and in the consolidated financial statements which shall be construed as integral parts of this Prospectus.

The Company has not incurred any new material liabilities, other than accounts payable and other liabilities arising out of the Company's normal business activities, any time from the date of financial statements to the date of independent auditor report, and from the date of independent auditor report through until Statement of Registration becomes effective.

With existing systematic management of assets and liabilities and increasing future operating outputs, the Company is confident that it will be able to meet all its obligations as and when they become due in accordance with the terms.

**The management hereby, whilst acting for and on behalf of the Company and in the performance of its duty and obligations in the Company, declare that it is committed to and will meet its obligations as presented in the financial statements and as disclosed in this Prospectus.**

## V. FINANCIAL HIGHLIGHTS

The financial highlights of the Company and Subsidiaries for the one month period ended 31st January 2008 and for the year ended 31st December 2007, originated from consolidated financial statements which has been audited by Public Accounting Firm Haryanto Sahari & Rekan (member of the PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph the restructuring transactions of entities under common control and VAT in compensation against royalty payment. For the years ended 31st December 2006 and 2005, originated from consolidated financial statements which have been audited by Public Accounting Firm Kosasih and Nurdiyaman with Unqualified Opinion of which the introductory paragraph in the statement of opinion explains the reference to the statement of other auditor, unaudited subsidiaries, explanatory paragraph for the going concern of subsidiary and the re-issue of consolidated financial statements for the years ended 31st December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined consolidated financial statements of the Company and its Subsidiaries as at 31st December 2006 and 2005 and for the years then ended, after the restatements for applying the pooling of interests method on the restructuring transactions of entity under common control with the opinion that the consolidated financial statements have been re-stated properly based on the accounting principles generally accepted in Indonesia. For the period from the date of establishment (28th July 2004) up to 31st December 2004 was originated from the consolidated financial statement audited by the Public Accounting Firm Kosasih and Nurdiyaman with Unqualified opinion.

The financial highlights of the Company and Subsidiaries are as follows:

### BALANCE SHEETS

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December			
		2007	2006*	2005*	2004
(in IDR million)					
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	893,103	831,340	758,453	1,191,019	3,943
Restricted cash and cash equivalents	54,967	64,595	754,168	778,087	-
Available-for-sale investments	1,747,863	1,734,330	-	491,500	-
Trade receivable, net					
Third parties	1,391,059	1,153,572	1,120,959	848,510	-
Related parties	257,345	396,571	184,450	249,864	-
Other Receivables					
Third parties	63,445	60,727	57,580	82,492	-
Advances and prepayments	123,715	83,638	67,417	40,384	57,832
Inventories, net	276,550	238,148	204,353	144,537	-
Prepaid taxes	167,042	153,997	135,131	77,249	-
Recoverable tax	159,207	210,171	188,323	162,495	-
Prepayments to related party	-	-	115,506	316,569	-
Deferred financing cost, net	22,578	16,269	57,313	156,341	-
Deferred expenses, net	44,366	49,776	-	-	-
Other current assets	7,891	4,038	13,088	3,841	-
<b>Total current assets</b>	<b>5,209,131</b>	<b>4,997,672</b>	<b>3,656,741</b>	<b>4,542,888</b>	<b>61,775</b>
<b>Non Current Assets</b>					
Other Receivables					
Related parties	26,146	26,128	16,468	2,701	2,825
Fixed assets, net	3,518,727	3,558,698	2,327,320	1,856,686	64,824

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December			
		2007	2006*	2005*	2004
Investments in associates	4,755	4,868	667,674	76,332	-
Mining properties, net	116,076	118,362	121,247	140,742	-
Goodwill, net	5,153,242	1,225,532	15,508	19,383	-
Deferred exploration and development expenditure, net	85,415	86,828	193,391	196,122	23,882
Prepayment to related party - non current portion	-	-	-	125,879	-
Loans to related parties	2,044,337	4,498,016	6,161,683	6,476,686	-
Deffered financing cost, net - non current portion	79,919	59,728	127,543	353,014	-
Deferred expense, net – non current portion	12,165	12,590	11,918	27,416	4,466
Deferred tax assets	31,988	36,823	33,699	30,285	827
Restricted cash and cash equivalents – non current portion	11,104	11,236	10,092	5,120	-
Other non current assets	5,105	52,202	109	-	-
<b>Total non current assets</b>	<b>11,088,979</b>	<b>9,691,011</b>	<b>9,686,652</b>	<b>9,310,356</b>	<b>96,824</b>
<b>TOTAL ASSETS</b>	<b>16,298,110</b>	<b>14,688,683</b>	<b>13,343,393</b>	<b>13,853,244</b>	<b>158,599</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
<b>Short-term Borrowings</b>					
Bank loans	445,968	447,045	269,698	152,512	-
Other loans	-	-	-	-	-
-Third parties	51,648	191,677	75,317	18,212	-
Trade payable	-	-	-	-	-
Third parties	1,566,967	1,505,851	1,308,660	1,270,087	-
Related parties	198,346	182,322	80,929	3,881	-
Taxes payable	98,828	138,819	86,209	236,039	1,207
Accrued expenses	377,358	306,127	85,652	285,482	-
Convertible bonds	92,910	-	-	-	-
Promissory Notes	-	-	-	98,300	-
Current maturity of long-term borrowings	-	-	-	-	-
Lease payables	121,361	125,728	87,743	54,277	8,782
Bank loans	863,349	747,892	589,259	677,332	3,808
Other loans – third parties	6,504	6,594	366,262	193,044	115,504
Other current liabilities	765	1,237	5,896	4,430	-
Royalties payable	424,332	583,452	614,554	550,720	-
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>4,236,744</b>	<b>3,570,179</b>	<b>3,544,316</b>	<b>129,301</b>
<b>Non-Current Liabilities</b>					
Amounts due to related parties	9,503	8,765	17	544	-
Long-term borrowings, net of current maturities	-	-	-	-	-
Lease payables	230,034	243,036	151,025	62,114	5,261
Bank loans	7,187,741	5,535,428	4,365,722	1,844,088	6,411
Notes	-	-	3,579,733	3,893,370	-
Other loans:	-	-	-	-	-
-Third parties	23,423	23,753	26,998	274,141	-
-Related parties	12,602	10,945	28,675	2,969,878	26,480
Subordinated loans	92,910	94,190	90,200	-	-
Deferred tax liabilities	489,529	496,681	521,593	479,361	-
Provision for employee benefits	48,006	50,195	33,921	29,580	-

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December			
		2007	2006*	2005*	2004
Accrued stripping costs	422,392	421,522	4,273	11,661	-
<b>Total non-current liabilities</b>	<b>8,516,140</b>	<b>6,884,515</b>	<b>8,802,157</b>	<b>9,564,737</b>	<b>38,152</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>1,075,906</b>	<b>584,036</b>	<b>438,354</b>	<b>1,087</b>
<b>EQUITY</b>					
Share capital – issued and fully paid-up capital	2,084,663	2,062,478	143,628	143,628	1,250
Exchange difference due to financial statements translation	(22,365)	21,172	(22,596)	10,898	-
Difference in value from restructuring transactions of entities under common control	359,332	382,513	310,314	246,770	(9,085)
Difference in transactions of changes in equity of subsidiaries and associates	-	1,115	-	-	-
Retained earnings / (accumulated losses)	18,405	24,240	(44,325)	(95,459)	(2,106)
<b>Total equity</b>	<b>2,440,035</b>	<b>2,491,518</b>	<b>387,021</b>	<b>305,837</b>	<b>(9,941)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,298,110</b>	<b>14,688,683</b>	<b>13,343,393</b>	<b>13,853,244</b>	<b>158,599</b>

\* As restated related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004). “Accounting for Restructuring of Entities Under Common Control”.

## STATEMENT OF INCOME

(in IDR million)

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December			
		2007	2006*	2005*	2004
Revenue	1,115,080	11,592,640	9,748,068	7,174,651	-
Cost of revenue	(891,675)	(9,121,200)	(7,787,558)	(5,836,588)	-
<b>Gross profit</b>	<b>223,405</b>	<b>2,471,440</b>	<b>1,960,510</b>	<b>1,338,063</b>	<b>-</b>
Operating expenses					
Sales and marketing	(10,366)	(173,173)	(130,217)	(111,953)	-
General and administration	(8,468)	(77,775)	(89,079)	(51,969)	(1,641)
<b>Total operating expenses</b>	<b>(18,834)</b>	<b>(250,948)</b>	<b>(219,296)</b>	<b>(163,562)</b>	<b>(1,641)</b>
<b>Operating income/ (loss)</b>	<b>204,571</b>	<b>2,220,492</b>	<b>1,741,214</b>	<b>1,174,501</b>	<b>(1,641)</b>
<b>Other income/expenses</b>					
Interest expense & finance charges	(57,718)	(1,725,928)	(1,620,887)	(703,287)	(1,791)
Interest income	17,938	610,722	512,282	150,935	8
Gain / (loss) on disposal of fixed assets	286	(1,489)	78,598	(9,280)	-
Foreign Exchange gain / (loss), net	69,876	(167,799)	181,090	(27,615)	153
Share in net loss of associates prior to dilution	-	-	-	26,527	-
Share in net income of associates	(49)	(20,541)	-	-	-
Loss on sale of available-for-sale investments	-	-	(47,599)	-	-
Other income / (expenses), net	1,830	31,568	6,581	(10,086)	-
<b>Total other income / (expenses)</b>	<b>32,163</b>	<b>(1,273,467)</b>	<b>(889,935)</b>	<b>(572,806)</b>	<b>(1,630)</b>
Profit before income tax provision	236,734	947,025	851,279	601,695	(3,271)
Income tax expense	(101,342)	(567,529)	(527,972)	(353,378)	827
Profit from ordinary activity	135,392	379,496	323,307	248,317	(2,444)
Extraordinary item	(35,618)	-	-	-	-
Profit before pre-acquisition (income)/loss	99,774	379,496	323,307	248,317	(2,444)

Pre-acquisition (income)/loss	-	(38,048)	(17)	3,546	-
Profit before minority interest	99,774	341,448	323,290	251,863	(2,444)
Minority interest to net income of subsidiaries	(41,665)	(208,595)	(182,157)	(185,971)	338
Net income / (loss)	58,109	132,853	141,133	65,892	(2,106)
Basic and diluted earnings per share	3	92	98	136	-
EBITDA	334,058	2,402,873	2,215,578	1,322,500	n.m
Capital expenditure	13,920	650,770	662,613	787,402	n.m

\* As restated related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004).  
 "Accounting for Restructuring of Entities Under Common Control".

## SIGNIFICANT RATIOS

RATIOS	31 <sup>st</sup> January		31 <sup>st</sup> December		
	2008	2007	2006	2005	2004
<b>GROWTH RATIO (%)</b>					
Revenue, net	n.a	18.9%	35.9%	n.m	-
Operating Income/(loss)	n.a	27.5%	48.3%	n.m	-
Net Income/(loss)	n.a	-5.9%	114.2%	n.m	-
Total Liabilities	n.a	-10.1%	-5.6%	n.m	-
Total Equity	n.a	543.8%	26.5%	n.m	-
Total Assets	n.a	10.1%	-3.7%	n.m	-
<b>OPERATING RATIO (%)</b>					
Operating Income/(Loss) to Net Revenue	18.3%	19.2%	17.9%	16.4%	n.a
Net Income/(Loss) to Net Revenue	5.2%	1.1%	1.4%	0.9%	n.a
Operating Income/(Loss) to Total Equity	8.4%	89.1%	449.9%	384.0%	n.m
Net Income/(Loss) to Total Equity	2.4%	5.3%	36.5%	21.5%	n.m
Operating Income/(Loss) to Total Assets	1.3%	15.1%	13.0%	8.5%	n.a
Net Income/(Loss) to Total Assets	0.4%	0.9%	1.1%	0.5%	n.m
<b>EFFECTIVITY RATIO (x)</b>					
Inventory Turnover	38.7x	38.3x	38.1x	40.4x	n.m
Operating Expense to Operating Income	0.1x	0.1x	0.1x	0.1x	(1.00)x
Net Working Capital to Revenue	0.1x	0.1x	0	0.1x	n.a
Increase of Revenue to Increase of Operating Cash Flows	n.a	0.7x	3.9x	n.m	n.a
Operating Cash Flows to Net Income	(1.1)x	22.5x	3.3x	(3.1)x	n.a
Net Cash Flows to Current Liabilities	0.02x	0.01x	(0.1)x	0.2x	n.a
<b>RATIO OF LIQUIDITY AND SOLVABILITY (x)</b>					
Acid Test Ratio	1.0x	1.0x	0.6x	0.8x	n.a
Conversion period (day)	n.m	57.5	57.7	64.0	n.a
Average day payables payment period (day)	n.m	66.6	64.2	78.6	n.a
Average day receivables collection period (day)	n.m	48.1	48.2	55.1	n.a
Current Assets to Current Liabilities	1.2x	1.2x	1.0x	1.3x	0.5x
Total Liabilities to Total Equity	5.2x	4.5x	32.0x	42.9x	n.m
Total Liabilities to Total Assets	0.8x	0.8x	0.9x	0.9x	1.1x
Dividen Payment Ratio	-	-	-	-	-
Price Book Value (Rp)	117.05	119.52	18.57	14.67	(0.48)
<b>RATIO REQUIRED IN THE AGREEMENT (x)</b>					
<b>Required ratio</b>					
Combined free cash flows** to installment payments of loan and interest (x)	>1.2x	>1.2x	>1.1x	>1.1x	n.a
Net liabilities to combined EBITDA* (x)	<3.5x	<3.5x	<2.5x	<2.5x	n.a
<b>Compliance of the required ratio</b>					
Combined free cash flow** to installment payments of loan and interest (x)	n.m	4.3x	2.3x	2.3x	n.a
Net liabilities to combined EBITDA* (x)	n.m	2.3x	2.4x	2.4x	n.a

\* Combined EBITDA represent total EBITDA of Adaro, IBT and Coaltrade

\*\* Combined free cash flow represents total free cash flows of Adaro, IBT and Coaltrade.

## VI. MANAGEMENT'S ANALYSIS AND DISCUSSION

*This analysis and discussion are formulated based on the consolidated financial statements of the Company and its subsidiaries for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 and for the year ended on 31<sup>st</sup> December 2007, audited by Public Accounting Firm: Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph regarding restructuring transaction of entities under common control and VAT in compensation against royalty payment; and for the years ended on 31<sup>st</sup> December 2006 and 2005 originated from consolidated financial statements, which have been audited by Public Accounting Firm: Kosasih and Nurdiyaman with Unqualified Opinion of which the introductory paragraph in the statement of opinion explains the reference to the statement of other auditor, unaudited subsidiaries and explanatory paragraph for the going concern of subsidiary and the re-issue of consolidated financial statements for the years ended 31<sup>st</sup> December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined consolidated financial statements of the Company and its Subsidiaries as at 31<sup>st</sup> December 2006 and 2005 and for the years then ended, after restatements for applying by the pooling of interests method on restructuring transactions of the entities under common control with the opinion that the consolidated financial statements have been restated properly based on the accounting principles generally accepted in Indonesia.*

### 1. General

The Company was established by the name PT Padang Kurnia, a limited liability company established under and governed by the law of Republic of Indonesia, based on the Company's Deed of Establishment No.25 dated 28<sup>th</sup> July 2004, drawn up before Sukawaty Sumadi, SH., Notary in Jakarta. The Deed was announced in BNRI No.59 dated 25<sup>th</sup> July 2006, Supplement No.8036.

The Company's Articles of Association have been amended several times. The latest amendment is in the framework of Public Offering, of which based on Deed No.62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, SH., Notary in Jakarta, the Company has altered the name to PT Adaro Energy Tbk., altered the Company's Articles of Association entirely and altered the Company's status from private to public company. The deed obtained the approval of the Minister of Law and Human Rights of the Republic of Indonesia based on Decrees No.AHU-20330.AH.01.02.Tahun 2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258 AH.01.02-Tahun 2008 dated 25<sup>th</sup> April 2008.

The Company's vision is to become a coal-based mining and energy company that is integrated, the biggest and most efficient in South East Asia. To accomplish such vision, the Company divides its business activities into three (3) strategic business units, comprising coal mining and trading, coal infrastructures and logistics, and mining contractor service.

Each strategic business unit is positioned as an independent and integrated profit centre that enables the Company and Subsidiaries to have a coal supply chain that is competitive and reliable and finally expected to be able to give an optimum added value for all stakeholders of the Company and the Subsidiaries.

The large portion of the incomes of the Company and Subsidiaries come from the coal sales to domestic and international customers and the services obtained from mining activities. In 2005, 2006 and 2007, the net revenue of the Company and Subsidiaries are respectively recorded of IDR 7,174,651 million, IDR 9,748,068 million and IDR 11,592,640 million. In the first month of 2008, the net revenue of the Company and Subsidiaries is recorded of IDR 1,115,080 million.

As generally for companies engaged in mining industry, the revenue of the Company and Subsidiaries are influenced by the fluctuation of the world coal price and demand. The Company and Subsidiaries produce and sell Sub-Bituminous Coal having very low contents of ash and sulfur and the calorific value ranging between  $\pm 4,850$  kcal/kg. to  $\pm 5,900$  kcal/kg. widely known by the registered trade mark Envirocoal. Based on its characteristics, Envirocoal is largely used as fuel for steam power plant in domestic and international markets.

The main cost component of the Company and Subsidiaries is production cost. To maintain the business profit level, the Company and Subsidiaries continuously evaluate various methods to reach the economic scale and achieve operational efficiency, among others by integrated logistics and marketing management.

### **Factors Which Affect The Businesses Of The Company And Its Subsidiaries**

Some major factors affecting the businesses of the Company and its Subsidiaries are among others:

- World coal demand
- Fluctuation of world coal prices
- Production and business expansion
- Contracts with customers; and
- The Inter-dependency among mining contractors

### **World Coal Demand**

Barlow Jonker, an independent consultant company engaged in the coal market research predicts that the demand for Sub-bituminous Coal will continue to grow in the future along with the increasing acceptance of coal of this type in the market. From 1995 to 2005, the demand for Sub-bituminous Coal has had the average growth of over 23% annually. This research is contained in Expert Market Report dated 12<sup>th</sup> October 2007.

### **Fluctuation of world coal prices**

The coal price has a quite great fluctuation. The factors influencing the coal price fluctuation are:

- The world coal production volume, affected by several factors such as the finding of new coal reserves, the expansion of the mines in operation, or the closing of coal mines;
- The limited coal supply caused by disturbance of transportation network; and
- The government's policy on coal export from its country.

The above factors influence the world coal price, including Envirocoal.

During the period from 2001 to 2007, the world coal price moved in a quite wide range as shown by the average Newcastle Index that moves between -19% to +105%. The high price fluctuation will affect the income of the Company and Subsidiaries, as most of the revenue of the Company and Subsidiaries are from coal sale.



## **Production and Business Expansion**

### **□ Coal Mining and Trade**

Sales revenues from the Company's coal mining strategic business unit relate to the combination of volume and prices of coal which are produced and sold. Coal production volume depends upon the mining plans and the management of logistics, in the production of coal and the haulage of coal from pits to Crushing and Hauling Facilities. In the area of production, the Company through its mining strategic business unit, Adaro has appointed four (4) major mining contractors (including strategic business unit of mining contractor service, SIS) to execute mining activities under the supervision of the Company and Subsidiaries. The coal production of mining strategic business unit, Adaro of 2005 was at 26.7 million tons, which then grew to 34.4 million tons in 2006 and to 36.0 million tons in 2007.

In line with the middle-term plan of the Company and Subsidiaries to increase its coal capacity and production up to the level of 80 million tons, the Company and Subsidiaries is currently in the phase to increase the infrastructures and logistics capacities to support the production increase, among others by increasing the capacities of Crushing and Hauling Facilities, of which the estimated capital expenditure required is approximately US\$ 30 million to be met from the internal cash of the Company and Subsidiaries, and the making of conveyor belt of 68 km long for transporting coal from the mine to the Crushing and Hauling Facilities.

### **□ Coal Mining Contractors Services**

Income from this strategic business unit of mining contractor service, SIS came from a number of mining contracts obtained from both mining strategic business unit, Adaro and other third parties. The strategic business unit of mining contractor service has been able to lift coal at 11.94 million tons of coal in 2007 compared to just 2.6 million tons back in 2003 and 60.73 million bcm for removal of overburden in 2007 from 5.30 million bcm in 2003. Good operational performance makes it to be relied on by some mine owners to conduct the jobs of overburden removal, coal mining and transportation, namely by the mining strategic business unit, Adaro, PT Berau Coal ("Berau"), PT Indomining ("Indomining"), PT Sumber Kurnia Buana ("SKB"), PT Borneo Indobara ("Borneo"), and PT Interex Sacra Raya ("Interex"). The mining contractor service strategic business unit, SIS, intends to increase its capacity in the coal mining up to 41 million tons in medium term.

According to the Company's strategic plan to increase the production of the mining strategic business unit, Adaro, at the same time to encourage the mining work volume of the mining contractor service strategic unit, the Company and Subsidiaries plan to allocate approximately 50% of the whole production of the mining strategic business unit, Adaro, to the mining contractor service strategic business unit. This policy enables the Company's mining contractor service strategic business unit to become one of the market leaders in its industry. By the quite considerable increase of work volume, the mining contractor service strategic business unit needs additional investment, among others in the form of heavy equipments.

□ **Mining Infrastructures and Logistics**

The Company by its infrastructures and logistics strategic business unit, IBT, has a coal terminal facility with the loading capacity reaches 12 million tons coal per annum and the storing capacity up to 800,000 tons located in Laut Island, South Kalimantan. This terminal has 8 collecting locations with international standard certificate, namely International Code for The Security of Ships and Port Facilities (ISPS Code) in 2004.

The Company through the infrastructures and logistics strategic business unit, MSW, is also currently in the process of construction of pit mouth steam power plant (“Pit mouth PLTU”) with coal fuel of the capacity 2x30 MW for supplying electricity requirement for the conveyor belt facility, production facility, and other facilities in the mining area of the mining strategic business unit, Adaro. This pit mouth PLTU construction is one of the strategies of the Company and Subsidiaries to reduce the impact of fuel price, at the same time to increase the production cost efficiency by making conversion from solar to coal consumption.

**Contracts with customers**

Today, nearly all coal sales of the mining strategic business unit, Adaro, are conducted based on long-term sale contracts that are binding from the point of volume, of which the price will be determined from time to time. Based on the policy and strategy of the Company and Subsidiaries to maintain the stability and certainty of income and cash flow of operational activities, at the same time to benefit the profit from the world high coal price today, the Company and Subsidiaries plan to conduct sales balance between long term contracts and sales in spot market.

The coal trade strategic business unit, namely Coaltrade, has been involved in coal trading and marketing business activities for the customers in Asia and Europe. A large portion of the coal sales of the coal trade strategic business unit, Coaltrade, is based on the sales contract of one (1) year term or over conducted in United States dollar currency. Today, the coal trade strategic business unit, Coaltrade, serves the coal sales either from the mining strategic business unit, Adaro, or other coal suppliers of third parties.

The mining contractor service strategic business unit, SIS, today has coal mining and transportation contracts with some customers based on volume and time. The contract volume is around 2.7 million tons to 46 million tons per customer. Besides the contracts with the mining strategic business unit, Adaro, the mining contractor service strategic business unit, SIS, also has several coal mining and transportation contracts with Berau, Indomining, SKB, Borneo and Interex.

**Interdependence with Mining Contractors**

The mining strategic business unit, Adaro, works in cooperation with four (4) main mining service contractors (including the mining contractor service strategic business unit, SIS) in conducting all its mining activities, including for removal of overburden, coal mining, coal transportation to the Crushing and Loading Facilities, and other services provided by mining service contractors. The mining contractors appointed are required to provide all instruments, machines, equipments, and manpower required for conducting mining activities in the mining

area of the mining strategic business unit, Adaro. The failure of mining contractors in meeting their duties may have negative impacts on the production of the mining strategic business unit, Adaro.

On the other hand, the mining strategic business unit, Adaro, is one of the main customers for the mining service contractors and has had good cooperation so far. The high investment and working capital costs spent by the mining service contractors cause limitation to the mining service contractors to mobilize or move their heavy equipments.

The interdependence condition causes the parties to respectively continue having good and continuous cooperation, which will increase the performance of the Company and Subsidiaries.

## 2. Finance.

The following discussion and analysis concern with the financial condition and yields of the Company and Subsidiaries based on the consolidated financial statements of the Company and Subsidiaries for the period of 1 (one) month ended on 31st January 2008 and for the year ended on 31st December 2007, which have been audited by Public Accounting Firm Haryanto Sahari & Rekan (member of the PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph regarding restructuring transactions of entities under common control and VAT in compensation against royalty payment. For the years ended on 31st December 2006 and 2005 originated from the consolidated financial statements, which have been audited by Public Accounting Firm Kosasih and Nurdiyaman with Unqualified Opinion; the introduction paragraph in the statement of opinion explains the reference to the statement of other auditor, unaudited subsidiaries, the explanatory paragraph for the going concern of subsidiary and the re-issue of consolidated financial statements for the years ended 31st December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined consolidated financial statements of the Company and its Subsidiaries as at 31st December 2006 and 2005 and for the years then ended, after the restatements for applying the pooling of interests method on restructuring transactions of entities under common control with the opinion that the consolidated financial statements have been restated properly based on the accounting principles generally accepted in Indonesia. The financial highlights of the Company and Subsidiaries for 2006 and 2005 are originated from the consolidated financial statements of the Company and subsidiaries that has been restated.

Based on the audited consolidated financial statements, the Company's financial highlights are as follows:

Items	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
(in IDR million)				
<b>Balance Sheets</b>				
Total Current Assets	5,209,131	4,997,672	3,636,741	4,542,888
Total Non Current Assets	11,088,979	9,691,011	9,686,652	9,310,356
Total Assets	16,298,110	14,688,683	13,343,393	13,853,244
Total Current Liabilities	4,248,336	4,236,744	3,570,179	3,544,316
Total Non Current Liabilities	8,516,140	6,884,515	8,802,157	9,564,737
Minority Interest	1,093,599	1,075,906	584,036	438,354
Total Equity	2,440,035	2,491,518	387,021	305,837
Total Liabilities and Stockholders' Equity	16,298,110	14,688,683	13,343,393	13,853,244

Items	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
<b>Statements of Income</b>				
Revenue	1,115,080	11,592,640	9,748,068	7,174,651
Cost of Revenue	(891,675)	(9,121,200)	(7,787,558)	(5,836,588)
Gross Profit	223,405	2,471,440	1,960,510	1,338,063
Operating Expenses	(18,834)	(250,948)	(219,296)	(163,562)
Operating Income	204,571	2,220,492	1,741,214	1,174,501
Other Income / (Expenses)	32,163	(1,273,467)	(889,935)	(572,806)
<b>Net Income</b>	<b>58,109</b>	<b>132,853</b>	<b>141,133</b>	<b>65,892</b>

\*As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

## A. Trends in Revenue, Cost of Revenue and Income

### Revenue

The Company's revenue represents the total of revenue earned by the consolidated Subsidiaries of various strategic business units. Below table indicates revenue contributed by each of the strategic business units to the Company's revenue.

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
Coal mining and trading	1,020,576	10,799,071	9,263,324	6,820,013
Mining Services	75,646	672,615	483,962	354,638
Others	18,858	120,954	782	-
<b>Total Revenue</b>	<b>1,115,080</b>	<b>11,592,640</b>	<b>9,748,068</b>	<b>7,174,651</b>

(in IDR million)  
\*As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

### *The period of 1 (one) month ended on 31<sup>st</sup> January 2008*

The Company's revenue for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 amounting to IDR 1,115,080 million, to which the coal mining and trade strategic business unit contributed 91.5%; mining contractor services business unit contributed 6.8%; while infrastructures and logistics contributed 1.7%.

### *As of 31<sup>st</sup> December 2007 compared to 31<sup>st</sup> December 2006*

The Company's revenue grew 18.9% from previously IDR 9,748,068 million in 2006 to IDR 11,592,640 million in 2007. Of the total revenue, sales of coal contributed 93.2%; while Mining contractor services contributed 5.8% while the remaining 1.0% was from infrastructures and logistics strategic business unit.

The coal mining and trade strategic business unit's revenue grew by 16.6% from IDR 9,263,324 million in 2006 to IDR 10,799,071 million in 2007. This increase is mainly attributable to a considerably high increase of volume and prices of sale. In spite of the fact that world coal prices in international market have grown considerably high at the end of fourth quarter of 2007, sales contracts and the selling price commitment for a part of its production were made in 2006 and the closing part of 2005, during which

the prices of world coal were decreasing so as to cause the Company to be unable to gain maximum benefits from this global situation.

Revenue from strategic business unit of mining contractor service also grew significantly at 39.0% from IDR 483,962 million in 2006 to IDR 672,615 million in 2007. This increase is mainly attributable to the increasing volume of overburden removal, mining and coal hauling operations.

The infrastructures and logistics strategic business unit also saw its revenue growing significantly from IDR 782 million in 2006 to IDR 120,954 million in 2007, which is attributable to the consolidation of Revenue of the newly acquired Subsidiary, namely the infrastructures and logistics strategic business unit, IBT.

### ***31<sup>st</sup> December 2006 compared to 31<sup>st</sup> December 2005***

The Company's revenue grew by 35.9% from IDR 7,174,651 million in 2005 to IDR 9,748,068 million in 2006. Out of the total revenue, an amount of 95% revenue was contributed from coal sales and 5% was from mining contractor services.

Revenue from coal mining and trade strategic business unit during this period increased significantly by 35.8% from IDR 6,820,013 million in 2005 to IDR 9,263,324 million in 2006. This increase is mainly attributable to higher volume and higher prices, supported with improved infrastructures and the relatively low rain which lasted somewhat longer thus allowing the Company to execute the exploration activities to the maximum possible.

Revenue from mining contractor service business unit increased by 36.5% from IDR 354,638 million in 2005 to IDR 483,962 million in 2006. The increase is attributable to the increasing volume of the works of overburden removal, coal mining and transportation, supported by conducive operational condition due to the low rainfall and the existing new contracts.

### **Cost of Revenue**

Items	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
Coal mining and trading	808,044	8,532,903	7,386,963	5,547,340
Mining services	68,701	530,867	400,595	289,248
Others	14,930	57,430	-	-
<b>Total Cost of Revenue</b>	<b>891,675</b>	<b>9,121,200</b>	<b>7,787,558</b>	<b>5,836,588</b>

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

Cost of revenue of coal mining and trading represents the largest cost component of total cost of revenue. This cost includes cost of mining and purchases of coal, crushing and hauling of coal, coal loading-unloading, including royalties (DHPB) paid to the Government.

***The period of 1 (one) month ended on 31<sup>st</sup> January 2008***

The Company's cost of revenue during the period of 1 (one) month ended on 31<sup>st</sup> January 2008 amounts to IDR 891,675 million, to which the mining and trading strategic business unit contributed 90.6%; strategic business unit of mining contractor service contributed 7.7%; while infrastructures and logistics strategic business unit contributed 1.7%.

***31<sup>st</sup> December 2007 compared to 31<sup>st</sup> December 2006***

The Company's cost of revenue for the year ended on 31<sup>st</sup> December 2007 grew at 17.1% from IDR 7,787,558 million in 2006 to IDR 9,121,200 million in 2007.

The coal mining and trading strategic business unit has an increase of the cost of revenue at 15.5% of IDR 7,386,963 million in 2006 to become IDR 8,532,903 million in 2007. The increase was particularly due to the increase of sales volume and production cost per unit. The increase of production cost per unit is due to the increase of the stripping ratio and fuel cost.

The mining contractor service strategic business unit has a quite significant increase of cost of revenue at 32.5%, i.e. from IDR 400,595 million in 2006 to IDR 530,867 million in 2007. The increase was particularly attributable to the increasing volume of the works of overburden removal, coal mining and transportation and the costs of fuel and tire. In practice, most of the increase of fuel cost spent by the mining contractor service strategic business unit is reimbursed by the mining company.

The infrastructures and logistics strategic business unit recorded the cost of revenue of IDR 57,430 million in 2007 with the biggest contribution from the rent of tugboat, repair and maintenance costs, depreciation expenses and fuel cost.

***31<sup>st</sup> December 2006 compared to 31<sup>st</sup> December 2005***

The Company's cost of revenue for the year ended on 31<sup>st</sup> December 2006 increased by 33.4% from IDR 5,836,588 million in 2005 to IDR 7,787,558 million in 2006.

The coal mining and trading strategic business unit had an increase of cost of revenue at 33.2% from IDR 5,547,340 million in 2005 to IDR 7,386,963 million in 2006. The increase was particularly due to the increase of sales volume and production cost per unit. This increase of production cost per unit is related to the increasing of stripping ratio and fuel cost.

The mining contractor service strategic business unit had an increase of cost of revenue at 38.5% from IDR 289,248 million in 2006 to IDR 400,595 million in 2007. The increase was particularly attributable to the increasing volume of the works of overburden removal, coal mining and transportation and the costs of fuel and tyre.

**Operating Expenses and Operating Income**

***The period of 1 (one) month ended on 31<sup>st</sup> January 2008***

The Company's operating expenses for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 amounting to IDR 18,834 million which comprises of selling and marketing expenses and general and administration expenses, respectively in the amount of IDR 10,366 million and IDR 8,468 million.

The Company's operating income for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 amounting to IDR 204,571 million of which 98.7% came from coal mining and trading strategic business unit; 0.6% came from strategic business unit of mining contractor service; as well as the remaining 0.7% came from infrastructures and logistics strategic business unit.

### ***31<sup>st</sup> December 2007 compared to 31<sup>st</sup> December 2006***

The Company's operating expenses increased by 14.4% from IDR 219,296 million in 2006 to IDR 250,948 million in 2007. This increase of operating expense is attributable to increase of selling and marketing expenses.

In terms of the Company's operating income, the figure increased by 27.5% from IDR 1,741,214 million in 2006 to IDR 2,220,492 million in 2007; of which 93.7% came from coal mining and trading strategic business unit; 3.9% from strategic business unit of mining contractor service and the remaining 2.4% came from infrastructures and logistics strategic business unit. This quite significant increase is mainly attributable to higher sales volume and the Company's success in implementing cost efficiency.

Operating income from coal mining and trading strategic business unit increased by 20.2% from IDR 1,730,457 million in 2006 to IDR 2,080,394 million in 2007, which is attributable to growth of sales coupled with success in achieving cost-efficient operation.

Operating income from strategic business unit of mining contractor service increased by 719.5% from IDR 10,481 million in 2006 to IDR 85,889 million in 2007, particularly due to the change of estimates for the useful life of the fixed assets of operational equipments which has been technically reviewed and compared to the practices in similar types of industry.

Operating income from infrastructures and logistics strategic business unit increased from IDR 276 million in 2006 to IDR 54,209 million in 2007, which is mainly attributable to operating income contribution from the newly acquired subsidiary infrastructures and logistics strategic business unit, IBT.

### ***31<sup>st</sup> December 2006 compared to 31<sup>st</sup> December 2005***

The Company's operating expenses increased by 34.1% from IDR 163,562 million in 2005 to IDR 219,296 million in 2006. This higher operating expense is mainly attributable to significant increase in general and administration expense which is at 71.4% in relation to the increasing number of employees.

The Company's operating income also grew significantly by 48.3% from IDR 1,174,501 million in 2005 to IDR 1,741,214 million in 2006; to which coal mining and trading strategic business unit contributed 99.4%; while mining contractor services contributed 0.6%. This significant increase is mainly attributable to higher revenue recorded by the Company.

Operating income from coal mining and trading strategic business unit increased by 51.4% from IDR 1,143,249 million in 2005 to IDR 1,730,457 million in 2006, which is mainly associated with strong growth of sales and higher average selling prices.



The operating income of the coal mining contractor service strategic business unit decreased at 66.5% from IDR 31,252 million in 2005 to IDR 10,481 million in 2006, particularly due to the increase of consultants fee and employees costs slightly balanced by the sales increase.

The infrastructures and logistics strategic business unit recorded the operating income of IDR 276 million in 2006.

### **Other Income / (Expenses)**

#### ***For the period of 1 (one) month ended on 31<sup>st</sup> January 2008***

The Company recorded other income in the amount of IDR 32,163 million for the period of 1 (one) month ended on 31<sup>st</sup> January 2008, of which the largest contribution came from gains from foreign exchange difference in the amount of IDR 69,876 million which is mainly attributable to the strengthening of the Indonesian Rupiah against the United States Dollar, and from interest expense and financial charges of IDR 57,718 million and interest income of IDR 17,938 million.

#### ***31<sup>st</sup> December 2007 compared to 31<sup>st</sup> December 2006***

The Company's other expenses increased quite significantly at 43.1% from IDR 889,935 million in 2006 to IDR 1,273,467 million in 2007 which is mainly attributable to the increase in interest expense and financial charges in relation to financial charges of IDR 548,211 million due to the early redemption of Notes acquired by the Company and increase of interest expense related to Mezzanine loan facility in December 2006 balanced by the decrease of interest expense on the loan from Arindo Global (Netherlands) B.V. which was settled in December 2006. In addition, the increasing other expense is also attributable to quite significant loss from foreign exchange difference due to the weakening of the Indonesian Rupiah against the United States Dollar. The increasing interest expense and financial charges and loss from foreign exchange translation difference were a bit counter balanced by the increasing interest income.

#### ***31<sup>st</sup> December 2006 compared to 31<sup>st</sup> December 2005***

The Company's other expenses increased by 55.4% from IDR 572,806 million in 2005 to IDR 889,935 million in 2006. This increasing expense is attributable to higher interest expense and financial charges which was caused by the increase of new debts obtained in mid 2005 such that interest expense in 2005 covered only a period of 6 months. In addition, the increase of interest expense and financial charges is also balanced by the increase of interest income and gain from foreign exchange difference.

### **Net Income**

#### **For the period of 1 (one) month ended on 31<sup>st</sup> January 2008**

The company recorded a net income of IDR 58,109 million for the period of one (1) month ended 31<sup>st</sup> January 2008.



### ***31<sup>st</sup> December 2007 compared to 31<sup>st</sup> December 2006***

The Company's net income slightly decreased by 5.9% from IDR 141,133 million in 2006 to IDR 132,853 million in 2007. This decrease is mainly attributable to loss from exchange difference due to the weakening of the Indonesian Rupiah against the United States Dollar and the financial charges from early redemption of Notes, which is balanced by the Company's operating income increase as the result of increase of selling price and volume.

### ***31<sup>st</sup> December 2006 compared to 31<sup>st</sup> December 2005***

The Company's net income increased significantly by 114.2% from IDR 65.892 million in 2005 to IDR 141,133 million in 2006. This significant increase in net income is mainly attributable to increase of operating income of the Company as the results of higher prices and volume of sales.

## **B. Debts and Interest Rate**

As of 31<sup>st</sup> January 2008, the Company's total liabilities amounting to IDR 12,764,476 million. Below table details the Company's consolidated borrowings which carry interest expense (interest bearing debt):

(in IDR million)

Items	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
Short term borrowings	1,581,740	1,518,936	1,388,279	1,095,377
Long term borrowings	7,546,710	5,907,352	8,233,333	9,043,591

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

For the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005, the Company reported interest expense and financial charges respectively in the amount of IDR 57,718 million; IDR 1,725,928 million; IDR 1,620,887 million and IDR 703,287 million.

Currently, the Company's consolidated total debt amounting to IDR 9,128,450 million with interest rates within the range of 5.7% - 17.0% for loan (in US\$) currency and 5.0% - 19.0% for loan in Indonesian Rupiah currency.

## **C. Growths of Assets, Liabilities and Equity**

The following table indicates the Company's total Assets, Liabilities and Equity as at 31<sup>st</sup> January 2008, 31<sup>st</sup> December 2007, 2006 and 2005:

### **Assets**

The Company's assets comprise:

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
(in IDR million)				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	893,103	831,840	758,453	1,191,019
Restricted cash and cash equivalents	54,967	64,595	754,168	778,087
Available-for-sale investments	1,747,863	1,734,330	-	491,500
Trade receivables, net				
Third parties	1,391,059	1,153,572	1,120,959	848,510
Related parties	257,345	396,571	184,450	249,864
Other Receivables				
Third parties	63,445	60,727	57,580	82,492
Advance and prepayments	123,715	83,638	67,417	40,384
Inventories, net	276,550	238,148	204,353	144,537
Prepaid Taxes	167,042	153,997	135,131	77,249
Recoverable tax	159,207	210,171	188,323	162,495
Prepayment to related party	-	-	115,506	316,569
Deferred financing costs, net	22,578	16,269	57,313	156,341
Deferred expenses, net	44,366	49,776	-	-
Other current assets	7,891	4,038	13,088	3,841
<b>Total current assets</b>	<b>5,209,131</b>	<b>4,997,672</b>	<b>3,656,741</b>	<b>4,542,888</b>
<b>Non Current Assets</b>				
Other Receivables				
Related parties	26,146	26,128	16,468	2,701
Fixed assets, net	3,518,727	3,558,698	2,327,320	1,856,686
Investments in associates	4,755	4,868	667,674	76,322
Mining properties, net	116,076	118,362	121,247	140,742
Goodwill, net	5,153,242	1,225,532	15,508	19,383
Deferred exploration and development expenditure, net	85,415	86,828	193,391	196,122
Prepayment to related party –non current portion	-	-	-	125,879
Loans to related parties – non current portion	2,044,337	4,498,016	6,161,683	6,476,686
Deferred financing costs, net	79,919	59,728	127,543	353,014
Deferred expenses, net – non current portion	12,165	12,590	11,918	27,416
Deferred tax assets	31,988	36,823	33,699	30,285
Restricted cash and cash equivalents– non current portion	11,104	11,236	10,092	5,120
Other non current assets	5,105	52,202	109	-
<b>Total non current assets</b>	<b>11,088,979</b>	<b>9,691,011</b>	<b>9,686,652</b>	<b>9,310,356</b>
<b>TOTAL ASSETS</b>	<b>16,298,110</b>	<b>14,688,683</b>	<b>13,343,393</b>	<b>13,853,244</b>

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

As of 31<sup>st</sup> January 2008, the Company's total assets amount to IDR 16,298,110 million, which is 11.0% higher than the Company's total assets as of 31<sup>st</sup> December 2007 which stayed at IDR 14,688,683 million. These increasing assets are mainly attributable to the increase of goodwill which was offset by decreased loans to the related parties, both were attributable to the acquisition of Arindo since January 2008.

As of 31<sup>st</sup> December 2007, the Company's total assets amounting to IDR 14,688,683 million which means an increase of 10.1% compared to the Company's total assets as of 31<sup>st</sup> December 2006 which is at IDR 13,343,393 million mainly attributable to the increase of available-for-sale investments offset

by decrease of restricted cash and cash equivalents and the Revere and Decimar acquisition, causing consolidation of the financial statements of the infrastructures and logistics strategic business unit, IBT, to the Company. The consolidation of the infrastructures and logistics strategic business unit, IBT, causes an increase in the fixed assets and goodwill and the elimination of investment in associates and the loans to related parties.

As of 31st December 2006, the Company's total assets amounting to IDR 13,343,393 million, which means a bit decrease of 3.7% compared to the Company's total assets as of 31st December 2005 in the amount of IDR 13,853,244 million. This decrease in total assets is attributable to the decrease in advances and loans to related parties which were a bit coupled by the increase in fixed assets and trade receivables.

## Liabilities and Stockholders' Equity

### Composition of liabilities and Stockholders' equity of the Company:

(in IDR million)

Items	31st Jan 2008	31st December		
		2007	2006*	2005*
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Short term borrowings				
Bank loans	445,968	447,045	269,698	152,512
Other loans				
-Third parties	51,648	191,677	75,317	18,212
Trade payables				
-Third parties	1,566,967	1,505,851	1,308,660	1,270,087
-Related parties	198,346	182,322	80,929	3,881
Taxes payable	98,828	138,819	86,209	236,039
Accrued expenses	377,358	306,127	85,652	285,482
Convertible bonds	92,910	-	-	-
Promissory notes	-	-	-	98,300
Current maturity of long-term borrowings:				
Lease payables	121,361	125,728	87,743	54,277
Bank loans	863,349	747,892	589,259	677,332
Other loans – third parties	6,504	6,594	366,262	193,044
Other current payable	765	1,237	5,896	4,430
Royalty payable	424,332	583,452	614,554	550,720
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>4,236,744</b>	<b>3,570,179</b>	<b>3,544,316</b>
<b>Non Current Liabilities</b>				
Amounts due to related parties	9,503	8,765	17	544
Long-term borrowings, net of current maturities:				
Lease payables	230,034	243,036	151,025	62,114
Bank loans	7,187,741	5,535,428	4,365,722	1,844,088
Notes	-	-	3,579,733	3,893,370
Other loans				
-Third parties	23,423	23,753	26,998	274,141
-Related parties	12,602	10,945	28,675	2,969,878
Subordinated loan	92,910	94,190	90,200	-
Deferred tax liabilities	489,529	496,681	521,593	479,361
Provision for employee benefits	48,006	50,195	33,921	29,580

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
Accrued stripping costs	422,392	421,522	4,273	11,661
<b>Total non-current liabilities</b>	<b>8,516,140</b>	<b>6,884,515</b>	<b>8,802,157</b>	<b>9,564,737</b>
<b>Total Liabilities</b>	<b>12,764,476</b>	<b>11,121,259</b>	<b>12,372,336</b>	<b>13,109,053</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>1,075,906</b>	<b>584,036</b>	<b>438,354</b>
<b>EQUITY</b>				
Share capital – issued and fully paid	2,084,663	2,062,478	143,628	143,628
Exchange difference due to financial statements translation	(22,365)	21,172	(22,596)	10,898
Difference in value from restructuring transactions of entities under common control	359,332	382,513	310,314	246,770
Difference in transactions of changes in equity of subsidiaries and associates	-	1,115	-	-
Retained earnings/(accumulated losses)	18,405	24,240	(44,325)	(95,459)
<b>Total Equity</b>	<b>2,440,035</b>	<b>2,491,518</b>	<b>387,021</b>	<b>305,837</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>16,298,110</b>	<b>14,688,683</b>	<b>13,343,393</b>	<b>13,853,244</b>

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

## Liabilities

As of 31<sup>st</sup> January 2008, the Company's total liabilities amount to IDR 12,764,476 million, which means an increase of 14.8% compared to the Company's total liabilities as of 31<sup>st</sup> December 2007 in the amount of IDR 11,121,259 million. This increase in liabilities is mainly attributable to the in connection with the existing consolidated bank loan of the trading strategic business unit, Coaltrade, consolidated to the Company since January 2008, balanced by the decrease of liabilities denominated (in US\$) currency due to adjustment of exchange rate difference.

As of 31<sup>st</sup> December 2007, the Company's total liabilities amounting to IDR 11,121,259 million, which is 10.1% lower than the Company's total liabilities as of 31<sup>st</sup> December 2006 which was recorded at IDR 12,372,336 million. This decrease in liabilities is mainly attributable to early redemption of the Notes issued by the Company's subsidiary as of 8<sup>th</sup> December 2005 through refinancing from bank loans balanced by the increase of liabilities denominated (in US\$) currency due to adjustment of exchange rate difference.

As of 31<sup>st</sup> December 2006, the Company's total liabilities amounting to IDR 12,372,336 million, which means 5.6% lower than the Company's total liabilities as of 31<sup>st</sup> December 2005 in the amount of IDR 13,109,053 million. This decrease in liabilities is mainly attributable to the redemption of promissory notes and payment of tax payable and reduction in accrued expenses, balanced by the decrease of liabilities denominated (in US\$) currency due to adjustment of exchange rate difference.

## Equity

As of 31<sup>st</sup> January 2008, the Company's total equity amounting to IDR 2,440,035 million, which is 2.1% lower than the Company's total equity as of 31<sup>st</sup> December 2007, which was recorded at IDR

2,491,518 million. The decrease of equity is particularly attributable to the decrease of exchange difference due to financial statement translation, difference in value from restructuring transactions of entities under common control and retained earnings.

As of 31<sup>st</sup> December 2007, the Company's total equity amounts to IDR 2,491,518 million, which means a significant increase of 543.8% compared to the Company's total equity as of 31<sup>st</sup> December 2006 which was at IDR 387,021 million. This increase in equity is mainly attributable to the increase in paid-up capital by the shareholders.

As of 31<sup>st</sup> December 2006, the Company's total equity amounts to IDR 387,021 million, which means an increase of 26.5% compared to the Company's total equity as of 31<sup>st</sup> December 2005 which was at IDR 305,837 million. This increase in equity is mainly attributable to the increase in retained earnings of the Company and the difference in value from restructuring transactions of entities under common control due to the acquisition of the company's subsidiaries from entities under common control.

## Financial Ratios

### Current Ratios

Liquidity rate reflects the Company's ability to meet its current obligations by using the current assets it owns. Liquidity rate is measured with current ratio, which is current assets against current liabilities as at a given time, which is also an indicator of the Company's ability to meet all its current liabilities by using the current assets it owns. The Company's current ratio as of 31<sup>st</sup> January 2008, 31<sup>st</sup> December 2007, 2006 and 2005 respectively stayed at 1.2x; 1.2x; 1.0x; and 1.3x.

**Managements is of the opinion that the working capital of the company currently will meet the requirement for the next 12 months. In addition, currently the company still has the undrawn revolving facility.**

### Solvability

The Company's solvability pertains to the Company's ability to meet both its current and long term liabilities, and reflected in the ratio between the Company's total liabilities and equity and also the ratio between total liabilities and total assets.

Items	31 <sup>st</sup> Jan 2008	(in IDR million)		
		31 <sup>st</sup> December		
		2007	2006*	2005*
Total assets	16,298,110	14,688,683	13,343,393	13,853,244
Total liabilities	12,764,476	11,121,259	12,372,336	13,109,053
Minority interest	1,093,599	1,075,906	584,036	438,354
Total equity	2,440,035	2,491,518	387,021	305,837
<b>Solvability of assets (x)</b>	0.8	0.8	0.9	0.9
<b>Solvability of equity (x)</b>	5.2	4.5	32.0	42.9

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

The Company's Total Liabilities to Total Assets as of 31<sup>st</sup> January 2008, as of 31<sup>st</sup> December 2007, 2006 and 2005 respectively stays at 0.8x; 0.8x; 0.9x and 0.9x. Meanwhile, the Company's Total Liabilities against Total Equity as of 31<sup>st</sup> January 2008, as of 31<sup>st</sup> December 2007, 2006 and 2005

respectively stays at 5.2x; 4.5x; 32.0x and 42.9x. The decreasing trend of the occurring equity solvability is particularly attributable to the increase of paid-up capital conducted by the shareholders.

### Return on Investment

Return on Assets reflects the Company's ability to produce net income from the assets it owns, in the comparison between its net income /(loss) and total assets. The Company's return on assets for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 is 0.4% and for the years ended on 31<sup>st</sup> December 2007, 2006 and 2005 respectively stays at 0.9%; 1.1% and 0.5%. The decreasing trend in return on investment is mainly attributable to the increase in the Company's assets.

### Return on Equity

Return on Equity reflects the Company's ability to produce net income from the equity vested, obtained by comparing the Company's net income as compared to its equity. The Company's return on equity for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 is 2.4% and for the years ended on 31<sup>st</sup> December 2007, 2006 and 2005 respectively stays at 5.3%; 36.5% and 21.5%. The decreasing trend in return on equity is mainly attributable to the increase made by shareholders in the Company's paid-up capital.

### Capital Expenditure

The Company made capital expenditures in connection with expansion and maintenance of infrastructures and facilities in mining areas held by the Company, as well as for the construction, expansion and maintenance of supporting facilities, as well as for land acquisitions. The Company's consolidated capital expenditure is described in below table:

(in IDR million)

Items	31 <sup>st</sup> Jan 2008	31 <sup>st</sup> December		
		2007	2006*	2005*
Lands and buildings	717	21,461	42,002	8,745
Infrastructures	-	37	-	-
Machinery, operational equipments and vehicles	2,120	445,793	476,777	498,357
Mining equipments	-	595	631	20
Project equipments	6	3,287	413	2,780
Office equipments and supplies	735	16,597	4,907	5,930
Crushing and handling facility	6,082	57,645	47,642	27,247
Roads and bridges	270	8,799	53,505	23,548
Stockpile facilities	-	-	-	93
Works in progress	3,990	96,556	36,736	220,682
<b>Total</b>	<b>13,920</b>	<b>650,770</b>	<b>662,613</b>	<b>787,402</b>

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control".

The Company's capital expenditure for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 and for the years ended on 31<sup>st</sup> December 2007, 2006 and 2005 respectively amounting to IDR 13,920 million, IDR 650,770 million, IDR 662,613 million and IDR 787,402 million.

The Company's capital expenditure as of 31<sup>st</sup> January 2008 amounting to IDR 13,920 million which is mostly used for the procurement of coal Crushing and Loading Facility to be used by Subsidiaries, namely the coal mining and trade strategic business unit.

The Company's 2007 capital expenditure amounts to IDR 650,770 million which is mostly used in the procurement of heavy equipments by Subsidiaries, namely strategic business unit of mining contractor service.

The Company's 2006 capital expenditure amounts to IDR 662,613 million which is mostly used in the purchases of heavy equipments, building and lands by Subsidiaries.

The Company's 2005 capital expenditure amounts to IDR 787,402 million which is mostly used for the purchase of heavy equipments by Subsidiary, namely strategic business unit of mining contractor service, SIS, in the framework of the business expansion of the strategic business unit of mining contractor service.

### **3. Risks Management**

To minimize operating risks, the Company conducts Risks Management activities as described more detail in Chapter VII:

Risks related to Market and Sales Condition

- The application of policy for keeping the long-term contract portion at minimum 50% applied by the Company and Subsidiaries and the even customers distribution from geographical point are expected to be able to maintain the stability and certainty of the revenue of the Company and Subsidiaries in the future and to reduce the risk of fluctuation of sales volume and price.
- The Company and Subsidiaries are trying to build good relation with their customers and maintain the relation by keeping the commitment and operating expense efficiency, and to give added value to the service and products.
- By integrating its business units, the Company has a complete and reliable supply chain, at the same time keeps the operating expense efficiency in facing business competition.

Risks related to Production Activities:

- Adaro does not concentrate the implementation of mining activity in one mining service contractor, however, reducing the risk of dependency by cooperation with four contractors, of which the job distribution is specified according to the respective capacities. In its development, Adaro is also one of the main customers of the mining contractors. This condition reduces further the risk of Adaro's dependency on contractors, hence maintaining the cooperation well-established to become something prioritized in maintaining the harmony of operation activities of the Company and Subsidiaries.
- The Company and Subsidiaries always conduct periodical maintenance on all main installations, equipments, production facilities and other supporting facilities to undertake their mining activities so that the Company and Subsidiaries' operational activities can work well. This is reflected from the growth of revenue of the Company and Subsidiaries that is consistent year by year.



- The Company and Subsidiaries have covered the insurance on the assets they own, among others in the form of buildings, facilities and production equipments, inventory goods, and other supporting facilities, of which some insurance has covered the risk of natural disasters such as earthquake.
- The Company and Subsidiaries have applied the Safety Environment Management System (“SEMS”) comprising planning, training, operation procedure, and reporting system, designed to meet the safety standard of the Government of Republic of Indonesia and other organizations or agencies making/examining security standards.
- The Company and Subsidiaries actively involve experts of engineering consultants such as MineConsult and Terence Willsted & Associates, or other consulting experts to develop a sustainable long-term mine plan. Although the operation is currently only concentrated on Tutupan mine, the Company’s mining location is expanded in five (5) mine surfaces containing 2,803 million tons coal resources. The mining strategic business unit, Adaro, intends to start the mining operation in Wara area in early 2009.
- The Company and Subsidiaries make contract commitments with some service companies providing barges to ensure further the availability of transport means. Besides increasing the capacity of barges to reduce density in transportation line, today one of the service companies providing transportation is developing barges completed with propellers to speed up delivery time. The relation well-developed with the world biggest brokers of shipping service supply such as Clarkson Asia will also ensure further the availability of transport ships for coal delivery.
- One of the quite great risks in the business activities of the Company and Subsidiaries is the risk of scarcity of fuel supply with the largest consumption for heavy equipments, transport equipments, the storing, crushing and loading facilities as found in Kelanis and the storing and loading facilities in Laut Island and other small consumption is for electricity requirement of other facilities. The certainty of fuel supply will be able to meet by the construction of fuel distribution center in Laut Island Terminal for meeting the requirement of all mining industries in Kalimantan. In addition, with the Company’s plan by the infrastructures and logistics strategic business unit, MSW, to conduct the construction of pit mouth PLTU of the capacity 2x30MW planned to be completed in 2010, it is expected to reduce the Company’s dependency on fuel supply.

Risks related to the Provisions of the Laws and Social Environment:

- The Company by its Subsidiaries has conducted commercial mining activity since 1992. So far the Subsidiaries have regularly tried to meet all the conditions applied in PKP2B and other required operational licenses.
- The Company and Subsidiaries continuously attempt to find the solution of the overlapping issue between the mining areas of Subsidiaries and third parties. For the overlapping issue with the working area of PT Pertamina EP, Decree of the Minister of Energy and Mineral Resources No.1498 K/73/MEM/2008 dated 4<sup>th</sup> April 2008 on the Coordinating Team For Collective Land Utilization Between PT Pertamina EP and Adaro (“Decision on Collective Land Utilization”) was issued. As the follow up of this Decision on Collective Land Utilization, the team comprising PT Pertamina EP, Adaro and the representatives of DESDM will have coordination to achieve an understanding to be articulated in the form of agreement on collective land utilization.



Whereas for the overlapping issue with the plantation concession of PT Cakung Permata Nusa an understanding has been reached by the signing of the Conditional Settlement Agreement for Mining – Plantation Overlapping Areas on 29<sup>th</sup> February 2008.

For the problem of overlapping with PT Mantimin Coal Mining, Adaro have an opinion that Adaro already has a strong legal basis on the area acknowledged by Mantimin and Adaro. Meanwhile Adaro still open the opportunity to discuss with all of the related parties, especially DESDM to find a most proper solution and acceptable by all parties.

- The Company and Subsidiaries continuously attempt to work out close partnership and cooperation with the local people, regional government and other supporting organizations/Non-Government Organizations in developing and empowering the local people and preserving environment. Community development programs are undertaken by giving emphasize on the sectors of economy, human resources, social-culture-religious affairs based on local resource and health. Further description on this matter can be seen in Chapter IX point 10 on Social Responsibilities.
- The mining strategic business unit, Adaro, consistently markets some of its coal production for domestic consumption, even one power plant in Indonesia is its main customer. In 2007, Adaro marketed 26% of the coal it produced for domestic market. As one of the coal main suppliers for the requirement of steam power plants, it has placed Adaro as a project that is strategic by nature. By Presidential Decree Number 63/2004 on Security of National Vital Objects, in conjunction with Decree of Minister of Energy and Mineral Resources number 1610K/02/MEM/2004 on Security of National Vital Objects in the Sector of Energy and Mineral Resources dated 18<sup>th</sup> October 2004, Adaro is one of the companies in the National Vital Objects in the sector of Energy and Mineral Resources.
- The Company and Subsidiaries continuously conduct environment monitoring and management activities such as reclamation and re-vegetation of lands of former mine; control of erosion and sedimentation level; management and monitoring of air and water quality; control of noise and vibration and management of hydrocarbon and wastes periodically and continuously. The activities are expected to be able to minimize the risks related to environment pollution.

#### Risk related to Company Management:

- Besides applying the risk management as specified above, to minimize the risks related to company management, the Company and Subsidiaries also apply the policy in maintaining their key employees by giving incentives and employee's development programs, among others by trainings, providing facilities of health, insurance, pension program and additional bonus, and other programs expected to be able to motivate the key management members and employees of the Company and Subsidiaries.
- The Subsidiaries have conducted hedging by making interest rate swap transaction, by which the Subsidiaries will make payment at fixed interest rate and receive payment at floating interest rate.

## VII. BUSINESS RISKS

*Before making investment in the Company's shares, prospective investors shall note that the Company's business activity will highly depend on many external factors beyond the Company's control. Besides, prospective investors should also first carefully and accurately consider many business risks explained in this Prospectus and other risks that may still be uncovered herein. All risks, either anticipated or otherwise not anticipated, may give negative significant impacts on the Company's business performance, financial performance and / or shares value. If one or all risks occur(s), the Company's shares price may decrease so that investors may face investment potential loss.*

In running its business, the Company and Subsidiary faces risks that may affect the operating income of the Company and Subsidiary, if this is not being anticipated and prepared properly. The risks that may affect the business of the Company and Subsidiary in general can be grouped as follows:

### **Risks Related To Market Conditions and Sales**

#### **1. Effect of High Fluctuation of Coal Price on the Income of the Company and Subsidiaries**

The operating income of the Company and Subsidiaries highly depend on the coal price obtained from the coal sales. Envirocoal selling price is based on or influenced by global coal price, which tends to continuously change and could significantly fluctuate up or down. The world coal market is also very sensitive to the change of coal mining production level, coal demand and consumption pattern from power plant industry and other industries where coal is used as the main fuel, and changes in the world economy.

The coal consumption pattern in power plant industry and other industries in which coal is the main fuel is influenced by the demand for their products, regulations in environment affairs and other government regulations, technology development and availability of other competing coal producers, and the availability of alternative fuel. All above factors may cause quite great impacts on the coal selling price.

The world coal price increase occurred lately is resulted by the quite high economic growth and development in China, India, and other parts of Asia.

The price of Envirocoal will be influenced by the market evaluation on the economic, technical and environment benefits of the use of eco-friendly coal.

The increase of coal supply from Australia and South Africa and the decrease of economic growth rate in China, India or Asia or the change of policy of the Chinese government related to its coal export limitation will give negative effects on the world coal price.

In case of a quite great / material and prolonged decrease of the world coal price, it will give material and negative impacts on the business activities, financial condition, and prospects of the Company and Subsidiaries.

## **2. Business Competition**

The mining strategic business unit, Adaro competes with domestic and foreign coal producers (particularly from Australia and South Africa) in the world coal market in case of quality, price, transportation cost, and capacity to continuously supply coal. The demand for coal by the customers is influenced by the price of alternative energy resources such as nuclear energy, natural gas, oil and renewable energy resources like water and wind power.

In general, Adaro's competitive strength compared to its competitors coal products, is evaluated based on delivered cost per heating value unit. The factors directly giving effects on production cost, includes the coal geological characteristics, layer thickness, coal reserve depth (depth of mining), transportation cost and availability and cost of manpower. Adaro, have bigger or more varied businesses, or have access to bigger financial sources, giving competitive superiority to them.

In undertaking its activity as coal mining contractor service, SIS competes with several other companies, whereas some of them have bigger resources either in terms of financial, technical or marketing points so that they can benefit better economic scale and offer services at lower prices.

In general, the inability of the Company and Subsidiaries to maintain their competitive position as the result of above factors or other factors may affect materially and negatively on the Company's business activity, financial condition, and prospect.

## **3. Discontinuation or non-renewal of contract with customers**

Nowadays, the income of the Company and Subsidiaries is obtained from the contracts of coal sales and mining, infrastructures and logistic services with some of their main customers. There is no guarantee that the contract will not be stopped and / or renewed. The discontinuation of or non-renewed contracts will have negative impacts on the business activities of the Company and Subsidiaries.

## **Risks Related to Production Activity**

### **1. Dependence of the Company and Subsidiaries on the contractors**

Nowadays the mining strategic business unit, Adaro relies on four (4) main mining contractors (including the strategic business unit of mining contractor service, SIS) to perform all coal operations and productions. The mining contractors shall be responsible for the substantial supply of the fuel for heavy equipments, production facilities, production supporting materials, spare-parts, workshop facility, manpower and management which required for the operational and maintenance activities of the designated mining pits.

In case of a quite significant interference in one or more contractors above, including labor dispute (existing strike, demonstration), failure in performing the obligations in the agreement, it may affect quite significant to the operational activities of the Company and Subsidiaries.

**2. Dependence of the Company and Subsidiaries on the main installations, equipments, production facilities and other supporting facilities for performing the mining activities and other activities.**

The Company's and Subsidiaries' activities highly depend on the main installations, equipments and production facilities, for instance Crushing and Loading Facilities, excavators, bulldozers, graders, coal transport trucks, and other supporting facilities such as roads, harbors and river and sea transportation.

Interference of the function or damage on the above facilities, equipments or vehicles and the capacity to obtain new equipments, either operated by the mining contractors or by the Company and Subsidiaries, may influence the business activities, operating income and financial condition, and the Company's and Subsidiaries' prospects.

**3. Capability of the Company and Subsidiaries to obtain and provide the required fuel, spare-parts, and other operational activity supporting materials.**

Adaro and IBT are also not free from the risk of capacity to provide the required fuel, in which fuel is a quite great component for coal production, coal transportation, and coal terminal operation. If the fuel supply is disturbed, overall it may influence the operational activities of Adaro and IBT. Besides fuel supply, the risk of capacity of the Company and Subsidiaries to provide the required spare-parts like tire for coal for coal transporting trucks and dump trucks, and the capacity of the Company and Subsidiaries to provide other required operational activity supporting materials such as explosives may also affect the operational activities. The hindrances or disturbances in providing the intended spare-parts and supporting materials will affect the operational activities of the Company and Subsidiaries as a whole.

**4. Fuel price increase**

Fuel cost is a quite great component in the production cost. Particularly for Adaro, the contracts held either with mining contractors or with its transportation contractors specify that around 50%-100% of an increase in the fuel price shall be born by Adaro, while the remaining shall be born by the contractors. A quite significant fuel price increase will affect the production cost of the Company and Subsidiaries.

**5. Limitedness of coal transportation service and line may interfere with the operational activities of the Company and Subsidiaries**

The Company and Subsidiaries depend on either land, river or sea transportation that will transport coal for their customers. Interference with the availability of transportation service due to the limited supply of either land or water transportation, disturbance of weather, labor dispute, and other events may interfere with the Company's and Subsidiaries' operation. Besides reliance on the availability of transportation service, there is also dependence on coal transportation line, either land or river and sea, so that in case of interference in the transportation line, it will affect the operational activities of the Company and Subsidiaries as a whole.

**6. The mining activity of mining strategic business unit, Adaro, is in concentrated location**

The mining operation of the mining strategic business unit, Adaro, nowadays is concentrated on the location of Tutupan mine. Therefore, the whole cash flow and income of the mining strategic business unit, Adaro, comes from the coal sales mined in the location.

In case of quite significant operational disturbance in the mining location of the mining strategic business unit, Adaro, it will reduce, disturb and / or inhibit the coal production of Adaro.

**7. Natural disaster, weather and accident may harm the operational activities of the Company and Subsidiaries.**

The business activities of the Company and Subsidiaries are not free from accident and natural disaster, including risks of fire, explosion, mine collapse, land-slide, environment hazard, weather (including heavy rain), flood, high waves, earthquake and other natural phenomena.

Although the Company is confident that the safety standard in the business activities of the Company and Subsidiaries are quite good, it cannot be ensured that no accident will occur in the future. In mining areas, if the contractor of mining service fails to apply the proper mining principle when excavating the mining land, land-slide may just occur, then it may cause serious injuries or loss of life causing the operation in the relevant mining area to be suspended for an uncertain period. In general, serious accidents in any form whatsoever may cause the mining project suspension and may result in payment of compensation in a great amount. Such accidents do not only bring adverse impacts from the point of reputation, but also bring bad impacts materially to the business activity, financial condition and operating income of the Company and Subsidiaries. Accidents may also occur in connection with transportation activity or other coal mining activity.

Besides, the natural disasters and accidents having impact in the damage of the main equipments or infrastructures may also materially affect and cause negative impacts on the business activity, financial condition, operating income and prospect of the Company.

**8. Coal production may be influenced by the existing difference of the estimated geological condition**

The mining operational performance of the mining strategic business unit, Adaro, may be influenced by the existing difference of the geological condition predicted earlier, such as difference of variety of coal layer thickness, types of rocks of overburden lining the coal layer, change in geological condition and geotechnical instability of the mine location of the mining strategic business unit, Adaro, and non-compliance of the estimated reserves and their quality.

**9. Proved and probable coal reserves are expressions of judgement based on knowledge, experience and industry practice, and any adjustments to estimated proved and probable coal reserves could adversely affect Adaro's development and mining plans.**

Estimated of proved and probable coal reserves contained in this Prospectus are expressions of judgement based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information become available.

There are risks associated with such estimates, including that coal mined may be of a different or inferior quality, volume, overburden strip ratio or stripping cost from the resource estimates. Estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to proved and probable coal reserves could affect Company's development and mining plans and have an adverse impact on Company's business, financial condition, results of operations and prospects.

### **Risks Related to the Provisions of Laws and Social Environment**

- 1. Based on certain conditions, PKP2B giving authority to the mining strategic business units Adaro, to conduct mining activity may result in termination of or its implementation being suspended by the Government.**

The most essential license held by the Company (through the mining strategic business Units, Adaro) is PKP2B with the Government, as the agreement gives the right to the Company to conduct coal mining activity for 30 years effective since its commercial production in its mining area. Although PKP2B will expire in 2022, there is a possibility that the agreement is terminated earlier by the Government through DESDM, if the mining strategic business units, Adaro, are unable to meet contractual obligations as stipulated in PKP2B, among others covering the payment of royalty (DHPB), of which based on PKP2B, the Government is entitled to 13.5% of the production of the mining strategic business units, Adaro, which may be taken in the final processing location, in this matter is the Crushing and Loading Facility of Kelanis. In the implementation, according to the coal sales cooperation agreement with the Government, the mining strategic business unit, Adaro, markets and sells all its coal production and pays 13.5% of the sales proceeds after deduction by the costs to the Government. Although nowadays, the validity period of the coal sales cooperation agreement has expired, the mining strategic business unit, Adaro, still conducts the coal sale of the Government's portion and pays the sales proceeds, after deduction by the costs incurred, to the Government.

Besides the conditions on royalty payment (DHPB) above, the mining strategic business unit, Adaro is also required to meet other conditions such as tax payment to the Government, fulfillment of mining and environment requirements. Failure in meeting the above conditions may result in termination or suspension of PKP2B. The termination or suspension of PKP2B will have negative impacts on the business activities and prospects of the Company and Subsidiaries.

- 2. The mining strategic business unit, Adaro has nowadays, an amount of Incoming PPN/VAT on royalty payment (DHPB) to the government has been set off, however there is a possibility that such treatment will be refused as the consequence of Government's remedy.**

Based on the provisions of PKP2B, Adaro has the obligation to pay an amount of royalty (Coal Production Proceeds or "DHPB") to the Government. Besides, Adaro is also required to pay a few types of taxes to the Government as regulated in PKP2B. Based on the provision of Article 11.3 of PKP2B, if Adaro makes the payment of taxes other than those specified in PKP2B, the Government shall give reimbursement on such payment to Adaro.

In conducting its business activity, Adaro has paid a number of incoming PPNs. Since the Law of PPN has been applied only since 1984, while PKP2B has been effective since 1982, Adaro is in the opinion that incoming PPN is a type of new tax as referred to in the provision of Article 11.3 of PKP2B. Therefore, Adaro may ask for reimbursement from the Government in connection with the incoming PPN.

Before the issuance of Government Regulation No.144/2000 on the Types of Goods and Services Not Subject to Value Added Tax (“PP No.144/2000”) that has been effective since 1<sup>st</sup> January 2001 (stating that before going through the process into bricket, coal is no more subject to PPN/VAT), Adaro obtained the reimbursement on the incoming PPN/VAT paid against outgoing PPN/VAT according to and based on the mechanism of PPN/VAT restitution regulated in the Law of PPN/VAT. As the consequence of the issue of PP No.144/2000, Adaro has no more mechanism to ask for reimbursement from the Government on the incoming PPN/VAT paid by Adaro, hence based on the provisions of the Civil Code (“Civil Code”) there is an offset.

Since the implementation of PP No.144/2000 until 31<sup>st</sup> January 2008, Adaro had set off incoming PPN/VAT of the value IDR 1,615,750 million or US\$ 174.8 million against the payment of DHPB payable to the Government. Adaro’s principal in making the offset is the provisions of PKP2B and Article 1425 et seq of Civil Code.

It is still unable to ensure whether the incoming PPN/VAT offset against DHPB payment to the Government is legally allowed. Regarding the Company’s action of so far having set off the incoming PPN/VAT paid by Adaro against DHPB payment, the Government asked Adaro not to deduct the DHPB payment by a threat of PKP2B cancellation. This is among others stated in the Letter of the Director General of Mineral, Coal and Geothermal No.712/84/DJB/2006 dated 10<sup>th</sup> May 2006 (“Letter of Dir.Gen. of Minerbapabum”). The Government’s decision to ask Adaro to make the payment on DHPB by a threat of PKP2B cancellation was sued by Adaro to the Administrative Court (“PTUN”). In its decree, PTUN stated the Letter of Dir.Gen. of Minerbapabum null and void. In addition, PTUN also issued an order on the postponement of the execution of the Letter of Dir.Gen of Minerbapabum and any other administrative action until there is a court’s judgment that has become final and binding. The PTUN’s decree was also confirmed by the decree of the Administrative High Court (“PT TUN”). The government has filed a cassation to the Supreme Court against the PT TUN’s decree.

Besides, the Government qq. Dir.Gen. of Minerbapabum submitted a DHPB claim to the Committee For State Receivable Affairs, and further PUPN of DKI Jakarta branch issued a demand by PUPN’s letter No.434/PUPNC.11.05/2007 dated 20<sup>th</sup> July 2007 (“Claim Letter”). Regarding the Claim Letter, Adaro filed a claim to PTUN, in which Adaro claimed for cancellation of the Claim Letter. In its judgment dated 12<sup>th</sup> January 2008 PTUN stated the Claim Letter was annulled and ordered PUPN to revoke the Claim Letter. PUPN and Dir.Gen. of Minerbapabum has filed an appeal against PTUN’s judgment.

Issue faced by Adaro is a national coal mining industrial issue, as it is also faced by some other coal mining companies having first generation of PKP2B. However, if Adaro’s action of setting off Adaro’s incoming PPN/VAT against the DHPB payment liability to the Government is not legally allowed, hence Adaro still has to pay the offset DHPB against the incoming PPN/VAT it



has paid, the DHPB payment liability may have material impacts on the Company's financial condition and operating income.

Besides, since based on PKP2B, Adaro is required to pay DHPB, it is unlikely that the Government concludes that Adaro has failed to perform its obligation and decides to terminate the PKP2B. As long as Adaro does not approve that Adaro has committed a default on PKP2B that causes a dispute on whether Adaro has failed in meeting its obligation based on PKP2B, PKP2B has provided that the dispute be first settled in an arbitration forum ("Arbitration") before the PKP2B is able to terminate. Based on PKP2B, the Arbitration forum agreed is the International Center for Settlement of Investments Disputes (ICSID).

In case the Arbitration decides that Adaro has committed a default of its obligation as regulated in PKP2B, based on the provisions of PKP2B, Adaro shall be given time that will be determined by the Arbitration to remedy its default. Based on the provisions of PKP2B, the Government could not terminate PKP2B, if within the period specified. Adaro attempts in good faith to remedy its failure. If the failure is unable to remedy according to the arbitration decree, the Government may terminate PKP2B, and if it occurs, it may give material impacts on the financial condition, business activity and the operating income of the Company and Adaro.

Proforma financial statements below is based on the assumption in which Adaro does not set-off PPN/VAT with the royalty payment, however Adaro entitle on the reimbursement from Government.

Information on the proforma financial statement has been reviewed by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with negative assurance that nothing came to our attention that management assumptions do not provide reasonable basis for presenting the significant effects directly attributable to the event described above.

(in IDR million)		
Consolidated Balance Sheets	Audit 31 <sup>st</sup> January 2008	Pro forma 31 <sup>st</sup> January 2008
<b>Current Assets</b>		
Cash and cash equivalents	893,103	893,103
Restricted cash and cash equivalents	54,967	54,967
Available-for-sale investments	1,747,863	1,747,863
Trade receivables, net		
Third parties	1,391,059	1,391,059
Related parties	257,345	257,345
Other receivables – third parties	63,445	63,445
Advances and prepayments	123,715	123,715
Inventories, net	276,550	276,550
Prepaid taxes	167,042	167,042
Recoverable tax	159,207	1,783,616
Deferred financing costs, net	22,578	22,578
Deferred expenses, net	44,366	44,366
Other current assets	7,891	7,891
<b>Total current assets</b>	<b>5,209,131</b>	<b>6,833,540</b>
<b>Non-current Assets</b>		
Other Receivables – Related Parties	26,146	26,146
Fixed assets, net	3,518,727	3,518,727
Investments in associates	4,755	4,755
Mining properties, net	116,076	116,076
Goodwill, net	5,153,242	5,153,242
Deferred exploration and development expenditure, net	85,415	85,415
Loans to related parties – non-current portion	2,044,337	2,044,337



(in IDR million)

<b>Consolidated Balance Sheets</b>	<b>Audit</b>	<b>Pro forma</b>
	<b>31<sup>st</sup> January 2008</b>	<b>31<sup>st</sup> January 2008</b>
Deferred financing costs, net – non-current portion	79,919	79,919
Deferred expenses, net – non-current portion	12,165	12,165
Deferred tax assets	31,988	31,988
Restricted cash and cash equivalents - non-current portion	11,104	11,104
Other non-current assets	5,105	5,105
<b>Total non-current assets</b>	<b>11,088,979</b>	<b>11,088,979</b>
<b>Total assets</b>	<b>16,298,110</b>	<b>17,922,519</b>
<b>Current Liabilities</b>		
Short-term loans		
Bank loans	445,968	445,968
Other loans		
Third parties	51,648	51,648
Trade payables		
Third parties	1,566,967	1,566,967
Related Parties	198,346	198,346
Taxes payable	98,828	98,828
Accrued expenses	377,358	377,358
Convertible bonds	92,910	92,910
Current maturity of Long-term borrowings:		
Lease payables	121,361	121,361
Bank Loans	863,349	863,349
Other loans		
Third parties	6,504	6,504
Other current liabilities	765	765
Royalties payable	424,332	2,048,741
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>5,872,745</b>
<b>Non-Current Liabilities</b>		
Amounts due to related parties	9,503	9,503
Long-term borrowings, net of current maturities:		
Lease payables	230,034	230,034
Bank loans	7,187,741	7,187,741
Other loans		
Third parties	23,423	23,423
Related Parties	12,602	12,602
Subordinated loan	92,910	92,910
Deferred tax liabilities	489,529	489,529
Provision for employee benefits	48,006	48,006
Accrued stripping costs	422,392	422,392
<b>Total non current liabilities</b>	<b>8,516,140</b>	<b>8,516,140</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>1,093,599</b>
<b>Equity</b>		
Share capital	2,084,663	2,084,663
Exchange difference due to financial statement translation	(22,365)	(22,365)
Difference in value from restructuring transactions of entities under common control	359,332	359,332
Retained earnings	18,405	18,405
<b>Total equity</b>	<b>2,440,035</b>	<b>2,440,035</b>
<b>Total liabilities and equity</b>	<b>16,298,110</b>	<b>17,922,519</b>

in million of IDR

Consolidated Statements of Income	Audit 31 <sup>st</sup> January 2008	Pro forma 31 <sup>st</sup> January 2008
<b>Revenue</b>	1,115,080	1,115,080
<b>Cost of Revenue</b>	(891,675)	(891,675)
<b>Gross profit</b>	<b>223,405</b>	<b>223,405</b>
<b>Operational expenses</b>		
Sales and marketing	(10,366)	(10,366)
General and administration	(8,468)	(8,468)
Total operating expenses	(18,834)	(18,834)
<b>Operating Income</b>	<b>204,571</b>	<b>204,571</b>
<b>Other income/(expenses)</b>		
Interest expenses and financing charges	(57,718)	(57,718)
Interest income	17,938	17,938
Gain on disposal of fixed assets	286	286
Foreign exchange gain, net	69,876	69,876
Share in net loss of associates	(49)	(49)
Other income net	1,830	1,830
	32,163	32,163
<b>Profit before income tax</b>	<b>236,734</b>	<b>236,734</b>
Income tax expense	(101,342)	(101,342)
<b>Profit of ordinary activity before extraordinary item</b>	<b>135,392</b>	<b>135,392</b>
Extraordinary item	(35,618)	(35,618)
<b>Profit before minority interests</b>	<b>99,774</b>	<b>99,774</b>
Minority interest on net income of subsidiaries	(41,665)	(41,665)
<b>Net income</b>	<b>58,109</b>	<b>58,109</b>

### 3. Risks In connection with the Government's Possible Adjustment to Adaro's Tax Liability

In carrying out its business activities, Adaro conducts the sale of its coal product to Coaltrade as a party affiliated to Adaro. Based on the provisions of Article 18 of Law Number 7/1983 on Income Tax as lastly amended by Law Number 17/2000 ("**Law of Income Tax**"), it is among others regulated that the Director General of Taxes is authorized to re-decide the amount of income for calculating the amount of Taxable Income for a Taxpayer having a special relation with other Taxpayer in fair and proper business beyond the influence of any special relation.

For the above reason, the Tax Service Office of Foreign Investment Three, DJP Area Office of Special Jakarta, Director General of Taxes, Department of Finance of the Republic of Indonesia ("Tax Office") has studied the fulfillment of tax liabilities of PT Adaro Indonesia for the years 2004, 2005 and 2006, and based on the study the Tax Office has issued some letters, namely:

- a. Letter Number S-225/WPJ.07/KP.0408/2008 dated 10<sup>th</sup> April 2008 on Appeal for Revision of Corporate PPh Annual SPT of Tax Year 2004;
- b. Letter Number S-226/WPJ.07/KP.0408/2008 dated 10<sup>th</sup> April 2008 on Appeal for Revision of Corporate PPh Annual SPT of Tax Year 2005;

- c. Letter Number S-227/WPJ.07/KP.0408/2008 dated 10<sup>th</sup> April 2008 on Appeal for Revision of Corporate PPh Annual SPT of Tax Year 2006;

(the foregoing letters hereinafter referred to as “**Tax Appeal Letters**”).

In the Tax Appeal Letters, the Tax Office among others states:

- Based on article 18 of the Law of Income Tax, the Director General of Taxes is authorized to re-decide the amount of income for calculation the amount of Taxable Income for a Taxpayer having a special relation with other Taxpayer in fair and proper business beyond the influence of any special relation.
- In case Adaro’s selling price to Coaltrade is lower than Adaro’s selling price to the overseas end users after 5% deduction, then by its authority based on the Law of Income Tax, the Tax Office may ask that an adjustment to the selling price be made.
- Based on the foregoing authority, the Tax Office shall decide that there is an adjustment of Adaro’s export selling price to Coaltrade for the years 2004 and 2005, while for 2006 there is no adjustment.
- Complying with the provisions of Article 37A of Law Number 6/1983 on General Provisions and Procedure of Taxation as lastly amended by Law Number 28/2007, in case of revision of PPh Annual SPT in connection with the selling price adjustment was conducted before the Tax Year 2007, and no later than 31<sup>st</sup> December 2008, deduction or deletion of the administrative sanction may be given in the form of interest.

Adaro has paid an amount of US\$ 33,233,919 to the State Treasury in connection with the adjustment referred to in the Tax Appeal Letter.

Besides the Tax Appeal Letter, the Tax Office has also issued Letter Number S-363/WPJ.07/KP.0408/2008 dated 5<sup>th</sup> May 2008, confirming that the export selling price to Coaltrade for the year 2006 was not lower than the selling price to the end user after 5% deduction, therefore the Tax Office did not make any adjustment to Adaro’s coal selling price to Coaltrade for 2006.

The Tax Office has also issued Fiscal Statement Number 5-151/WPJ-07.0403/2008 dated 6<sup>th</sup> June 2008, in which it is stated that Adaro has no outstanding taxes of PPh, PPn and PPnBM.

Proforma financial statements below is presented to reflect the effect from tax notification letter related to the amendment of Annual Corporate Income Tax for years 2004, 2005 and 2006, respectively amounting to US\$11,304,782, US\$33,233,919, and US\$39,234,348, based on the tax notification letter and made adjustment to the prior years’ net income.

Information on the proforma financial statement has been reviewed by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with negative assurance that nothing came to our attention that management assumptions do not provide reasonable basis for presenting the significant effects directly attributable to the event described above.

**BALANCE SHEET**

(in IDR million)

Consolidated Balance Sheets	Audit 31 <sup>st</sup> January 2008	Proforma 31 <sup>st</sup> January 2008
<b>Current Assets</b>		
Cash and cash equivalent	893,103	893,103
Restricted cash and cash equivalents	54,967	54,967
Available-for-sale investments	1,747,863	1,747,863
Trade receivables, net		
Third parties	1,391,059	1,391,059
Related parties	257,345	257,345
Other receivables – third parties	63,445	63,445
Advance and prepayments	123,715	123,715
Inventories, net	276,550	276,550
Prepaid taxes	167,042	167,042
Recoverable tax	159,207	159,207
Deferred financing costs, net	22,578	22,578
Deferred expenses, net	44,366	44,366
Other current assets	7,891	7,891
<b>Total current assets</b>	<b>5,209,131</b>	<b>5,209,131</b>
<b>Non-current Assets</b>		
Other Receivables – Related Parties	26,146	26,146
Fixed assets, net	3,518,727	3,518,727
Investment in associates	4,755	4,755
Mining properties, net	116,076	116,076
Goodwill, net	5,153,242	5,153,242
Deferred exploration and development expenditure, net	85,415	85,415
Loan to related parties – non-current portion	2,044,337	2,044,337
Deferred financing costs, net – non-current portion	79,919	79,919
Deferred expenses, net – non-current portion	12,165	12,165
Deferred tax assets	31,988	31,988
Restricted cash and cash equivalents – non-current portion	11,104	11,104
Other non-current assets	5,105	5,105
<b>Total non-current assets</b>	<b>11,088,979</b>	<b>11,088,979</b>
<b>Total assets</b>	<b>16,298,110</b>	<b>16,298,110</b>
<b>Current Liabilities</b>		
Short-term loans		
Bank loan	445,968	445,968
Other loans		
Third parties	51,648	51,648
Trade payables		
Third parties	1,566,967	1,566,967
Related Parties	198,346	198,346
Taxes payable	98,828	877,163
Accrued expense	377,358	377,358
Convertible bonds	92,910	92,910
Current maturity of Long-term borrowings:		
Lease payables	121,361	121,361
Bank loans	863,349	863,349
Other loans		
Third parties	6,504	6,504
Other current liabilities	765	765
Royalties payable	424,332	424,332
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>5,026,671</b>

Consolidated Balance Sheets	Audit 31 <sup>st</sup> January 2008	Proforma 31 <sup>st</sup> January 2008
<b>Non-Current Liabilities</b>		
Amounts due to related parties	9,503	9,503
Long-term borrowings, net of current maturities:		
Lease payable	230,034	230,034
Bank loan	7,187,741	7,187,741
Other loans		
Third parties	23,423	23,423
Related parties	12,602	12,602
Subordinated loan	92,910	92,910
Deferred tax liabilities	489,529	489,529
Provision for employee benefits	48,006	48,006
Accrued stripping costs	422,392	422,392
<b>Total non-current liabilities</b>	<b>8,516,140</b>	<b>8,516,140</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>788,436</b>
<b>Equity</b>		
Share capital	2,084,663	2,084,663
Exchange difference due to financial statement translation	(22,365)	(19,361)
Difference in value from restructuring transactions of entities under common control	359,332	143,261
Retained earnings/(accumulated loss)	18,405	(241,700)
<b>Total equity</b>	<b>2,440,035</b>	<b>1,966,863</b>
<b>Total liabilities and equity</b>	<b>16,298,110</b>	<b>16,298,110</b>

## PROFIT (LOSS) STATEMENT

(in IDR million)

Consolidated Statements of Income	Audit of 31 <sup>st</sup> January 2008	Proforma of 31 <sup>st</sup> January 2008
Revenue	1,115,080	1,115,080
Cost of revenue	(891,675)	(891,675)
<b>Gross profit</b>	<b>223,405</b>	<b>223,405</b>
<b>Operating expenses</b>		
Sales and marketing	(10,366)	(10,366)
General and administration	(8,468)	(8,468)
Total operating expenses	(18,834)	(18,834)
<b>Operating Income</b>	<b>204,571</b>	<b>204,571</b>
<b>Other income/(expense)</b>		
Interest expenses and financing charges	(57,718)	(57,718)
Interest income	17,938	17,938
Gain on disposal of fixed assets	286	286
Foreign exchange gain/(loss), net	69,876	69,876
Share in net loss of associates	(49)	(49)
Other income, net	1,830	1,830
	32,163	32,163
<b>Profit before income tax</b>	<b>236,734</b>	<b>236,734</b>
Income tax expense	(101,342)	(101,342)
<b>Profit of ordinary activity before extraordinary item</b>	<b>135,392</b>	<b>135,392</b>
Extraordinary item	(35,618)	(35,618)
<b>Profit before minority interests</b>	<b>99,774</b>	<b>99,774</b>
Minority interest on net income of subsidiaries	(41,665)	(41,665)
<b>Net income</b>	<b>58,109</b>	<b>58,109</b>

Although nowadays this issue has been able to settle and according to the Company the transaction between Adaro and Coaltrade is conducted on fair terms and conditions (arm's length transaction), but since the transaction relation between Adaro and Coaltrade is continuous by nature, it is possible that for the coming years, the Tax Office, by the authority it has under the Law of Income Tax, will apply the adjustment policy as conducted for the coal sale to Coaltrade in 2004 and 2005, and if this occurs, it will materially affect the financial condition and operating income of the Company and its Subsidiaries.

In case the conditions stated on the point number 2 and 3 above occurs, which is : (i) Adaro do not setting-off their VAT in with royalties payment, on the other hand Adaro receive reimbursement from the Government, and (ii) Adaro made correction to their Annual Tax Income Report, which assumed that Adaro recognize additional tax liabilities for the year 2004, 2005 and 2006 respectively amounting to US\$11,304,782, US\$33,233,919, and US\$39.234.348, based on the tax notification letter and made adjustment to the prior years' net income, therefore the proforma of consolidated financial information of the Company and Subsidiaries can be seen in the financial information below.

Information on the proforma financial statement has been reviewed by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with negative assurance that nothing came to our attention that management assumptions do not provide reasonable basis for presenting the significant effects directly attributable to the event described above.

(in IDR million)

<b>Consolidated Balance Sheets</b>	<b>Audit 31st January 2008</b>	<b>Proforma 31st January 2008</b>
<b>Current Assets</b>		
Cash and cash equivalent	893,103	1,327,006
Restricted cash and cash equivalents	54,967	54,967
Available-for-sale investments	1,747,863	1,747,863
Trade receivables, net		
Third parties	1,391,059	1,391,059
Related parties	257,345	257,345
Other receivables – third parties	63,445	63,445
Advance and prepayments	123,715	123,715
Inventories, net	276,550	276,550
Prepaid taxes	167,042	167,700
Recoverable tax	159,207	1,783,616
Deferred financial ocsts, net	22,578	22,578
Deferred expenses, net	44,366	44,366
Other current assets	7,891	7,891
<b>Total current assets</b>	<b>5,209,131</b>	<b>7,268,101</b>
<b>Non-current Assets</b>		
Other Receivables – Related Parties	26,146	28,984
Fixed assets, net	3,518,727	3,560,464
Investment in associates	4,755	4,754
Mining properties, net	116,076	14,609,743
Goodwill, net	5,153,242	6,121,613
Deferred exploration and development expenditure, net	85,415	85,415
Loan to related parties – non-current portion	2,044,337	334,279
Deferred financing costs, net – non-current portion	79,919	79,919
Deferred expenses, net – non-current portion	12,165	12,165
Deferred tax assets	31,988	31,988
Restricted cash and cash equivalents – non-current portion	11,104	11,104

(in IDR million)

Consolidated Balance Sheets	Audit	Proforma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
Other non-current assets	5,105	5,105
<b>Total non-current assets</b>	<b>11,088,979</b>	<b>24,885,533</b>
<b>Total assets</b>	<b>16,298,110</b>	<b>32,153,634</b>
<b>Current Liabilities</b>		
Short-term loans		
Bank loan	445,968	445,968
Other loans		
Third parties	51,648	51,648
Trade payables		
Third parties	1,566,967	1,566,967
Related parties	198,346	198,346
Taxes payable	98,828	887,052
Accrued expenses	377,358	379,437
Convertible bonds	92,910	-
Current maturity of Long-term borrowings:		
Lease payables	121,361	121,361
Bank loans	863,349	863,349
Other loans		
Third parties	6,504	6,504
Other current liabilities	765	765
Royalties payable	424,332	2,048,741
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>6,570,138</b>
<b>Non-Current Liabilities</b>		
Amounts due to related parties	9,503	8,210
Long-term borrowings, net of current maturities:		
Lease payable	230,034	230,034
Bank loan	7,187,741	6,262,741
Other loans		
Third parties	23,423	23,423
Related parties	12,602	12,602
Subordinated loan	92,910	92,910
Deferred tax liabilities	489,529	4,837,629
Provision for employee benefits	48,006	48,006
Accrued stripping costs	422,392	422,392
<b>Total non-current liabilities</b>	<b>8,516,140</b>	<b>11,937,947</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>157,035</b>
<b>Equity</b>		
Share capital	2,084,663	3,198,596
Paid-in-capital	-	10,634,281
Exchange difference due to financial statement translation	(22,365)	(19,277)
Difference in value from restructuring transactions of entities under common control	359,332	126,293
Retained earnings/(accumulated loss)	18,405	(451,379)
<b>Total equity</b>	<b>2,440,035</b>	<b>13,488,514</b>
<b>Total liabilities and equity</b>	<b>16,298,110</b>	<b>32,153,634</b>

(in IDR million)

Consolidated Statements of Income	Audit	Proforma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
Revenue	1,115,080	1,115,080
Cost of revenue	(891,675)	(900,130)
<b>Gross profit</b>	<b>223,405</b>	<b>214,950</b>
Operating expenses		
Sales and marketing	(10,366)	(10,366)

(in IDR million)

<b>Consolidated Statements of Income</b>	<b>Audit</b>	<b>Proforma</b>
	<b>31<sup>st</sup> January 2008</b>	<b>31<sup>st</sup> January 2008</b>
General and administration	(8,468)	(8,652)
Total operating expenses	(18,834)	(19,018)
<b>Operating Income</b>	<b>204,571</b>	<b>195,932</b>
<b>Other income/(expense)</b>		
Interest expenses and financing charges	(57,718)	(57,718)
Interest income	17,938	7,461
Gain on disposal of fixed assets	286	286
Foreign exchange gain/(loss), net	69,876	69,721
Share in net loss of associates	(49)	-
Other income, net	1,830	1,838
	32,163	21,588
<b>Profit before income tax</b>	<b>236,734</b>	<b>217,520</b>
Income tax expense	(101,342)	(98,805)
<b>Profit from ordinary activity</b>	<b>135,392</b>	<b>118,715</b>
Extraordinary items	(35,618)	(35,618)
<b>Profit before pre-acquisition income</b>	<b>99,774</b>	<b>83,097</b>
Pre-acquisition income	-	(17,562)
<b>Profit before minority interest</b>	<b>99,774</b>	<b>65,535</b>
Minority interest on net income of subsidiaries	(41,665)	(708)
<b>Net income</b>	<b>58,109</b>	<b>64,827</b>

**4. Operational activities of the mining strategic business unit, Adaro is influenced by the provisions of the prevailing laws and regulations in forestry and environment affairs.**

Some parts of Adaro mining area are found in production forest estate, of which based on the provisions of the prevailing laws and regulations, to be able to conduct open mining activity in the production forest estate, Adaro should first obtain the land-use license issued by the Minister of Forestry of the Republic of Indonesia.

Nowadays, Adaro has obtained land-use license to conduct mining activity in production forest estate area in total of 1,195.62 ha, however there is no certainty in the future Adaro will be granted the land-use license to conduct mining activity in the forest estate area according to business expansion plan. Given there is no certainty regarding the land-use license may affect Adaro's capacity to perform its mining operation, which could materially give negative impacts on the business activities, financial condition and operating income of the Company and Subsidiaries.

Adaro's mining operation is also related to water consumption disposal of overburden layer, the making of water disposal canal from the mining location, the piling-up of stock, transportation and crushing of coal, excavation and removal of overburden and top-soil layers that may give unfavorable impacts that may affect the environment around the mining area. The laws and regulations in forestry and environment affairs contain the terms and conditions to be complied with by Adaro in connection with its mining operation that applies from time to time. The costs incurred in connection with the compliance with the provisions of the laws and regulations have the impacts, and shall continue, in the operational costs and competitive power position of Adaro. Besides, Adaro may have to assume quite great cost, in case of breach of the terms and conditions or in case of amendment to the laws and regulations in above sectors.

Adaro's license to continue the mining operation may be suspended, if it is proven to be unable to meet the environment standard, including acquiring the approval of required AMDAL, or



stopped forever, if it materially fails in complying with the environment standards. The impacts of Adaro's operational activities on environment may just be materially greater than those anticipated or may breach the laws and regulations on environment. Besides, the issue of new laws and legislations on environment affairs or alteration to the interpretation and application of the existing laws may increase the cost in the framework of complying with the law. There is no guarantee that Adaro will not have any problem in observing the newly emerging environment conditions. Any material whatsoever in the cost related to the fulfillment and control of environment issues, or the occurring quite great environment issues in the mine and the mining activity of Adaro will have material and negative impacts on Adaro's financial condition and operating income, particularly in the Company and Subsidiaries in general.

**5. Risk on Adaro's mining area that is overlapping with other mining or non-mining areas owned by third parties**

There are mining areas of Adaro that overlap with the mining concession and other non-mining areas owned by third parties. Adaro's mining areas are overlapping with the work areas of PT Pertamina EP and mining concession area of PT Mantimin Coal Mining, respectively are companies dealing in mining sector. Besides, Adaro mining area also overlap with the concession area of PT Cakung Permata Nusa that deals in plantation sector. The existing overlapping issue may harm the business activity, hence it will inhibit the increase of coal production of the mining strategic business unit, Adaro, and also the strategic business unit of mining contractor service, SIS.

**6. The business activities of the Company and Subsidiaries depend on their capabilities to obtain, maintain and renew all licenses and approvals required**

Besides PKP2B, the Company and Subsidiaries need many kinds of licenses and approvals for undertaking their operation. The licenses and approvals of the Government and Regional Government are required by the Company and Subsidiaries for conducting the mining business and its supporting businesses, among others licenses related to business activity, mining, transportation, harbor, investment, employment, environment, land use, and other central or regional licenses and approvals.

The Company and Subsidiaries have the obligation to renew the licenses and approvals they hold, if the validity period has expired, including obtaining other new licenses and approvals, if required. There is no certainty that the Company and Subsidiaries will be able to obtain or renew the licenses and approvals required. If the Company and Subsidiaries are unable to obtain or renew the licenses and approvals required by them to conduct their business activities, then business activities, operating income, financial condition, and prospects of the Company and Subsidiaries will have materially adverse impacts.

7. **The application of new laws and regulations either in mining, environment, harbor affairs, shipping, finance, forestry or other affairs, or the exiting interpretation or implementation of the new laws and regulations may have negative impacts on the business activities and licenses held by the Company and Subsidiaries.**

Coal mining activity is regulated by the Government besides DESDM, also among others by the Department of Forestry, Ministry of Environment, Investments Coordinating Board (BKPM), Department of Finance, Department of Communication, and Regional Government in the location where the Company and Subsidiaries conduct their business activities, of which the application of such regulations may affect the activities of the Company and Subsidiaries.

There are several laws and regulations applied by the Government, which application gives influence to the coal mining industry in Indonesia. On 11<sup>th</sup> October 2005, the Minister of Finance issued Regulation of Minister of Finance No.95/PMK.02/2005 on coal export duty (as amended by Regulation of Minister of Finance No.131/PMK.010/2005), and based on the regulation, coal export is subject to 5% duty of the standard price stipulated by the Government. The applied export duty in October 2005 caused additional charge to the Company's cash flow. Although this minister's regulation was revoked on 20<sup>th</sup> October 2006 by Regulation of the Minister of Finance No.100/PMK.02/2006, there is no certainty that similar type of regulation or other regulations or other interpretation for applying a duty will not be applied later. The application of a type of duty such as export duty or duty in other forms may affect the Company's cash flow.

Nowadays, DESDM has prepared the Draft of Law of Mineral and Coal regulating mineral and coal mining ("RUU Minerba") that is being discussed by the government and DPR (House of Representatives)

So far, there is no certainty on when the RUU Minerba will be enacted and there is no guarantee that the RUU Minerba or other new laws and regulations will not affect the licenses already held.

8. **Relation with people around the business area of the Company and Subsidiaries**

In undertaking its business activities, the Company and Subsidiaries have heeded the need of the local community living around their business area and have taken the steps required to minimizing the negative impacts caused from their business activities. However, in the implementation, it is difficult to avoid any issues related to the local people arising from the implementation of business activities, including the issues caused by the activities of land release, settlement relocation and other implications. The issues among others may cause demonstration, blocking of road and claims of third parties that may inhibit the business activities of the Company and Subsidiaries. If it occurs in a long period and continuously, such condition may give material and negative impacts on the financial condition and operating income of the Company and Subsidiaries.

9. **Based on the provisions in PKP2B, all fixed assets and the equipments purchased in connection with the mining activity of the mining strategic business unit, Adaro, and the coal reserve found in the mining area of the mining strategic business unit, Adaro, are owned by the Government.**

In PKP2B, Adaro has the right to use the fixed assets and equipments purchased in connection with its business activity. Based on PKP2B, the fixed assets and equipments become the Government's possession once it is purchased. Besides, Adaro does not hold the legal

ownership right on the coal it mines, The ownership right on the coal until it is transferred to the customers, when the coal is delivered onto the ship or other transportation means used for the coal delivery to the customers. Although the fixed assets and equipments are purchased by Adaro and all coal stocks are classified as Adaro's assets in its balance sheet, Adaro actually does not have the legal ownership right on the relevant assets and if in the future Adaro is declared bankrupt or liquidated, the assets will not be able to use for paying-off the debts to its creditors.

## **Risks Related To Company Management**

### **1. Company's Dependency on Subsidiaries**

Nowadays, a substantial part of the Company's income is obtained from the business activity conducted by the Subsidiaries. Therefore, the Company's financial condition highly depends on the financial performance and dividend policy of the Subsidiaries. Interference in business activity or change to dividend policy by the Subsidiaries or limitation of the Subsidiaries' capacity to distribute dividend resulting from certain agreements, particularly loan agreements may affect the Company's financial condition.

### **2. The existing Claim against Dianlia, a Company's Subsidiary in connection with the validity of Dianlia's ownership of Adaro's and IBT's shares**

One of the Company's Subsidiary, Dianlia, has been involved in various legal cases in connection with the sale execution by Deutsche Bank A.G. ("Deutsche Bank") and the purchase by Dianlia in 2002 of the shares formerly owned by PT Asminco Bara Utama ("Asminco") in Adaro and IBT, respectively of 20,320 shares (around 4.57% of Adaro's total subscribed and paid-up capital) and 10,000 shares in IBT (around 7.14% of the total subscribed and paid-up capital in IBT).

The shares are pledged by Asminco to Deutsche Bank as a security in connection with the loan facility of US\$ 100 million from Deutsche Bank to Asminco ("Asminco's Loan Facility") in 1997. In 2002, the shares were sold by Deutsche Bank as the pledgee to Dianlia as the result of Asminco's failure in repaying its debt under Asminco's Loan Facility.

#### **Backgrounds**

In 1997, Asminco received Asminco's Loan Facility from Deutsche Bank. Asminco's Loan Facility is secured by among others:

1. Lien on Adaro's and IBT's entire shares owned by Asminco ("Asminco's Pledge");
2. Lien on Asminco's entire shares owned by PT Swabara Mining Energy ("SME") ("SME's Pledge"); and
3. Lien on SME's entire shares owned by Beckett Pte. Ltd. ("Beckett") ("Beckett's Pledge").

(Asminco's Pledge, SME's Pledge and Beckett's Pledge shall hereinafter jointly be referred to as "Pledge of Shares").

In 1998, on the loan due date, Asminco was in default and unable to satisfy its obligation based on the provisions of Asminco's Loan Facility. In November 2001, Deutsche Bank decided to execute all Pledge of Shares it held.

In the process of execution of the Pledge of Shares above, in February 2002 Deutsche Bank sold:

1. entire share of Adaro (the purchase price is US\$44.2 million) and IBT's entire shares (the purchase price is US\$1million) owned by Asminco (secured to Deutsche Bank) to Dianlia by private sale mechanism;
2. Asminco's entire shares owned by SME (secured to Deutsche Bank) to PT Akabiluru by private sale mechanism; and
3. SME's entire shares owned by Beckett (secured to Deutsche Bank) to PT Mulhendi Sentosa Abadi by private sale mechanism;

Based on the pledge agreements signed by Deutsche Bank respectively with Asminco, SME and Beckett for the requirement of Pledge of Shares, Deutsche Bank did not need any permission or order of the court to conduct execution on the Pledge of Shares. Besides, Deutsche Bank is also fully authorized to decide whether the execution of the Pledge of Shares will be conducted by auction or private sale. However, the sale was conducted by Deutsche Bank after some orders of the District Court of South Jakarta ("Order of District Court of South Jakarta") being passed.

Dianlia was not a party in Asminco's Loan Facility and therefore not involved in the process of loan granting to Asminco or Asminco's debt restructuring. Dianlia was only involved as the buyer of Adaro's and IBT's shares in the process of execution of Pledge of Shares held by Deutsche Bank in 2002.

In 2005, the consortium consisting of ultimate Shareholder and some foreign investors, namely Arindo FCM (Mauritius) Limited, RimAsia Energy Investments Pte. Ltd., Vencap Holdings (1987) Pte. Ltd., Citigroup Financial Products Inc., and Kerry Coal (Singapore) Pte. Ltd. ("Consortium") acquired the shares in Adaro and IBT, of which the Consortium, by ATA and Viscaya (in Adaro) and Biscayne (in IBT), subscribed and made payment of additional capital respectively into Adaro and IBT ("Acquisition"). As the result of the Acquisition, Dianlia's ownership in Adaro was diluted to approximately 5.83% of Adaro's total subscribed and paid-up capital, and Dianlia's ownership in IBT was diluted to approximately 8.93% of IBT's total subscribed and paid-up capital. More detailed information on the total number of Adaro's and IBT's shares owned by Dianlia is shown in "**Chapter IX – Information on the Company and Subsidiaries**".

### **Cases or Issues Faced by or Possibly Influencing Dianlia's Ownership Status on the Shares in Adaro and IBT**

The cases or issues that are being, have been or will be likely faced by Dianlia or possibly affecting Dianlia's status of ownership on the shares it possesses in Adaro and IBT are:

1. the case in Singapore High Court in connection with Beckett's claim against the validity of execution on the Pledge of Shares (including Asminco's Pledge) by Deutsche Bank, of which Dianlia becomes one of the defendants ("Case of Singapore Court");

2. the request submitted by Beckett to annul the Order of the District Court of South Jakarta that approves DB to execute the Pledge of Shares (“Request of Order Annulment”);
3. the case in the Administrative Court in connection with Beckett’s claim against the validity of the Decree of the Minister of Law and Human Rights of Republic of Indonesia that accepts the notification on alteration to Adaro’s shareholders composition and IBT’s composition of board of directors/commissioners (“PTUN I Case”);
4. the case in the Administrative Court in connection with Beckett’s claim against the validity of Decree of the Minister of Law and Human Rights of Republic of Indonesia that accepts the reporting on alteration to the provisions of Articles 10 and 13 of Adaro’s articles of association and notification on alteration to Adaro’s composition of board of directors and commissioners (“PTUN II Case”); and
5. the case in the District Court of South Jakarta in connection with the claim of unlawful act of Winfield International Investments Ltd. (British Virgin Islands) (“Winfield”) regarding the execution on the Pledge of Shares by Deutsche Bank, in which Dianlia is one of the defendants (“Case of District Court of South Jakarta”).

#### **Case of Singapore Court**

In 2004, Beckett filed a claim in Singapore Court against Deutsche Bank. In 2005, Beckett changed the claim and included Dianlia as a defendant (“Singapore Claim”). In the Singapore Claim, Beckett claimed among others:

1. to annul the entire execution on the Pledge of Shares, including the sale and purchase of Adaro’s and IBT’s shares to Dianlia;
2. to return the shares of Adaro, IBT, Asminco and SME to their original owners before the execution on the Pledge of Shares in 2002; and
3. to ask Deutsche Bank and Dianlia to pay compensation for all losses suffered by Beckett as the consequence of the execution of the Pledge of Shares.

In its claim, Beckett principally had the opinion that:

1. Deutsche Bank has breached its obligation as the Pledgee to take the measures for obtaining the best price in the process of execution of the Pledge of Shares;
2. Deutsche Bank was not in good faith in conducting the execution on the Pledge of Shares and
3. Deutsche Bank and Dianlia had made a conspiracy to harm Beckett by conducting the sale and purchase on the shares of Adaro, IBT, Asminco and SME below the market price.

Regarding Beckett’s claim, in September 2007, the judge of Singapore High Court who examined Singapore Claim passed a judgment, among others stating that:

1. Deutsche Bank as the Pledgee had a liability to Beckett in the sale of SME’s shares, but Beckett failed to prove that the sale of SME’s shares by Deutsche Bank was conducted below the market price (undervalue). Since Beckett was only able to prove the liability of

Deutsche Bank but failed to prove any loss as per its claim against Deutsche Bank, Beckett only received a compensation of S\$1,000;

2. Beckett's claim regarding the existing conspiracy by Dianlia and Deutsche Bank was dismissed.

In one of his considerations, the judge of Singapore High Court concluded that Dianlia was a bonafide purchaser of Adaro's and IBT's shares, and Dianlia was not proven to be involved in a conspiracy to harm Beckett. Further, the judge of Singapore High Court also stated that even if Beckett's claim against Dianlia could be proven, the judge would not have granted the claim that the shares in dispute be returned to their original owner, because:

1. Beckett did not have a claim on the shares in dispute, except for SME's shares;
2. the shares ownership structure in Adaro and IBT changed in connection with the acquisition by the Consortium after the execution on the Pledge of Shares;
3. the value of the shares in dispute increased as the consequence of the investment and development made and the sharp increase of the coal price occurring after the execution of the Pledge of Shares.

Beckett petitioned an appeal against the judgment of Singapore High Court. In February 2008, the Court of Appeal conducted an examination and the parties is currently waiting for the judgment of the Court of Appeal.

### **Case of Order Annulment**

In 2005, at the request Beckett's attorney-at-law, the High Court of Jakarta issued an order stating that the Order of the District Court of South Jakarta was null and void by law for the reason that the District Court of South Jakarta was not competent to issue an Order of the District Court of South Jakarta ("Order of the High Court of Jakarta"). However, the Order of the High Court of Jakarta did not specify the legal consequence of the annulment of the Order of the District Court of South Jakarta on the validity of the execution on the Pledge of Shares by Deutsche Bank.

In March 2006, the Supreme Court of Republic of Indonesia, at the request of some Advocates, issued a letter ("MA's Letter"), among others stating that the Supreme Court was in the same opinion of the Order of the High Court of Jakarta in 2005 nullifying the Order of District Court of South Jakarta in 2001. In the opinion of the Supreme Court, an order may be passed for a request only if there is any underlying provision of the laws and regulations and the request is not overlapping with other person's interest.

Further, the Supreme Court stated in MA's Letter that the annulment of the Order of the District Court of South Jakarta by the High Court of Jakarta did not immediately annul the legal consequence of any legal events or legal actions having occurred before the annulment of the Order of the District Court of South Jakarta, because the Order of the High Court of Jakarta principally did not (as actually not prohibited) decide the legal consequence of the annulment of the Order of the District Court of South Jakarta. Therefore, the parties allegedly harmed by the Order of the District Court of South Jakarta could file a claim against the party concerned.



### **Case of PTUN I**

In August 2005, Beckett filed a state administration claim against the Director General of General Law Administration, the Department of Law and Human Rights of Republic of Indonesia (“Dir.Gen. of AHU”) in the Administrative Court of Jakarta. The objects of state administration claim in this case are:

1. Decree of the Minister of Law and Human Rights of Republic of Indonesia No.C-UM.02.01.6532 dated 16<sup>th</sup> May 2005 regarding the receipt of notification on change of IBT’s board of directors/commissioners contained in Deed No.7 dated 6<sup>th</sup> December 2000 drawn up before Notary Agus Hashim Ahmad, SH.; and
2. Decree of the Minister of Law and Human Rights of Republic of Indonesia No.C-UM.02.01.7276 dated 27<sup>th</sup> May 2005 on receipt of notification on change to Adaro’s shareholders contained in Deed No.13 dated 9<sup>th</sup> August 2001 drawn up before Notary Agus Hashim Ahmad, SH.

In connection with Beckett’s claim, Adaro and IBT were respectively included as parties in the dispute as Defendant II, Intervention I and II.

Beckett claimed that both decisions referred to above were decisions of the state administration in conflict with the laws and regulations prevailing in Indonesia and that Dir.Gen. of AHU had misused its authority in issuing the two decisions. Further, Beckett claimed that the decisions were annulled and that Dir.Gen. of AHU was required to revoke those decisions.

Regarding Beckett’s claim above, in November 2005 the panel of judges at the instance of the Administrative Court of Jakarta stated that Beckett’s claim was unacceptable because the decisions referred to above were not the decisions of the administrative that became the objects of claim in the Administrative Court. In its consideration, the panel of judges specified among others:

1. the authority to decide the appointment of IBT’s board of directors/commissioners and the alteration to the shareholders composition in Adaro was held by the General Meeting of Shareholders and constituted a legal action in the field of private law (civil affairs);
2. the decree of the Minister of Law and Human Rights of Republic of Indonesia was a part of the administrative function of the Dir.Gen. of AHU and from the point of state administration law it did not cause any legal consequence and did not result in any certain rights or obligations to the relevant party; and
3. the administrative action conducted by the Dir.Gen. of AHU in this case was only to meet the principle of publicity regulated in Law No.1/1995 on Limited Liability Companies and the content only indicated the occurrence of a legal event, namely concerning the alteration to IBT’s composition of board of directors/commissioners and the alteration to Adaro’s shareholders.

Further, in the process of appeal in March 2006, the judgment of the Administrative Court of Jakarta was confirmed by the Administrative High Court of Jakarta. At cassation instance, the Supreme Court stated that there was no misapplication of the law at the instance of the Administrative Court and the Administrative High Court. Therefore in June 2007 the Supreme Court rejected the request of cassation filed by Beckett and the judgment in favor of the Dir.Gen. of AHU had become final and binding.

### **PTUN II Case**

In February 2006, Beckett again filed a state administration claim against the Dir.Gen. of AHU to the Administrative Court of Jakarta. The objects of the state administration claim in this case were:

1. Decree of the Minister of Law and Human Rights of Republic of Indonesia No.C-29613 HT.01.04.TH.2005 dated 26<sup>th</sup> October 2005 regarding the Receipt of Report on change to Adaro's Articles of Association as contained in Deed No.5 dated 24<sup>th</sup> October 2005 drawn up before Notary Parlindungan Lumban Tobing; and
2. Decree of the Minister of Law and Human Rights of Republic of Indonesia No.C-UM.02.01.16074 dated 27<sup>th</sup> October 2005 on the receipt of notification on alteration to Adaro's board of directors/commissioners as contained in Deed No.5 dated 24<sup>th</sup> October 2005 drawn up before Notary Parlindungan Lumban Tobing.

In connection with this claim of Beckett, Adaro was included as a party in the dispute, namely as Defendant II in Intervention.

In this case, Beckett founded its claim on the reason that the decisions referred to above were in conflict with the laws and regulations on the Administrative Court and Limited Liability Companies and in conflict with the general principles of good governance.

Regarding Beckett's claim, in May 2006 the panel of judges at the instance of the Administrative Court of Jakarta stated that Beckett's claim was unacceptable for the reason that Beckett, as the plaintiff, was proven to have no interest to claim the decisions of the state administration that became the objects of dispute in this case.

Further, in the appeal process, in September 2006, the judgment of the Administrative Court of Jakarta was confirmed by the Administrative High Court of Jakarta. Since Beckett did not file a cassation against the judgment of the Administrative High Court within the period specified by the prevailing laws and regulations, the judgment had become final and binding.

Either in PTUN I Case or PTUN II Case, there was no claim on the validity of alteration to Article 4 of the articles of association of Adaro and IBT in connection with the increase of authorized capital, subscribed and paid-up capital in Adaro and IBT in connection with the Acquisition by the Consortium in 2005.

### **Case of District Court of South Jakarta**

In September 2007, Winfield filed a claim of unlawfull act against, among others, Deutsche Bank and Dianlia in the District Court of South Jakarta. Winfield's claim included, among others:

1. the claim that Deutsche Bank and Dianlia were stated to have conducted an action against the law in connection with execution on the Pledge of Shares and sale and purchase of Adaro's and IBT's shares to Dianlia;
2. the cancellation on the sale and purchase transaction of Adaro's and IBT's shares to Dianlia; and



3. the return of Adaro's and IBT's shares to Asminco as the original owner before the execution on the Pledge of Shares by Deutsche Bank.

At the instance of District Court of South Jakarta, in April 2008 the panel of judges who examined this case passed a judgment dismissing all claims filed by Winfield. Some significant considerations of the panel of judges in passing the judgment were among others:

1. based on the pledge agreement made by and between Deutsche Bank and Asminco, SME, and Beckett, Deutsche Bank was entitled to sell by private sale the pledge it held either with or without obtaining an order of the District Court of South Jakarta;
2. the sale and purchase of shares by Dianlia was conducted based on the provisions in the pledge agreement, the Civil Code and prevailing law of procedure, and not in conflict with any legal provisions so that the sale and purchase of shares was effectively valid and not an action against the law;
3. even if the argument of Winfield was acceptable due to the existing action against the law committed by Deutsche Bank and Dianlia, Winfield's claim still had to be dismissed as there was no element of loss.

Winfield has submitted an appeal against the judgment of the District Court of South Jakarta and the case is currently in the process of appeal in the High Court of Jakarta.

#### **Risks Faced by the Company and the Company's Subsidiary**

The Company and the Company's Subsidiary (in this case Dianlia) could not guarantee that the Case of the High Court of Singapore being examined by the Supreme Court of Singapore or the Case of District Court of South Jakarta that is being examined by the High Court of Jakarta will be in favor of Deutsche Bank or Dianlia.

If the Supreme Court of Singapore (in the Case of Singapore Court) or the court at appeal or cassation instance in Indonesia (in the Case of District Court of South Jakarta) decides to grant the claim and suit filed by Beckett or Winfield, Dianlia may lose its shares in Adaro and IBT of approximately 4.57% and 7.14% of the total shares subscribed and fully paid-up in Adaro and IBT. If this situation occurs, it could adversely and materially affect Dianlia or other Subsidiary as the result of the lost ownership of the shares in Adaro and IBT, which matter may also adversely affect the Company's financial and operational condition.

The Information on the proforma financial statement below assumed that Dianlia returned their title on 20,320 shares in Adaro and 10,000 shares in IBT and entitled to have US\$ 45.2 million compensation from Deutsche Bank.

Information on the proforma financial statement has been reviewed by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with negative assurance that nothing came to our attention that management assumptions do not provide reasonable basis for presenting the significant effects directly attributable to the event described above.

(in IDR million)

<b>Consolidated Balance Sheets</b>	<b>Audit</b>	<b>Proforma</b>
	<b>31<sup>st</sup> January 2008</b>	<b>31<sup>st</sup> January 2008</b>
<b>Current Assets</b>		
Cash and cash equivalent	893,103	893,103
Restricted cash and cash equivalents	54,967	54,967
Available-for-sale investments	1,747,863	1,747,863
Trade receivables, net		
Third parties	1,391,059	1,391,059
Related parties	257,345	257,345
Other receivables – third parties	63,445	483,398
Advance and prepayments	123,715	123,715
Inventories, net	276,550	276,550
Prepaid taxes	167,042	167,042
Recoverable tax	159,207	159,207
Deferred financing costs, net	22,578	22,578
Deferred expenses, net	44,366	44,366
Other current assets	7,891	7,891
<b>Total current assets</b>	<b>5,209,131</b>	<b>5,629,084</b>
<b>Non-current Assets</b>		
Other Receivables – Related Parties	26,146	26,146
Fixed assets, net	3,518,727	3,518,727
Investment in associates	4,755	4,755
Mining properties, net	116,076	25,208
Goodwill, net	5,153,242	5,153,242
Deferred exploration and development expenditure, net	85,415	85,415
Loan to related parties – non-current portion	2,044,337	2,044,337
Deferred financing costs, net – non-current portion	79,919	79,919
Deferred expenses, net – non-current portion	12,165	12,165
Deferred tax assets	31,988	31,988
Restricted cash and cash equivalents – non-current portion	11,104	11,104
Other non-current assets	5,105	5,105
<b>Total non-current assets</b>	<b>11,088,979</b>	<b>10,998,111</b>
<b>Total assets</b>	<b>16,298,110</b>	<b>16,627,195</b>
<b>Current Liabilities</b>		
Short-term loans		
Bank loan	445,968	445,968
Other loans		
Third parties	51,648	51,648
Trade payables		
Third parties	1,566,967	1,566,967
Related parties	198,346	198,346
Taxes payable	98,828	98,828
Accrued expenses	377,358	377,358
Convertible bonds	92,910	92,910
Current maturity of Long-term borrowings:		
Lease payables	121,361	121,361
Bank loans	863,349	863,349
Other loans		
Third parties	6,504	6,504
Other current liabilities	765	765
Royalties payable	424,332	424,332
<b>Total current liabilities</b>	<b>4,248,336</b>	<b>4,248,336</b>

(in IDR million)

Consolidated Balance Sheets	Audit	Proforma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
<b>Non-Current Liabilities</b>		
Amounts due to related parties	9,503	9,503
Long-term borrowings, net of current maturities:		
Lease payable	230,034	230,034
Bank loan	7,187,741	7,187,741
Other loans		
Third parties	23,423	23,423
Related parties	12,602	12,602
Subordinated loan	92,910	92,910
Deferred tax liabilities	489,529	489,529
Provision for employee benefits	48,006	48,006
Accrued stripping costs	422,392	422,392
<b>Total non-current liabilities</b>	<b>8,516,140</b>	<b>8,516,140</b>
<b>Minority Interest</b>	<b>1,093,599</b>	<b>1,285,564</b>
<b>Equity</b>		
Share capital	2,084,663	2,084,663
Exchange difference due to financial statement translation	(22,365)	(22,365)
Difference in value from restructuring transactions of entities under common control	359,332	359,332
Retained earnings	18,405	155,525
<b>Total equity</b>	<b>2,440,035</b>	<b>2,577,155</b>
<b>Total liabilities and equity</b>	<b>16,298,110</b>	<b>16,627,195</b>

(in IDR million)

Consolidated Statements of Income	Audit	Proforma
	31 <sup>st</sup> January 2008	31 <sup>st</sup> January 2008
<b>Revenue</b>	1,115,080	1,115,080
<b>Cost of revenue</b>	(891,675)	(891,675)
<b>Gross profit</b>	<b>223,405</b>	<b>223,405</b>
<b>Operating expenses</b>		
Sales and marketing	(10,366)	(10,366)
General and administration	(8,468)	(8,468)
Total operating expenses	(18,834)	(18,834)
<b>Operating Income</b>	<b>204,571</b>	<b>204,571</b>
<b>Other income/(expense)</b>		
Interest expenses and financing charges	(57,718)	(57,718)
Interest income	17,938	17,938
Gain on disposal of fixed assets	286	286
Foreign exchange gain/(loss), net	69,876	69,876
Share in net loss of associates	(49)	(49)
Other income, net	1,830	159,080
	32,163	189,413
<b>Profit before income tax</b>	<b>236,734</b>	<b>393,984</b>
Income tax expense	(101,342)	(101,342)
<b>Profit of ordinary activity before extraordinary item</b>	<b>135,392</b>	<b>292,642</b>
Extraordinary item	(35,618)	(35,618)
<b>Profit before minority interests</b>	<b>99,774</b>	<b>257,024</b>
Minority interest on net income of subsidiaries	(41,665)	(54,213)
<b>Net income</b>	<b>58,109</b>	<b>202,811</b>

**3. The capability of the Company and Subsidiaries to operate effectively may be harmed, if they lose the key employees or if the Company, Subsidiaries and their contractors cannot obtain and maintain skilled and trained manpower.**

The Company and Subsidiaries undertake their business activities by employ a number of key employees and the loss of such employees may affect the business activities, financial condition, operating income and prospects of the Company and Subsidiaries. This condition also applied to the contractors used by the Company and Subsidiaries in the framework of conducting their business activities.

Coal mining is a labor-intensive industry, in which the success in the development of business activity will greatly depend on the capacity of the Company, Subsidiaries and their contractors to obtain and maintain skilled and trained manpower.

The Company and Subsidiaries cannot guarantee that the key employees employed will continue working in the Company and Subsidiaries or the Company, Subsidiaries and their contractors are able to obtain and maintain skilled and trained experts in the future.

**4. Change of exchange rate on the recording of the Company's consolidated financial statement**

Nearly all transactions of the Subsidiaries are (in US\$) currency, but the recording of the Company's consolidated financial statement uses Rupiah currency, so there is a risk of exchange rate difference due to the financial statement translation.

**5. Change in the interest rate risk in relation to loan in the Subsidiaries**

Nowadays, Company Subsidiaries has grated loan from numbers of financial institution in the great amount, whereas nearly all of the loans are (in US\$) currency with floating rate. In case of material change in the interest rate may affect the Company's financial statement especially Company's and Subsidiaries cashflow .

**6. Controlling risk by Ultimate Shareholder**

After the Public Offering, the Ultimate Shareholder will directly or indirectly hold around sixty-five point seventeen percent (65.17%) of the whole subscribed and paid-up capital of the Company. By such share holding, the Ultimate Shareholder shall have direct capacity to control the Company's affairs and business, including the appointment of the Board of Directors and the approval of substantial decisions on actions that need the shareholders' approval and indirectly to control the affairs and businesses of the Subsidiaries. The interest of the Ultimate Shareholders may be different and in conflict with the interest of the minority shareholders in the Company.

*The Company's management states that all business risks faced by the Company in performing the business activity have been disclosed.*

**VIII. SIGNIFICANT EVENTS AFTER THE DATE OF INDEPENDENT AUDITOR'S REPORT**

There is no significant event after the date of Independent Auditor's report on the consolidated financial statement of the Company and Subsidiaries for the period of one (1) month ended 31<sup>st</sup> January 2008 audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with unqualified opinion with Explanatory Language on the restructure of the controller's entity and the compensation of Incoming PPN/VAT on the payment of royalty issued on 5<sup>th</sup> May 2008, except for note 50, dated 16<sup>th</sup> June 2008.

## **IX. INFORMATION ON THE COMPANY AND SUBSIDIARIES**

### **1. COMPANY'S BRIEF HISTORY**

The Company was established by the name PT Padang Karunia, a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on Company's Deed of Establishment No.25 dated 28<sup>th</sup> July 2004 drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta ("Deed of Establishment"). The Deed was published in BNRI (State Gazette of the Republic of Indonesia) No.59 dated 25<sup>th</sup> July 2006, Supplement No.8036.

The Company's Articles of Association have been amended several times. The last amendment is in the framework of Public Offering, by Deed No.62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, SH., Notary in Jakarta, in which the company altered the name to PT Adaro Energy Tbk., altered the whole Company's Articles of Association and altered the Company's status from private to public company. The deed was approved by the Minister of Law and Human Rights of Republic of Indonesia by Decrees No.AHU-20330.AH.01.02.Th.2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258.AH.01.02-Th.2008 dated 25<sup>th</sup> April 2008 and has been registered in the Company Registry Office, South Jakarta region, dated 15 May 2008

Nowadays the Company and Subsidiaries engage in the fields of coal mining and trade, coal infrastructures and logistics, and mining contractor service. Each strategic business unit is positioned as an independent and integrated profit centre that enables the Company to have a competitive and reliable coal production and supply chain and ultimately expected to give an optimal value added to all parties related to the Company (stakeholders).

Nowadays the Company by the Subsidiaries has mineable coal reserves of 928 million tons, with the total resources estimated of 2,803 million tons on 31<sup>st</sup> December 2007. Besides the quite large coal reserves, the Company by the Subsidiaries also has the main assets to support the operation such as the highways connecting the mine location to the Crushing Facility in Kelanis and the Coal Terminal in Laut Island, besides the mining fleet it has through SIS, such as Drilling Machine, Bulldozer, Wheel dozer, Excavator, Grader, Articulate Truck, Dump Truck, Wheel Loader, Head Truck, Vessel, Dolly, Crusher, etc.

### **2. HISTORY OF COMPANY'S SHARES OWNERSHIP**

#### **a. Chronological Account of Amendments to Company's Articles of Association**

Since its establishment pursuant to the Deed of Establishment, the Company's Articles of Association have been amended several times based on:

- i. Deed of Minutes No.2 dated 1<sup>st</sup> September 2005, drawn up by Sukawati Sumadi, S.H., Notary in Jakarta, approved by the Minister of Law and Human Rights based on Decree No.C-27051 HT.01.04.TH.2005 dated 30<sup>th</sup> September 2005 and published in BNRI No.57 dated 17<sup>th</sup> July 2007, Supplement No.7198, in connection with amendment to Article 4 of the Company's Articles of Association, namely the increase of the Company's Authorized Capital from originally IDR 5,000,000,000 to IDR 300,000,000,000, divided into 300,000 shares, each share

bearing the par value of IDR 1,000,000 and the increase of subscribed and paid-up capital from originally IDR 1,250,000,000 to IDR 143,628,000,000.

- ii. Deed of Statement of Shareholders' Resolutions No.42 dated 17<sup>th</sup> December 2007, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, approved by the Minister of Law and Human Rights based on Decree No.C-07154 HT.01.04-TH.2007 dated 18<sup>th</sup> December 2007, in connection with the increase of the Company's authorized capital from originally IDR 300,000,000,000 to IDR 8,000,000,000,000, the change to the Company's share par value from originally IDR 1,000,000 each share to IDR 100 each share, and the increase of the Company's subscribed and paid-up capital from originally IDR 143,628,000,000 to IDR 2,062,478,000,000.
- iii. Deed of Statement of Shareholders' Resolutions No.68 dated 31<sup>st</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, of which the report was received by the Minister of Law and Human Rights of the Republic of Indonesia based on Receipt of Report on Deed of Amendment to Articles of Association No.AHU-AH.01.10-2652 dated 31<sup>st</sup> January 2008 and registered in the Company Register under No.AHU-0007848.AH.01.09 of 2008 dated 31<sup>st</sup> January 2008, in connection with the increase of the Company's subscribed and paid-up capital from originally IDR 2,062,478,000,000 to IDR 2,084,663,100,000.-

## b. History of Company's Shares Ownership

### 2004

Based on Company's Deed of Establishment No.25 dated 28 July 2004 drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta ("Deed of Establishment"). The Deed was published in BNRI (State Gazette of the Republic of Indonesia) No.59 dated 25<sup>th</sup> July 2006, Supplement No.8036, all of the shareholders inject paid up capital in cash, therefore the Company's capitalization structure and shareholders composition are as follows:

Description	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>5,000</b>	<b>5,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Theodore Permadi Rachmat	625	625,000,000	50.00
Garibaldi Thohir	625	625,000,000	50.00
<b>Total subscribed and fully paid-up Capital</b>	<b>1,250</b>	<b>1,250,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>3,750</b>	<b>3,750,000,000</b>	

### 2005

Based on Deed No.2 dated 1<sup>st</sup> September 2005 drawn up before Sukawaty Sumadi, SH., Notary in Jakarta, there was an increase of authorized capital, subscribed and paid-up capital of the Company of 142,378 shares with the total par value of IDR 142,378,000,000 subscribed by Theodore Permadi Rachmat and Garibaldi Thohir, respectively of 71,189 shares with the par value of IDR 71,189,000,000 paid in cash, hence the Company's capitalization structure and shareholders composition are as follows:

Description	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>300,000</b>	<b>300,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Theodore Permadi Rachmat	71,814	71,814,000,000	50.00
Garibaldi Thohir	71,814	71,814,000,000	50.00
<b>Total subscribed and fully paid-up capital</b>	<b>143,628</b>	<b>143,628,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>156,372</b>	<b>156,372,000,000</b>	

## 2006

Based on Deed of Shares Sale and Purchase No.112 dated 24<sup>th</sup> November 2006, drawn up before Dr. Irawan Soerodjo, S.H., MSi., Notary in Jakarta, Garibaldi Thohir transferred 26,850 shares of the Company in his possession to PT Trinugraha Thohir.

Based on Deed No.111 dated 24<sup>th</sup> November 2006, drawn up before Dr. Irawan Soerodjo, S.H., Msi., Notary in Jakarta, the Company's RUPS approved the transfer of the Company's shares owned by Garibaldi Thohir to PT Trinugraha Thohir, hence after the transfer, the Company's shareholders composition became as follows:

Description	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>300,000</b>	<b>300,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Theodore Permadi Rachmat	71,814	71,814,000,000	50.00
Garibaldi Thohir	44,964	44,964,000,000	31.31
PT Trinugraha Thohir	26,850	26,850,000,000	18.69
<b>Total subscribed and fully paid-up capital</b>	<b>143,628</b>	<b>143,628,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>156,372</b>	<b>156,372,000,000</b>	

## 2007

Based on Deed of Statement of Shareholders' Resolutions No.42 dated 17<sup>th</sup> December 2007, drawn up before Humberg Lie, SH., SE, Mkn, Notary in Tangerang, there was an increase of the Company's authorized capital, subscribed capital and paid-up capital, hence the authorized capital became IDR 8,000,000,000,000, divided into 80,000,000,000 shares with the par value of IDR 100.- per share. Of the above authorized capital, the following have been subscribed and fully paid-up in cash by the existing shareholders, namely (i) Garibaldi Thohir of 2,496,339,098 shares at the par value of IDR 249,633,909,800; (ii) Trinugraha of 2,496,357,212 shares with at the par value of IDR 249,635,721,200; (iii) Theodore Permadi Rachmat of 724,348,616 shares at the par value of IDR 72,434,861,600. At the same time as the capital increase by the existing shareholders, there was also a capital increase conducted by new shareholders subscribed and fully paid-up in cash by: (i) SRIS of 4,775,524,806 of the par value IDR 477,552,480,600; (ii) TIA of 4,268,347,697 of the par value IDR 426,834,769,700; (iii) PCI of 3,410,070,475 shares of the par value IDR 341,007,047,500; (iv) Edwin Soeryadjaya of 1,375,877,646 shares of the par value IDR 137,587,764,600; (v) Sandiaga Salahuddin Uno of 660,838,202 shares of the par value IDR 66,083,820,200; and (vi) Ir. Subianto of 416,932,620 shares of the par value IDR 41,693,262,000. By the capital increase, the Company's capitalization structure and shareholders composition became as follows:



Description	Par Value IDR 100.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	23.15
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.70
PT Persada Capital Investama	3,410,070,475	341,007,047,500	16.53
Garibaldi Thohir	2,496,384,062	249,638,406,200	12.11
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	12.11
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.67
Theodore Permadi Rachmat	724,420,430	72,442,043,000	3.51
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.20
Ir. Subianto	416,932,620	41,693,262,000	2.02
<b>Total subscribed and fully paid-up capital</b>	<b>20,624,780,000</b>	<b>2,062,478,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>59,375,220,000</b>	<b>5,937,522,000,000</b>	

### 2008

Based on Deed of Statement of Shareholders' Resolutions No.68 dated 31<sup>st</sup> January 2008, drawn up before Humbert Lie, SH., SE., MKn., Notary in Tangerang, there has been an increase of the Company's subscribed and paid-up capital in connection with the conversion of PCI's claim based on Promissory Note No.01/PK-PCI/2008 of IDR 11,092,550,000 and the conversion of SRSB claim of IDR 11,092,550,000, based on Promissory Note No.02/PK-SSB/2008 to the Company, both are respectively converted to 110,925,500 shares with the par value of IDR 11,092,550,000, hence the Company's capitalization and shareholders composition are as follows:

Description	Par Value IDR 100.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>80,000,000,000</b>	<b>8,000,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
PT Saratoga Investama Sedaya	4,775,524,806	477,552,480,600	22.91
PT Triputra Investindo Arya	4,268,347,697	426,834,769,700	20.48
PT Persada Capital Investama	3,520,995,975	352,099,597,500	16.89
Garibaldi Thohir	2,496,384,062	249,638,406,200	11.97
PT Trinugraha Thohir	2,496,384,062	249,638,406,200	11.97
Edwin Soeryadjaya	1,375,877,646	137,587,764,600	6.60
Theodore Permadi Rachmat	724,420,430	72,442,043,000	3.48
Sandiaga Salahuddin Uno	660,838,202	66,083,820,200	3.17
Ir. Subianto	416,932,620	41,693,262,000	2.00
PT Saratoga Sentra Business	110,925,500	11,092,550,000	0.53
<b>Total subscribed and fully paid-up capital</b>	<b>20,846,631,000</b>	<b>2,084,663,100,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>59,153,369,000</b>	<b>5,915,336,900,000</b>	

### 3. COMPANY'S MANAGEMENT AND SUPERVISION

Based on Deed No.62 dated 18 April 2008 drawn up before Robert Purba, SH., Notary in Jakarta, the Company's composition of members of the Board of Commissioners and Board of Directors is as follows:

#### Board of Commissioners

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto
Independent Commissioner	:	Djoko Suyanto
Independent Commissioner	:	Palgunadi T.Setyawan

**Board of Directors**

President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Director	:	Sandiaga Salahuddin Uno
Director	:	Andre Johannes Mamuaya
Non-Affiliated Director	:	Ah Hoo Chia
Non-Affiliated Director	:	David Tendian
Non-Affiliated Director	:	Alastair Bruce Grant

Below is the Brief History on each member of the Company’s Board of Commissioners and Board of Directors:



**Edwin Soeryadjaya – President Commissioner**

Indonesian Citizen, 58 years, he was awarded his degree of Bachelor of Business Administration from University of Southern California in 1974.

He currently holds the position of President Commissioner in the Company, PT Global Kalimantan Makmur, PT Saratoga Power, PT Lintas Marga Sedaya, Adaro, PT Saratoga Sentra Business, PT Tenaga Listrik Gorontalo, ATA, Dianlia, PT Alberta Investama Sedaya, PT Mitra Global Telekomunikasi Indonesia, SIS, MSW, IBT, JPI, SMP, PT Saratoga Investama Sedaya, PT Pandu Dian Pertiwi and PT Saratogasedaya Utama.

He currently also holds the position of Commissioner in PT Baskhara Utama Sedaya, PT Mitra Pinasthika Mustika and PT Alberta Capital. Besides the President Commissioner and Commissioner, Edwin Soeryadjaya currently also holds the position as President Director in PT Batara Ismaya, PT Aria Infotek and PT Unitras Pertama.

Formerly, he joined PT Astra International (“Astra”) in 1978 and resigned in 1993 with the last position as Vice President Director. From 1987 to 1990, Edwin Soeryadjaya successfully restructured Astra’s financial structure and in February 1990 successfully handled Astra’s IPO.



**Theodore Permadi Rachmat – Vice President Commissioner**

Indonesian Citizen, 64 years, he completed his education in Machine Engineering department of Bandung Institute of Technology in 1968, currently holds the position as Vice President Commissioner in the Company, Commissioner in ATA, Adaro, IBT, JPI and Dianlia, as well as holds the position as President Commissioner in PT Adira Dinamika Multifinance Tbk and Commissioner in PT Unilever Indonesia Tbk.

He has started his carrier in Astra since 1969, and then became a General Manager of HE Division (1971-1973), Marketing Director (1973-1976), Group Director (1977-1980), Vice President Commissioner (1981-1984), Commissioner (1998-2000), President Director (2000-2002) and President Commissioner (2002-2005). Besides, he once held the position as President Director (1977-1984) and Commissioner (1984-1999) in PT United Tractors.

He once also held the position as Member of the National Economic Member (1999-2000) and Commissioner in PT Multi Bintang Tbk. (2002-2007).



**Ir. Subianto – Commissioner**

Indonesian Citizen, 65 years, he completed his education in Bandung Institute of Technology in 1969.

He currently holds the position as Commissioner in the Company, ATA, Adaro, JPI, SIS, MSW and IBT. Besides, he also currently holds the position as President Director in PCI, PT Tri Nur Cakrawala, PT Pandu Alam Persada and Commissioner in PT Persada Capital.

He started his career in Astra in 1969 and has undertaken various management functions in several affiliated companies and subsidiaries of Astra. In his career in Astra for the period of 1969-2006, he once held the position of Director (1979-1990), Vice President Director (1990-1998), Commissioner (1998-2000) and Vice President Commissioner (1997-1999). He also once held the position as President Director (1989-1999) and Commissioner (1999-2006) in PT Astra Agro Lestari.

Besides in Astra, he once also held several key positions in PT United Tractors, among others as Director (1972-1979), Vice President Director (1979-1984), President Director (1984-1997) and President Commissioner (1997-1999).

In coal mining industry, he has experience as President Commissioner (1995-2001) and Commissioner (2001-2003) in Berau.



**Djoko Suyanto – Commissioner**

Indonesian Citizen, 57 years, he has completed various military education among others in Air Force Academy of the Republic of Indonesia in 1973, School of Air Force Pilot in 1975, School of Air Force Unit Command in 1989, Join Services Staff College, Australia in 1994 and National Defense Institution of KRA XXXII. He was awarded the Bachelor’s degree from Faculty of Social Science and Politics of Open University in 1992.

While active in military world, he was awarded some appreciations and decorations, among others, Dharma Star, Yudha Darma Utama Star, Swa Bhuwana Paksa Utama Star, Kartika Eka Paksi Utama Star, Jalasena Utama Star, Bhayangkara Utama Star, The Meritorious Service Medal First Class of the Republic of Singapore, Darjah Paduka Keberanian Laila Terbilang Yang Amat Gemilang (DPKT) of the Sultan Brunei Darussalam and The Brave Commander of Malaysian Army of the Malaysian Government.

He formerly was a Commander of Squadron 14 F-5 Tiger (1990-1992), Commander of Jayapura Air Base (1992-1994), Commander of Iswahyudi Madiun Air Base (1997-1999), Commander of Kosek Hanudnas I Jakarta (1999-2001), Commander of Operational Command of Air Force II of Makasar (2001-2002), Commander of Air Force Education Command (2002-2003), Assistant Operation of KASAU (2003-2005), Air Force Chief Staff (2005-2006) and Commander of the Indonesian National Army (2006-2008).



**Palgunadi Tatit Setyawan – Commissioner**

Indonesian Citizen, 69 years, he was awarded his *Sarjana*/Bachelor’s degree from Bandung Institute of Technology in 1962 and Dipl. Ing. Ballistic Engineer from University of Belgrade, Yugoslavian Military Science and Industry Institute in 1966 and Army ABRI Sesko education in 1979.

He currently holds the position as Commissioner in the Company. Besides, he also a Member of the Audit Committee of PT Info Asia Tbk., Independent Commissioner and Chairman of Audit Committee of PT Pembangunan Jaya Ancol Tbk., Head of Management & Entrepreneurship Development Institution of Al Azhar Indonesia (UAI) University, Independent Consultant of Corporate Governance, Internal Audit and Corporate Culture.

Formerly, he also held the position as Manager, Director, then Commissioner in PT United Tractors Tbk. (1982-1998), Senior Vice President in Astra (1989-1997), President Director in PT Astra Mitra Ventura (1992-1997), Director for Asia Region in GIBB Ltd., UK (1997-1999), and Executive Vice President in Raja Garuda Mas (2000-2002).



**Garibaldi Thohir – President Director**

Indonesian Citizen, 42 years, he was awarded the Bachelor’s degree from University of Southern California on 1988 and MBA from Northrop University, Los Angeles, United States of America on 1989.

He currently holds the position as President Director in the Company, ATA, Adaro, Dianlia, JPI and, Director in IBT as well as Commissioner in MSW.

Besides, he also currently holds the position as President Director in PT Trinugraha Thohir, PT Allied Indo Coal, PT Padangbara Sukses Makmur and President Commissioner in PT Trinugraha Food Industry, PT Wahanaartha Harsaka, PT Wahanaartha Motorent and Commissioner in PT Karunia Barito Sejahtera, PT Wahana Ottomitra Multiartha Tbk.



**Christian Ariano Rachmat – Vice President Director**

Indonesian Citizen, 35 years, he was awarded his Bachelor in Industrial Engineering Degree from Northwestern University in 1995.

He currently holds the position as Vice President Director of the Company, Director of ATA, Adaro, IBT, JPI, MSW, SIS and Dianlia. Besides, he holds the position as President Director in PT Anugerah Buminusantara Abadi.

Once, he held the position as Business analyst in A.T. Kearney (USA) (1995-1996); Business Analyst in Triputra Group (1999-2005) and as operations researcher and supply chain management in Toyota Motors (1996-1998).



**Sandiaga Salahuddin Uno – Director**

Indonesian Citizen, 38 years, he is a *summa cum laude* graduate with the degree of Bachelor of Business Administration from Wichita State University in 1990 and was awarded the degree of Master of Business Administration from George Washington University in 1992.

He currently holds the position as General Director in the Company, President Director in IBT, PT Saratoga Infrastruktur, PT Baskhara Utama Sedaya, PT Interra Indo Resources, PT Tenaga Listrik Gorontalo, PT Saratoga Sentra Business, PT Saratoga Investama Sedaya, PT Mitra Global Telekomunikasi Indonesia, PT Alberta Investama Sedaya, PT Saratogasedaya Utama, and PT Alberta Capital. Besides, he holds the position as Director in ATA, Adaro, JPI and SMP and Commissioner in SIS and MSW.

He started his career as finance and accounting officer in Summa Group company (1990-1993), financial analyst in Seapower Asia Investment Limited (currently named Pacific Century Regional Developments Limited) (1993-1994), Executive Vice President and Chief Financial Officer in NTI Resources Limited in Calgary, Canada (1995-1998). Since 1998, he has been the Managing Director in PT Saratoga Investama Sedaya, private equity and direct investment company.

He also holds the position as Director in Interra Resources Limited, President Commissioner in PT Capitalinc Investment Tbk, Commissioner in PT Darmo Satelit Town and PT Unitras Pertama.

He currently also holds the position as General Chairman of BPP of Indonesian Young Entrepreneurs Association and Chairman of Permanent Committee of UMKM Market Information Development in the Indonesian Chamber of Commerce (KADIN).





**Andre Johannes Mamuaya – Director**

Indonesian Citizen, 37 years, he completed his engineer education in the department of Industrial Mechanical Engineering of Tokyo Denki University (Japan) in 1994 and was graduated from the American College – Los Angeles (USA) in Business Administration in 1996.

Today, he holds the position as Director Corporate Affair and Corporate Secretary in the Company. Besides, he holds the position as Director in ATA, JPI, SIS, SMP, MSW, Dianlia and PCI, and Commissioner in PT Pandu Alam Persada and PT Tri Nur Cakrawala.

Formerly he was a Director in PT Anugrahtimur Sejatiperdana (1997-2000).



**David Tendian – Director**

Indonesian Citizen, 42 years, he was graduated from Economics and Marketing with the notation of Honors and Distinction on 1989 and was awarded his MBA in Economics and Finance from University of Illinois on 1991.

Today he holds the position as Company’s Financial Director, Chief Financial Officer and Director in Adaro and IBT. He formerly held the position as Senior Banking Sakura Bank, Standard Chartered Bank, Chase Manhattan Bank and Citibank in USA and Indonesia from 1991 to 1999 and 2001 to 2002; Vice President Project Finance in PwC Canada (1999-2001); Financial Adviser in PT BUMI Resources Tbk. (2002-2004) responsible for financial affairs of PT Arutmin Indonesia; Chief Financial Officer in ANTV (2004 to 2005), coordinator of company acquisition transactions of Principia Management Group from 2005 to 2006.



**Ah Hoo Chia – Director**

Malaysian Citizen, 49 years, he was awarded the degree of Bachelor of Applied Science (Civil Engineering) of University of Windsor (Canada) on 1984.

He currently holds the position as the Company’s Operational Director, Chief Operating Officer and Director in Adaro and IBT. He joined Adaro in 1991 as Operations Manager for Adaro’s mine operation in Kalimantan and as General Manager since 1998. Holding the position as Director of The World Coal Institute and Director of Indonesian Mining Association (2002). Besides, he is experienced for over 20 years in civil construction project and open mining project in South East Asia.



**Alastair Bruce Grant – Director**

New Zealand Citizen, 66 years, he was awarded the degree of B.E. (Mining) and M.E. (Mining Engineering) from Otago University (Dunedin, New Zealand) in 1963 and 1965; in 1982 he was graduated with B.A. (Economics) degree from University of New England (N.S.W., Australia) and has been experienced for 41 years working in mineral and energy industry.

He currently holds the position as Marketing Director in the Company, Adaro and IBT. Formerly he held the position as Mining Engineer in Cobar Mines Pty., Ltd. Australia (1966-1969), Senior Mining Engineer in Utah Development Company, Australia (1969-1974), Project Manager of Southeastern Asia in Utah International Inc. (1974-1980), General Manager in PT Tropic Endeavour Indonesia (1980-1982), General Manager in Arutmin (1984-1986), General Manager in Utah Pacific Inc. (1986-1988), Managing Director in MEM Gold Exploration and Mining Ltd (1988-1990), General Manager in Adaro (1990-1998) and Marketing Manager in Adaro (1999-2007).

The appointment of all the Company’s Commissioners and Board of Directors has complied with Bapepam’s regulation No.IX.I.6 on Commissioners and Board of Directors of Issuers and Public Companies.

The term of office of the Company’s Commissioners and Board of Directors is since the RUPS appointing them, i.e. the RUPS as stated in deed No.62 dated 18<sup>th</sup> April 2008, drawn up before Robert Purba, SH., Notary in Jakarta, until the closing of the fifth annual RUPS since the appointing RUPS.

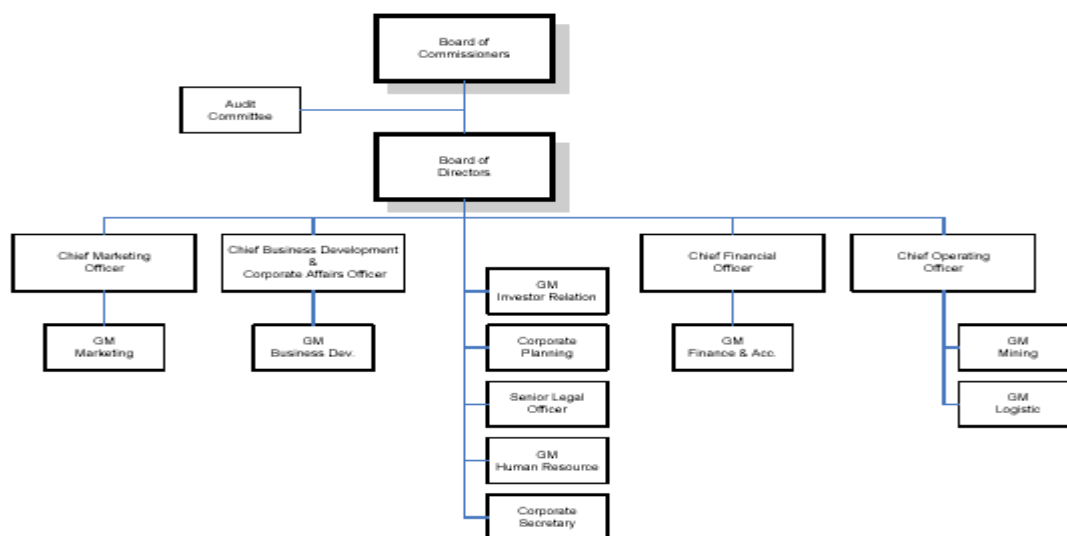
In the framework of meeting the requirements of Bapepam & LK and BEI, the Company intends to establish an Audit Committee at the latest within six (6) months since the date of the Company’s shares listing and trade in BEI, as articulated in the Company’s Statement dated 22<sup>nd</sup> April 2008.

Based on the Company’s Letter of Appointment dated 22<sup>nd</sup> April 2008, the Company has appointed Andre Johannes Mamuaya as the Company’s Corporate Secretary.

The Board of Directors and Board of Commissioners of the Company and the subsidiaries receive IDR 1.186 million as remuneration for one month period which ends on 31 January 2008



#### 4. COMPANY'S ORGANIZATIONAL STRUCTURE



#### 5. HUMAN RESOURCES

The Company realizes that the quality and competence of the human resources (“HR”) possessed are very important to support the Company and Subsidiaries in reaching its vision to be an integrated and the biggest and the most efficient coal-based mining and energy company in Southeastern Asia. The achievement of the Company and Subsidiaries so far is not apart from the support of HR having high experience, expertise and dedication.

On 31<sup>st</sup> January 2008, the Company and Subsidiaries employ 3,386 employees. The following is the composition of employees of the Company and Subsidiaries based on the level of age, management and education.

Because of the restructuritation of shareholding in the Company, many employee of the Company still have double status in the Subsidiaries, so the Company does not separate the amount of human resources between the Company and the Subsidiaries

The composition of employees of the Company and Subsidiaries by education level is as follows:

Formal Education Level	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Post Graduate (S2)	16	13	11	10
<i>Sarjana</i> /Bachelor’s Degree (S1)	599	591	340	256
Diploma III	235	230	139	90
Diploma II	21	21	18	10
Diploma I	15	15	9	6
Senior High School lower	2,500	2,399	1,794	1,035
<b>Total</b>	<b>3,386</b>	<b>3,269</b>	<b>2,311</b>	<b>1,407</b>

\*the infrastructures and logistics strategic business unit, IBT, has been consolidated into the Company since 2007 and Coaltrade since 2008.

The composition of employees of the Company and Subsidiaries by management level is as follows:

Position Level	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Managerial	138	179	128	86
Staff	772	768	542	407
Non-staff	2,476	2,372	1,641	914
<b>3254</b>	<b>3,386</b>	<b>3,269</b>	<b>2,311</b>	<b>1,407</b>

\*the infrastructures and logistics strategic business unit, IBT, has been consolidated into the Company since 2007 and Coaltrade since 2008.

Whereas the employees composition of the Company and Subsidiaries by age level is as follows:

Age Level	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
< 21 years	101	100	55	23
21-30 years	1,562	1,514	1,005	556
31-40 years	1,395	1,337	1,011	645
41-50 years	271	265	206	151
Over 50 years	57	53	34	32
<b>Total</b>	<b>3,386</b>	<b>3,269</b>	<b>2,311</b>	<b>1,407</b>

\*the infrastructures and logistics strategic business unit, IBT, has been consolidated into the Company since 2007 and Coaltrade since 2008.

The composition of employees of the Company and Subsidiaries based on the service period is as follows:

Service period	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
< 5 years	2,691	2,607	1,740	908
> 5 years – 10 years	487	429	426	391
> 10 years	208	233	145	107
<b>Total</b>	<b>3,386</b>	<b>3,269</b>	<b>2,311</b>	<b>1,407</b>

The composition of employees of the Company and Subsidiaries based on the employee's status is as follows:

Employee's Status	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Permanent	2,708	2,652	1,841	1,190
Contract	678	617	470	217
<b>Total</b>	<b>3,386</b>	<b>3,269</b>	<b>2,311</b>	<b>1,407</b>

The composition of employees of Adaro based on the expertise is as follows:

Expertise	31st	January 31st December		2005
	2008	2007	2006	
Administration	164	180	150	135
Maintenance	171	152	150	139
Mine Operator	20	22	27	18
Mining Technical Expert	48	39	30	44
Port Operator	18	18	19	20
Quality, Safety, Environment	53	61	45	25
<b>Total</b>	<b>474</b>	<b>472</b>	<b>421</b>	<b>381</b>

The Company and Subsidiaries currently have fifteen (15) expatriates. Below is the description of the employees:

No.	NAME	POSITION	CITIZEN OF	WORK PERMIT & VALIDITY	TEMPORARY RESIDENT PERMIT CARD & VALIDITY
1	CHIA AH HOO	Director in the Company* and Adaro	Malaysia	KEP.7727/MEN/P/IMTA/2007 13/11/2008	2C2JE 3134A-F 13/11/2008
2	ALASTAIR BRUCE GRANT	Director in the Company* and Adaro	New Zealand	KEP.21223/MEN/B/IMTA/ 6/12/2008	2CIJE4034 AF 7/12/2008
3	GEOFFREY JOHN PALMER	Logistic Support Manager in Adaro	Canada	KEP.6125B/MEN/P/IMTA/2007 30/09/2008	2C2JE 1394A-F 30/09/2008
4	CHRISTOPHER GEORGE PITCH	Shipping Manager in Adaro	Australia	KEP.8622/MEN/P/IMTA/2007 31/12/2008	2C2JE 5890 31/12/2008
5	NG KIRH CHIEN	Customer SS. Manager in Adaro	Singapore	KEP.6125C/MEN/P/IMTA/2007 30/09/2008	2C2JE1474A-F 30/09/2008
6	ANDRIS PAULS SVILANS	Deputy General Manager in Adaro	Australia	KEP.6125A/MEN/P/IMTA/2007 30/09/2008	2C2PB0084-F 17/08/2008
7	ROMMEL L. CRUZ	Prod & TA Manager in Adaro	The Philippines	KEP.562/288/Disnakertrans 15/11/2008	2C1PB0090-F 13/11/2008
8	CEASAR JOSEPH FRANSISCO C A	Engineer Specialist in Adaro	The Philippines	KEP.562/289/ Disnakertrans 07/12/2008	2C1PB0089-F 13/11/2008
9	ALEC ARCHIBALD J. SHARLAND	Plant Controller in Adaro	Australia	KEP.357/MEN/P/IMTA/2008 31/12/2008	202PB0009 31/12/2008
10	TREVOR JOHN SHIPTON	Maintenance Manager in IBT	Australia	KEP.562/262/ Disnakertrans 30/10/2007	2C2P1.0096-F 29/10/2008
11	BARRY JAMES JONES	General Manager in IBT	Australia	1522/200831/03/2009	2D1JE-0063-C 6/07/2009
12	LAROYA CHANDER VINOD	President Director in MSW	India	1522/2008 31/03/2009	2D1JE-0063-C 6/07/2009
13	JOSEPH FRANCIS CHONG	Technical Advisor in ATA	Malaysia	KEP-3577/MEN/B/IMTA/2008 27/02/2009	2C1JE 1231-G 29/01/2009
14	GARY ROBERTS	Mechanical Superintendant in Adaro	England	KEP. 9217/MEN/B/IMTA/2008 29/01/2009	2C1PB0089-G 16/01/2009

\*in process

## **Employee's Allowances and Facilities**

### **Employee's Welfare**

The Company and Subsidiaries provide several types of facilities and programs of welfare for employees and their families. The welfare facilities and programs are designated for all employees of the Companies and Subsidiaries with a few exceptions such as motor-vehicle ownership facility provided only to certain employees. The facilities and programs are as follows:

- Health Facility;
- Manpower social insurance program (Jamsostek);
- Holiday Allowance;
- Accident insurance security;
- Death benefit;
- Leave and long-leave allowance;
- Housing or motor-vehicle loan facility for certain employees;
- Transportation facility and transportation substitute facility;
- Official house and car and cellular phone pulse facilities for certain employees;
- Training and development facility;
- Annual bonus on the performance of the Company and Subsidiaries and bonus on production for certain employees;
- Pension program and early pension;
- Meal allowance;
- Sport, art, religion and recreation facilities;
- Etc.

The compensation, welfare program and facilities provided by the Company and Subsidiaries have met the Provincial Minimum Pay.

### **Training**

The Company and Subsidiaries give equal opportunity to each employee to develop their capabilities and potentials by training program, covering among others the sectors of mining, environment, Work Health and Safety (K3), quality, computer and management, which are carried out regularly (internally and externally) in as well as outside the country, such as training of crane operator and examination for license, exploding man of mineral mining, energy conservation, coal preparation plan and stockpile management, mine haulage Asia, coal mining and mineral economics and junior operational supervisor.

As part of employee's quality improvement, the Company and Subsidiaries require each employee to develop himself according to his skill and competence, and to obtain the skill certification required to support the work and to meet certain requirements parallel to the demand of advancement of the Company and Subsidiaries.

## 6. INFORMATION ON SUBSIDIARIES

### 6.1 PT Alam Tri Abadi (“ATA”)

#### a. Brief History

ATA was established based on Deed No.2 dated 1<sup>st</sup> December 2004, drawn up before Ir. Rusli, S.H., Notary in Bekasi, ratified by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-31123 HT.01.01.TH-2004 dated 23<sup>rd</sup> December 2004 and published in BNRI (State Gazette of the Republic of Indonesia) No.52 dated 1<sup>st</sup> July 2005, Supplement No.6922.

ATA’s Articles of Association have been amended several times, lastly under Deed No.3 dated 3<sup>rd</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, (“Deed 3/2008”) approved by the Minister of Law and Human Rights based on Decree No.AHU-00535.AH.01.02 of 2008 dated 4<sup>th</sup> January 2008.

#### b. Business Activity

ATA’s business activity is in trade sector. ATA currently has direct and indirect investment in Adaro, IBT, Coaltrade and JPI.

#### c. Share Ownership

Based on Deed No.3/2008 in conjunction with Shareholders’ Resolutions in lieu of the Meeting of ATA dated 12<sup>th</sup> June 2008, the capitalization structure and shareholders composition of ATA are as follows:

Description	Par Value IDR 1,000,000.- each share		
	Shares	Par	%
Authorized capital	6,000,000	6,000,000,000,000	
Subscribed and fully paid-up capital			
Company	1,642,428	1,642,428,000,000	92.02
PT Saratoga Investama Sedaya	94,951	94,951,000,000	5.32
PT Persada Capital Investama	47,477	47,477,000,000	2.65
PT Triputra Investindo Arya	1	1,000,000	0.01
<b>Total Subscribed and fully paid-up capital</b>	<b>1,784,857</b>	<b>1,784,857,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>4,215,143</b>	<b>4,215,143,000,000</b>	

#### d. Commissioners and Board of Directors

Based on Deed No.4 dated 15<sup>th</sup> April 2005 drawn up by Ir. Rusli, S.H., Notary in Jakarta, the composition of members of Commissioners and Board of Directors of ATA is as follows:

##### Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto

##### Board of Directors

President Director	:	Garibaldi Thohir
Director	:	Sandiaga Salahuddin Uno
Director	:	Christian Ariano Rachmat
Director	:	Andre Johannes Mamuaya

### e. Summary of Financial Statement

Below are presented the financial highlights of ATA for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph.

(in IDR million)

Description	31 <sup>st</sup> January	31 <sup>st</sup> December		
	2008	2007	2006	2005
Total assets	13,429,840	11,768,986	11,245,385	12,670,674
Total liabilities	10,454,925	8,750,255	10,316,463	11,937,406
Minority interest	776,062	756,491	465,720	345,609
Total equity	2,198,853	2,262,240	463,202	387,659
Revenue	1,001,956	10,592,789	9,196,535	7,296,088
Cost of revenue	790,931	8,434,124	7,422,357	5,961,518
Gross profit	211,025	2,158,665	1,774,178	1,334,570
Operating expense	12,494	189,521	160,135	144,322
Operating income	198,531	1,969,144	1,614,043	1,190,248
Net income	56,038	181,967	142,531	198,676

### f. Information on ATA's Consolidated Subsidiaries

#### f.1 PT Adaro Indonesia ("Adaro")

##### f.1.1. Brief History

Adaro was established based on Deed No.77 dated 11<sup>th</sup> November 1982 as amended by Amendment Deed No.34 dated 15<sup>th</sup> November 1983, both were drawn up before Warda Sungkar Alurmei, S.H., Notary in Jakarta ("Deed of Establishment"). Adaro's Deed of Establishment was published in BNRI No.27 dated 4<sup>th</sup> April 1989, Supplement No.590.

Adaro's Articles of Association have been amended several times, lastly based on Deed No.5 dated 24<sup>th</sup> October 2005 drawn up before Parlindungan L. Tobing, S.H., Notary in Jakarta. The reporting on above amendment was received by the Minister of Law and Human Rights of the Republic of Indonesia based on receipt of Report of Amendment Deed of Articles of Association No.C-29613 HT.01.04.TH.2005 dated 26<sup>th</sup> October 2005, and registered at the Companies Registry of South Jakarta Municipality on 28<sup>th</sup> October 2005 under registration number 1343/RUB.09.03/X/2005.

##### f.1.2. Business Activities

Adaro's business activities today are in coal mining.

##### f.1.3. Shares Ownership

Based on Deed No.14 dated 26<sup>th</sup> August 2005 drawn up before Parlindungan L.Tobing, S.H., Notary in Jakarta, the capitalization structure and shareholders composition of Adaro are as follows:

Description	Par Value IDR 67,275 (equal to US\$100) each share			
	Shares	IDR	US\$	%
<b>Authorized capital</b>	<b>1,775,200</b>	<b>119,426,580,000</b>	<b>177,520,000</b>	
<b>Subscribed and fully paid-up capital:</b>				
MEC Indo Coal BV	4,150	279,191,250	415,000	0.95
Indonesia Coal Pty. Ltd.	20,742	1,395,418,050	2,074,200	4.67
PT Dianlia Setyamukti	25,908	1,742,960,700	2,590,800	5.83
PT Alam Tri Abadi	267,287	17,981,732,925	26,728,700	60.22
PT Viscaya Investments	125,713	8,457,342,075	12,571,300	28.33
<b>Total subscribed and fully paid-up capital</b>	<b>443,800</b>	<b>29,856,645,000</b>	<b>44,380,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>1,331,400</b>	<b>89,569,935,000</b>	<b>133,140,000</b>	

#### f.1.4. Board of Commissioners and Board of Directors

Based on Deed No.11 dated 9<sup>th</sup> August 2007 drawn up before Ilmiawan Dekrit Supatmo, S.H., Notary in Jakarta, the composition of members of the Board of Commissioners and Board of Directors of Adaro is as follows:

##### Commissioners

President Commissioner	:	Edwin Soeryadjaja
Commissioner	:	Ir. Subianto
Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Thomas Trikasih Lembong
Commissioner	:	Graham H.Wong

##### Board of Directors

President Director	:	Garibaldi Thohir
Director	:	Ah Hoo Chia
Director	:	Sandiaga Salahuddin Uno
Director	:	Christian Ariano Rachmat
Director	:	David Tendian
Director	:	Alastair Bruce Grant

#### f.1.5. Summary of Financial Statement

Below are presented the financial highlights of Adaro for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 audited by Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph is as follows:

(in US\$)

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	1,110,798,537	1,113,451,006	1,282,558,518	1,270,358,449
Total liabilities	904,417,546	915,559,695	1,130,410,606	1,166,753,846
Total equity	206,380,991	197,891,311	152,147,912	103,604,603
Revenue	100,360,358	1,146,339,836	1,003,221,834	697,086,053
Cost of revenue	79,705,776	942,726,224	808,806,539	564,058,761
Gross profit	20,654,582	203,613,612	194,415,295	133,027,292
Operating expense	1,076,747	20,110,582	14,111,786	11,491,376
Operating income	19,577,835	183,503,030	180,303,509	121,535,916
Net income	8,489,680	45,743,399	48,543,309	47,815,839

In 2006 the sales of Adaro increased at 44% from US\$ 697 million in 2005 to US\$ 1,003 million in 2006 due to the sales tonnage increase and the coal price increase. Whereas the gross profit also increased at 46% from US\$ 133 million in 2005 to US\$ 194 million in 2006 due to the sales increase exceeding the increase of cost of revenue.

Adaro's total equity increased at 47% from US\$ 104 million in 2005 to US\$ 152 million in 2006, particularly due to the quite significant increase of net profit.

#### **f.1.6. Information on Adaro Finance BV (“Adaro Finance”)**

##### **Brief History**

Adaro Finance is a limited liability company established based on the law of the Netherlands and by Deed of Establishment dated 15<sup>th</sup> November 2005.

##### **Business Activity**

Adaro Finance's current business activity is in financial sector.

##### **Capitalization Structure and Shareholders Composition**

Adaro Finance's issued capital is EUR.2,000,000, comprising 2,000,000 shares, entirely possessed by Adaro. Currently Adaro Finance is not operating commercially.

##### **Board of Directors**

The composition of the Board of Directors of Adaro Finance currently is as follows:

Director : Vreewijk Management B.V.



## Summary of Financial Statement

Below are presented the financial highlights of Adaro Finance for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 prepared by the management and unaudited.

Description	(in US\$)			
	31 <sup>st</sup> January 2008	2007	31 <sup>st</sup> December	
		2006	2005	
Total assets	1,412,257	1,426,624	850,724,987	601,189,743
Total liabilities	49,045	54,076	853,145,979	599,015,072
Total equity	1,363,212	1,372,548	(2,420,992)	2,174,671
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit	-	-	-	-
Operating expense	20,094	579,081	96,433	55,439
Operating loss	(20,094)	(579,081)	(96,433)	(55,439)
Net (loss)/income	(9,336)	3,793,540	(4,595,663)	(162,329)

## f.2. Decimal Investments Ltd. (“Decimal”)

### f.2.1. Brief History

Decimal is a company established on 4<sup>th</sup> July 1994 based on the law of British Virgin Island, according to International Business Companies Act 1984 and was re-registered based on BVI Business Companies Act 2004 and officially established as a limited liability company (BVI Business Company Limited by shares) under company number 122002.

### f.2.2. Business Activity

Decimal’s business activity is in investment sector. Decimal is currently not operating commercially and exclusively holds 100% investment in shares of stock in RML, Rachpore and Rachsing.

### f.2.3. Share Ownership

Decimal’s issued capital is US\$ 60,301, comprising 60,301 shares entirely owned by ATA.

### f.2.4. Board of Directors

Decimal’s Board of Directors is currently as follows:

Director : Peter Chong Siong Siang

### f.2.5. Summary of Financial Statement

Below are presented the financial highlights of Decimal for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 prepared by the management and unaudited.

(in US\$)

Description	31 <sup>st</sup> January	31 <sup>st</sup> December		
	2008	2007	2006	2005
Total assets	483,213,682	12,053,596	9,288,453	4,261,919
Total liabilities	486,039,058	1,536,681	1,536,681	1,588,139
Total equity	(2,825,376)	10,516,915	7,751,772	2,673,780
Revenue	22,643,707	-	-	-
Cost of revenue	21,764,808	-	-	-
Gross profit	878,899	-	-	-
Operating expense	214,730	-	-	-
Operating income	664,169	-	-	-
Net (loss)/profit	(3,745,461)	2,765,144	5,017,692	2,673,779

### f.2.6. Information on Decimal's Subsidiaries

Decimal has direct ownership on 3 companies, namely Rachsing, Rachpore., and RML. Below is information on Decimal's subsidiaries.

#### f.2.6.1. Information on Rachsing Holdings Pte. Ltd. ("Rachsing")

##### Brief History

Rachsing is a corporate body established based on the law in Singapore, on 27<sup>th</sup> April 2005 under Company Registration Number 200505677K.

##### Business Activity

Rachsing's business activity is in investment sector. Rachsing is currently not in commercial operation and holds 31.97% ownership in PT Biscayne Investments only.

##### Capitalization Structure and Shareholders Composition

Rachsing's subscribed capital is US\$ 60,301 comprising 60,301 common shares wholly owned by Decimal.

##### Board of Directors

Rachsing's current composition of Board of Directors is as follows:

Director : Peter Chong Siong Siang

##### Financial Highlights

Below are presented the financial highlights of Rachsing for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, prepared by the management and unaudited, as well as for the years ended 31<sup>st</sup> December 2006 and 2005, audited by Natarajan & Swaminathan with Unqualified Opinion.

(in US\$)

Description	31 <sup>st</sup> January	31 <sup>st</sup> December		
	2008	2007	2006	2005
Total assets	11,821,376	11,528,926	6,520,121	2,373,169
Total liabilities	2,190	2,190	2,190	61,350
Total equity	11,819,186	11,526,736	6,517,931	2,311,819
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit	-	-	-	-
Operating expense	-	-	-	-
Operating income	-	-	-	-
Net income	696,068	5,008,804	4,145,813	2,311,818

### f.2.6.2. Information on Rachpore Investments Pte. Ltd. (“Rachpore”)

#### Brief History

Rachpore is a legal entity established based on the law in Singapore on 27<sup>th</sup> April 2005 under Company Registration Number 200505689E.

#### Business Activity

Rachpore business activity is in investment sector. Rachpore is currently not in commercial operation and holds 50.00% ownership in PT RachMalta Investments Ltd only.

#### Capitalization Structure and Shareholders Composition

Rachpore’s issued capital is US\$ 1, comprising 1 common share totally owned by Decimal.

#### Board of Directors

Rachpore’s current composition of Board of Directors is as follows:

Director : Peter Chong Siong Siang

#### Financial Highlights

Below are presented the financial highlights of Rachpore for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, prepared by the management and unaudited, as well as for the years ended 31<sup>st</sup> December 2006 and 2005, audited by Natarajan & Swaminathan with Unqualified Opinion.

(in US\$)

Description	31 <sup>st</sup> January	31 <sup>st</sup> December		
	2008	2007	2006	2005
Total assets	519,500	524,671	2,768,332	1,888,750
Total liabilities	1,510,403	1,510,403	1,510,403	1,502,701
Total equity	(990,903)	(985,732)	1,257,929	386,049
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit	-	-	-	-
Operating expense	-	-	1,140	1,051
Operating loss	-	-	(1,140)	(1,051)
Net (loss)/income	(5,171)	(2,243,661)	873,020	387,099

## Information on Subsidiary of Rachpore

### Rachmalta Investments Ltd. (“Rachmalta”)

#### Brief History

Rachmalta is a legal entity established based on the law in Republic of Malta on 3<sup>rd</sup> June 2005 under Company Registration Number C36345.

#### Business Activity

Rachmalta’s business activity is in investment sector. Rachmalta is currently not in commercial operation and exclusively holds 100.00% ownership in MEC Indo Coal Ltd.

#### Capitalization Structure and Shareholders Composition

Pursuant to the Register of Members and Share Ledger, the composition of Rachmalta’s capitalization is as follows:

Shareholders	Par value of US\$1.- each share		
	Shares	Par Value	%
<b>Authorized capital</b>	<b>508,830</b>	<b>508,830</b>	
<b>Subscribed and fully paid-up capital:</b>			
Winjaya Investments Pte.,Ltd.	62,160	62,160	50.00
Rachpore	62,160	62,160	50.00
<b>Total subscribed and fully paid-up capital</b>	<b>124,320</b>	<b>124,320</b>	<b>100.00</b>

#### Board of Directors

Rachmalta’s current composition of Board of Directors is as follows:

Director	:	Christian Ariano Rachmat
Director	:	Garibaldi Thohir

#### Financial Highlights

Below are presented the financial highlights of Rachmalta for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, which unaudited and for the years ended 31<sup>st</sup> December 2006 and 2005 audited by Andrew Galea & Associates with Unqualified Opinion with Explanatory Paragraph.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	11,546,971	11,687,963	13,395,421	15,088,414
Total liabilities	36,016,950	35,659,540	31,748,399	28,249,544
Total equity	(24,469,978)	(23,971,577)	(18,352,978)	(13,161,130)
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit	-	-	-	-
Operating expense	1,594	22,402	14,362	23,001
Operating loss	(1,594)	(22,402)	(14,362)	(23,001)
Net loss	(498,401)	(5,618,599)	(5,191,848)	(13,285,450)

## Information on Subsidiary of Rachmalta

### MEC Indo Coal B.V. (“MEC”)

#### Brief History

MEC is a limited liability company established under law of the Netherlands based on Deed of Establishment dated 28<sup>th</sup> October 1982.

#### Business Activity

MEC’s business activity is in investment sector. MEC is currently not in commercial operation and holds 0.93% ownership in Adaro only.

### Capitalization Structure and Shareholders Composition

The composition of MEC’s capitalization is as follows:

Shareholders	Par value of 1 Dutch Guilder each share		
	Shares	Par Value	%
Authorized capital	175,000	175,000	
Subscribed and fully paid-up Capital:			
Rachmalta	35,000	35,000	100,00
<b>Total Subscribed and fully paid-up Capital</b>	<b>35,000</b>	<b>35,000</b>	<b>100,00</b>

#### Board of Directors

MEC’s current composition of Board of Directors is as follows:

Director	:	Fortis Intertrust (Netherlands) B.V
Director	:	Husni Heron

#### Financial Highlights

Below are presented the financial highlights of MEC for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 prepared by the management and since MEC is currently not in commercial operation, its financial statement is not audited.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	11,490,273	11,630,446	13,311,486	14,999,089
Total liabilities	44,417	43,836	40,649	34,976
Total equity	11,445,856	11,586,610	13,270,837	14,964,113
Revenue	-	-	-	1,225,500
Cost of revenue	-	-	-	-
Gross profit	-	-	-	1,225,500
Operating expense	34	1,281	8,508	23,845
Operating (loss)/income	(34)	(1,281)	(8,508)	1,201,655
Net loss	(140,754)	(1,684,227)	(1,693,276)	(602,676)

(in US\$)

### f.2.6.3. Information on Rach (Mauritius) Ltd. (“RML”)

#### Brief History

RML is the company established under the law of Mauritius on 28<sup>th</sup> April 2005.

#### Business Activity

RML’s business activity is in investment sector. RML is currently not in commercial operation and holds 64% ownership in Arindo Holdings (Mauritius) Ltd only.

#### Capitalization Structure and Shareholders Composition

The RML’s subscribed capital is currently US\$1 comprising 1 common share having par value of US\$ 1 for each share wholly owned by Decimal.

#### Board of Directors

RML’s current composition of Board of Directors is as follows:

Director : Muhammad Aslam Koomar

#### Financial Highlights

Below are presented the financial highlights of RML for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 prepared by the management and since RML is currently not in commercial operation, its financial statement is not audited.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	470,872,804	-	-	-
Total liabilities	484,526,462	24,086	24,086	24,086
Total equity	(13,653,658)	(24,086)	(24,086)	(24,086)
Revenue	22,643,707	-	-	-
Cost of revenue	21,764,808	-	-	-
Gross profit	878,899	-	-	-
Operating expense	214,730	-	-	-
Operating income	664,169	-	-	-
Net loss	(4,436,359)	-	-	(24,087)

(in US\$)

#### Information on Subsidiaries of RML

Below is information on subsidiaries of RML, directly as well as indirectly.

#### Arindo Holdings (Mauritius) Ltd. (“Arindo”)

#### Brief History

Arindo is a company established under the law of Mauritius on 28<sup>th</sup> March 2005.

## Business Activity

Arindo's business activity is in investment sector. Arindo is currently not in commercial operation and exclusively holds 100% shares in Vindoor, a company holding 100% shares in Coaltrade.

## Capitalization Structure and Shareholders Composition

The composition of Arindo's capitalization is as follows:

Shareholders	Par value of US\$ 1 each share		
	Shares	Par Value	%
<b>Subscribed and fully paid-up capital:</b>			
RML	48,174	48,174	64.00
AIM	21,077	21,077	28.00
Agalia Energy Investments Pte Ltd	6,024	6,024	8.00
<b>Total subscribed and fully paid-up capital</b>	<b>75,275</b>	<b>75,275</b>	<b>100.00</b>

## Board of Directors

Arindo's current composition of Board of Directors is as follows:

Director	:	Suzzane Gujadhur
Director	:	Peter Chong Siong Siang

## Financial Highlights

Below are presented the financial highlights of Arindo for the period of one (1) month ended 31st January 2008 prepared by the management and unaudited, as well as for the years ended 31st December 2007, 2006 and 2005, audited by BakerTilly Mauritius with Unqualified Opinion.

Description	(in US\$)			
	31st January 2008	31st December		
		2007	2006	2005
Total assets	468,921,556	466,863,370	480,579,443	485,666,457
Total liabilities	484,502,375	480,382,801	489,133,382	500,885,476
Total equity	(15,580,819)	(13,519,431)	(8,553,939)	(15,219,019)
Revenue	22,643,707	312,941,244	333,362,835	123,977,078
Cost of revenue	21,764,808	276,974,905	296,573,205	98,611,881
Gross profit	878,899	35,966,339	36,789,630	25,365,197
Operating expense	214,730	3,047,520	1,504,935	12,632,761
Operating income	664,169	32,918,819	35,284,695	12,732,436
Net (loss)/income	(2,061,387)	(4,967,777)	6,665,080	(15,292,009)

## Information on Subsidiary of Arindo

### Vindoor Investments (Mauritius) Ltd. ("Vindoor")

#### Brief History

Vindoor is a limited liability company established under the law of Mauritius on 10<sup>th</sup> October 2001.

### Business Activity

Vindoor's business activity is in investment sector. Vindoor is currently not in commercial operation and exclusively holds 100% shares in Coaltrade.

### Capitalization Structure and Shareholders Composition

The Vindoor's subscribed capital is currently US\$ 50,000 comprising 50,000 common shares having par value of US\$ 1 for each share wholly owned by Arindo.

### Board of Directors

Vindoor's current composition of Board of Directors is as follows:

Director	:	Suzzane Gujadhur
Director	:	Boopendradas Sungker
Director	:	Peter Chong Siong Siang

### Financial Highlights

Below are presented the financial highlights of Vindoor for the period of one (1) month ended 31<sup>st</sup> January 2008 prepared by the management and unaudited, as well as for the years ended 31<sup>st</sup> December 2007, 2006 and 2005, audited by BakerTilly Mauritius with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	247,503,734	244,446,409	57,259,184	62,313,870
Total liabilities	228,617,251	226,183,678	32,819,133	35,962,043
Total equity	18,886,483	18,262,731	24,440,051	26,351,827
Revenue	22,643,707	312,941,243	333,362,835	215,524,006
Cost of revenue	21,764,808	276,974,904	296,573,205	167,382,980
Gross profit	878,899	35,966,339	36,789,630	48,141,026
Operating expense	214,597	1,973,571	1,430,785	1,470,039
Operating income	664,302	33,992,768	35,358,845	46,670,987
Net income	623,751	31,562,680	33,088,224	42,386,643

(in US\$)

### Coaltrade Services International Pte. Ltd.

#### Brief History

Coaltrade is a corporate body established based on the law in Singapore on 26<sup>th</sup> September 2000 under Company Registration Number 200008309K.

#### Business Activity

Coaltrade undertakes business activities in trading and coal service.

#### Capitalization Structure and Shareholders Composition

Coaltrade's subscribed capital is Sin\$ 1,000,000 (equivalent to US\$ 563,447), comprising 1,000,000 common shares, wholly owned by Vindoor.



## Board of Directors

Coaltrade's current management composition is as follows:

### Board of Directors

Director	:	Tsang Edwin Kin-Wah
Director	:	Peter Chong Siong Siang
Director	:	Yeo Lay Choo Anna

## Financial Highlights

Below are presented the financial highlights of Coaltrade for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 audited by the Public Accountant Office of Low, Yap & Associates with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
		(in US\$)		
Total assets	247,485,509	244,427,695	57,221,905	62,272,428
Total liabilities	228,612,002	226,178,428	32,811,586	35,957,793
Total equity	18,873,507	18,249,267	24,410,319	26,314,635
Revenue	22,643,707	312,941,244	333,362,835	215,524,006
Cost of revenue	21,764,808	276,974,904	296,573,205	167,382,980
Gross profit	878,899	35,966,339	36,789,630	48,141,026
Operating expense	182,371	1,618,383	1,316,049	1,115,300
Operating income	696,528	34,347,956	35,473,581	47,025,726
Net income	624,240	31,578,948	33,102,034	42,400,611

Coaltrade's income increased at 55% from US\$ 216 million in 2005 to US\$ 333 million in 2006, particularly due to the increase of coal sales volume.

Coaltrade's total assets increased quite significantly, namely at 327% from US\$ 57 million in 2006 to US\$ 244 million in 2007, particularly due to the existing loans from the shareholders.

Coaltrade's total liabilities also increased quite significantly, namely at 589% from US\$ 33 million in 2006 to US\$ 226 million in 2007, particularly due to the existing bank loan extended by the syndication of DBS Bank Ltd.

## f.3 Revere Group Ltd. ("Revere")

### f.3.1 Brief History

Rivere is a company established on 8<sup>th</sup> March 2006 under the law of British Virgin Island, under company's number 1014554

### f.3.2 Business Activity

Revere's business activity is in investment sector. Revere is currently not in commercial operation and exclusively holds 100% shares in Saluno.

### f.3.3. Capitalization Structure and Shareholders Composition

The Revere's subscribed capital comprising 50,000 common shares without having par value wholly owned by ATA.

### f.3.4. Board of Directors

Revere's Board of Directors is currently TPS Limited

### f.3.5. Financial Highlights

Below are presented the financial highlights of Revere for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, and 2006 prepared by the management and since Revere is currently not in commercial operation, its financial statement is not audited.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	11,821,376	11,528,926	6,520,121	n.a
Total liabilities	2,190	2,190	2,190	n.a
Total equity	11,819,186	11,526,736	6,517,931	n.a
Revenue	-	-	-	n.a
Cost of revenue	-	-	-	n.a
Gross profit	-	-	-	n.a
Operating expense	-	-	-	n.a
Operating income	-	-	-	n.a
Net income	696,068	5,008,804	4,145,813	n.a

(in US\$)

### f.3.6. Information on Subsidiaries of Revere

#### f.3.6.1. Saluno Investments Pte. Ltd. ("Saluno")

##### Brief History

Saluno is a corporate body established based on the law in Singapore, on 27<sup>th</sup> April 2005 under Company Registration Number 200505687D.

##### Business Activity

Saluno is currently not in commercial operation and holds 31.97% shares in Biscayne exclusively, a special company being a holder of 91.07% shares in IBT.

### Capitalization Structure and Shareholders Composition

Saluno's subscribed capital is US\$ 60,301, comprising 60,301 common shares, wholly owned by Revere.

### Board of Directors

Saluno's current composition of Board of Directors is as follows:

Director : Peter Chong Siong Siang

### Financial Highlights

Below are presented the financial highlights of Saluno for the period of one (1) month ended 31<sup>st</sup> January 2008 and the year ended 31<sup>st</sup> December 2007, prepared by the management and unaudited, as well as for the years ended 31<sup>st</sup> December 2006 and 2005, audited by Natarajan & Swaminathan with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	11,821,376	11,528,925	6,520,121	2,373,169
Total liabilities	2,190	2,190	2,190	61,350
Total equity	11,819,186	11,526,735	6,517,931	2,311,819
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross Profit	-	-	-	-
Operating expense	-	-	-	-
Operating income	-	-	-	-
Net income	696,068	5,008,804	4,145,813	2,311,818

(in US\$)

### Information on PT Biscayne Investments ("Biscayne")

#### Brief History

Biscayne was established based on Deed No.01 dated 4<sup>th</sup> May 2005 drawn up before Dwi Yulianti, S.H., Notary in Tangerang Regency, (Deed Of Establishment) which obtained the ratification of the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-12624 HT.01.01.TH.2005 dated 10<sup>th</sup> may 2005. The above Deed of Establishment has been published in BNRI No.43 dated 31<sup>st</sup> May 2005, Supplement No.5563.

Biscayne's articles of association have been amended several times, lastly by Deed No.8 dated 30<sup>th</sup> September 2005 drawn up before Drs. Soebiantoro, S.H., S.E., Notary in Jakarta. The report on above amendment was received by the Minister of Law and Human Rights based on Receipt of Report on Amendment Deed of Articles of Association No.C-31478 HT.01.04.TH.2005 dated 25<sup>th</sup> November 2005 and listed in the Company Register at Companies Registry of South Jakarta Municipality under No.1508/RUB09.03/XII/2005 dated 19<sup>th</sup> December 2005.

#### Business Activity

Biscayne's current business activities are in consultation service and business and management service. Today, Biscayne doesn't have the operational activities.

### Capitalization Structure and Shareholders Composition

Based on Deed No.22 dated 30<sup>th</sup> June 2005 drawn up before Ilmiawan Dekrit Supatmo, S.H., Notary in Jakarta, the capitalization structure and shareholders composition of Biscayne are as follows:

Shareholders	Par Value IDR 954,500 (equal to US\$100) each share			
	Share	IDR	US\$	%
<b>Authorized capital</b>	<b>4,000</b>	<b>3,818,000,000</b>	<b>400,000</b>	
<b>Subscribed and fully paid-up capital</b>				
Rachsing	603	575,563,500	60,300	31.97
Saluno	603	575,563,500	60,300	31.97
AIM	501	478,204,500	50,100	26.56
Agalia	178	169,901,000	17,800	9.44
Arif Rachmat	1	954,500	100	0.06
<b>Total Subscribed and fully paid-up capital</b>	<b>1,886</b>	<b>1,800,187,000</b>	<b>188,600</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>2,114</b>	<b>2,017,813,000</b>	<b>2,114,000</b>	

### Commissioners and Board of Directors

Based on Deed of Establishment in conjunction with Deed No.11 dated 11<sup>th</sup> February 2008 drawn up before Humbert Lie, S.H., Notary in Tangerang, Biscayne's composition of members of Commissioners and Board of Directors is as follows:

#### Commissioners

President Commissioner : Arif Rachmat  
 Commissioner : George Raymond Zage III

#### Board of Directors

Director : Lim Soon Huat

### Summary of Financial Statement

Below are presented the financial highlights of Biscayne for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 taken from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	815,928	814,877	783,304	909,371
Total liabilities	356,803	359,205	505,509	750,716
Minority interest	115,602	116,034	92,968	85,195
Total equity	343,523	339,638	184,827	73,460
Revenue	34,564	460,152	410,134	213,287
Cost of revenue	18,354	215,530	195,816	83,075
Gross profit	16,120	244,622	214,318	130,212
Operating expense	-	-	-	-
Operating income	16,210	244,622	214,318	130,212
Net income	20,478	106,558	188,358	63,043

(in IDR million)

## Information on PT Indonesia Bulk Terminal (“IBT”)

### Brief History

IBT was established based on Deed No.22 dated 5<sup>th</sup> March 1990 as amended by Amendment Deed No.303 dated 29<sup>th</sup> May 1990, both were drawn up before Sutjipto, S.H., Notary in Jakarta, (“Deed of Establishment of IBT”), which obtained the ratification of the Minister of Justice of the Republic of Indonesia based on Decree No.C2-3841 HT.01.01.Th.90. IBT’s Deed of Establishment above has been published in BNRI No.57 dated 16<sup>th</sup> July 1991, Supplement No.2085.

IBT’s articles of association have been amended several times, lastly by Deed No.2 dated 12<sup>th</sup> October 2005 drawn up before Drs. Soebiantoro, S.H., Notary in Jakarta. The report on above amendment was received by the Minister of Law and Human Rights based on Decree No.C-28437 HT.01.04.TH.2005 dated 14<sup>th</sup> October 2005 and registered at the Companies Registry of South Jakarta Municipality dated 21<sup>st</sup> October 2005 under registration No.1291/RUB.09.03/IX/2005.

### Business Activity

IBT’s main business activities are currently in coal terminal development, operation and management, and port facilities.

### Capitalization Structure and Shareholders Composition

Based on Deed No.3 dated 14<sup>th</sup> July 2005 drawn up before Drs. Soebiantoro, S.H., Notary in Jakarta, the capitalization structure and shareholders composition of IBT are as follows:

Description	Par Value IDR.179,500 each share			
	Shares	Total Par	US\$	%
<b>Authorized Capital</b>	<b>560,000</b>	<b>100,520,000,000</b>	<b>56,000,000</b>	
<b>Subscribed and fully paid-up capital</b>				
Biscayne	127,500	22,886,250,000	12,750,000	91.07
PT Dianlia Setyamukti	12,500	2,243,750,000	1,250,000	8.93
<b>Total Subscribed and fully paid-up capital</b>	<b>140,000</b>	<b>25,130,000,000</b>	<b>14,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>420,000</b>	<b>75,390,000,000</b>	<b>42,000,000</b>	

### Board of Commissioners and Board of Directors

Based on Deed No.13 dated 9<sup>th</sup> August 2007 drawn up before Ilmiawan Dekrit Supatmo, S.H., Notary in Jakarta, IBT’s composition of members of Commissioners and Board of Directors is as follows:

#### Commissioners

President Commissioner	:	Edwin Soeryadjaja
Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Thomas Trikasih Lembong
Commissioner	:	Ir. Subianto
Commissioner	:	Graham H. Wong

### Board of Directors

President Director	:	Sandiaga Salahuddin Uno
Director	:	Ah Hoo Chia
Director	:	Garibaldi Thohir
Director	:	Christian Ariano Rachmat
Director	:	David Tendian
Director	:	Alastair Bruce Grant

### Summary of Financial Statement

Below are presented the financial highlights of IBT for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 taken from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	177,757,717	176,110,220	172,453,932	174,285,241
Total liabilities	38,402,705	38,135,673	55,939,394	76,225,543
Total equity	139,355,012	137,974,547	116,514,538	98,059,698
Revenue	3,674,657	50,366,881	44,740,238	37,638,455
Cost of revenue	1,951,255	23,553,530	21,311,462	16,066,020
Gross profit	1,723,402	26,813,351	23,428,776	21,572,435
Operating expense	-	-	-	-
Operating income	1,723,402	26,813,351	23,428,776	21,572,435
Net income	1,380,465	21,460,009	18,454,840	15,970,016

(in US\$)

IBT's total liabilities decreased quite significantly from US\$ 56 million in 2006 to US\$ 38 million in 2007, particularly due to the decrease of advance of income and the decrease of debts of related parties. This decrease of liabilities is accompanied by the increase of tax payable due to the increase of income tax expense and the payment of income tax article 25 installments and the increase of accrued expense, namely the increase of royalty.

#### f.4. PT Jasapower Indonesia ("JPI")

##### f.4.1. Brief History

JPI was established based on Deed No. 9 dated 25<sup>th</sup> September 2007, drawn up before Dwi Yulianti, S.H., Notary in Jakarta ("Deed of Establishment"), which was ratified by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-01217HT.01.01-TH.2007 dated 25<sup>th</sup> October 2007.

JPI's articles of association have been amended several times, and lastly amended based on Deed No. 9 dated 7<sup>th</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn, Notary in Tangerang. This amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.AHU-00863.AH.01.02.Tahun 2008 dated 8<sup>th</sup> January 2008.

##### f.4.2. Business Activity

JPI's current business activities are in the sectors of general trading and service. Currently is still in the development stages.

#### f.4.3. Shares Ownership

Based on Deed of Statement of Shareholders' Resolutions No. 9 dated 7<sup>th</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, JPI's capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000,000 each share		
	Shares	IDR	%
Authorized Capital	1,800,000	1,800,000,000,000	
Subscribed and fully paid-up capital			
ATA	454,999	454,999,000,000	99.99
Garibaldi Thohir	1	1,000,000	0.01
<b>Total Subscribed and fully Paid-Up Capital</b>	<b>455,000</b>	<b>455,000,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>1,345,000</b>	<b>1,345,000,000,000</b>	

#### f.4.4. Board of Commissioners and Board of Directors

Based on Deed of Establishment, JPI's composition of members of Commissioners and Board of Directors is as follows:

##### Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto

##### Board of Directors

President Director	:	Garibaldi Thohir
Director	:	Sandiaga Salahuddin Uno
Director	:	Christian Ariano Rachmat
Director	:	Andre Johannes Mamuaya

#### f.4.5. Summary of Financial Statement

Below are presented the JPI's financial highlights for the period of one (1) month ended 31<sup>st</sup> January 2008 and the year ended 31<sup>st</sup> December 2007 quoted from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCooper) with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December (in IDR million)		
		2007	2006	2005
Total assets	1,524,111	1,512,235	n.a	n.a
Total liabilities	62	62	n.a	n.a
Minority interest	1,500	1,500	n.a	n.a
Equity	1,522,549	1,510,673	n.a	n.a
Revenue	-	-	n.a	n.a
Cost of revenue	-	-	n.a	n.a
Gross profit	-	-	n.a	n.a
Operating expense	-	-	n.a	n.a
Operating income	-	-	n.a	n.a
Net income	-	223	n.a	n.a

## f.5. PT Dianlia Setyamukti (“Dianlia”)

### f.5.1 Brief History

Dianlia was established based on Deed No. 71 dated 24<sup>th</sup> September 1991, as revised by Deed No. 56 dated 27<sup>th</sup> August 1993, both were drawn up before Sri Rahayu, S.H., Notary in Jakarta, ratified by the Minister of Justice of the Republic of Indonesia based on Decree No.C2-8837HT.01.01.TH.93 dated 11<sup>th</sup> September 1993, and published in BNRI No. 91 dated 12<sup>th</sup> November 1993, Supplement No. 5349.

Dianlia’s articles of association have been amended several times, and lastly amended by Deed No. 42 dated 30<sup>th</sup> June 2004, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-19863 HI.01.04.TH.2004 dated 6<sup>th</sup> August 2004, and published in BNRI No. 75 dated 17<sup>th</sup> September 2004, Supplement No. 9261.

### f.5.2 Business Activity

Dianlia’s current business activity in the sector of trading. Dianlia currently has investment in the form of equity participation in IBT and Adaro. Currently, Dianlia does not have operational activity.

### f.5.3. Shares Ownership

Based on Deed No. 32 dated 21 April 2004, drawn up before Poerbaningsih Adi Warsito SH., Notary in Jakarta, jo. Deed No. 72 dated 28<sup>th</sup> March 2005, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, Dianlia’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 100.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>4,000,000,000</b>	<b>400,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
ATA	999,999,999	99,999,999,900	99.99
SRIS	1	100	0.01
<b>Total Subscribed and fully paid-up capital</b>	<b>1,000,000,000</b>	<b>100,000,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>3,000,000,000</b>	<b>300,000,000,000</b>	

### f.5.4. Board of Commissioners and Board of Directors

Based on Deed No. 48 dated 26<sup>th</sup> December 2005, drawn up before Darmawan Tjoa, S.H., SE, Notary in Jakarta, Dianlia’s current composition of members of Commissioners and Board of Directors is as follows:

#### Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Ir. Subianto
Commissioner	:	Theodore Permadi Rachmat

#### Board of Directors

President Director	:	Garibaldi Thohir
Director	:	Andre Johannes Mamuaya
Director	:	Sandiaga Salahuddin Uno
Director	:	Christian Ariano Rachmat



### f.5.5. Summary of Financial Statement

Below are presented the Dianlia's financial highlights for the period of one (1) month ended 31st January 2008 and the years ended 31st December 2007, 2006, 2005 quoted from the financial statement audited by the Public Accounting Firm Haryanto Sahari and Rekan (member of PricewaterhouseCooper) with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	131,184	131,239	137,626	401,923
Total liabilities	3,197	3,244	3,382	305,640
Total equity	127,987	127,995	134,244	96,283
Revenue	-	-	-	3,135,252
Cost of revenue	-	-	-	2,576,245
Gross profit	-	-	-	559,007
Operating expense	2	2,925	29,921	73,363
Operating (loss)/income	(2)	(2,925)	(29,921)	485,664
Net (loss)/income	(8)	(6,249)	37,961	113,796

(in IDR million)

## 6.2. PT Saptaindra Sejati ("SIS")

### a. Brief History

SIS, domiciled in Jakarta, is a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on Company's Deed of Establishment No. 2 dated 14<sup>th</sup> June 1999, drawn up by Hasanali Yani Ali Amin, S.H., Notary in Jakarta. The deed was published in BNRI (State Gazette of the Republic of Indonesia) No. 43 dated 30<sup>th</sup> May 2000, Supplement No. 2746.

SIS' articles of association have been amended several times, and the last amendment was based on Deed of Statement of Shareholders' Resolutions No. 43 dated 31<sup>st</sup> March 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang ("Deed No. 43/2008"). The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No. AHU-16046.AH.01.02 dated 1<sup>st</sup> April 2008.

### b. Business Activity

SIS deals in the business line of mining contractor.

### c. Share Ownership

Based on Deed No. 43 dated 31<sup>st</sup> March 2008 ("Deed 43/2008"), drawn up before Humberg Lie, S.H., S.E., MKn., the capitalization structure of SIS is as follows:

Shareholders	Par Value IDR 1,000,000.- each share		
	Shares	Par	%
<b>Authorized capital</b>	<b>1,200,000</b>	<b>1,200,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
The Company	345,873	345,873,000,000	85.92
Joyce Corner International Ltd	56,679	56,679,000,000	14.08
<b>Total subscribed and fully paid-up capital</b>	<b>402,552</b>	<b>402,552,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>797,448</b>	<b>797,448,000,000</b>	

#### d. Board of Commissioners and Board of Directors

Based on Deed No. 16 dated 13<sup>th</sup> February 2008, drawn up before SP. Henny Singgih, S.H., Notary in Jakarta, the composition of members of Commissioners and Board of Directors of SIS is as follows:

##### Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Sandiaga Salahuddin Uno
Commissioner	:	Christian Ariano Rachmat
Commissioner	:	Kardinal A.Karim
Commissioner	:	Ir. Subianto

##### Board of Directors

President Director	:	Tjahyono Imawan
Director	:	Budi Rachman
Director	:	Bimantoro Adisanyoto
Director	:	Andre Johannes Mamuaya
Director	:	Cleos Harryanto
Director	:	Anis Sulistiadi
Director	:	A.Kurnia

#### e. Summary of Financial Statement

Below are presented the financial highlights of SIS for the period of one (1) month ended 31st January 2008 and the years ended 31st December 2007, 2006 and 2005 quoted from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion.

Description	(in IDR million)			
	31 <sup>st</sup> January 2008	2007	31 <sup>st</sup> December 2006	2005*
Total assets	2,888,516	2,964,865	2,043,288	1,183,420
Total liabilities	2,385,619	2,473,239	1,757,501	966,607
Minority interest	2	2	153	316
Total Equity	502,895	491,624	285,634	216,497
Revenue	121,359	1,404,062	1,108,011	602,404
Cost of revenue	110,025	1,101,637	907,357	449,791
Gross profit	11,334	302,425	200,654	152,613
Operating expense	5,786	55,859	42,965	23,470
Operating income	5,548	246,566	157,689	129,143
Net income	9,614	2,376	70,154	51,391

\*restated

## f. Information on Subsidiaries

### PT Satya Mandiri Persada (“SMP”)

#### Brief History

SMP was established based on Deed No. 6 dated 2<sup>nd</sup> September 2004, drawn up by Darmawan Tjoa, S.H., S.E., Notary in Jakarta, and has been approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-22605HT.01.01.TH.2004 dated 8<sup>th</sup> September 2004 and published in BNRI No. 83 dated 15<sup>th</sup> October 2004, Supplement No.10390.

SMP’s Articles of Association have been amended several times, lastly based on Deed No. 103 dated 27<sup>th</sup> March 2008, drawn up before SP Henny Singgih S.H., Notary in Jakarta.

#### Business Activity

SMP business activities are in the service area, including the leasing and the management of office building. SMP currently has and manages Graha Saptaindra building located in Jalan T.B. Simatupang Kav. 18, Cilandak Barat, South Jakarta.

#### Shares Ownership

Based on Deed of Statement of RUPSLB’s Resolutions No. 46 dated 19<sup>th</sup> December 2006, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, SMP’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000 each share		
	Shares	Par	%
Authorized capital	160,000,000	160,000,000,000	
Subscribed and fully paid-up capital			
SIS	39,997,500	39,997,500,000	99.99
Tjahyono Imawan	2,500	2,500,000	0.01
<b>Total Subscribed and fully paid-up capital</b>	<b>40,000,000</b>	<b>40,000,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>120,000,000</b>	<b>120,000,000,000</b>	

#### Board of Commissioners and Board of Directors

Based on Deed No. 103 dated 27 march 2008, drawn before SP Henny Singgih SH., Notary in Jakarta SMP’s current composition of Commissioners and Board of Directors is as follows:

##### Commissioners

President Commissioner : Edwin Soeryadjaya  
 Commissioner : Ir.Subianto

##### Board of Directors

President Director : Tjahyono Imawan  
 Director : Andre Johannes Mamuaya  
 Director : Sandiaga Salahuddin Uno

### Summary of Financial Statement

Below are presented the financial highlights of SMP for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007 and 2006 quoted from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion.

(in IDR million)

Description	31 <sup>st</sup> January		31 <sup>st</sup> December		
	2008	2007	2006	2005	
Total assets	52,592	52,794	40,490		n.a
Total liabilities	12,948	13,317	584		n.a
Equity	39,644	39,477	39,906		n.a
Total liabilities and equity	52,592	52,794	40,490		n.a
Revenue	439	4,611	781		n.a
Cost of revenue	293	3,686	704		n.a
Gross profit	146	925	77		n.a
Operating expense	14	644	116		n.a
Operating income/(loss)	132	281	(39)		n.a
Net income/(loss)	166	(430)	(67)		n.a

### 6.3 PT Makmur Sejahtera Wisesa (“MSW”)

#### a. Brief History

MSW was established based on Deed No. 96 dated 24<sup>th</sup> July 2001 drawn up before Yonsah Minanda, S.H., Notary in Jakarta and was ratified by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C07956-HI.01.01.TH.2001 on 11<sup>th</sup> September 2001 and published in BNRI No. 30 dated 13<sup>th</sup> April 2004, Supplement No. 3624.

MSW's Articles of Association have been amended several times, and the last amendment was made based on Notarial Deed No. 19 dated 15<sup>th</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, related to the Company's authorized capital increase. The Deed was approved by the Investment Coordinating Board No.46/III/PMA/2008 dated 15<sup>th</sup> January 2008 and by the Minister of Law and Human Rights of the Republic of Indonesia under Decree No.AHU-03552.AH.01.02.TH.2008 dated 24<sup>th</sup> January 2008.

#### b. Business Activity

MSW's business activities are in the supply of electric power plant, electric power backup and to conduct trading activity. The MSW is currently is still in the development phase.

#### c. Share Ownership

Based on Deed of Statement of Shareholders' Resolutions No. 67 dated 31<sup>st</sup> January 2008, drawn up before Humberg Lie, S.H., S.E., MKn, Notary in Tangerang, the capitalization structure and shareholders composition of MSW are as follows:

Shareholders	Par Value IDR 50,000.- each share		
	Shares	IDR	%
Authorized Capital	3,600,000	180,000,000,000	
Subscribed and fully paid-up capital			
The Company	921,965	46,098,250,000	99.59
PT Akarya Internasional	3,840	192,000,000	0.41
<b>Total Subscribed and fully paid-up capital</b>	<b>925,805</b>	<b>46,290,250,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>2,674,195</b>	<b>133,709,750,000</b>	

**d. Board of Commissioners and Board of Directors**

Based on Deed No. 62 dated 14<sup>th</sup> August 2006, drawn up before Darmawan Tjoa, S.H., SE, Notary in Jakarta, the composition of members of Commissioners and Board of Directors of MSW is as follows:

**Commissioners**

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Sandiaga Salahuddin Uno
Commissioner	:	Garibaldi Thohir
Commissioner	:	Tjahyono Imawan

**Board of Directors**

President Director	:	Laroya Chander Vinod
Director	:	Christian Ariano Rachmat
Director	:	Andre Johannes Mamuaya

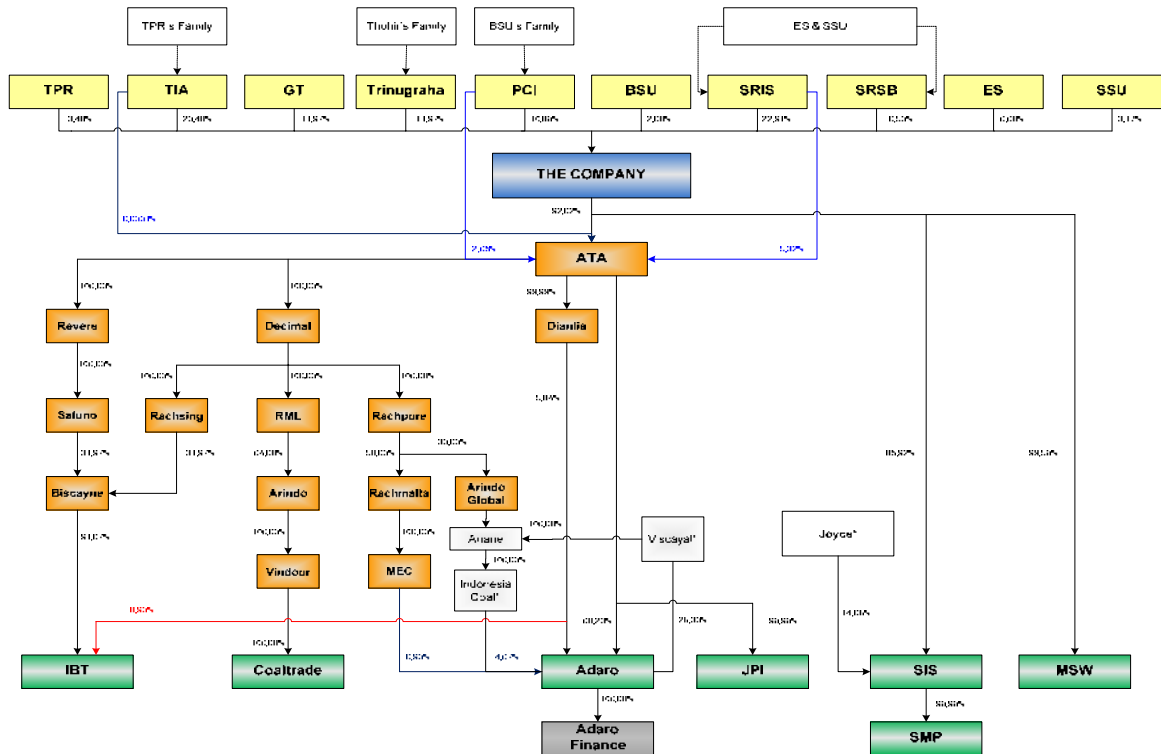
**e. Summary of Financial Statement**

Below are presented the financial highlights of MSW for the period of one (1) month ended 31<sup>st</sup> January 2008 and the years ended 31<sup>st</sup> December 2007, 2006 and 2005 quoted from the financial statement audited by the Public Accounting Firm Haryanto Sahari & Rekan (member of PricewaterhouseCoopers) with Unqualified Opinion.

Description	31 <sup>st</sup> January 2008	31 <sup>st</sup> December		
		2007	2006	2005
Total assets	43,106	43,501	4,340	610
Total liabilities	553	746	711	617
Total equity	42,553	42,755	3,629	(7)
Revenue	-	-	-	-
Cost of revenue	-	-	-	-
Gross profit/(loss)	-	-	-	-
Operating expense	305	3,931	1,361	23
Operating loss	(305)	(3,931)	(1,361)	(23)
Net loss	(202)	(2,125)	(923)	(47)

(in IDR million)

## 7. THE COMPANY'S STRUCTURE AND SUBSIDIARIES



Remarks :

- \* : not part of the Company's structure
- : controlled direct / indirectly
- : Company which have operational activity
- GT : Garibaldi Thohir
- ES : Edwin Soeryadjaya
- BSU : Ir. Subianto
- TPR : Theodore Permadi Rachmat
- TTL : Thomas Trikasih Lembong

Other abbreviation related to the Companies' names, can be seen in Definition and Abbreviation Chapters.

After the Public Offering, the structure of the Company and Subsidiaries may change. The Company is currently studying a more efficient and optimum company structure, which can eliminate Subsidiaries having no operational activities and giving no contribution of income or profit to the Company so that the ownership structure of the Company on the Subsidiaries becomes more efficient. The methods taken for eliminating the Subsidiaries are among others by liquidation, business merger, or by selling or transferring the Subsidiaries' ownership to the Company's affiliated parties, Board of Directors, Commissioners or Ultimate Shareholder, or the combination of them. If the method taken is by transfer, the transfer value shall refer to the assessment of an independent appraising company. The final result of this structure alteration will not reduce the Company's ownership on the subsidiaries as the Company's strategic business units, like Adaro, IBT, Coaltrade, SIS, MSW and JPI.

The relation of management and supervision of the Company, shareholders, and subsidiaries in the form of Indonesian legal entity is shown in the following table.

Name	Company		ATA		ADARO		IBT		JPI		SIS		SMP		Biscayne		MSW		Dianlia	
	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir
Edwin Soeryadjaya	PK	-	PK	-	PK	-	PK	-	PK	-	PK	-	PK	-	-	-	PK	-	PK	-
Theodore Permadi Rachmat	WPK	-	K	-	K	-	K	-	K	-	-	-	-	-	-	-	-	-	K	-
Ir. Subianto	K	-	K	-	K	-	K	-	K	-	K	-	K	-	-	-	-	-	K	-
Djoko Suyanto	KI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Palgunadi Tatit Setyawan	KI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Garibaldi thohir	-	PD	-	PD	-	PD	-	D	-	PD	-	-	-	-	-	-	K	-	-	PD
Christian Ariano Rachmat	-	WPD	-	D	-	D	-	D	-	D	K	-	-	-	-	-	-	D	-	D
Sandiaga Salahuddin Uno	-	D	-	D	-	D	-	PD	-	D	K	-	-	D	-	-	K	-	-	D
Andre J. Mamuya	-	D	-	D	-	-	-	-	-	D	-	D	-	D	-	-	-	D	-	D
A.H. Chia	-	DTT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-
David Tendian	-	DTT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-
Alastair Bruce Grant	-	DTT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-

Name	Adaro Finance	Arindo	Arindo Global	Decimal	MEC	Rachmalta	Rachpore	Rachsing	Revere	RML	Saluno	Vindoor
	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir	Dir
Edwin Soeryadjaya	-	-	-	-	-	-	-	-	-	-	-	-
Theodore Permadi Rachmat	-	-	-	-	-	-	-	-	-	-	-	-
Ir. Subianto	-	-	-	-	-	-	-	-	-	-	-	-
Djoko Suyanto	-	-	-	-	-	-	-	-	-	-	-	-
Palgunadi Tatit Setyawan	-	-	-	-	-	-	-	-	-	-	-	-
Garibaldi Thohir	-	-	-	-	-	D	-	-	-	-	-	-
Christian Ariano Rachmat	-	-	-	-	-	D	-	-	-	-	-	-
Sandiaga Salahuddin Uno	-	-	-	-	-	-	-	-	-	-	-	-
Andre J. Mamuya	-	-	-	-	-	-	-	-	-	-	-	-
A.H.Chia	-	-	-	-	-	-	-	-	-	-	-	-
David Tendian	-	-	-	-	-	-	-	-	-	-	-	-
Alastair Bruce Grant	-	-	-	-	-	-	-	-	-	-	-	-

Name	TIA		SRIS		TNT		PCI	
	Com	Dir	Com	Dir	Com	Dir	Com	Dir
Edwin Soeryadjaya	-	-	PK	-	-	-	-	-
Theodore Permadi Rachmat	-	-	-	-	-	-	-	-
Ir. Subianto	-	-	-	-	-	-	-	PD
Djoko Suyanto	-	-	-	-	-	-	-	-
Palgunadi Tatit Setyawan	-	-	-	-	-	-	-	-
Garibaldi thohir	-	-	-	-	-	PD	-	-
Christian Ariano Rachmat	-	D	-	-	-	-	-	-
Sandiaga Salahuddin Uno	-	-	-	PD	-	-	-	-
Andre J. Mamuya	-	-	-	-	-	-	-	D
A.H. Chia	-	-	-	-	-	-	-	-
David Tendian	-	-	-	-	-	-	-	-
Alastair Bruce Grant	-	-	-	-	-	-	-	-

**Note:**

PK	:	President Commissioner
WPK	:	Vice President Commissioner
K	:	Commissioner
KI	:	Independent Commissioner
PD	:	President Director
WPD	:	Vice President Director
D	:	Director
DTT	:	Non-Affiliated Director

## 8. BRIEF INFORMATION ON INSTITUTIONAL SHAREHOLDERS

### 8.1 PT Saratoga Investama Sedaya (“SRIS”)

#### a. Brief History

SRIS is a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on Deed of Establishment No. 41 dated 17<sup>th</sup> May 1991 as amended based on Amendment Deed No. 33 dated 13<sup>th</sup> July 1992, drawn up before Rukmasanti Hardjasatya, S.H., Notary in Jakarta, ratified by the Minister of Justice of the Republic of Indonesia based on Decree No.C2-10198.HT.01.01.TH.92 dated 15<sup>th</sup> December 1992 and published in BNRI No. 19 dated 5<sup>th</sup> March 1993, Supplement No. 973.

SRIS’ Articles of Association have been amended several times, lastly by Deed of Minutes of RUPSLB No.29 dated 31<sup>st</sup> August 1999, drawn up by Rukmasanti Hardjasatya, SH., Notary in Jakarta, approved by the Minister of Law and Legislation based on decree No.C-10.418.HT.04.TH.2000 dated 17<sup>th</sup> May 2000.

SRIS is addressed at Jl. Ir. H. Juanda III No.8 Jakarta.

#### b. Business Activity

SRIS’ current business activity is in investment.

#### c. Capitalization and Shareholders Composition

Based on deed No. 59 dated 29<sup>th</sup> November 2002 drawn up by Rukmasanti Hardjasatya, S.H., Notary in Jakarta, SRIS’ current capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>10,000</b>	<b>10,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Edwin Soeryadjaya	2,499	2,499,000,000	32.45
Sandiaga Salahuddin Uno	2,499	2,499,000,000	32.45
PT Saratoga Inti Perkasa	2	2,000,000	0.04
PT Unitras Pertama	2,700	2,700,000,000	35.06
<b>Total subscribed and fully paid-up capital</b>	<b>7,700</b>	<b>7,700,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>2,300</b>	<b>2,300,000,000</b>	

#### d. Board of Commissioners and Board of Directors

Based on Deed No. 13 dated 9<sup>th</sup> April 2008 drawn up before Darmawan T’joa, S.H., Notary in Jakarta, SRIS’ current composition of members of Commissioners and Board of Directors is as follows:

##### Board of Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Joyce Soeryadjaya Kerr
Commissioner	:	Rosan Perkasa



### Board of Directors

President Director	:	Sandiaga Salahuddin Uno
Vice President Director	:	Soeryadi Tenegar
Director	:	Husni Heron

## 8.2 PT Saratoga Sentra Business (“SRSB”)

### a. Brief History

SRSB is a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on Deed of Establishment No. 61 dated 29<sup>th</sup> June 2005, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta and ratified by the Minister of Law and Human Rights of the Republic of Indonesia based on decree No.C-18796HT.01.01.TH.2005 dated 6<sup>th</sup> July 2005 and published in BNRI No. 69 dated 30<sup>th</sup> August 2005, Supplement No. 9256.

SRSB is addressed at Jl. Ir. H. Juanda III No.8 Jakarta.

### b. Business Activity

SRSB’s current business activity is in trading.

### c. Capitalization and Shareholders Composition

Based on deed No. 30 dated 30<sup>th</sup> November 2005, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, SRSB’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
Authorized capital	20,000	20,000,000,000	
Subscribed and fully paid-up capital			
PT Saratoga Investama Sedaya	13,099	13,099,000,000	99.99
Edwin Soeryadjaya	1	1,000,000	0.01
<b>Total subscribed and fully paid-up Capital</b>	<b>13,100</b>	<b>13,100,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>6,900</b>	<b>6,900,000,000</b>	

### d. Board of Commissioners and Board of Directors

Based on Deed No. 30 dated 30<sup>th</sup> November 2005, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, SRSB’s current composition of members of Commissioners and Board of Directors is as follows:

#### Board of Commissioners

President Commissioner	:	Edwin Soeryadjaya
Commissioner	:	Drs. Suryadi Tenegar

#### Board of Directors

President Director	:	Sandiaga Salahuddin Uno
Director	:	Husni Heron

### 8.3 PT Triputra Investindo Arya (“TIA”)

#### a. Brief History

TIA is a limited liability company established based on and regulated by the law of the Republic of Indonesia based on Deed No. 34 dated 15<sup>th</sup> October 1998, drawn up before Rukmasanti Hardjasatya, S.H., Notary in Jakarta, which was ratified by the Minister of Justice of the Republic of Indonesia based on Decree No. C-5308 HT.01.01.TH.99 dated 26<sup>th</sup> March 1999 and published in BNRI No. 68 dated 25<sup>th</sup> August 2000, Supplement No. 4803.

TIA’s articles of association have been amended several times, lastly by Deed of Minutes of RUPSLB No. 33 dated 18<sup>th</sup> December 2007, drawn up by Rukmasanti Hardjasatya, S.H., Notary in Jakarta. The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No. C-07898 HT.01.04-TH.2007 dated 28<sup>th</sup> December 2007.

TIA is addressed at Menara Kadin Indonesia floor 23, Jl.HR. Rasuna Said Block X-5, kav.2-3, Kuningan Timur, Setiabudi, South Jakarta.

#### b. Business Activity

TIA’s current business activity is in investment.

#### c. Capitalization and Shareholders Composition

Based on Deed of Minutes of RUPSLB No. 23 dated 20<sup>th</sup> November 2007, drawn up by Rukmanasanti Hardjasatya, S.H., Notary in Jakarta, TIA’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>150,000</b>	<b>150,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
Liki Rani Imanto	149,929	149,929,000,000	99.99
Christian Arianto Rachmat	1	1,000,000	0.01
<b>Total Subscribed and fully paid-up capital</b>	<b>149,930</b>	<b>149,930,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>70</b>	<b>70,000,000</b>	

#### d. Board of Commissioners and Board of Directors

Based on Deed of Minutes of RUPSLB No. 33 dated 18<sup>th</sup> December 2007, drawn up by Rukmasanti Hardjasatya, S.H., Notary in Jakarta, TIA’s current composition of members of Commissioners and Board of Directors is as follows:

##### Commissioner

President Commissioner : Like Rani Imanto

##### Board of Directors

President Director : Christian Ariano Rachmat

## 8.4 PT Persada Capital Investama (“PCI”)

### a. Brief History

PCI, domiciled in Jakarta, is a limited liability company established based on and regulated by the law of the Republic of Indonesia based on Deed No. 27 dated 9<sup>th</sup> July 2003, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta. PCI’s Deed of Establishment was published in BNRI No. 71 dated 5<sup>th</sup> September 2003, Supplement No. 7962.

PCI’s articles of association have been amended, lastly by Deed of Minutes of Extraordinary General Meeting of Shareholders No. 69 dated 28<sup>th</sup> December 2007, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta. The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No. C-AHU-01948.AH.01.02.Tahun 2008 dated 16<sup>th</sup> January 2008.

PCI is addressed at Menara Kadin Indonesia floor 10 unit C, Jl.HR. Rasuna Said Block X-5, kav.2-3, Kuningan Timur, Setiabudi, South Jakarta.

### b. Business Activity

PCI’s current business activity is in investment.

### c. Capitalization and Shareholders Composition

Based on Deed of Minutes of Extraordinary General Meeting of Shareholders No. 69 dated 28<sup>th</sup> December 2007, drawn up by Darmawan Tjoa, S.H., S.E., Notary in Jakarta, PCI’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 1,000,000.- each share		
	Shares	IDR	%
<b>Authorized Capital</b>	<b>150,000</b>	<b>150,000,000,000</b>	
<b>Subscribed and fully paid-up capital</b>			
PT Tri Nur Cakrawala	37,500	37,500,000,000	50.00
PT Pandu Alampersada	37,500	37,500,000,000	50.00
<b>Total subscribed and fully Paid-Up capital</b>	<b>75,000</b>	<b>75,000,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>75,000</b>	<b>75,000,000,000</b>	

### d. Board of Commissioners and Board of Directors

Based on Deed of Statement of RUPSLB Resolutions No. 24 dated 8<sup>th</sup> March 2005 drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, the composition of members of the Board of Directors and Board of Commissioners is as follows:

#### Board of Commissioner

President Commissioner	:	Meity Subianto
Commissioner	:	Arini Saraswaty Subianto
Commissioner	:	Armeilia Widayanti Subianto
Commissioner	:	Ardiani Kartikasari Subianto
Commissioner	:	Doktorandus Setia Budhi
Commissioner	:	Syamsul Hoiri, S.H.

### Board of Directors

President Director	:	Ir. Subianto
Director	:	Andre Johannes Mamuaya
Director	:	Crescento Hermawan
Director	:	Toddy Mizaabianto Sugoto
Director	:	Trianto Irawan

## 8.5 PT Trinugraha Thohir (“Trinugraha”)

### a. Brief History

Trinugraha is a limited liability company established based on and regulated by the law of the Republic of Indonesia based on Deed No. 32 dated 22<sup>nd</sup> May 1990, drawn up before Hajjah Asmin Arifin Astrawi Nata Latif, S.H., Notary in Jakarta, which was ratified by the Minister of Justice of the Republic of Indonesia based on Decree No. C2-4931.HT.01.01.TH.90 dated 16<sup>th</sup> August 1990. Trinugraha’s Deed of Establishment was published in State Gazette No. 102 dated 21<sup>st</sup> December 1990, Supplement No. 5206.

Trinugraha’s articles of association have been amended several times, lastly by Deed No. 140 dated 25<sup>th</sup> November 1999, drawn up before Irawan Soerodjo, S.H., Notary in Jakarta. The amendment was approved by the Minister of Law and Legislation under No. C-7044.HT.01.04-TH.2000 dated 22<sup>nd</sup> March 2000, and published in State Gazette No. 86 dated 27<sup>th</sup> October 2000, Supplement No. 6471.

Trinugraha is addressed at Wisma TNT floor 3, Jalan Dr. Saharjo No.107, Tebet Barat, Tebet, South Jakarta.

### b. Business Activity

Trinugraha’s current business activity is in investment.

### c. Capitalization and Shareholders Composition

Based on Deed No. 140 dated 25<sup>th</sup> November 1999, drawn up before Irawan Soerodjo, S.H., Notary in Jakarta, Trinugraha’s capitalization structure and shareholders composition are as follows:

Shareholders	Par Value IDR 125,000.- each share		
	Shares	IDR	%
<b>Authorized capital</b>	<b>400,000</b>	<b>50,000,000,000</b>	
<b>Subscribed and fully paid-up capital:</b>			
Mochamad Teddy Thohir	46,400	5,800,000,000	40.00
Edna Thohir	34,800	4,350,000,000	30.00
Erick Thohir	11,600	1,450,000,000	10.00
Hireka Vitaya	11,600	1,450,000,000	10.00
Garibaldi Thohir	11,600	1,450,000,000	10.00
<b>Total subscribed and fully paid-up capital</b>	<b>116,000</b>	<b>14,500,000,000</b>	<b>100.00</b>
<b>Total shares in portfolio</b>	<b>284,000</b>	<b>35,500,000,000</b>	

**d. Board of Commissioners and Board of Directors**

Based on Deed No. 3 dated 2<sup>nd</sup> January 2006 drawn up before Dr. Irawan Soerodjo, S.H., Magister of Science, Notary in Jakarta, Trinugraha's composition of members of Commissioners and Board of Directors is as follows:

**Commissioner**

President Commissioner	:	Mochamad Teddy Thohir
Commissioner	:	Edna Thohir

**Board of Directors**

President Director	:	Garibaldi Thohir
Director	:	Hireka Vitaya
Director	:	Erick Thohir

**9. INFORMATION ON FIXED ASSETS AND INSURANCE**

**FIXED ASSETS**

The Company and Subsidiaries have and or control some fixed assets in the form of land, building or production facility and production equipments or machines located in some areas usually adjacent to the projects that have been undertaken and or are being undertaken. The fixed assets are among others:

**Company**

Today, the Company has no fixed assets of material value. The assets owned by the Company are currently only in the form of office instruments and equipments, all assets recorded in the Company's financial statement are assets directly owned by the Subsidiaries.

**By Adaro**

According to PKP2B, the properties, equipments and other physical assets purchased in connection with the mining operation in the concession area for the period as specified in PKP2B agreement will accrue to the Government at the time of purchase. Although the properties, equipments and other physical assets purchased by Adaro and all coal stocks are classified as Adaro's assets in its balance sheet, Adaro does not have the legal ownership on these assets.

### By IBT

IBT has and / or controls buildings and lands with the total area of 626,726 m2 with the following data:

No.	Location	Proof of Ownership/Control	Area (m2)
1.	Gosong Panjang Village, Pulau Laut Barat Subdistrict, Kotabaru Regency, South Kalimantan Province	Statement of Renunciation of Title to Land (Plot 1-101)	604,028
2.	Gosong Panjang Village, Pulau Laut Barat Subdistrict, Kotabaru Regency, South Kalimantan Province (RT 02)	Statement of Renunciation of Title to Land	10,354
3.	Gosong Panjang Village, Pulau Laut Barat Subdistrict, Kotabaru Regency, South Kalimantan Province (RT 03)	Statement of Renunciation of Title to Land	2,259
4.	Gosong Panjang Village, Pulau Laut Barat Subdistrict, Kotabaru Regency, South Kalimantan Province (RT 04)	Statement of Renunciation of Title to Land	4,461
5.	Gosong Panjang Village, Pulau Laut Barat Subdistrict, Kotabaru Regency, South Kalimantan Province (RT 05)	Statement of Renunciation of Title to Land	5,624
Total			626,726

### By SIS

SIS has and / or controls buildings and lands with the total area of 39,497 m2 with the following data:

No.	Location	Proof of Ownership/Control	Registered In the Name of	Date of Certificate Issue	Date of Right Expiration	Area (m2)
1.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	Right to Build (HGB) Certificate No.174	SIS	29-10-2004	24-09-2034	398
2.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.175	SIS	29-10-2004	24-09-2034	200
3.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.176	SIS	29-10-2004	24-09-2034	200
4.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.177	SIS	29-10-2004	24-09-2034	200
5.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.178	SIS	29-10-2004	24-09-2034	200
6.	Mabu'un Village, Murung Pudak Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.179	SIS	29-10-2004	24-09-2034	219

7.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.180	SIS	29-10-2004	24-09-2034	199
8.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.194	SIS	1-12-2004	24-09-2034	400
9.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.195	SIS	1-12-2004	24-09-2034	200
10.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.196	SIS	1-12-2004	24-09-2034	200
11.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.197	SIS	1-12-2004	24-09-2034	355
12.	Mabu'un Village, Murung Puduk Subdistrict, Tabalong Regency, South Kalimantan Province	HGB Certificate No.200	SIS	1-12-2004	24-09-2034	200
13.	Jalan Durian III, Gunung Panjang Urban Village, Berau Regency, Tanjung Redeb Subdistrict, East Kalimantan	HGB Certificate No.49	SIS	20-02-2006	N/A	150
14.	Maburai Village, Murung Pundak Subdistrict, Tabalong Regency, South Kalimantan	HGB Certificate No.00017	SIS	2-08-2004	12-06-2032	8,018
15.	Maburai Village, Murung Pundak Subdistrict, Tabalong Regency, South Kalimantan	HGB Certificate No.00016	SIS	20-12-2003	12-06-2032	17,002
16.	Maburai Village, Murung Pundak Subdistrict, Tabalong Regency, South Kalimantan	HGB Certificate No.00015	SIS	23-07-1994	12-06-2032	2,867
17.	Maburai Village, Murung Pundak Subdistrict, Tabalong Regency, South Kalimantan	HGB Certificate No.00014	SIS	18-06-2003	12-06-2032	5,590
Total						39,497

The Company by SIS also has fixed assets in the form of heavy equipments comprising dump truck, bulldozers, grader, excavator, loader, drilling machines, etc. with the following details:

No.	Type	Quantity
1	Drilling Machine	18
2	Buldozer	44
3	Wheel dozer	1
4	Excavator	85
5	Grader	29

6	Articulate Truck	55
7	Dump Truck	205
8	Wheel Loader	6
9	Head Truck	66
10	Vessel	120
11	Dolly	60
		<b>690</b>

No.	Type	Quantity
3	Crane Truck	10
4	Washing Truck	7
5	Water Truck	21
6	Fuel Truck	20
7	Lube Truck	16
8	Fork Lift	9
9	Loboy	2
10	Crane Mobile	1
		<b>86</b>

### By SMP

SMP has and / or controls buildings and lands with the total area of 4,777 m2 with the following data:

No.	Location	Proof of Ownership/ Control	Registered in the name of	Date of Certificate Issue	Date of Expiration of Title	Area	Guarantee Attached to the Land
1.	Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta	Right to Build (HGB) No.689	SMP	24 <sup>th</sup> April 1995	12 <sup>th</sup> February 2027	2500 M2	Second Mortgage is held by PT Bank Niaga Tbk. based on Deed of Mortgage No.4599/2007 drawn up by E.Betty Budiyanti Moesigit SH., Land Deed Official in Jakarta dated 10 <sup>th</sup> October 2007 of IDR 6,500,000,000.00.
2.	Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta	Right to Build (HGB) No.1559	SMP	2 <sup>nd</sup> June 2000	1 <sup>st</sup> June 2020	332 M2	Second Mortgage is held by PT Bank Niaga Tbk. based on Deed of Mortgage No.4599/2007 drawn up by E.Betty Budiyanti Moesigit SH., Land Deed Official in Jakarta dated 10 <sup>th</sup> October 2007 of IDR 6,500,000,000.00.



No.	Location	Proof of Ownership/ Control	Registered in the name of	Date of Certificate Issue	Date of Expiration of Title	Area	Guarantee Attached to the Land
3.	Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta	Right to Build (HGB) No.1560	SMP	19 <sup>th</sup> May 2000	18 <sup>th</sup> May 2020	67 M2	Second Mortgage is held by PT Bank Niaga Tbk. based on Deed of Mortgage No.4599/2007 drawn up by E.Betty Budiyaniti Moesigit SH., Land Deed Official in Jakarta dated 10 <sup>th</sup> October 2007 of IDR 6,500,000,000.00.
4.	Jl. Gereja RT/RW. 006/09, Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta Municipality	Right to Build (HGB) No.2016	SMP	22 <sup>nd</sup> February 2005	31 <sup>st</sup> July 2037	240 M2	Mortgage No.181/2008; Based on Deed of Land Deed Official No.312/2007 dated 28 <sup>th</sup> December 2007 drawn up before E.Betty Budiyaniti Moesigit SH., Mortgagee of PT Bank Niaga Tbk., registration date: 21 <sup>st</sup> January 2008.  Security Value: IDR 6,573,000,000.00
5.	Jl. Gereja RT/RW. 006/09, Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta Municipality	Right to Build (HGB) No.2017	SMP	22 <sup>nd</sup> February 2005	31 <sup>st</sup> July 2037	235 M2	Mortgage No.181/2008; Based on Deed of Land Deed Official No.312/2007 dated 28 <sup>th</sup> December 2007 drawn up before E.Betty Budiyaniti Moesigit SH., Mortgagee of PT Bank Niaga Tbk., registration date: 21 <sup>st</sup> January 2008.  Security Value: IDR 6,573,000,000.00
6.	Jl. Gereja RT/RW. 006/09, Kelurahan Cilandak Barat, Cilandak Subdistrict, South Jakarta Municipality	Right to Build (HGB) No.2018	SMP	21 <sup>st</sup> June 2007	31 <sup>st</sup> July 2037	1,168 M2	Mortgage No.181/2008; Based on Deed of Land Deed Official No.312/2007 dated 28 <sup>th</sup> December 2007 drawn up before E.Betty Budiyaniti Moesigit SH., Mortgagee of PT Bank Niaga Tbk., registration date: 21 <sup>st</sup> January 2008.  Security Value: IDR 6,573,000,000.00
7.	Jl. Gereja RT/RW. 006/09, Cilandak Barat Urban Village, Cilandak Subdistrict, South Jakarta Municipality	Right to Build (HGB) No.2020	SMP	22 <sup>nd</sup> February 2005	19 <sup>th</sup> August 2037	235 M2	Mortgage No.181/2008; Based on Deed of Land Deed Official No.312/2007 dated 28 <sup>th</sup> December 2007 drawn up before E.Betty Budiyaniti Moesigit SH., Mortgagee of PT Bank Niaga Tbk., registration date: 21 <sup>st</sup> January 2008.

No.	Location	Proof of Ownership/ Control	Registered in the name of	Date of Certificate Issue	Date of Expiration of Title	Area	Guarantee Attached to the Land
							Security Value: IDR 6,573,000,000.00
<b>TOTAL</b>						<b>4,777 M2</b>	

### Insurance on the assets of the Company and Subsidiaries:

The Company and Subsidiaries insure the assets of its possession in several insurance companies of third parties in connection with its operation activities. The information on the list of assets insured is as follows:

#### Adaro:

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Amount	Remarks
1	PT Tugu Pratama Indonesia	PUFO0700103	1 <sup>st</sup> May 2007- 1 <sup>st</sup> May 2008	Property All Risks Insurance, (caused by external factors)  Machinery Breakdown Insurance  (caused by internal factors or solely by the machines when in operation) and  Business Interruption /  income loss Insurance	US\$ 201,480,808.00	Co- Insurance:  1. PT Tugu Pratama Indonesia-40%  2. PT Asuransi Allianz Utama Indonesia-20%  3. PT Asuransi Jasa Indonesia-20%  4. PT Asuransi Central Asia-10%  5. PT Asuransi Tokio Marine-10%
2	PT Asuransi QBE Pool Indonesia	12 0002040 PUL	1 <sup>st</sup> May 2007- 1 <sup>st</sup> May 2008	Board from Liability Insurance	Product Liability: US\$ 25,000,000.00 (any one occurrence) Product Liability: US\$ 25,000,000.00 (any one occurrence) but only applicable to elsewhere in the world other than USA /Canada, US\$ 5,000,000.00 (any one occurrence) Employers Liability: US\$ 2,000,000.00 (any one occurrence) Automobile Liability: US\$ 1,000,000.00 (any	Jurisdiction :  1. World wide excluding USA/Canada, Cuba and North Korea  2. USA/Canada but only in respect of product liability arising from exporting "Envirocoal" only USA/Canada

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Amount	Remarks
					one occurrence)	
3	PT Asuransi AXA Indonesia	003312007	1 <sup>st</sup> May 2007*	Marine Cargo Insurance	US\$ 5,000,000.00 (any one vessel at the time of delivery or any one loss in any location)  US\$ 1,000,000.00 (in respect of movements)	
4	PT Asuransi AXA Indonesia	PAC 10017439	1 <sup>st</sup> May 2007-30 <sup>th</sup> April 2008*	All Risks  (except those excepted by the policy, such as war, terrorism, deliberation)	1. US\$ 647,605.00 for Dahai branch Office 2. US\$ 111,822.00 for Jakarta branch office 3. US\$ 384,471.00 for Kelanis branch office 4. US\$ 76,444.00 for Banjarmasin branch office 5. US\$ 313,408.00 for any location in the Republic of Indonesia	
5	PT Asuransi AXA Indonesia	TCX 10017782	1 <sup>st</sup> May 2007-30 <sup>th</sup> April 2008	Commercial Earthquake Insurance	1. US\$ 647,605.00 for Dahai branch Office 2. US\$ 111,822.00 for branch Jakarta office 3. US\$ 384,471.00 for Kelanis branch office 4. US\$ 76,444.00 for Banjarmasin branch office	
6	PT Asuransi AXA Indonesia	PAE 10008600 BRBS	1 <sup>st</sup> May 2007-30 <sup>th</sup> April 2008*	Equipment All risks Insurance  (the same as PAR, but specialized for equipments)	US\$ 807,558.00 for Kalimantan branch office	
7	PT Asuransi AXA Indonesia	PEG 10008607	1 <sup>st</sup> May 2007-30 <sup>th</sup> April 2008*	Construction Plant & Equipment Insurance	US\$ 1,930,330.00	
8	PT Asuransi AXA Indonesia	PEG 00024275	1 <sup>st</sup> May 2007-30 <sup>th</sup> April	Construction Plant & Equipment	US\$ 389,000,000.00	

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Amount	Remarks
			2008*	Insurance		
9	PT ACE Insurance	530.001951	1 <sup>st</sup> May 2007- 30 <sup>th</sup> April 2008*	Personal Accident policy Insurance	US\$ 2,500,000.00 (any one occurrence)	Maximum age Limit 65 years old
10	PT Zurich Insurance Indonesia	06 ZI PMC 1062994	1 <sup>st</sup> May 2007- 1 <sup>st</sup> May 2008*	Private Motor Vehicle Insurance	US\$25,000,000.00 (any one accident per vehicle)  US\$ 5,000.00 (any one accident per motor cycle)	
11	PT Asuransi QBE Pool Indonesia	12 0018399 HUL	30 <sup>th</sup> April 2007-30 <sup>th</sup> April 2008*	Marine Hull and Machinery Insurance	US\$ 40,831.00	everything connected with hull, shipment and machinery,

\*in the process of extension

#### IBT:

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount	Remarks
1	PT ACE Insurance	530.001918	31 <sup>st</sup> December 2007-31 <sup>st</sup> December 2008	Group Personal Accident insurance-24 Hours, worldwide	IDR 5,096,328,000	Coverage: Accidental Death & Permanent Disablement  Basis Sum Insured: 24 Monthly salary per persons
2	PT Asuransi QBE Pool Indonesia	12 0004928 EQK	22 <sup>nd</sup> June 2007- 22 <sup>nd</sup> June 2008	Standard Indonesian Earthquake insurance (Based on the rule of Indonesian insurance association/FAPI at the recommendation of the Department of Finance)	US\$ 118,925,428.20	Risk Location: Pulau Laut, South Kalimantan, Indonesia and elsewhere throughout Indonesia where the insured operates.  Co-insurance  PT Asuransi QBE Pool Indonesia - 30%  PT Tugu Pratama Indonesia - 20%  PT Asuransi AIU Indonesia - 25%

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount	Remarks
						PT Asuransi Allinaz Utama Indonesia - 15% PT Asuransi Astra Buana - 10%
3	PT QBE Pool Indonesia	12 0002626 PUL	22 <sup>nd</sup> June 2007-22 <sup>nd</sup> June 2008	Public and product Liability  (of physique and goods) of other parties caused by business activities and damage of goods marketed.	US\$ 5,000,000.00 (any one occurrence, unlimited during the policy period)	World wide excluding USA/Canada
4	PT QBE Pool Indonesia	12 0016304 HUL	22 <sup>nd</sup> June 2007-22 <sup>nd</sup> June 2008	Marine Hull and Machinery Insurance	US\$ 40,000.00	Deductible : US\$ 1,000.00 (each and every loss)
5	PT QBE Pool Indonesia	12 0002834 EQU	22 <sup>nd</sup> June 2007-22 <sup>nd</sup> June 2008	Equipment Insurance	US\$ 5,399,900.00	Deductible : US\$ 5,000.00 (each and every loss)
6	PT QBE Pool Indonesia	120002742 IAR	22 <sup>nd</sup> June 2007-22 <sup>nd</sup> June 2008	Property insurance	US\$ 118,925,428.20	Co-insurance  PT Asuransi QBE Pool Indonesia - 30%  PT Tugu Pratama Indonesia - 20%  PT Asuransi AIU Indonesia - 25%  PT Asuransi Allianz Utama Indonesia - 15%  PT Asuransi Astra Buana - 10%
7	PT Asuransi Mitsui Sumitomo Indonesia	DM 508000030001 00	31 <sup>st</sup> December 2007-31 <sup>st</sup> December 2008	Money Insurance	IDR 600,000,000 Cash in Transit  IDR 90,000,000 Cash in Safe	
8	PT Asuransi Mitusi Sr Vehicle-Umitomo Indonesia	34000199	1 <sup>st</sup> January 2008-31 <sup>st</sup> December 2008	Motor vehicle endorsement	IDR 30,610,980.00	

**SIS:**

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
1	Asuransi Adira Dinamika	990508000003	2 <sup>nd</sup> Jan 2008 – 2 <sup>nd</sup> Jan 2009	All Risks	US\$ 89,50	Patria SST Diesel
		990508000004			US\$ 482,900	Komatsu HD Volvo FM9 Volvo FM9 Volvo FM9 Manitou Volvo FM9 Komatsu HD Patria SST 174
		990508000005			US\$ 121,950	
		990508000006			US\$ 119,700	
		990508000007			US\$ 137,050	
		990508000008			US\$ 162,937	
		990508000009			US\$ 106,297	
		990508000010			US\$ 482,900	
		990508000011			US\$ 482,900	
		990508000012-			US\$ 89,540 X 8	
990508000020						
2	PT Asuransi Astra Buana	HEMC05QPJZ-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	All Risks	US\$ 280,00 x 2	Volvo A40D
		HEMC05QQ4W-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	All Risks	US\$ 399,000 x 5	Terex TR 60
		HEMC05QQ4C-0701				
		HEMC05QQ5C-0701				
		HEMC05QQ44-0701				
		HEMC05QQ41-0701				
		HEMC05QQ7T-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	TLO	US\$ 86,000	Volvo Excavator
		HEMC05QQ72-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	TLO	US\$ 218,000	Daewoo
		HEMC05QRHV-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	All Risks	US\$ 63,500	Renault Kerax 350
		HEMC05QRID-0701	6 <sup>th</sup> Jun 2007 – 6 <sup>th</sup> Jun 2008	All Risks	US\$ 165,000 x 2	Volvo FH16
HEMC05QVX2-0701	29 <sup>th</sup> Jun 2007 – 29 <sup>th</sup> Jun 2008	All Risks	US\$ 684,000	Komatsu HD785		
HEMC05QXFC-0701	14 <sup>th</sup> Jul 2007 – 14 <sup>th</sup> Jul 2008	All Risks	US\$ 71,060	Renault Kerax		

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		HEMC05QXFW-0701	17 <sup>th</sup> Jul 2007 – 17 <sup>th</sup> Jul 2008	All Risks	US\$ 146,569	350 Renault Kerax 350
		HEMC05QW92-0701	19 <sup>th</sup> Jul 2007 – 19 <sup>th</sup> Jul 2008	TLO	US\$ 1,370,000	Komatsu PC 1800-6
		HEMC05QF8-0701	19 <sup>th</sup> Jul 2007 – 19 <sup>th</sup> Jul 2008	TLO	US\$ 60,000 x 2	Patria Triple AXLE
		HEMC05QGX-0701	19 <sup>th</sup> Jul 2007 – 19 <sup>th</sup> Jul 2008	TLO	US\$ 218,000	Daewoo Solar
		HEMC05QXF8-0701	19 <sup>th</sup> Jul 2007 – 19 <sup>th</sup> Jul 2008	TLO	US\$ 77,500 x 4	Patria Tripping Trailer
		HEMC05QFO-0701	29 <sup>th</sup> Jul 2007 – 29 <sup>th</sup> Jul 2008	TLO	US\$ 153,000	Komatsu HD785-5
		HEMC05XAJ-0701	29 <sup>th</sup> Jul 2007 – 29 <sup>th</sup> Jul 2008	TLO	US\$ 89,280	Komatsu HD785-5 Volvo A40
		HEMC05PQ5U-0702	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	All Risks	US\$ 305,000 x 4	Furukawa
		HEMC05PQMO-0702	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	TLO	JPY 26,500,000	Hitachi EX1200
		HEMC05PQ1U-0601	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	TLO	US\$ 670,000	Mercy ACTROSS
		HEMC05PQ5U-0601	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	All Risks	US\$ 130,000	Cat 992C Loader
		HEMC05PQ1U-0601	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	TLO	US\$ 194,000	Komatsu

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		HEMC05PQ41-0601	15 <sup>th</sup> Aug 2007 – 15 <sup>th</sup> Aug 2008	TLO	US\$ 1,470,000	Patrial Dolly
		HEMC05PRJZ-0702	2 <sup>nd</sup> Sept 2007 – 2 <sup>nd</sup> Sept 2008	TLO	US\$ 344,965,182 x3	Komatsu PC 1800
		HEMC05PRKM-0702	2 <sup>nd</sup> Sept 2007 – 2 <sup>nd</sup> Sept 2008	TLO	US\$ 1,370,000	Patria SSt 174 Vessel
		HEMC05PRJZ-0702	2 <sup>nd</sup> Sept 2007 – 2 <sup>nd</sup> Sept 2008	TLO	US\$ 751,954,408x6	Furukawa PCR
		HEMC05PYG7-0702	16 <sup>th</sup> Sept 2007 – 16 <sup>th</sup> Sept 2008	TLO	JPN 12,500,000	Furukawa HCR 1500
		HEMC05Q7YP-0701	2 <sup>nd</sup> Oct 2007 – 2 <sup>nd</sup> Oct 2008	All Risks	US\$ 31,020,000x2	Komatsu PC 800SE
		HEMC05PYU2-0702	22 <sup>nd</sup> Oct 2007 – 22 <sup>nd</sup> Oct 2008	TLO	US\$ 500,000	Multiflo MFV
		HEMC05PZCT-0702	22 <sup>nd</sup> Oct 2007 – 22 <sup>nd</sup> Oct 2008	TLO	US\$ 106,292x2	Multiflo MFV
		HEMC05PYUR-0702	22 <sup>nd</sup> Oct 2007 – 22 <sup>nd</sup> Oct 2008	TLO	US\$ 285,250x2	Patria SST 74 Vessel
		HEMC05PZ15-0702	31 <sup>st</sup> Oct 2007 – 31 <sup>st</sup> Oct 2008	TLO	US\$ 83,000x6	Terex TR 60 Dump Truck
		HEMC05RDBK-0701	11 <sup>th</sup> Nov 2007 – 11 <sup>th</sup> Nov 2008	All Risks	US\$ 399,000x4	Terex TR 100 Dump Truck
		HEMC05RCF8-0701	11 <sup>th</sup> Nov 2007 – 11 <sup>th</sup> Nov 2008	All Risks	US\$ 661,000x2	Komatsu HD465-7 Dump Truck
		HEMC05RCIV-0701	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	US\$ 487,000	Komatsu HD465-7
						Komatsu



No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		HEMC05RCHB0701	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	US\$ 439,000	HD465-7 Komatsu PC400LCSE
		HEMC05RCHK0701	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	US\$ 498,000	Volvo FH16 6x4 prime Mover
		HEMC05RCNN0701	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	AS 257,000	Multiflo MFVC-420
		HEMC05RC16-0701	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	AS 165,000	Komatsu D85ESS-2 Bulldozer
		HEMC05P21A-0702	17 <sup>th</sup> Nov 2007 – 17 <sup>th</sup> Nov 2008	All Risks	US\$ 435,000	Volvo FH16
		HEMC05RCLO-0701	30 <sup>th</sup> Nov 2007 – 30 <sup>th</sup> Nov 2008	All Risks	US\$ 155,482	
		HEMC05RCK7-0701& HEMC05RCLH-0701	30 <sup>th</sup> Nov 2007 – 30 <sup>th</sup> Nov 2008	All Risks	US\$ 157,567x2	
3	PT Zurich Insurance Indonesia	06ZI-CPM-1068301	15 <sup>th</sup> Oct 2007-15 <sup>th</sup> Oct 2008	TLO	US\$ 83,000	Patria SST74 Vessel
		07ZI-CPM-075597	23 <sup>rd</sup> Jun 2007 – 23 <sup>rd</sup> Jun 2008	TLO	US\$ 280,000	Cat 992C Loader WL003
		07ZI-CPM-075599	25 <sup>th</sup> Jun 2007 – 25 <sup>th</sup> Jun 2008	All Risks	US\$ 146,535	Mercy Actross 4046 Crane Truck  Komatsu 0375A-5

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		07ZI-CPM-075604	25 <sup>th</sup> Jun 2007 – 25 <sup>th</sup> Jun 2008	TLO	US\$ 575,000	Bulldozer
						Daewoo Solar 500LC-V
					US\$ 218,000	Komatsu D85ESS
		07ZI-CPM-076777	29 <sup>th</sup> Jun 2007 – 29 <sup>th</sup> Jun 2008	TLO	US\$ 148,000	Renault Kerax
		07ZI-CPM-074967	6 <sup>th</sup> Jul 2007 – 6 <sup>th</sup> Jul 2008	TLO	US\$ 128,050	Komatsu PC 1250Sp-7
		07ZI-CPM-076771	28 <sup>th</sup> Jul 2007 – 28 <sup>th</sup> Jul 2008	All Risks	US\$ 690,000	Renault Kerax 350 Dump Truck
		07ZI-CPM-076901	28 <sup>th</sup> Jul 2007 – 28 <sup>th</sup> Jul 2008	TLO	US\$ 96,997 x 4	Komatsu D85ESS
						Hitachi EX800H8E-5
		07ZI-CPM-107684	28 <sup>th</sup> Jul 2007 – 28 <sup>th</sup> Jul 2008	All Risks	US\$ 158,900	Renault Kerax 350 Water Truck
		07ZI-CPM-1077366		All Risks	US\$ 222,338	
						Patria SST174 Vessel
		07ZI-CPM-1078193	28 <sup>th</sup> Jul 2007 – 28 <sup>th</sup> Jul 2008	TLO	US\$ 111,617	Drilltech 0245S Drilling
		07ZI-CPM-1078232	2 <sup>nd</sup> Aug 2007 – 2 <sup>nd</sup> Aug 2008	All Risks	US\$ 83,000 x 6	Patria LBT120 Low bow
		07ZI-CPM-1078259	7 <sup>th</sup> Sep 2007 – 7 <sup>th</sup> Sep 2008	All Risks	US\$ 632,500	Hitachi EH1700 Dump Truck

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		07ZI-CPM-1078483	7 <sup>th</sup> Sep 2007 – 7 <sup>th</sup> Sep 2008	All Risks	US\$ 106,061	Renault Kerax 350
		07ZI-CPM-1078304	12 <sup>th</sup> Sep 2007 – 12 <sup>th</sup> Sep 2008	All Risks	US\$ 670,000 x 5	Volvo A40D Articulated
		07ZI-CPM-1067799	12 <sup>th</sup> Sep 2007 – 12 <sup>th</sup> Sep 2008	All Risks	US\$ 96,000	Volvo A40D Articulated
		07ZI-CPM-1067797	16 <sup>th</sup> Sep 2007 – 16 <sup>th</sup> Sep 2008	All Risks	US\$ 305,000 x 4	Renault Kerax 350 Dump Truck
		07ZI-CPM-1067439	25 <sup>th</sup> Sep 2007 – 25 <sup>th</sup> Sep 2008	All Risks	US\$ 270,091	Renault Kerax 350
		07ZI-CPM-1067805	25 <sup>th</sup> Sep 2007 – 25 <sup>th</sup> Sep 2008	All Risks	US\$ 265,764.69	Renault Kerax 350
		07ZI-CPM-1067719	25 <sup>th</sup> Sep 2007 – 25 <sup>th</sup> Sep 2008	All Risks	US\$ 98,550 x 5	Komatsu HD465-7 Dump Truck
		07ZI-CPM-1078887	25 <sup>th</sup> Sep 2007 – 25 <sup>th</sup> Sep 2008	All Risks	US\$ 67,500	Komatsu HD465-7 Dump Truck
			2 <sup>nd</sup> Oct 2007 – 2 <sup>nd</sup> Oct 2008		US\$ 133,500	Komatsu GD825A-2
			3 <sup>rd</sup> Oct 2007 – 3 <sup>rd</sup> Oct 2008		US\$ 133,500 x 3	Parkins P30S Tower Lamp
						Patria SST74 Vessel VS

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
					US\$ 439,000	Renault Kerax 350
					US\$ 408,000	Renault Kerax 350
					US\$ 10,750	Dolly 50 for SST 74
		07ZI-CPM-1068031	9 <sup>th</sup> Oct 2007 – 9 <sup>th</sup> Oct 2008	All Risks	US\$ 83,000 x 11	Semi Side Tipper 74
		07ZI-CPM-1068805	11 <sup>th</sup> Nov 2007 – 11 <sup>th</sup> Nov 2008	All Risks	US\$ 113,033	Hitachi EX2500
						Komatsu PC1250SP
		07ZI-CPM-1082487	8 <sup>th</sup> Feb 2008 – 8 <sup>th</sup> Feb 2009	All Risks	US\$ 105,510 x 2	KomatsuPC40 0-7 Excavator
		07ZI-CPM-1082492-1082497	8 <sup>th</sup> Feb 2008 – 8 <sup>th</sup> Feb 2009	All Risks	US\$ 144,918	KomatsuPC40 0-7 Excavator
		07ZI-CPM-1082506-1082507	8 <sup>th</sup> Feb 2008 – 8 <sup>th</sup> Feb 2009	All Risks	US\$ 37,675 x 5	Patria SST74 Veessel
		07ZI-CPM-1078887	3 <sup>rd</sup> Oct 2007 – 3 <sup>rd</sup> Oct 2008	All Risks	US\$ 89,540 x 6	Komatsu HD785-5
		07ZI-CPM-1070462	30 <sup>th</sup> Nov 2007 – 30 <sup>th</sup> Nov 2008	All Risks	US\$ 2,743,070	
		07ZI-CPM-1070462	30 <sup>th</sup> Nov 2007 – 30 <sup>th</sup> Nov 2008	All Risks	US\$ 686,000	
		07ZI-CPM-1070462	30 <sup>th</sup> Nov 2007 – 30 <sup>th</sup> Nov 2008	All Risks	US\$ 192,750	

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		07ZI-CPM-1079048	5 <sup>th</sup> Oct 2007 – 5 <sup>th</sup> Oct 2008	All Risks	US\$ 378,675 US\$ 83,000 x 4 US\$ 678,000	
4	Takaful	1303.08.065.00001-1303.08.065.00003	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 303,000 x 4	Komatsu HM400-1
		1303.07.065.000052-1303.07.065.000058	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 37,675 x 5	Patria DL50 Dolly
		1303.07.065.000065	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 482,900	Komatsu HD465-7
		1303.07.065.000050	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 744,700	Komatsu HD465-7
		1303.07.065.000061-062	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 677,000 x 2	Komatsu HD465-7
		1303.07.065.00007-08	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 668,000 x4	Komatsu HD465-7
		1303.07.065.00009	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 1,460,000	Komatsu PC2000
		1303.07.065.00003-05	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 668,000 x 3	Komatsu HD785-7
		1303.07.065.000067	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 668,000 x 3	Komatsu HD785-7
		1303.07.065.000014-016	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 89,500 x 2	Volvo FM9

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		1303.07.065.000017-018	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 439,000 x 3	Komatsu HD465-7
		1303.07.065.000059	22 <sup>nd</sup> Jan 2008 – 22 <sup>nd</sup> Jan 2009	All Risks	US\$ 576,000 x 2	Komatsu D375A-5
		1303.07.065.000068	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 1,608,200 x 2	Komatsu PC 2000-8
		1303.07.065.000051	28 <sup>th</sup> Dec 2008 – 28 <sup>th</sup> Dec 2009	All Risks	US\$ 2,493,700 x 2	Hitachi EX2500
		1303.07.065.000029-044	12 <sup>th</sup> Feb 2008 – 12 <sup>th</sup> Feb 2009	All Risks	US\$ 89,450 x 2	Patria SST174
					US\$ 439,000 x 9	Komatsu HD785-7
					US\$ 675,000	Komatsu PC
					US\$ 275,000	Komatsu PC
					US\$ 105,700	Renault Kerax
					US\$ 68,500	Renault Kerax
		1303.07.065.000027	12 <sup>th</sup> Feb 2008 – 12 <sup>th</sup> Feb 2009	All Risks	US\$ 405,000	Komatsu PC
		1303.07.065.000050-069	1 <sup>st</sup> Feb 2008 – 1 <sup>st</sup> Feb 2009	All Risks	US\$ 110,000	Patria LBT
					EUR 68,500	Patria LBT
					US\$ 89,540 x 12	Patria SST 174

No	Insurance Company	Number of Polis	Validity Period	Type of Insurance	Insured Amount (IDR)	Insured Object
		1303.07.065.000070-090	12 <sup>th</sup> Feb 2008 – 12 <sup>th</sup> Feb 2009	All Risks	US\$ 66,099	
		1303.07.065.000083-0887	12 <sup>th</sup> Feb 2008 – 12 <sup>th</sup> Feb 2009	All Risks	US\$ 15,337.30 x 6 US\$ 98,450 x 9	Volvo FM9
		1303.07.065.000059-060	28 <sup>th</sup> Dec 2007 – 28 <sup>th</sup> Dec 2008	All Risks	US\$ 359,700 x 3 US\$ 138,490 x 2	Volvo A40E Volvo FM9
		1303.07.065.000068	28 <sup>th</sup> Dec 2007 – 28 <sup>th</sup> Dec 2008	All Risks	US\$ 1,608,200 x 2 US\$ 2,493,700 x 2	Komatsu PC2000-8 Hitachi EX2500 Excavator
		1303.07.065.000057	28 <sup>th</sup> Dec 2007 – 28 <sup>th</sup> Dec 2008	All Risks	US\$ 42,020.84	Komatsu FD50T
		1303.07.065.000064	28 <sup>th</sup> Dec 2007 – 28 <sup>th</sup> Dec 2008	All Risks	US\$ 258,500	Komatsu GD705A-4
		1303.07.065.000063	28 <sup>th</sup> Dec 2007 – 28 <sup>th</sup> Dec 2008	All Risks	US\$ 408,000	Komatsu GD825A

## **X. BUSINESS ACTIVITIES AND PROSPECT OF THE COMPANY AND SUBSIDIARIES**

### **1. GENERAL REVIEW**

Currently, the Company and Subsidiaries is one of the biggest integrated coal mining company in Indonesia, comprising strategic business units of coal mining and trading, mining contractor service, and coal infrastructures and logistics. Each strategic business unit is positioned as an independent and integrated profit centre that enables the Company and Subsidiaries to have a competitive and reliable supply chain and ultimately expected to give an optimal value added to stakeholders.

The Company through its Subsidiary, Adaro, as a part of coal mining and trade strategic business unit, according to Barlow Jonker Coal Supply Series Indonesia 2007 is the second biggest coal producer in Indonesia. Meanwhile, based on the information adapted by the Company from Queensland's World-class Coals per November 2007, Adaro is also the biggest single open pit coal mining producer throughout the southern hemisphere. Adaro's mining operation is an open-cut coal mining located in South Kalimantan, with coal cooperation agreement valid until 2022. Based on TWA Report, Adaro's mineable reserves are 928 million tons with estimated resources of 2,803 million tons on 31<sup>st</sup> December 2007. Currently, the Company's total mining area is approximately 34,940 hectares. Adaro started its commercial operation in 1992 and reached overall coal production of approximately 250 million tons in 2007. Today, Adaro's production capacity reaches 40 million tons annually and intends to increase its production capacity up to 80 million tons within the next 5 years.

The Company through its mining strategic business unit, Adaro, focuses on the planning and exploration activity of coal mining for medium to long-term. All of Adaro's mining operations activities are carried out by four (4) mining contractor (including the Company's strategic business unit, SIS) which are the leading mining contractors in Indonesia in long-term contracts at a fixed price for each tonnage of coal mined and every bcm of the stripping of overburden layer, which may only be adjusted to the occurring fuel price fluctuation. One of the main mining service contractors hired by Adaro is SIS, which is a strategic business unit of mining contractor service of the Company. SIS has the scope of integrated and complete coal mining contractor service. Since the activities of the mining contractor service strategic business unit started in 2002, this strategic business unit has been able to build reputation one can be proud of and it has very good track record in its industry. Besides the contract with Adaro, this strategic business unit also has some other mining contracts with a few leading coal mining companies in Indonesia located in various mining locations in Kalimantan.

The sales of coal produced by the mining strategic business unit, Adaro are conducted directly or through the service of coal trading brokers (including coal trading strategic business unit, Coaltrade) to industrial society as the end-users in international and domestic markets. Today, the mining strategic business unit, Adaro, has more than 40 main customers as end-users, scattered in 18 countries, including Indonesia, Japan, Taiwan, South Korea, Malaysia, The Philippines, China, Hong Kong, England, Thailand, India, New Zealand, Spain, Italy and USA. The main customers are primarily in the power generation industry, most of the customers are high-quality power utilities, with many of them holding investment grade ratings. The scattered coal customers cause Adaro's income to be distributed more evenly. The even distribution either from the point of geography or the amount of contribution to income also supports the stability of the business survival of the Company and Subsidiaries. Besides having a large export market, the mining strategic business unit today is also one



of the biggest suppliers for domestic market. As a part of the coal solid production and supply chain, the Company also has a coal trade business unit, namely Coaltrade as one of the Company's main coal marketing agents in international market.

In addition, the Company through the infrastructures and logistics strategic business unit, IBT as the Company's strategic business unit of coal mining infrastructures and logistics, has a business activity in the local coal bulk terminal known as "Mekar Putih Public Port", besides having loading and unloading facility, it also has a coal stockpile located in Pulau Laut, an island located in southeastern of South Kalimantan. Besides, to support the logistic operational activity of strategic business unit of Adaro, this infrastructure and logistics strategic business unit is used by other coal producers. The main service provided by IBT is the temporary coal stockpiling connecting facility to the coal shipment for domestic and international destinations. Besides, infrastructures and logistics strategic business unit, IBT is also being prepared to become the fuel distribution centre for the need of the mining industry in Kalimantan and the requirement of fuel supply in its surrounding area.

As a part in the plan to sustainably increase its efficiency and productivity, the Company by its infrastructures and logistics strategic business unit, MSW, is preparing the planned development of coal-based power plant expected to be able to supply the adequate electric power required for all mining activities of the mining strategic business unit, Adaro. Whereas the coal supply for electric power plant will be fully from Adaro.

The combination of all integrated activities of the Company's strategic business units gives synergy in the form of coal production and supply chain that is competitive and reliable, hence to be able to create an optimal competitive power compared to its competitors.

Besides, the coal product of mining strategic business unit, Adaro has the registered trademark: Envirocoal, which has been registered in various legal areas all over the world especially in the countries where Envirocoal is being consumed. This product has ash, sulfur contents and other waste materials that are relatively very low and it produces only relatively low nitrogen content during its burning process compared with many other coal types traded globally. With its eco-friendly characteristic, the customers of Envirocoal often mix the Envirocoal with many other types of coal to be able to decrease the disposed emission of ash, sulfur and nitrogen.

## **2. COMPETITIVE ADVANTAGES**

The Company and Subsidiaries have some competitive advantages as an integrated coal mining company supported by leading independent contractors in Indonesia, are among others:

- a. The Company through Adaro is one of the world low-cost coal producers. The mine location and characteristics and the operation strategy enables the Company to produce coal at low cost. The coal layer in the Company's mining area is generally quite thick and found close to the ground surface so that the mining cost is relatively lower. The operation in a single mine gives the capacity to the Company to reach quite considerable economies of scale in the mining and logistic costs. Furthermore, the relatively homogeneous coal quality produced gives separate efficiency to the mining and logistic cost.
- b. The Company and its Subsidiaries constitute the second biggest coal producer in Indonesia, even the sole biggest coal mining producer in the southern hemisphere. This is also supported by the large coal reserves and resources it possesses, giving a relatively longer mining life than

other coal producers. This combination also gives a special ability to the Company and Subsidiaries to give guarantee of more reliable coal supply in a long term to its customers.

- c. The Company and Subsidiaries has an eco-friendly coal product known widely by the registered trademark Envirocoal. The various policies applied in many countries in the world, particularly Europe, related to the use of eco-friendly fuel, it has increased the potential of market acceptance and demand for eco-friendly coal, and has given a separate positioning to Envirocoal product in global market.
- d. As one of the biggest coal mining company integrated with strategic business units in Indonesia and having a strong position in its industry, the Company and Subsidiaries has more capability to be able to attract the interest of highly qualified HRs and to be able to maintain many other main resources it has in order to achieve the Company's objective.
- e. The Company through the mining strategic business unit, Adaro has a well-spread market coverage. The Company currently has more than 40 main customers as the end-users, scattered in 18 countries including Indonesia, Japan, Taiwan, South Korea, Malaysia, The Philippines, China, Hong Kong, England, Thailand, India, New Zealand, Spain, Italy and USA. The main customers are mostly electric power plant companies who have very good credit ratings (investment grade credit ratings). The scattered Envirocoal customers cause the Company's income by the mining strategic business unit, Adaro, to be distributed more evenly. The even distribution either from the point of geography or the amount of contribution to income also supports the stability of the business survival of the Company and Subsidiaries. Besides, the Company's trade relation with the customers has been established for over five years in the average.
- f. As a company group integrated with strategic business units, the Company and its Subsidiaries have the capability to increase production rapidly and significantly while still minimizing the working capital expenditure and being flexible in deciding the production volume according to the market demand and condition.
- g. The Company positions each of its strategic business units as profit centre, thus making the Company and Subsidiaries different from other mining companies. The profit earned from this respective strategic business unit becomes the buffer in the overall income in each variation of business selection in the future.
- h. The Company has experienced strategic business units in mining, trading, mining contractor, infrastructures & logistics services. The capacity and knowledge in each level in the coal production and supply chain give superiority to the Company and Subsidiaries in maintaining the mining production, cost efficiency and coal delivery.
- i. The completeness of production fleet in the form of adequate equipments, supplies, crushing, stockpiling, hauling, loading, and production facilities and supporting facilities and HRD possessed by the Company and Subsidiaries today will constitute a quite considerable competitive power against its competitors.

### 3. BUSINESS STRATEGIES

To materialize the Company's vision to become the biggest and the most efficient integrated coal-based mining and energy company in South-East Asia, the Company has short and medium-term main business strategy as follows:

- a. **To increase production, at the same time increase any further efficiency of the coal production cost:** The Company intends to enlarge the production capacity of its coal mining strategic business units and mining contractor service strategic business units. For the mining strategic business units, the Company plans to increase the coal production capacity from 40 million tons per annum today to 80 million tons per annum in the next five years. The production capacity increase of this mining strategic business unit is conducted at the same time with further efficiency increase of coal production cost in a long-term by solid and continuous synergy of all the Company's strategic business units and also by the acquisition of mining contractor service company and other coal hauling contractor service, and also by some additional investment in the form of heavy equipments, particularly for mining contractor service business units.
- b. **To increase the Reserves through exploration, optimization of mine planning, and acquisition of other coal mines:** The Company intends to increase the proven reserves to at least 1.5 billion tons by making investment through exploration in the concession it holds, optimizing the mining plan, or conducting acquisition of other coal mines in Indonesia.
- c. **To make use of opportunity in market high demand for Envirocoal product:** The world community's high awareness of pollution in environment will increase the demand for Envirocoal in the market. According to Barlow Jonker, it is reflected from the growing demand for eco-friendly Sub-bituminous coal product that has reached the annual average growth of  $\pm 23.6\%$  during the period of 2000-2005, much higher than the growth of world coal demand in the overall that is only at 7.7% in the average (in the same period).
- d. **To build long-term relation with the customers:** The Company will continue to build and develop long-term relation with its customers, the Company intends to conduct further identification and focus more on building relation with the customers who obtain the benefits more than the superiorities of the Envirocoal product characteristics to be able to reach a balance in long and short-term contracts acquired with the price fixing structure based on certain and more flexible index to the Company. The Company intends to continuously maintain sales diversification to its customers based on geographical factor.
- e. **To increase coal value added:** The Company intends to optimize the Company's coal value having lower calorie by applying the technology currently available in the market appropriately such as drying, processing into briquette, liquefaction of coal, and the power plant located directly adjacent to the mine mouth.
- f. **To increase the quality of HR and operation:** to increase effectiveness and efficiency, the Company intends to continuously increase the quality standard of HRD it possesses and to apply the latest operational technology and information technology to support the operational and production process of the Company and Subsidiaries.
- g. **To develop and maintain strong relation with local community:** Through a series of development and program of environment rehabilitation, the Company commits to continuously maintain and develop closer relation with the local community around its mining

location. So far, the Company has successfully carried out community development program focusing on economy, human resources, social-culture-religion based on the local resources and health aspects.

#### **4. SAFETY, HEALTH AND ENVIRONMENT**

##### **Safety**

The Company tries to continuously increase the work safety and health in each of its strategic business units, and for that purpose the Company and Subsidiaries have received recognition domestically as well as internationally.

The Company through the mining strategic business unit, Adaro has today applied an integrated safety management system in the mining activity. This system is known as SEMS comprising planning, training, operating procedure and reporting system which is designed to meet the safety standard of the Government and other safety standard-regulating / examining organizations or agencies. To make the implementation of SEMS successful, the “a-sep” (Adaro Safety Environment and Production) is socialized in all operational levels of the Subsidiaries, in order to consistently prioritize work safety and adherence to the provisions of environment regulations in conducting the production activities.

The mining strategic business unit, Adaro, requires all mining contractors to synchronize and perform the management system by regular discussion and application of the standard operating procedure for all operational activities. Besides, each month the contractor is required to report the safety management activity in its environment to Adaro. In 2002-2003, Adaro received Aditama Award of Gold Rating for Mining Safety from DESDM - Directorate of Geology and Mineral Resources. In 2005, Adaro again received the First Award of Mining Safety from the Directorate General of Mineral, Coal and Geothermal of DESDM for the achievement in the effort of enhancing Mining Safety Management, at the same time it received the Award of K3 Model Company from the Regent of South Barito.

IBT as the Company’s infrastructures and logistics strategic service business unit has been granted International Code for the Security of Ships and Port Facilities (ISPS Code) in 2004.

Whereas mining contractor service strategic business unit, SIS, has been granted some awards in work safety, and a few awards of gold rating for Binungan (Berau) mine until September 2007, by recording 4,000,000 work hours without accident, gold rating for Sambarata (Berau) mine by recording 2,273,090 work hours without accident, gold rating for Adaro mine by recording 4,304,442 work hours without accident, and some other awards.

##### **Environment Management and Monitoring**

Environment management is conducted by applying strict standards. Monitoring is continuously conducted in areas potential to cause negative impacts on environment as the result of high acidity content in water from the mining location. All the results of environment monitoring and management plan are periodically reported to DESDM and other related agencies. Periodical environment inspection is also conducted by central and regional government officials.

The main activities of the Company and Subsidiaries in environment management and monitoring regularly apply good and correct norms, among others covering rehabilitation of disturbed lands,

control of erosion and sedimentation level, management and monitoring of air and water quality, control of noise and vibration and management of hydrocarbon and wastes.

The ex-mine lands are a part inseparable from the operation of the Company and Subsidiaries. Activities in the ex-mine lands of strategic business unit, Adaro, are among others reclamation and re-vegetation. Reclamation is re-arrangement of ex-mine areas to enable them to be areas useful and efficient. Reclamation is conducted by considering ecological, hydrological aspects and plants growing power. Re-vegetation is a replanting activity of areas stated to be no more active or areas where mining is not conducted. Adaro's mining operation is complete with a seedling centre capable of providing up to 150,000 trees annually. The types of plants used are mostly of local species, such as: *Sengon*, *Akasia*, *Sungkai*, *Lamtoro*, *Trembesi*, *Gamal*, *Eucalyptus*, *Turi* and local fruits.

Until December 2007, Adaro has rehabilitated 1,359 hectares out of 3,981 hectares affected by the impacts of mining operation by planting over 988,610 trees.

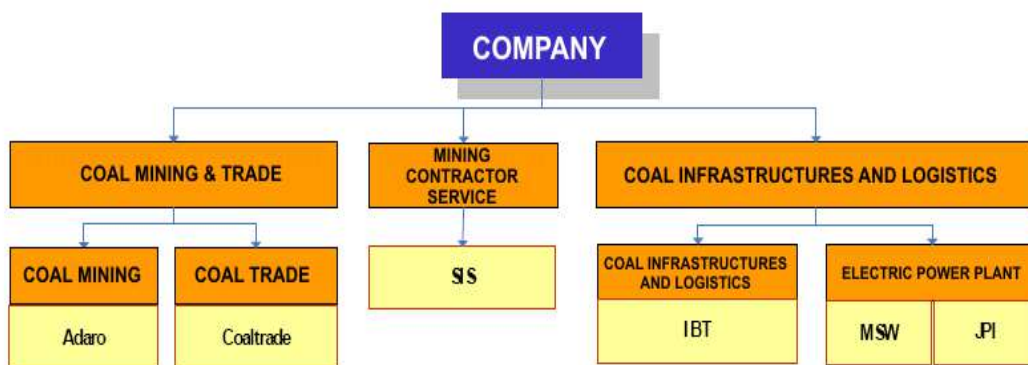
Adaro continuously conducts supervision on the air quality in the concession area and along the way to the Crushing and Loading Facilities in Kelanis to ensure that the method applied for control of the air pollution level (dust) is according to international standard and to minimize the negative impacts on environment. One of the efforts made by Adaro is by lining the transport road to Kelanis, which is proven to be able to significantly reduce dust.

The infrastructures and logistics strategic business unit, IBT, also implements an environment protection program and has completed the evaluation and reporting on the program. IBT also develops the green buffer zone between its operation location and the surrounding environment by acquiring lands adjacent to the terminal facility, changing the local community settlement, and planting this area with fast-growing trees and producing plants.

## 5. BUSINESS ACTIVITIES

Today the Company and Subsidiaries constitute one of the biggest integrated coal mining company in Indonesia, comprising strategic business units of coal mining and trade, mining contractor service, coal infrastructures and logistics covering coal-based electric power plant.

The structure below describes the division of strategic business units possessed by the Company.

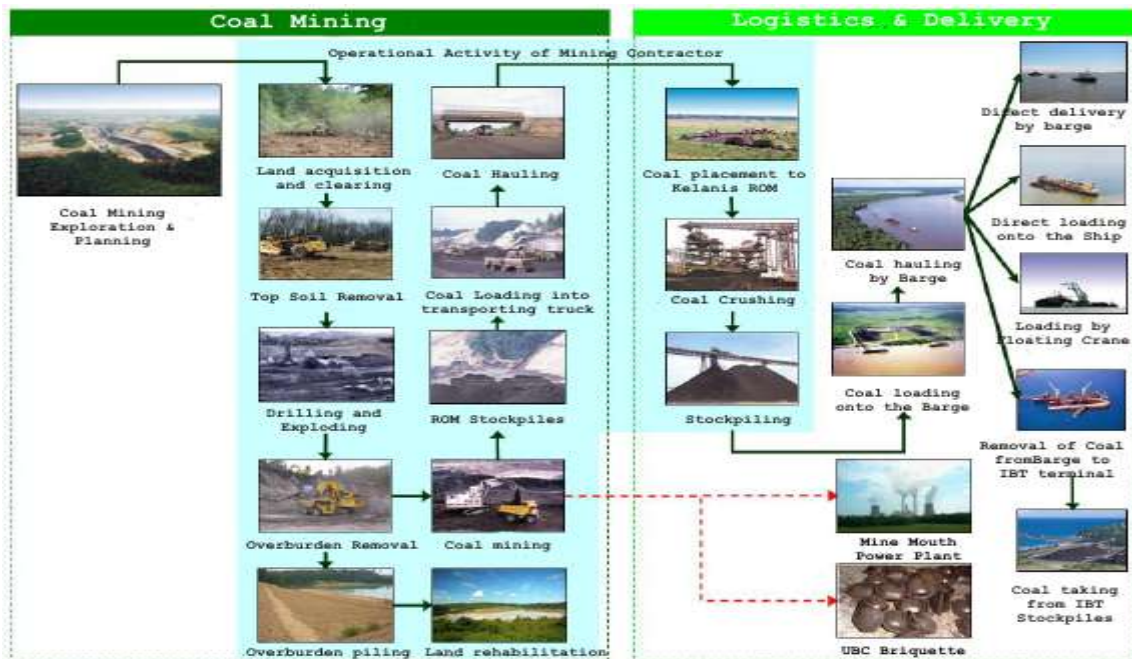


Source: Company



## PRODUCTION PROCESS

The production process and operation of the Company and subsidiaries in the overall can be illustrated as follows:



Note:

- ~ Coal mining exploration and planning are activities to explore coal potential reserves and resources and determine the area to be mined and the planning phases to be conducted.
- ~ Land acquisition is any activities to purchase land included in the areas to be mined that is owned by any third party.
- ~ Overburden stripping is an activity started by clearing bushes and trees by using bulldozer, then topsoil and sub-soil stripping is conducted to the depth of one-meter. Topsoil and sub-soil containing lots of nutrient elements are stored separately or directly distributed to areas ready for reclamation. Overburden stripping is conducted in phases, following the designated planning to enable to expose the coal layer beneath.
- ~ Drilling and exploding are activities conducted after the topsoil has been completely removed. Soft overburden layer is still able to dig without using explosives. If the digging arrives at hard soil, drilling process and exploding are then conducted. The process of exploding is conducted according to the schedule set each day to minimize the impacts on the surrounding environment.
- ~ Moving of overburden layer. After explosion, the layer is then loaded onto rear dump trucks (RDT) by using hydraulic face shovel to open the coal layer that is ready to be mined.

- ~ The overburden layer is then transported to the retaining place, hard materials are put in the outer side of the retaining place, while materials that are soft or in the form of mud are put in the middle of the retaining place to minimize the risk of instability.
- ~ After the process of removing overburden layer to the retaining place has been completed, the retaining place is then covered back with overburden as a part of the reclamation process and ready for planting. This is conducted to prevent erosion.
- ~ The coal is then mined by using hydraulic excavators and dump trucks and is removed to ROM stockpiles located around the mining area. The loading onto the dump trucks is conducted carefully to ensure that only clean coal is transported.
- ~ The coal in the ROM stockpiles is removed by using front end loaders (FEL) to the transporting fleet of double trailer having the capacity up to 138 tons.
- ~ Coal hauling. The transporting fleet then transports the coal to the coal crushing facility and loading facility on to the barge in Kelanis, at the side of Barito River. The transportation distance is around 70km from the mine south end area, up to 84 km from the mine north end area.
- ~ Coal crushing facility. The coal arriving in Kelanis is put into one of the six hoppers available for crushing to the size of 50 mm in two phases. The capacity of coal Crushing Facility so far is 6,000 tons per hour.

In case of delay in the hoppers, the coal will be put in three ROM stockpiles available.

- ~ Stockpiling. The coal crushed in general is directly loaded onto the barge, if likely. However, in case of delay or surplus of delivery from the mine, the crushed coal may be put in two stockpile locations, each having the capacity up to 250,000 tons.

The process of land clearing up to the coal hauling activities is entirely conducted by the coal mining contractors contracted by Adaro for a specific period, one of them is SIS, the mining contractor service strategic business unit.

- ~ Loading onto the barge. The coal crushed will be sprayed with chemical fluid to minimize the impacts of air (dust) pollution and loaded onto the barge by the use of 2 loading wharfs, respectively having the capacity of 4,000 tons per hour.
- ~ Coal hauling by Barge. The barge capacity varies, the largest is up to 14,000 tons with the average capacity of 8,500 tons. The coal is hauled by barge through Barito River either directly to the customers, to Taboneo at the distance of around 15 km from Barito River mouth, or to coal terminal owned by infrastructures and logistics strategic business unit, IBT, located in Pulau Laut, South Kalimantan.
- ~ There are a few alternatives of coal delivery conducted based on previous agreement with each customer of mining strategic business unit, Adaro, among others:
  - Direct shipping. Approximately 25% of the available Coal production is delivered directly by barge to local customers and overseas customers close to Asia region.
  - Self-gearred vessel. If the vessel has its own loading facility, the coal can be directly removed to the vessel.

- Floating Cranes. Most of the coal removal from the barge to the vessel in Taboneo is conducted by using 5 floating cranes having the respective capacities between 10,000 tons and 15,000 tons per day.
- Infrastructures and logistics strategic business unit, IBT. The delivery may also be conducted by using coal terminal facility of infrastructures and logistics strategic business unit, IBT, in Pulau Laut. The coal loaded in IBT's stockpile facility can be loaded directly on to the ship or combined with other coal to meet special demands from some customers.

The Company is confident that the key factors to the main success in this industry are among others: (i) the quality of reserves and resources and (ii) the production and supply chain. Being an integrated coal mining company, the Company has a solid integrated production and supply chain, hence the reliance on third parties is relatively low.

The Company has more control of the Company's safety and reliance on coal production and supply chain. Any better understanding on the expense structure of the Company's contractors also assists the Company in getting the best contract price. These factors produce a coal production and supply chain that is safe, cost-effective and reliable.

The Company's policy is to allocate approximately 50% of the production / work volume to the Subsidiaries. Today, the Company's mining contractor service strategic business unit, only performs approximately 25% of the total work volume of the Company's mining strategic business unit. The Company intends to increase its production capacity up to 100% in the next 5 years and increase SIS' work portion in the Company's mining business unit to reach approximately 50%.

## 5.1 COAL TRADE AND MINING STRATEGIC BUSINESS UNIT

### 5.1.1. COAL MINING

Adaro as the Company's coal mining business unit is currently the biggest sole mining coal producer in Asia-Pacific by the type of open-cut mining in the concession area located in South Kalimantan, where the Company's coal mining business unit holds the coal mining concession until 2022.

Adaro's mine location is currently in Tutupan area, where its proven and probable reserves are estimated to reach 619 million tons. The Company also intends to start the mining operation in the area of Wara1 in 2009, where the proven and probable reserves are estimated to reach 309 million tons. Besides those areas, in the Adaro's concession area are still found three regions known to have other coal reserves. The total geological resources of the five reserves are predicted to reach 2,803 million tons.

The picture below shows the mine location and the coal mining infrastructures of the Company and subsidiaries in Kalimantan:





The coal product of the mining strategic business unit, Adaro, is classified in the type of Sub-bituminous coal, i.e. coal having moderate / medium calorific value but having very low ash and sulfur contents and producing relatively low oxide nitrogen during incineration. The Company's coal product has been widely known throughout the world by the trademark Envirocoal.

The Company and Subsidiaries supply coal for industrial requirement in Indonesian and international markets directly to the customers or as a broker. The Company's main customers are generally actors in electric power plants scattered in 18 countries covering Indonesia, Germany, Japan, China, Taiwan, South Korea, Malaysia, Thailand, India, New Zealand, Spain, England, Slovenia, The Philippines, Hong Kong, Italy and USA.

Most of the customers of the Company and Subsidiaries are customers having good reputation and most of them have very good credit rating (investment-grade credit rating). In 2005 and 2006, consecutively 66.4% and 70.9% of the Adaro's coal production are exported overseas, of which most of the sales are in US Dollar currency (reaching nearly 78% of the Company's mining strategic business unit sales in 2006). By the above sales composition, the position of the Company and Subsidiaries are quite protected from potential threat of fluctuating currency movement. Today the Company and Subsidiaries are also quite benefited by the world's significantly increasing demand and price of coal in the last few years.

The Company's mining business unit started to produce Envirocoal in 1992. In 2006, the Company's mining strategic business unit was able to produce 34.4 million tons of coal or equal to approximately 19.3% of the Indonesian total coal production in the relevant year. In 2007, this strategic business unit was able to increase its production to reach 36 million tons of coal or equal to approximately 18.8% of the national total coal production in the same year.

All the Company's contracts, either mining, land, barging and sea transportation contracts, enables the Company to minimize its capital expenditure and working capital expenditure, hence it enables the Company to focus its intention more on the mine exploration, planning, supervision, sales and marketing.

The mining service fee between Adaro and its contractors, including SIS, is determined based on certain formula covering the quantity of raw coal and overburden mined and transported. The

adjustment to the service fee per ton of coal and per cubic meter of overburden paid will be adjusted to the variety of coal quantity mined.

## **RESERVES**

The table below shows the total reserves owned by the Company through its mining strategic business unit until 31<sup>st</sup> December 2007:

in million tons

Location	Proven	Probable	Total	Mine-worthy
Tutupan	622	37	659	619
Wara 1	254	74	328	309
<b>Total</b>	<b>876</b>	<b>111</b>	<b>987</b>	<b>928</b>

Source: Terence Willsted & Associates 29<sup>th</sup> February 2008

## **RESOURCES**

Today, exploration activity is being conducted in the east part of North Tutupan, Wara 1 and Wara 2. The initial indication in the North Tutupan location shows a quite substantial coal reserve not far from the ground surface. The earth's crust movement has pushed the coal reserve to the surface direction. In Wara 2 location, the drilling initial data indicate coal reserves along five km found not far from the ground surface, stretching to the southwest direction from the initial prediction.

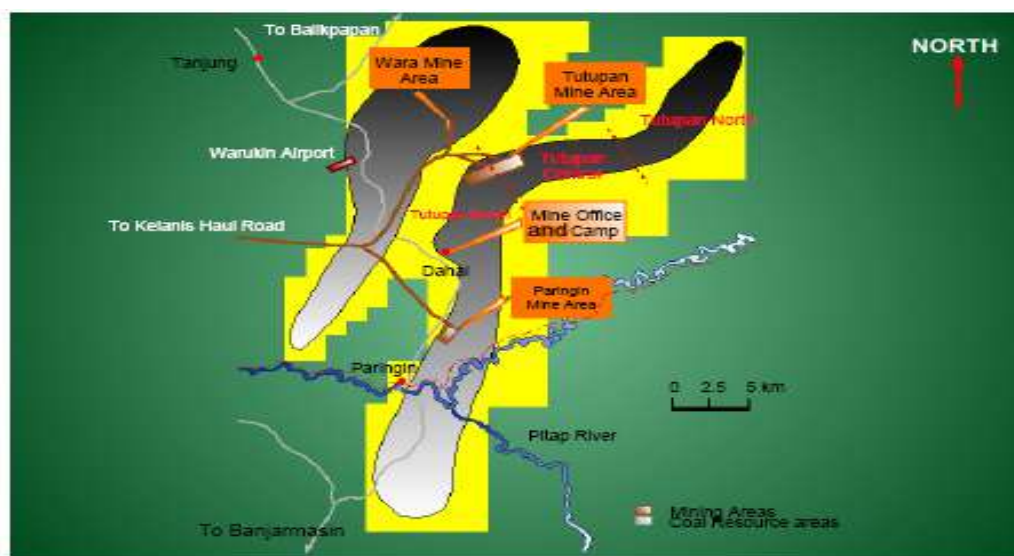
The table below describes the Company's total resources as of 31<sup>st</sup> December 2007:

in million tons

Location	Development Phase	End Period	Measured <250m	Indicated >250m <500m	Inferred >500m <1000m	Total
Tutupan	Exploitation	2022	920	352	181	1,453
North Paringin	Exploitation	2022	90	60	66	216
South Paringin	Exploitation	2022	17	20	11	48
Wara 1	Exploitation	2022	254	280	316	850
Wara 2	Exploitation	2022	59	73	104	236
<b>Total</b>			1,340	785	678	2,803

Source: Terence Willsted & Associates 29<sup>th</sup> February 2008

The following map describes the coal reserves and resources location found in the mining area of the Company's mining strategic business unit according to PKP2B of its possession.



Source: the Company

**PRODUCTION CAPACITY AND OUTCOME**

The table below describes the production capacity, gross production volume, net sales volume for the period of 2003-2007:

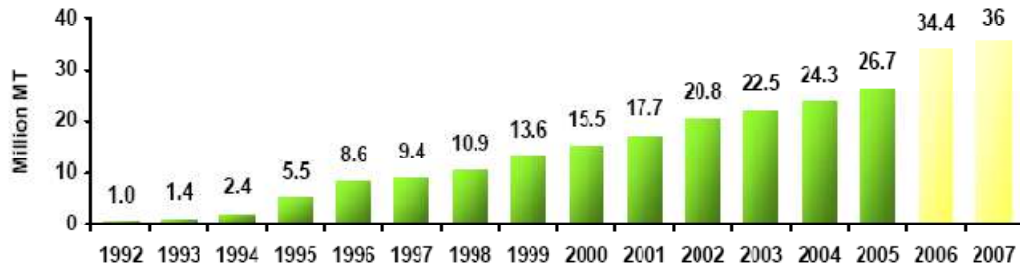
Description	31 <sup>st</sup> December				
	2003	2004	2003	2006	2003
Production Capacity (million tons)	24.0	26.0	38.0	40.0	40.0
Net sales volume (million tons)	23.1	25.1	26.1	34.5	36.6
Gross production volume (million tons)					
Tutupan	22.45	24.22	26.52	34.34	36.02
Paringin	0.07	0.11	0.17	0.03	0.01
Wara	-	-	-	-	0.01
Total Production Volume	22.52	24.33	26.69	34.37	36.04
Sales volume (IDR million)	4,410,346	5,188,729	6,870,121	9,293,129	10,799,071

Source: Company

The Company’s mining strategic business unit started producing its Envirocoal in 1992 and has gradually proven to be able to increase its production capacity up to 40 million tons per annum in 2007. In the future, the mining strategic business unit, Adaro, intends to increase its production capacity up to 80 million tons per annum in the next 5 years.

Adaro is currently planning to make a conveyor belt of approximately 68 km long connecting Adaro’s mining location to the Crushing and Loading Facilities in Kelanis, in order to support the increase of Adaro’s capacity and production to be able to reach the target of 80 million tons per annum within the next 5 years. The required investment is estimated of approximately US\$ 300 million. While the electricity resources required for this conveyor belt will be supplied by pit mouth PLTU from the infrastructures and logistics strategic business unit, MSW.

The following is the history of the Company’s coal mining strategic business unit production from its initial production in 1992 to 2007



**MAIN PRODUCT AND SERVICE**

**ENVIROCOAL**

The coal produced by the mining strategic business unit, Adaro under trademark ‘Envirocoal’ is classified in coal of Sub-bituminous type. Some main factors deciding the quality of the Sub-bituminous Coal is low contents of sulfur, ash and other pollution contents. Envirocoal has the lowest contents of sulfur and ash in international coal market.

The specific characteristics of Envirocoal as explained in GlobalCoal’s standard specifications for Newcastle Coal as follows:

	Total moisture (%; as received)	Ash (%; as received)	Volatile matter (%; as received)	Fixed carbon (%; as received)	Sulfur (%; as received)	Nitrogen (daf basis)	Calorific value (kcal/kg; air dried basis)
Envirocoal	26.0%	1.0%	37.5%	35.5%	0.1%	0.1%	5,900
Newcastle Coal	15.0%	15.0%	24%-35%	N/A	0.8%	N/A	6,700

Source: GlobalCoal’s standard quality for electronic trading of Newcastle Coal ([www.globalcoal.com](http://www.globalcoal.com))

The mining strategic business unit, Adaro, is one of the companies developing sub-bituminous coal-based mining business for international consumers. International trading of Sub-bituminous coal product has grown quite significantly at 23.6% (CAGR) for the period of 1995-2005.

Envirocoal is discriminated for its unique and eco-friendly characteristics, which are reflected as follows:

**1. Ash Content at 1.0% (adb)**

- It is the lowest ash content among coals produced for the world export trading, giving benefit to consumers in the form of significant cost saving.
- Combining Envirocoal with other coal of high ash content will reduce the ash disposing cost. This greatly assists countries like Japan that has limited areas for disposal.
- Low ash content also decreases the level of ash slagging in the boiler that will improve the heat efficiency produced and decrease the maintenance cost.

**2. Nitrogen Content at 0.9% (daf)**

- Envirocoal is found among 10 coals having the lowest nitrogen content.
- The low nitrogen content enables consumers to lower the costs related to nitrogen oxide disposal from the gas produced in the exhaust pipe, even to eliminate it.
- This produces more electric power available and reduces the related cost, which is very significant for USA market.

**3. Sulfur Content at 0.1% (adb)**

- The regulation of oxide sulfur emission requires consumers to install desulphurization instrument in the gas exhaust pipe or to reduce the sulfur content in coal mixture.
- The very low sulfur content enables consumers to meet the required standards and reduce the capital expenditure and reduce the factory operating expense. The Desulphurization unit can cover up to 20% of the total capital expenditure of an electric power plant.

Based on above characteristics, Envirocoal gives benefits to the customers as follows:

- It reduces the capital expenditure and the expense in the framework of fulfilling the emission standard. Envirocoal, having relatively lower sulfur and nitrogen contents, enables consumers to comply with its emission standards by regulating burning directly or mixing Envirocoal product with other types of coal, without having to spend a big capital expenditure that may be required in the framework of upgrading the facility owned and enables consumers to press down the expense of fuel in the coal consumption (since Envirocoal has the selling price below the price of other types of coal).
- It increases thermal efficiency. The low ash content in Envirocoal helps reduce the formation of some remains of smoke/ ash in the coal burning machine (boiler), thus it increases thermal efficiency and reduces the maintenance cost for the consumers.
- It reduces the cost of waste (ash) disposal. By using Envirocoal, having low ash content, the cost related to ash waste handling can be reduced.
- The low ash content of Envirocoal decreases the operating expense, due to the reduced ash disposal and lower maintenance level on the handling and milling equipments. Based on experience, it is proven that the consumption of Envirocoal will:
  - Reduce damage and erosion in the pulverizer.
  - Reduce damage and erosion in the coal pipe, part of incineration and boiler tube.
  - Reduce damage and erosion in the air preheated elements.
  - Increase the time of consumption owing to low level of ash heap.

Today, the trade mark Envirocoal has been registered in various countries with the following details:

No	Brand	Period	Remarks
1	Envirocoal	10-06-2014	Argentina
2	Envirocoal	30-04-2011	Austria
3	Envirocoal	3-11-2013	Brazil
4	Envirocoal	7-01-2009	Canada
5	Envirocoal	2-09-2003	Chili
6	Envirocoal	23-09-2013	Columbia
7	Envirocoal	4-04-2011	Czechnya
8	Envirocoal	8-11-2011	Denmark
9	Envirocoal	20-09-2013	Finland
10	Envirocoal	19-12-2010	France
11	Envirocoal	31-01-2011	Germany
12	Envirocoal	17-12-2011	Hong Kong
13	Envirocoal	14-01-2011	Hungary
14	Envirocoal	1-06-2016	India
15	Envirocoal	30-12-2012	Indonesia
16	Envirocoal	30-12-2012	Indonesia
17	Envirocoal	30-12-2012	Indonesia
18	Envirocoal	30-12-2012	Indonesia
19	Envirocoal	22-01-2012	Israel
20	Envirocoal	31-01-2011	Italia
21	Envirocoal	30-09-2013	Japan
22	Envirocoal	18-06-2009	Malaysia
23	Envirocoal	21-06-2012	Mexico
24	Envirocoal	19-11-2023	Morocco
25	Envirocoal	19-11-2023	Tangiers
26	Envirocoal	29-11-2010	Netherlands
27	Envirocoal	28-10-2003	Norway
29	Envirocoal	2-06-2014	The Philippines
30	Envirocoal	8-02-2013	Portugal
31	Envirocoal	12-08-2012	Rumania
32	Envirocoal	27-12-2010	South Africa
33	Envirocoal	6-02-2011	Slovenia
34	Envirocoal	28-11-2011	South Korea
35	Envirocoal	15-01-2011	Spain
36	Envirocoal	15-07-2014	Taiwan
37	Envirocoal	14-06-2012	Thailand
38	Envirocoal	15-12-2007	England
39	Envirocoal	-	United States Of America
40	Envirocoal	17-07-2013	Russian Federation
41	Envirocoal	6-02-2011	Yugoslavia

## **LICENSES**

Adaro as the Company's mining business unit obtained letter No. B-81/Pres/10/1982 dated 5<sup>th</sup> October 1982 on approval of cooperation agreement in coal mining between PN. Tambang Batubara and Enadimsa, Spain, in South Kalimantan area in the framework of implementation of Law of Foreign Investment and Law of Mining Principle, issued by the President of the Republic of Indonesia. The approval letter was granted based on BKPM's letter 789/A.1/1982 dated 10<sup>th</sup> September 1982 regarding the approval for implementation of Cooperation

Agreement between PN. Tambang Batubara and Enadimsa (Spain). One of the conditions in BKPM's letter is that the Indonesian Participant will enter at the end of the 4<sup>th</sup> year after the commercial operation period has commenced with the investment in shares of stock at 15% of the total number of shares of the joint venture. The number of shares will be gradually increased to 51% in the 10<sup>th</sup> year. Adaro met the condition on 51% ownership in 2001.

PT Tambang Batubara Bukit Asam (persero) Tbk ("PTAB") in cooperation with Adaro obtained Exploitation Mining Concession No. 96 K/2014/DDJP/1996 dated 9<sup>th</sup> April 1996 based on Decision of the Director General of General Mining, Department of Mining and Energy of the Republic of Indonesia. The Exploitation Mining Concession was granted for the period of 30 years in the area code P.00144 located in Tabalong Regency, South Kalimantan Province, of 34,300 hectares. This decision came into effect since the date it was stipulated and it was retroactive to 19<sup>th</sup> October 1989. The decision was then replaced by Decision of the Director General of General Mining, Department of Mining and Energy of the Republic of Indonesia No. 635.K/20.01/DJP/98 dated 18<sup>th</sup> November 1998 on the Mining Area of Adaro's Coal Mining Exploitation Work Agreement. This Decision decided among others as follows:

- a. the Mining Area extent of Adaro's Coal Mining Exploitation Work Agreement was 34,940 ha, which came into effect from 29<sup>th</sup> April 1998 pursuant to the map and list of coordinate issued by the Unit for Information Service and Reservation of Mining Area, Area Code 96P00144 attached to this decision;
- b. as this Decision of the Director General came into effect, Decision of the Director General of General Mining No. 96.K/2014/DDJP/96 dated 9<sup>th</sup> April 1996 was declared null and void.
- c. the decision came into effect from the date it was stipulated and it was retroactive to 29<sup>th</sup> April 1998.

Adaro was awarded Decree No. KP.4 of 2004 dated 6<sup>th</sup> January 2004 issued by the Minister of Communication regarding the granting of operation license to Adaro for operating the coal mining special port in Kelanis Village, Dusun Hilir Subdistrict, South Barito Regency, Central Kalimantan. Based on this license, Adaro was prohibited to use the special port for public interest service, unless in any certain situations with the Minister of Communication's permission, based on the laws and regulations. The license was granted for the mooring facility of ships / barges of maximum size of 15,000 Dead Weight Tons. This license is valid as long as Adaro still performs its main activity. [sic: double]

On 12<sup>th</sup> February 2007, Adaro received letter No. S. 83/MENHUT-VII/2007 issued by the Minister of Forestry of the Republic of Indonesia regarding the principal approval of forest area loan for use in the name of Adaro. Based on the above letter the Minister of Forestry approved the use of Fixed Production Forest (HP) area in Tabalong Regency and Balangan Regency, South Kalimantan Province of  $\pm 1,180$  Ha for the coal mining in the name of Adaro by method of loan for use of forest area with the land compensation at the ratio of 1:2.

Based on above letter, Adaro is required among others:

- (i) to provide and transfer a land of non-forest area to the Department of Forestry of  $\pm 2,360$  Ha that is "clear and clean" as the compensation for the forest area used;
- (ii) to carry out and assume the cost of reforestation on the compensation land;



- (iii) to assume the cost of confirmation (appointment, measuring and border stake posting, mapping and designation) of the compensation land into forest area and to assume the cost of measuring the forest area loaned for use;
- (iv) to assume the cost for inventory-taking of the stands and to pay compensation for the stands value, Forest Resource Provision (PSDH) and Reforestation Fund to the Government for the forest area used;
- (v) to avoid and prevent any occurrence of forest fire, forest damage, erosion and landslide in the field activity implementation;
- (vi) to maintain security of the forest area loaned for use and its surroundings;
- (vii) to present periodical annual reports on the implementation of forest area use to the Minister of Forestry;
- (viii) to make a statement of undertaking before a Notary to meet all above obligations.

At the latest within 100 days upon issue of this approval, Adaro was required to make a work program of obligation fulfillment provided with a statement before a notary on the undertaking to meet the specified obligations, the work program was further presented to the Head of Forestry Planology Agency, Director General of Mineral, Coal and Geothermal, the Governor of South Kalimantan, Regent of Tabalong, Regent of Balangan, Head of Forestry Service of Tabalong and Balangan Regencies and Centre for Forest Area Stabilization of Area V Banjarbaru. This approval of forest area use shall be valid for 2 years.

Based on this in-principle approval, the Minister of Forestry has issued Decree No.SK.174/Menhut-II/2008 dated 16<sup>th</sup> May 2008 on the License for Forest Estate Loan of 1,195.62 Ha (one thousand one hundred and ninety-five hectares point sixty-two) to Adaro for exploitation of coal mineral and its supporting facilities located in Tabalong Regency and Balangan Regency, South Kalimantan Province (“License For Loan”).

Based on this License For Loan, Adaro has the right:

- a. to be available, to occupy and manage and conduct activities covering coal mining and to build the supporting facilities and conduct any other activities related thereto in the forest estate loaned.
- b. to utilize the proceeds of activities conducted in connection with the mining and its supporting facilities in the forest estate loaned;

Besides, Adaro has the following obligations:

- (i) To pay the fund of Non-Tax State Revenue (PNBP) to substitute the compensation land based on the prevailing provisions;
- (ii) To conduct reclamation and/or reforestation of the part of forest used;
- (iii) Within no later than one hundred (100) days upon issue of this license, Adaro shall submit the action plan for the exploitation activity of coal mineral and its supporting facilities complete with a statement made before Notary regarding the undertaking to meet the specified obligations, further the action plan is to be submitted to the Head of Forestry Planology Agency, Director General of Mineral, Coal and Geothermal, Governor of South Kalimantan, Regent of Tabalong, Regent of Balangan, Head of



Forestry Service of Tabalong and Balangan Regencies and the Center For Stabilization of Forest Estate of Area V of Banjarbaru;

- (iv) To make periodical reports, namely once a year to the Minister of Forestry regarding the use of forest estate that is loaned.

This License For Loan is valid for five (5) years and may be renewed every time for five (5) years based on the request for renewal made by the holder of License For Loan no later than six (6) months before the expiration of each period of five (5) years.

In addition, Adaro has also received letter No. S. 815/MENHUT-VII/2007 dated 18<sup>th</sup> December 2007 issued by the Minister of Forestry of the Republic of Indonesia, regarding the principal approval of production forest area use for the exploitation activity of coal mineral and its supporting facilities in the name of Adaro in Tabalong Regency and Balangan Regency, South Kalimantan Province. This letter is issued in connection with Letter of the Governor of South Kalimantan No. 522/00930/EKO dated 17<sup>th</sup> July 2007.

Based on the above letter, it is explained as follows:

- (i) this principal approval for forest area use is only provided for the exploitation activity of coal mineral and its supporting facilities, not in other interest and its area remains to have the status as forest area.
- (ii) this principal approval for forest area use is not a License for Forest Area Use so that the activity in the new field is only able to perform after the License For Forest Area Loan for Use has been issued by the Minister of Forestry.
- (iii) Adaro shall be required among others:
  1. to provide and transfer a land of non-forest area to the Department of Forestry of  $\pm 4,220$  Ha that is “clear and clean” and reforested as compensation for the forest area used.
  2. to submit periodical reports of 12-monthly on the fulfillment of obligations in the principal approval.
- (iv) no later than 100 days upon issue of this approval, Adaro shall be required to make the work program for fulfillment of obligations complete with a statement before a Notary regarding the undertaking to meet the specified obligations, further the work program is presented to the Head of Forestry Planology Agency, Director General of Mineral, Coal and Geothermal, the Governor of South Kalimantan, Regent of Tabalong, Regent of Balangan, Head of Forestry Service of Tabalong and Balangan Regencies under the coordination of the Forestry Service of South Kalimantan Province.
- (v) This principal approval for forest area use shall be valid for 2 years.

Adaro was awarded Decision No. 249.K/37.04/DBT/2007 dated 2<sup>nd</sup> July 2007 issued by the Director General of Mineral, Coal and Geothermal on the license for transportation, storing / piling-up and use of explosives in Adaro’s general mining business area. Based on this Decision, Adaro was granted the license for transportation, storing / piling-up and use of explosives in

Maburai Village, Murung Pundak Subdistrict, Tabalong Regency, South Kalimantan. This license is valid for the period of 5 years.

### 5.1.2. COALTRADE

Coaltrade as the Company's marketing and sales strategic business unit was established in Singapore in 2000 in order to anticipate the increasing development of thermal coal trade market, particularly for European and Asian markets.

The fast market development, encouraged by the increasing requirement of Sub-bituminous Coal by power plant to meet the increasingly tighter emission standard conditions, causes Coaltrade to specialize in the trading of Sub-bituminous Coal with very low emission from Adaro or other producers.

Due to its specialty, Coaltrade has been able to develop a long-term relation with international consumers who are its customers.

The coal sales of Coaltrade are largely based on the sale contracts of 1 year or more years term. All the sales and income received by this strategic business unit, such as the cost of coal purchase are denominated in United States dollar currency. Today Coaltrade is classified in big exporters in the trading of this type of coal, at the sales level reaching over nine million tons in 2007.

Besides serving coal sales to its customers, Coaltrade also serves marketing consultation service and agency service to third parties coal producers in its coal marketing. From the above services, Coaltrade receives commission from consultation and marketing services it provides.

With respect to the coal sale obtained from Adaro, the selling price between Adaro and Coaltrade is fixed based on the average FOB price for the last 6 months as shown in ACR Asia Index in the Australian Coal Report issued by Barlow Jonker.

## 5.2 STRATEGIC BUSINESS UNIT OF COAL MINING CONTRACTOR SERVICE

The Company has the strategic business unit of mining contractor service through SIS.

### MAIN SERVICE

SIS was established in 1999 for conducting coal mining activity covering land surface clearing, top soiling, overburden removal, coal mining, coal hauling, coal crushing and coal barge loading.

The Company's coal mining contractor service business unit is currently working on six customers with the operation area distribution in East Kalimantan and South Kalimantan.

The drawing below shows the locations of SIS' projects:



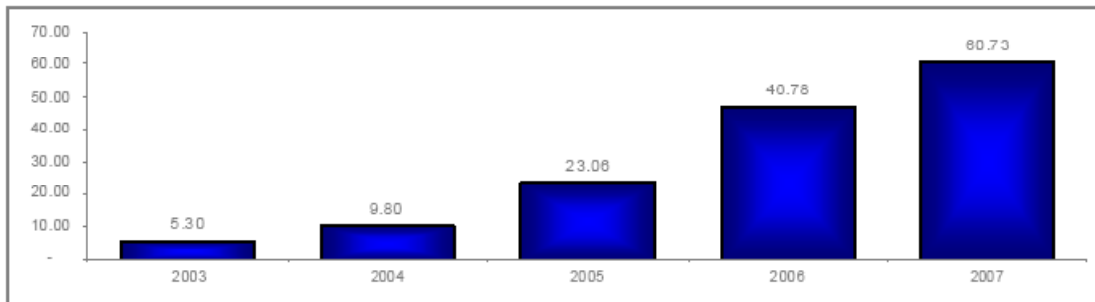
Today, SIS has several projects in progress, among others:

Customer	Contract Volume (tons)	Location	Type of Contract
Adaro	46 million	Tabalong, South Kalimantan	Coal Mining and Transportation Contract
Berau	11.1 million	Sambrata, East Kalimantan	Coal Mining Contract
	4.8 million	Binungan, East Kalimantan	Coal Mining Contract
Borneo	7 million	Sembaban, South Kalimantan	Coal Mining Contract
Indomining	6.8 million	Sanga-sanga, East Kalimantan	Coal Mining Contract
interex	4.2 million	Muara Komam, East Kalimantan	Coal Mining and Transportation Contract
SKB	2.7 million	Paringguling, South Kalimantan	Coal Mining Contract

### **PRODUCTION CAPACITY AND OUTCOME**

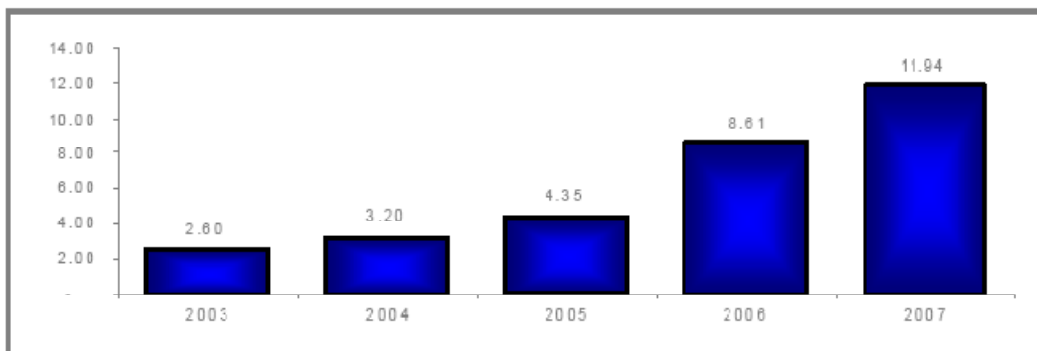
The Company's mining contractor service business unit has the production capacity reaching approximately 15.5 million tons per annum for coal mining and 110.9 million bcm for the work of overburden removal. Today, the whole income of this business unit is obtained from the coal mining work contracts it has, the contracts include the works of overburden removal, coal mining and coal hauling.

The operational performance of this unit for the period from 2003 to 2007 grew significantly, starting from the capacity of overburden removal that was only 5.3 million bcm per annum in 2003, up to 60.7 million bcm in 2007.



Source: Company

The Company's mining contractor service business unit started the coal mining and hauling from only 2.6 million tons in 2003, which continued to increase up to 11.94 million tons in 2007. So far, this strategic business unit has been able to record the average growth at 50% per annum.



Source: Company

SIS intends to obtain syndicated loans, among others from ANZ Banking Group Limited Caylon, Standard Chartered Bank, DBS Bank Limited, SMBC, UOB, Oversea-Chinese Banking Corporation Limited and Bank Ekspor Indonesia as Mandated Lead Arranger. The principle terms and conditions in the loan granting have been approved as articulated in the Term Sheet dated 5<sup>th</sup> June 2008 ("Term Sheet"). The terms and conditions of the loan granting according to the Term Sheet are as follows:

Loan Amount	: US\$ 300 million
Guarantor	: PT Adaro Energy Tbk, (Company)
Purpose	: For settlement of SIS' entire loan, including leasing liability; For financing capital expenditure (CAPEX) For financing working capital
Tenor	: Up to 30 <sup>th</sup> June 2013
Guarantee	: SIS' entire assets, including heavy equipments and claim SIS' Account

Assignment of Contract  
Assignment of all rights to insurance claim  
Subordination of shareholders' loans

Today, SIS is having negotiation with the syndicated banks on the terms and conditions in the loan granting, and an understanding is expected to be reached in the near future.

### **LICENSES**

SIS as a mining contractor service strategic business unit obtained the Mining Service Business License of Mineral, Coal and Geothermal No. 368.K/45.07/DTL/2006 based on Decision of the Director General of Mineral, Coal and Geothermal dated 24<sup>th</sup> July 2006. This license is valid for the period of three years.

## **5.3 STRATEGIC BUSINESS UNIT OF COAL MINING INFRASTRUCTURES AND LOGISTICS**

### **5.3.1. COAL MINING INFRASTRUCTURES & LOGISTICS**

The Company through its Subsidiary engaged in the sectors of infrastructures and logistics and production and supply chain management attempts to develop the infrastructures in the production and supply chain to ensure that the coal production can flow smoothly to domestic and international markets.

The infrastructures and logistics strategic business unit, IBT, is engaged in the business activity of management/lease of public harbor and coal terminal facilities located in Laut Island, an island at the southeast of South Kalimantan.

Laut Island is the 33<sup>rd</sup> biggest island in Indonesia (nearly equal to Bali Island), located in the middle of Indonesia, at the border between Makasar Strait and Java Sea.

The east coast of South Kalimantan protects Laut Island at the west side due to their positions facing each other.

By the superiority of strategic and protected location, IBT's potential as the main harbor for loading-unloading of solid and liquid commodities should be considered. The harbor is by concept actually positioned as the leading loading-unloading harbor of bulk commodities in Southeast Asia.

The development of the coal infrastructures and logistics facilities was completed in 1997 and the operation started in 1998. In the first year, IBT's terminal was only able to handle 4 million tons capacity, which has developed to reach 11.99 million tons in 2007. This additional capacity was able to make without having to increase its capital expenditure at large scale. IBT also has eight coal retaining locations which are able to retain up to 800,000 tons coal.

In 2004, IBT was awarded a Statement of Fulfillment For The Security of Port Facilities from the Directorate General of Sea Communication of Republic of Indonesia issued based on International Code For The Security of Ships and Port Facilities/ISPS Code.

### **PRODUCTION CAPACITY AND OUTCOME**

This terminal owned by the Company's strategic business unit has the capacity to discharge and load cargoes from and to the ships up to 3,000 tons per hour. With 8 stockpile locations in its possession, IBT has the capability to store cargo with the capacity equal to 13 vessels of panamax size equal to 800,000 tons.

IBT has conducted the coal loading activity of approximately 70 million tons since 1997 with the current capacity of 12 million tons. During 2007, IBT's loading activities are of 11.99 million tons. In 2008 the terminal use projection is predicted to remain high and it is targeted to suffice the requirement of its customers for a long-term.

The Company plans that at the end of 2008, 85% of the stockpile capacity will be used for the basis of long-term contracts. While the remaining 15% will be used for shipment by spot contract or for contracts with certain purposes such as requirement of cargo / coal mixture.

### **PRODUCTS AND MAIN SERVICES**

The terminal of the infrastructures and logistics strategic business unit, IBT, located in the environment of "Mekar Putih" public harbor is a multi-function terminal for handling coal receipt by loading-unloading/discharging cargoes from barges, retaining cargoes in the retaining place to moving cargoes to ships.

IBT has some advantages such as the capacity to vacate several barges at once, the coal piling-up facility for up to eight different coal products, coal blending in the coal retaining location or at the time of loading, reduction of waiting time by a quite considerable capacity of loading-unloading, system of environment supervision and dust reducer, quality supervision during the loading-unloading process (when the coal is discharged in the harbor, placed in the retaining facility, and when the coal is loaded on to the ship), modern laboratory facility that supports coal analysis based on international standard, and aircraft runway facility.

### **LICENSES**

IBT's operational license is based on the Cooperation Agreement for Construction, Development and Coordination of Coal Public Port in Pulau Laut – South Kalimantan, Number: 61/SPP.PR.129/PII-94 dated 10<sup>th</sup> November 1994 with PT (Persero) Pelabuhan Indonesia III ("Pelindo III"), stating that IBT is entitled to manage the Public Port in the area of Pelindo III. Based of Government Regulation No. 11 of 1983 in conjunction with Government Regulation No. 23 of 1958 and Government Regulation No. 58 of 1991 in conjunction with Law No. 21 of 1992 and the Articles of Association of Pelindo III, Pelindo III is a State-Owned Corporation having the right to manage Public Port in the area of Pelindo III. IBT has obtained BKPM's permission by Notification Letter on Presidential Approval Number 17/1/PMA/1990 dated 9<sup>th</sup> January 1990 to build, develop, exploit and manage the port and terminals for stockpiling, loading-unloading and haulage of coal at the southern part of Pulau Laut, South Kalimantan. This agreement term is 30 years effective from 21<sup>st</sup> August 1997.

IBT has been awarded Decision No. 294 of 2003 dated 21<sup>st</sup> July 2003 issued by the Government of Kotabaru Regency regarding the renewal of license for operation and exploitation of Mekar Putih airport. Based on the license IBT is allowed to operate Mekar Putih Airport located in Kotabaru Regency, South Kalimantan Province on the following conditions:

- Use: Private
- Type of Flight: daylight VFR operations
- Type of Flying Safety Service: Unattended
- Type of Aircraft: CASA-212 and the sorts.
- The responsibility for the operation and maintenance of Airport, including its assets, personnel and equipments is held by IBT under the guidance and supervision of the Communication Service of Kotabaru Regency, cq. Air Communication, Telecommunication and SAR Sub-Service.

### **5.3.2. STEAM-POWER PLANT BUSINESS UNIT**

Today, the energy requirement for the Company group's operation highly depends on oil fuel since the oil price is quite high so that the risks of price and dependency on fuel will be quite significant on the Company group's business performance.

In connection with the business risks and continuation of the Company and Subsidiaries, the capability to ensure the fuel sources for electric power plant to support the company group's activity need is crucial. The biggest consumption of oil fuel is by heavy equipments, trucks, tugs, Crushing and Loading Facilities in Kelanis and infrastructures and logistics strategic business unit, IBT, and a few others for electricity requirement in the office and employees' mess / lodgings.

Related to electric energy supply for all the Company's strategic business units activities, the Company's through the infrastructures and logistics strategic business unit, MSW, is in planning phase of constructing an electric power plant located in the pit mouth to principally supply the Company's mining strategic business unit operational requirement. MSW will construct two power plants at the respective capacities of 30 MW, expected to be able to significantly reduce oil fuel consumption, since the electric requirement for equipments like conveyors, processing and production facilities, office and mess equipments will be supplied from the local power plant and further to be able to minimize the risks on scarcity and price fluctuation of oil fuel. Besides, the electric energy produced could also be supplied to support the local community and economy.

The MSW power plant project is predicted to commence in 2009 and needs a total investment of approximately US\$ 162 million, some of it, as planned, will be financed by International Finance Corporation ("IFC") by a loan of approximately US\$ 122 million. Today, MSW is making negotiation with IFC on the terms and conditions in the loan granting which is expected to reach an agreement in the near future.



### **PRODUCTION CAPACITY AND OUTCOME**

Infrastructures and logistics strategic business unit, MSW, is now planning to develop a power plant of 2 x 30 MW for the Company's strategic business unit internal requirement.

### **MAIN PRODUCT AND SERVICE**

Currently, the main product and service in the form of electric energy produced by this strategic business unit will be fully dedicated to support the production and supply chain operation and survival of the integrated strategic business units of the Company. However in the future, the possibility is not precluded that this strategic business unit will conduct business expansion in the form of selling or supplying electric energy not only to the Company's strategic business units, but also to third parties.

### **LICENSES**

Based on Decision of the Regent of Tabalong No.178/2007 dated 7<sup>th</sup> August 2007, MSW obtained the Location License for Development of Steam Power Plant (PLTU). The location is in Mabu'un Village, Murung Pudak Subdistrict of 100 ha. This Location License is valid for 36 months commencing as of the date of stipulation and may be renewed 1 time for the period of maximum 12 months.

Based on Decision of the Regent of Tabalong No.540/KEP/07/EKO/2007 dated 29<sup>th</sup> March 2007, MSW obtained the License For Surface Water Use. Based on Letter of the Regent of Tabalong No.540/843/Eko dated 7<sup>th</sup> December 2006, MSW obtained the license for Tabalong river water use for the construction and operational requirement of Coal PLTU of the capacity 2x30 MW in Tanjung, Tabalong.

MSW obtained Temporary Business License For Power Supply in Public Interest No.050/01/EKOBANG/2008 issued by the Regent of Tabalong dated 29<sup>th</sup> March 2008 that is valid until 28<sup>th</sup> March 2009.

## **6. MARKETING AND SALES**

### **Coal Marketing and Sales**

The mining strategic business unit, Adaro, started marketing the coal in 1990 and has been widely known in the world under the trademark "Envirocoal". The marketing was first focused in Europe and USA, where the laws and regulations limiting the emission of power plant using coal fuel was introduced. When Asia developed as a new market segment for Sub-bituminous coal, Adaro focused its attention on the development of its customers basis in Asia for taking advantage from the geographical position of the customers located in that region. Adaro is confident that Envirocoal has competitive superiority in the lower transportation cost to customers compared to suppliers with farther locations. Adaro is also concerned with the marketing effort in Indonesian market. In 2007, approximately 31% of Adaro's total sales were for domestic customers and 70% of Adaro's coal sales were exported.



In 2002, Adaro entered a long-term agency agreement with coal trade strategic business unit, Coaltrade, where Coaltrade was appointed as Adaro's marketing agent to serve certain international customers. Adaro's marketing agreement with Coaltrade also provides an access for international marketing network and information on global and regional tendency in coal production, offer, demand and price fixing.

Coaltrade does not only trade any third parties' coal, but also trades Envirocoal directly from Adaro, based on agreement dated 16<sup>th</sup> January 2001, which was just renewed until 2010. To meet contract obligations to third parties, Coaltrade is required to supply coal either from Adaro or alternative suppliers of third parties.

### **Coal supply agreement, price and payment term**

The coal products of mining strategic business unit, Adaro, are sold under coal supply agreement. Adaro sold approximately 100% of its coal sales volume in 2005 and 2006 under coal supply agreements with the term of one year or over. Most agreements of Adaro coal supply explain the quantity / volume of Envirocoal to be delivered each year and give a right to the customers to ask for additional quantity of coal order. Any other remaining coal supply agreement covers the maximum coal quantity able to supply or covers the requirements for customers to buy from Adaro any certain percentage of their coal requirement.

The price fixing is based on the current price of the steam coal traded internationally, of which the term is relevant to the agreement negotiated and it includes the factors like calorie and energy value of the coal, the potential efficiency of boiler, ash, sulfur and nitrogen content, handling fee, difference of transport cost and term of payment. In most coal supply agreements of Adaro, the prices agreed in the agreement for any certain periods with an option of renegotiation at the end of period. If the adjustment on a price cannot be agreed, to some customers, Adaro continues coal delivery based on the preceding price and to adjust the price retroactively upon agreement. In other cases, the price is adjusted by observing the index reference, or in any certain cases by arbitration proceedings.

Most Adaro's coal supply agreements allow Sucofindo, a certificate and inspection institution having the head office in Jakarta, or other independent inspection institution to conduct inspection, take samples, and test coal before delivery to the customers to ensure that the coal is according to the specification as set forth in the contract.

Adaro's nearly entire coal sales are denominated in US Dollar price, except for domestic sales to power plants, of which over 50% of the sales are denominated in IDR currency of which the value is equal to value (in US\$). The payment and delivery period specified in Adaro's long-term supply agreements vary between its customers and cover Free on Board ("FOB"), Cost & Freight (covering the cost & fee) ("C&F") and Cost Insurance Freight (covering the cost, insurance and transport fee) ("CIF"). The payment period varies between 7 to 60 days from the date of invoice receipt, or upon receipt of the final coal quantity and quality, or since the date of bill of lading or by Letter of Credit. Some Adaro's agreements also require Adaro to present a performance bond.

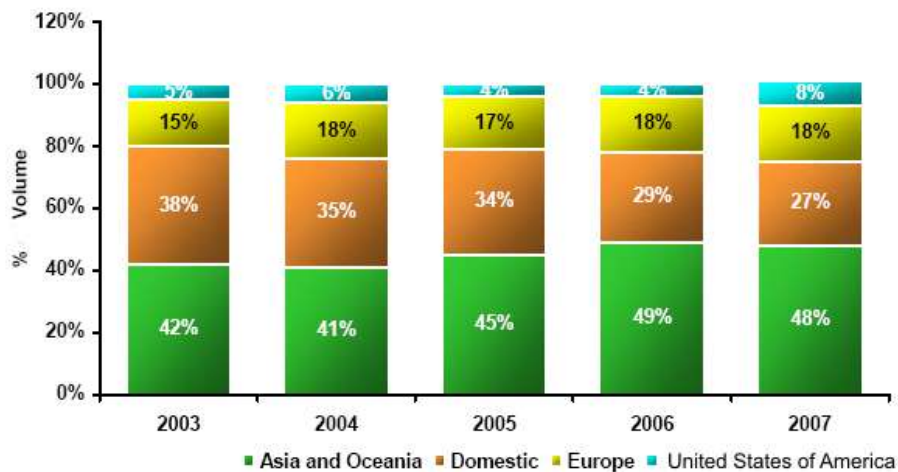
Based on PKP2B and coal supply agreement, the right of ownership of coal is vested in the customers of the mining strategic business unit, Adaro, when the coal is loaded to the customer's ship or truck.

### Customers

The mining strategic business unit, Adaro, supplies coal to end-user in domestic and international markets, either directly or by broker. Adaro’s customers are particularly of electric power plants scattered in 18 countries, covering Indonesia, Japan, China, Taiwan, South Korea, Malaysia, Thailand, India, New Zealand, Spain, England, Slovenia, The Philippines, Hong Kong, Italy and USA.

Most customers are of high quality power utilities, and most of them have the best credit rating. In 2007, 74% of the coal produced by Adaro was exported. Due to the big export portfolio, Adaro has made a profit significantly from the coal price increase in international market for a few months. With approximately 78% of Adaro sales (in US\$) denomination, Adaro has a natural hedging against the fluctuation of currency value that is potentially harmful.

The following table describes the Company’s sales basis by geographical location and the sales volume for the period of 2003-2007.



Source: Company

In 2007, approximately 72.3% of Adaro’s customers, viewed from the point of coal volume supplied by Adaro, were involved in power plant industry. Adaro’s remaining customers are dominated by cement, timber and paper industries.

Adaro’s 10 biggest end-users represented approximately 60% and 59.5% of the sales volume for the years ended 31<sup>st</sup> December 2006 and 2007. The following table shows the 10 biggest end-users in the gross sales volume for 2007.

They are 10 main coal customers of the Company’s mining and trade service strategic business unit based on:

Customer	Industry	Country	% of Total Sales
Customer 1	Power Plant	Spain	9.4%
Customer 2	Power Plant	Indonesia	8.9%
Customer 3	Power Plant	Hong Kong	7.8%
Customer 4	Power Plant	Indonesia	6.2%
Customer 5	Power Plant	United States of America	6.1%
Customer 6	Power Plant	Japan	5.1%
Customer 7	Power Plant	Malaysia	4.9%
Customer 8	Trading	India	3.8%
Customer 9	Power Plant	China	3.7%
Customer 10	Power Plant	Taiwan	3.6%
Other	Power Plant/ Other Industries	Other	40.5%
Total			100.0%

Source: Company

Below are the main customers of the Company's coal mining contractor strategic service business unit for the works of overburden removal, coal mining and hauling:

Project	Location	Work	
		Overburden Removal	Coal Mining and Transportation
Adaro	South Kalimantan	39.67%	64.27%
Berau	East Kalimantan	38.73%	21.19%
SKB	South Kalimantan	9.53%	4.10%
Interex	East Kalimantan	4.49%	1.87%
Indomining	East Kalimantan	3.93%	1.63%
Borneo	South Kalimantan	3.65%	6.94
Total		100%	100%

Source: Company

### Marketing and Sales of Electricity and Other Company's Products

Since infrastructures and logistics strategic business units, MSW and JPI, are currently still not operating commercially and within a short and medium-term will still be classified as new players of power plant development, in the initial phase of their business coverage, MSW and JPI will move in medium scale, although the possibility is not precluded that by the increasing experience and support of the management team and strong finance, MSW and JPI will in the future become the big players in electricity.

For the marketing and sales targets, MSW as the mine mouth PLTU will operate specifically to handle the electricity requirement of the mining strategic business unit, Adaro. By the increasing coal production and the Company's strategy to eliminate dependency on energy resources beyond its control, the Company and Subsidiaries will use more coal-based electric energy of its own production.

While for JPI, the Company plans to market its energy product to third parties. Two aspects that greatly decides the success of electric energy supplying companies are that the requirement for the energy and the logistic capability of the producer. And since JPI is integrated with one of the biggest coal suppliers in Indonesia, automatically it gives JPI a very strong superiority to become one of coal-based power plant developers in Indonesia.

## 7. BUSINESS COMPETITION

As a group of mining companies integrated with strategic business units, the Company is supported by complete and competent strategic business units for a coal mining industry, starting from the mining management right, mining contractor service, marketing / selling agent up to complete infrastructures and logistics support that do not have domestic competitors of the Company, therefore the Company is confident that as an Integrated Mining Company, the Company does not have direct competitors domestically. However as a separate business unit, the Subsidiaries have direct competitors in their respective industries, among others:

### Adaro

#### Mining strategic business unit, Adaro

The mining strategic business unit, Adaro, has three main competitors for the type of eco-friendly coal with Sub-bituminous coal type, they are namely PT Kideco Jaya Agung, PT Kaltim Prima Coal and PT Anugerah Bara Kaltim.

The Company is confident Adaro has bigger Sub-bituminous coal production volume than its competitors. Besides the product quality, other competition in Sub-bituminous coal sales is found in price fixing, accuracy of delivery time and continuous supply.

Table of coal production in Indonesia for the period of December 2007:

Company	Operator	Production (million tons)	Market Share
PT Bumi Resources Tbk	KPC	51.66	27.0%
Company	Arutmin		
	PT Adaro Indonesia	36.00	18.8%
Kideco	PT Kideco Jaya Agung	20.59	10.7%
PT Indo Tambangraya Megah Tbk	PT Indominco Mandiri	17.22	9.0%
	PT Trubaindo Coal Mining		
	PT Jorong Barutama Greston		
	PT Kitadin		
Berau	PT Berau Coal	11.82	6.2%
PTBA	Bukit Asam	8.48	4.4%
Tanito	PT Tanito Harum	6.18	3.2%
	PT Mahakam Sumber Jaya		
	PT Riau Bara Harum		
Anugerah Bara Kaltim	PT Anugerah Bara Kaltim	5.59	2.9%
	PT Jambayan Muara Bara		
Bayan	PT Gunung Bayan Pratama	4.70	2.5%
Other		29.42	15.4%
Total		191.64	100.0%

Source: Company

Particularly for Sub-bituminous coal production, the Company is confident that its production capability is approximately the same as the production volume of Sub-bituminous coal of its three main competitors if the three Sub-bituminous coal production volumes are combined.

Competition with other Indonesian coal producers is particularly determined in the quality and selling price. The Company is confident that the Company has competitive superiority than its competitors from the volume of proven reserves it possesses, the integrated synergy between its strategic business units, the strong relation with its Mining contractors and the experience and good reputation in the coal supply for its domestic and international customers.

Adaro's main competitors in wider coal market in Asia include big producers from Australia, South Africa and China, like Rio Tinto plc, BHP Billiton plc, Anglo American plc., Xstrata plc and big companies owned by the government in China. Competition between coal suppliers in Asian coal market is particularly in price.

The Company is confident that by the favorable geographical position, the Company and Subsidiaries have a competitive superiority over its competitors from Australia and Africa in Envirocoal sales to its customers in Asia region.

The Company's main competitors for the sales in European region are coal producers from South Africa and Russia, covering Xstrata plc, Anglo American plc, and BHP Billiton, plc. The Company competes with producers from South Africa and Europe, particularly on price basis.

The Company's main competitors for coal sales in America are the American coal producers, including the producer from Powder River Valley and coal producers from Columbia. The Company strategically focuses its marketing efforts to potential customers located in the coastal areas to minimize any transport cost.

The Company expects that the coal markets around its market area will continuously expand as the impact of development of new power plants, particularly in Asian region.

The Company realizes that the coal supply increase, particularly from Indonesia and Australia, may have negative impacts on the world coal price. In addition, a number of factors beyond the Company's control also affect international coal market.

The Company also faces competition in all markets that may come from alternative energy source or coal substitute suppliers, generally from natural gas products.

### **Mining Contractor Service Strategic Business Unit, SIS**

In the service industry of coal mining contractor, the strategic business unit, SIS, has several main competitors, most of them are big actors in industry. The main competitors of SIS are among others PAMA, BUMA, PT Darma Henwa Tbk., PT Thiess Indonesia, PT Leighton Contractors Indonesia, PT Petrosea Tbk., etc. One of the planned strategies of SIS to increase its competitive power is by adding the fleet of heavy equipments, of which the fund will be earned from the proceeds of Public Offering.

### **Trade Strategic Business Unit, Coaltrade**

The strategic business unit, Coaltrade competitors for international marketing and Selling Agent services are wholesaling Agents that have dealt with this industry for quite a long time, among others: Glencore, Noble, EDF Trading, RWE, and Peabody Coaltrade. One of the competitive powers owned by Coaltrade is the capacity to give total solution in logistics sector, from the location of coal producers to the customers.

Other matter supporting Coaltrade's competitive power is more guaranteed requirement for coal haulage ship. A good cooperation relation with Clarkson Asia, an intermediary company of the world biggest shipping service provider based in Singapore, besides the relation with other shipping service providing companies, will secure the fulfillment of the need for haulage ships.

Compared to other thermal coal, Sub-bituminous Coal is classified in the type of relatively new coal in the market so that many companies of power plants have not had adequate knowledge in its management. Coaltrade as a part of its marketing strategy also gives consultation service to the customers or prospective customers in the handling of Sub-bituminous Coal.

### **Infrastructures and Logistics Strategic Business Unit, IBT**

The infrastructures and logistics strategic business unit, IBT does not have direct competitors in this market and even the closest terminal known as Balikpapan Coal Terminal is located far in Balikpapan. Balikpapan Coal Terminal and IBT Terminal serve areas geographically different, therefore also serve different market segments, hence the IBT's terminal does not compete directly with Balikpapan Coal Terminal.

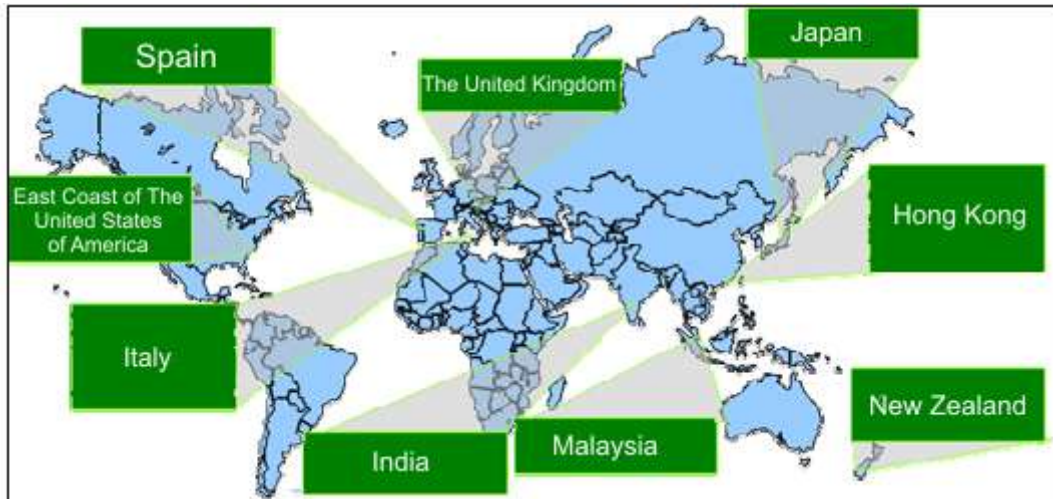
## **8. BUSINESS PROSPECTS**

The high demand for alternative energies have pushed coal exporting countries to continuously attempt to increase their production volumes and Indonesia is currently one of the world biggest coal exporters.

There are various kinds of coal produced by many producers all over the world, however, due to the increasing awareness and concern of the world society of air pollution and its impacts on human health and environment, alternative fuel with low emission content has today become the main option in society, particularly for steam power plant.

Furthermore, this is particularly due to very tight supervision on emission in some countries, particularly in Europe. In Spain, Italy, England and New Zealand, the local governments give very strict conditions in the use of fuel that may give negative impacts on environment. The policies have given a separate positioning on the Company's Envirocoal product.

### Global Acceptance of Envirocoal



By the eco-friendly characteristic as it has low contents of ash and sulfur and more economic price, Envirocoal has been well accepted and used by its customers all over the world like:

- **England:** The sale increases parallel to the change to coal having low sulfur and Oxide Nitrogen emission to meet the tight environment conditions of the European Combustion plant directive, hence only low emission fuels like gas and Sub-bituminous coal that are well-accepted in the country.
- **Japan:** Adaro's contract with J.Power enables some substantial saving from the point of disposal of ash resulting from burning process.
- **Hong Kong:** The use of Envirocoal in its power plant enables Castle Peak Power to meet the emission conditions of the local government.
- **New Zealand:** Export to Huntly power plant due to the strict limitation on ash waste.
- **Malaysia:** Manjung power plant is designed specially for Envirocoal in the framework of meeting the tight emission standard requirement.
- **India:** Tata uses Envirocoal in Mumbai power plant.
- **Italy:** Brindisi North power plant is closed due to the high emission level. The Government allows its reopening on condition that it is required to use Envirocoal.
- **East Coast of USA:** The power plant uses pure Envirocoal as an alternative of financing for installation of state-of-the-art equipments to control emission.
- **Spain:** Puentes and Meirama power plants have been converted to be only able to use Envirocoal for meeting European Economic Community emission standard.

Although, Envirocoal coal has the calorific content lower than other coals, however having the characteristic of low ash and sulfur contents makes Envirocoal as eco-friendly coal suitable for steam power plants.



Mining contractor service strategic business unit, SIS, not only provides the mining contractor service in the Company's internal interest, but also serves third parties. And considering the high coal demand in the last few years and the prediction that new mining companies particularly those having PKP2B license of the second and third generations will soon start their production, the demand for qualified mining contractor service will increase parallel to the production growth.

Besides, the Company through Subsidiaries also has supporting logistic facilities. The market demand for logistic service in Kalimantan such as loading to the ship continuously grows parallel to the growing coal demand. By the geographically supporting location, infrastructures and logistics strategic business unit, IBT, has direct access to deep waters and is one of two public terminals operating in Kalimantan. Located in the South of Pulau Laut, South Kalimantan, IBT does not only serve coal producers, but also serves coal suppliers in Central and South Kalimantan. Considering the high potential growth, IBT is currently evaluating the possibility for expanding its capacity.

Besides owing coal mining strategic business unit, mining contractor service and infrastructures and logistics supporting company, the Company also has a strategic business unit specifically handling the coal marketing, sales and trade.

Any possible reduction of export supply from China, logistics issue in Australia and limited supply in South Africa will increase portions of coal demands from Indonesia, and this will make the coal suppliers from Indonesia have a good position to become the main coal suppliers.

The Company's trade strategic business unit, namely Coaltrade, is currently preparing to utilize the market condition. SWOT analysis indicates that Coaltrade's competitive superiorities are found in the Company Group's financial condition, supply capability and logistic support. Furthermore, the marketing network by agents and representatives also affects the existence and reputation of the Company's group in the world market.

Besides by infrastructures and logistics strategic business unit, MSW, the Company through JPI also intends to develop a steam power plant, which product is planned to be sold to any other third parties. The Company is confident that JPI is able to play a significant role in identifying the opportunity to build coal-fueled power plant with the guarantee of coal supply certainty from mining strategic business unit, Adaro. Today, JPI is considering to build a power plant of the capacity 2 x 65 MW. The development of project is expected to be performed in 2010.

## 9. ANALYSIS OF ENVIRONMENTAL IMPACTS (AMDAL)

The Company through Subsidiaries conducts business activities related to environment, and in their operation, the Company and Subsidiaries are required and have had the licenses related to environment management as follows:

### **Mining strategic business unit, Adaro**

#### Tutupan Location

Mining strategic business unit, Adaro was awarded Decree No. 401 of 2005 dated 30<sup>th</sup> December 2005 issued by the State Minister For Environment on the Term of Reference for KA-ANDAL for coal production capacity increase of 30 million tons per annum in Tutupan mine, Tabalong and Balangan Regencies, South Kalimantan Province and South Barito and East Barito Regencies, Central Kalimantan Province ("Capacity Increase").



Adaro obtained the approval on RPL and RKL for the Capacity Increase activity. The approval was granted by the Central AMDAL Appraising Committee under approval number 179 of 2007 dated 22<sup>nd</sup> March 2007.

Wara Location:

- a. Adaro was awarded letter No. 2676/0115/SJ.T/1995 dated 25<sup>th</sup> July 1995 on the approval of ANDAL of coal mining activity DU.363 in Wara Area, Tabalong Regency, South Kalimantan Province issued by the Department of Mining and Energy of the Republic of Indonesia. Based on the above decree, the report of ANDAL of coal mining activity DU.363 in Wara Area, Tabalong Regency, South Kalimantan Province submitted by Adaro was approved. In the approval it is stated that the coal reserves mineable are 82 million tons with the average production of 3 million tons per annum so that the mine life is predicted to be 30 years.
- b. Adaro was awarded letter No. 2678/0115/SJ.T/1995 dated 25<sup>th</sup> July 1995 on approval of RKL and RPL for coal mining activity DU.363 in Wara Area. Based on the decision, the RKL and RPL of coal mining activity in Wara area reported by Adaro were approved. In the approval it is stated that the coal reserve mineable is 82 million tons with the average production of 3 million tons per annum so that the mine life is predicted to be 30 years.

Paringin Location

- a. Adaro obtained letter No. 460/0115/SJ.R/1992 dated 10<sup>th</sup> February 1992 on the approval of ANDAL study for coal mining in Paringin Subdistrict, Hulu Sungai Utara Regency, South Kalimantan Province (“Paringin Site”) issued by the Department of Mining and Energy of the Republic of Indonesia. Based on the letter, ANDAL for coal mining activity in Paringin Site submitted by Adaro was approved.
- b. Adaro obtained letter No. 2725/28/SJN.T/1998 dated 5<sup>th</sup> August 1998 on the approval of revision of RKL and RPL for coal mining DU.342/Kalsel, Hulu Sungai Utara Regency, South Kalimantan Province. Based on the letter, the revision of RKL and RPL for coal mining activity DU.342/Kalsel, Paringin Site submitted by Adaro was approved. Based on the above approval, of the coal reserve of 37,280,000 tons, 18,832,327 tons have been mined for 6 years. With the planned production of 6,000,000 tons per annum, the mine life is estimated to be only 3 years left.

**Environment Management, Handling and Monitoring Activities Conducted**

The activities conducted by the Company and Subsidiaries related to the management, handling and monitoring of environment impacts are among others:

Management and Handling of Environmental Impacts:

<b>Environment Impact</b>	<b>Management and handling conducted</b>
Soil erosion	Arrangement of slopes, multiplying permanent structures for erosion control, reclamation and revegetation.
Soil fertility	Reclamation and revegetation
Water quality	Supply and treatment of settlement pond and periodical maintenance of settlement pond.

Air quality	Road paving, land clearing only conducted on the land that will be immediately mined, showering in the mine location and mine road is conducted at the frequency of 1-2 hours with the intensity of 5mm each day to minimize coal dust and soil dust, regulating the coal transport vehicles, and immediately conducting revegetation activity in any reclaimed area in the mining area and along the haul road.
Noise	Conducting the activity of blasting by delay system, road maintenance and limitation of vehicle speed, and planting of protecting trees, particularly around the people's settlement.
Water biota	Supply, handling and maintenance of settlement pond.
Terrestrial flora	Reclamation and revegetation
Terrestrial fauna	Revegetation

#### Environmental Monitoring:

Environment Impact	Environment monitoring conducted
Soil erosion	Direct field observation.
Soil fertility	Field observation, sampling and laboratory analysis.
Water quality	Field measuring and sampling and sample analyzing in laboratory.
Air quality	Sampling, further analysis in laboratory by gravimetric method.
Noise	Noise measuring by sound level meter.
Water biota	Sampling (plankton by plankton net and benthos by ponar petittiter dredge), continued by laboratory analysis.
Terrestrial flora	Field measuring and sampling and recapitulation of computation.
Terrestrial fauna	Inventory taking or sampling and data analysis by computation.

#### Infrastructures and Logistics Strategic Business Unit, MSW

Based on Decision of the Agency For Environment Impacts Control, South Kalimantan Province Region No. 660/230-APDL/Bapedalda dated 18<sup>th</sup> May 2006, MSW has obtained the approval for ANDAL, RKL and RPL.

Based on Decision of the Regional Board for Environment Impacts Control of Tabalong Regency No.660/79-02/Bapedal dated 28<sup>th</sup> March 2007, MSW has obtained the approval of UKL and UPL Documents for Coal PLTU 2x30 MW in Tanjung Village, Tabalong Regency.

#### 10. SOCIAL RESPONSIBILITY

Besides the objective of developing a harmonious relation between the company and surrounding community, Corporate Social Responsibility ("CSR") is a form of the company's responsibility to the surrounding community. Being aware of this fact, the Company and Subsidiaries have since the beginning had commitment to the community development around their business activity area.

Mining strategic business unit, Adaro always attempts to work out partnership and close cooperation and expects the full support of the local community, the regional government and other supporting organizations / Non-Government Organizations in building and empowering the community and preserve the environment.

By the principle of mutual respect, partnership, long-term and sustainable commitment, The Company through the Subsidiaries materialize the same by four CSR pillars, covering the sectors of economy, education, health and social culture, with the following objectives desired to achieve:

- To increase the sources of income of the community based on local potentials and culture.

- To increase Human Resources quality by improving education, moral and religious values while considering regional economic potential.
- To increase public health level.
- Opportunity for the community to actualize themselves in religious, sport, art and cultural sectors.
- To provide the infrastructures to support education, health and economic development of the community.

In the economic program, the sectors developed are sectors having competitive power and superiority in each regency. Empowerment is conducted comprehensively from upstream to downstream, while considering the aspect of independence. The business lines developed cover superior rubber and orange plantations, cow breeding, broiler poultry raising, caged fishery, *patin* fish and *galah* shrimp cultivation, advancement in furniture, repair shop and development of micro financial institution.

To support economic sector, Adaro also gives skill education such as training in plantation, repair shop, technician of cellular phone, entrepreneurship, simple bookkeeping, and business management.

Whereas human resources field is directed to increase the quality of human resources by increasing the education quality, moral and religious values while considering the regional potential. The program carried out comprises teacher training, enhancement and improvement of educational means quality, scholarship program for Elementary School to University, supply of Traveling Library, education of Pioneer Youths, TK/TPA Advancement, advancement of Superior Elementary School and Junior High School Plus, development of Paringin Superior Elementary School.

Health sector is directed to increase public health level by providing clean water facility, increasing the health quality of families and settlement, reproduction health and people's nutrition. To overcome the high mortality rate of mothers and children, the Company through the Subsidiary works in cooperation with Indonesian White Band Alliance (APPI) in developing program KIBBLA (Mothers, Newly Born Babies and Children Health). Program of Cataract Disease Control by Free Cataract Surgery as a superior program is continuously conducted to give opportunity to poor people. This program has been performed since May 2003. Ophthalmologists and experienced and trained paramedics, by Cataract Clinic Bus having equipments of international standard, visit cataract patients in many locations and puskesmas (Public Health Clinic) around Adaro's operational area. This program is carried out five days in a week with the target of 70 times operation in one month. The cataract operation program is conducted by involving all mining service contractors and the regional government, namely PAMA, BUMA, RAJ, Regional Government of Tabalong Regency, Balangan Regency, North Hulu Sungai Regency, South Barito Regency and East Barito Regency and Indonesian Humanity Foundation (YKI) supported by John Fawcett Foundation having the head office in Australia.

Social-cultural-religious and sport sectors: Adaro has developed religious education quality improvement program in various levels and elements of regional organization, religious and youth means and facilities development program, infrastructures development such as house of worship, sport facilities, development of bridges, roads and public wharf, settlement, clean water supply and water reservoir.

Social cultural sector is directed to enable the community to have an opportunity to actualize themselves in religious, sport, art and cultural sectors. Advancement in religious sector is conducted by giving support in renovation and development of places of worship, participating in activities of religious holidays and other religious activities. Advancement in sport sector is conducted by

providing sport facilities and activities. Advancement in art and cultural sectors is intended to raise the regional art and cultural potentials in the regency, province and national arenas.

In the effort of increasing the quality and quantity of coverage of community development program, institutions specially handling this program are established, among others Adaro-Pama Business Development Institution (LPB) for economic and non-formal education sector, Adaro & Partner Education Potential Development Institution (LP3AP) for formal education, Indonesian Humanity Foundation for health sector, and local Community Development Team for social cultural sectors. Besides, in the field implementation, the company also involves a number of local NGOs, and active participation of all people who are involved.

The programs are jointly prepared by the company, government and local people. This is conducted in order to meet the needs of all people and to have the sense of belonging to the programs.

The form of formal cooperation among the company, government and local people is articulated in Decision of the Regent on the Formulating, Executing and Supervising Team for Community Development Program in each regency.

By such good cooperation commitment, a harmonious relation among the company, government and local people can be developed, because each of them has a role in the CSR program implementation.

## 11. INFORMATION ON TRANSACTIONS WITH AFFILIATED PARTIES

As an integrated mining company group, the Company and Subsidiaries give support to each other in their efforts to consistently increase the production, product quality, marketing, improvement of human resources quality, implementation of technology information, production and operational facilities, as well as financing and other forms of support for the Company's business activities. This support is formalized in the form of mutually beneficial agreements and collaboration.

Transactions with affiliated parties constitute a synergic program between one strategic business unit of the Company and other strategic business unit or between the Company's strategic business units and the Company itself. As one of the biggest integrated coal mining companies in Indonesia and through its marketing network throughout the world, the Company and Subsidiaries have the resources and wide knowledge, and the business and network have been established to produce and market other related products and services. The Company's strategic business units as a part of this integration intend to mutually optimize the resources, knowledge and network that have been established in the interest of the Company and Shareholders. This collaboration has been in progress for a long time and is planned to be continued in the future.

Information on transactions with affiliated parties, namely:

No.	Name of Agreement	Parties	Brief Description	Value	Period
1	Coal Terminal Services Agreement	Adaro and IBT	IBT agreed to provide coal storing and blending and loading services to Adaro in the coal storage terminal of Laut Island operated by IBT.	n.a	3 <sup>rd</sup> July 1997 until the 15 <sup>th</sup> anniversary, i.e. 3 <sup>rd</sup> July 2012
2	Coal Terminal Services Agreement	IBT and Coaltrade	IBT agreed to provide coal storing and blending and loading services to Coaltrade in the coal storage terminal	n.a	Not mentioned

No.	Name of Agreement	Parties	Brief Description	Value	Period
			of Laut Island operated by IBT.		
3	Coal Terminal Services Agreement	IBT and Coaltrade	Coaltrade intended to store coal in South Laut Island Terminal, where the coal is discharged from barge and loaded to the ship for delivery.	n.a	31 <sup>st</sup> December 2008.
4.	Coal Terminal Services Agreement	IBT and ATA	ATA intended to store coal in South Laut Island Terminal, where the coal is discharged from barge and loaded to the ship for delivery.	n.a	31 <sup>st</sup> December 2008
5	Intercompany Loan Agreement dated 22 <sup>nd</sup> June 2005	Adaro and Rachmalta	Adaro gave a loan to Rachmalta for Rachmalta's corporate requirement, however Rachmalta should obtain Adaro's written approval if it intends to use the facility.	US\$ 26,552,500	15 years from 22 <sup>nd</sup> June 2005
6	Intercompany Loan Agreement dated 22 <sup>nd</sup> June 2005	Adaro and IBT	Adaro gave a loan to IBT in full on 22 <sup>nd</sup> June 2005 for IBT's corporate requirement, however IBT should obtain Adaro's written approval if it intends to use the facility.	US\$ 20,900,500	15 years from 22 <sup>nd</sup> June 2005
7	Intercompany Loan Agreement dated 8 <sup>th</sup> December 2005	Adaro and Arindo	Based on this agreement, Adaro agreed to give a loan to Arindo	US\$ 456,800,000	5 years and renewable
8	Loan Agreement dated 2 <sup>nd</sup> November 2007	Adaro and ATA	Based on this agreement, Adaro agreed to give a loan to ATA	US\$ 229,467,353	15 years
9	Loan Agreement dated 2 <sup>nd</sup> November 2007	Adaro and Viscaya	Based on this agreement, Adaro agreed to give a loan to Viscaya	US\$ 182,181,957	15 years
10	Loan Agreement dated 24 <sup>th</sup> March 2006	Adaro and IBT	Based on this agreement, Adaro agreed to give a loan to IBT. The loan drawing may be conducted upon 3 bank-day notification prior to the drawing.	US\$ 1,500,000	27 <sup>th</sup> March 2016
11	Sale and Purchase of Coal dated 16 <sup>th</sup> January 2001	Adaro and Coaltrade	Adaro agreed to sell Envirocoal to Coaltrade without any written approval of other party. This agreement may not be given or assigned, either in whole or in part, either voluntarily or as the result of legal action to other party.	Specified based on the average FOB price for the last 6 months as shown in ACR Asia Index in Australian Coal Report issued by Barlow Jonker.	16 <sup>th</sup> January 2001 to 31 <sup>st</sup> December 2010
12	The Contract	Adaro and SIS	Adaro appointed SIS as the contractor	Service fee is	effective from 21 <sup>st</sup>

No.	Name of Agreement	Parties	Brief Description	Value	Period
	Agreement for Mining and Transportation of Coal and Overburden Removal No.AI-SIS/CM-1/2005		to provide coal mining and transportation and overburden services in its mine location in Tabalong and North Hulu Sungai Regencies, South Kalimantan	determined based on any certain formula covering the quantity of raw coal and overburden mined and transported. Adjustment on the service fee per ton of coal and per cubic meter of overburden paid will be made to the variety of coal quantity mined.	May 2005
13	The Contract Agreement for Mining and Transportation of Coal and Overburden Removal No.AI-SIS/CM-2/2006	Adaro and SIS	Adaro appointed SIS as the contractor to provide coal mining and transportation and overburden services in its mine location in Tabalong and North Hulu Sungai Regencies, South Kalimantan	based on any certain formula covering the quantity of raw coal and overburden mined and transported.	effective from 1 <sup>st</sup> August 2006
14	Agreement of Acknowledgement of Debt No.011/DS/ISR-AGR/III/2006	SIS and Interex	Interex provided a loan facility for SIS' business activity implementation.	US\$ 7,000,000	2 years from the agreement date
15	Mining and Transportation Contract	Adaro & PT Rahman Abdijaya ("RAJ")	Based on the agreement, RAJ agreed to provide coal mining and transportation services in Adaro's mine area. RAJ shall also provide the means, equipments, machines, instruments and other goods required to operate the above services.	12.5 million tons of coal ranging between 167,000 tons and 250,000 tons per month	27 <sup>th</sup> March 2002 until a certain production accumulation level
16	Coal Barging Agreement for the Transportation of Coal to the Cilacap Coal Fired Power Station, Cilacap, Central Java	Adaro & PT Pulau Seroja Jaya ("Seroja")	Based on the agreement, Adaro appointed Seroja to deliver coal according to Fuel Supply Agreement No.K/11/S2P/VI/2005 to supply coal to power plant 2x300MW in Cilacap owned and operated by PT Sumber Segara Primadaya.	100,000 MT per month	until 31 <sup>st</sup> December 2009
17	Agreement on ATA Shares Purchase	Company and PCI	PCI agreed to sell and the Company agreed to buy all PCI's shares in ATA of 47,477 shares.	IDR 118,669,207,743	-

No.	Name of Agreement	Parties	Brief Description	Value	Period
18	Agreement on ATA Shares Purchase	Company and SRIS	SRIS agreed to sell and the Company agreed to buy all SRIS' shares in ATA of 94,951 shares.	IDR 237,330,916,957	-
19	Building Lease Agreement	ATA and PT Trikirana Investindo Prima ("TIP")	TIP leased out to ATA a space of 672.87 M2 located in Karya Tower 23 <sup>rd</sup> floor, Unit E, F, G and H.	First – third year: IDR 120,000.00 per m2;  Fourth – fifth year: IDR 138,000.00 per m2;  Sixth year and on: market price	10 years from 1 <sup>st</sup> November 2007
20	Building Lease Agreement	Company and ATA	ATA leased out to the Company a space of 248.16 M2 located in Karya Tower 23 <sup>rd</sup> floor, Unit E and F.	First – third year: IDR 120,000.00 per m2;  Fourth – fifth year: IDR 138,000.00 per m2;  Sixth year and on: market price	10 years from 1 <sup>st</sup> November 2007
21	Building Lease Agreement	Adaro and TIP	TIP leased out to Adaro a space of 672.87 M2 located in Karya Tower 23 <sup>rd</sup> floor, Unit A, B, C, D.	First – third year: IDR 120,000.00 per m2;  Fourth – fifth year: IDR 138,000.00 per m2;  Sixth year and on: market price	10 years from 1 <sup>st</sup> November 2007
22	Building Lease Agreement	IBT and PCI	PCI agreed to lease out a space of 670.87 M2 located in Karya Tower 22 <sup>nd</sup> floor, Unit B, C, D and E, Jalan H.R. Rasuna Said, Jakarta to IBT.	First – third year: IDR 120,000.00 per m2;  Fourth – fifth year: IDR 138,000.00 per m2;  The sixth year and on will be subsequently decided based on market price.	10 years from 1 <sup>st</sup> November 2007
23	Building Lease Agreement	IBT and JPI	IBT agreed to sublease a space in Karya Tower 22 <sup>nd</sup> floor, Unit C and D of 248.16 m2 to JPI.	First – third year: IDR 120,000.00 per m2;  Fourth – fifth year: IDR 138,000.00 per m2;  The sixth year and on will be	10 years from 1 <sup>st</sup> November 2007

No.	Name of Agreement	Parties	Brief Description	Value	Period
				subsequently decided based on market price.	
24	Power Purchase Agreement	Adaro and MSW	MSW supplied electricity to Adaro and will design, finance, supply, construct, manage and operate 2 coal power plants in the pit mouths, respectively of 30 MW in Wara, Maburai, Murungpudak, Tabalong.	Determined annually during the agreement period.	1 <sup>st</sup> October 2022 or the Agreement period between Adaro and the government is renewed.
25	Telescopic Handler Lease Agreement	ATA and Adaro	ATA leased out telescopic handler to Adaro	US\$ 2,300.00 per month, not including 10% VAT	30 <sup>th</sup> September 2010
26	Agreement on Lease of Skid Loader	ATA and Adaro	ATA leased out Skid Loader to Adaro	US\$ 1,100.00 per month, not including VAT	30 <sup>th</sup> November 2010
27	Building Lease Agreement	SIS and SMP	SIS leased Floors 4, 5, 6 and 7 in Graha Saptaindra	Rent US\$11 x 2,032m <sup>2</sup> = US\$ 22,352 Service expense: US\$ 11,000	10 years since 8 <sup>th</sup> December 2006
28	Agreement on coal transportation and loading-unloading	Adaro and Orchard Maritime Logistics Pte.Ltd. (“OML”)	The parties agreed to be bound by the provision that Adaro shall use the transportation service of OML for coal delivery according to the provisions herein.		17th August 2000 – 31st December 2014
29	Coal mining agreement	SIS and Interex	Interex appointed SIS as the contractor to provide mining service in East Kalimantan and South Kalimantan	Based on formulation in the agreement	5 years since notice to proceed
30	Coal Barging Contract from Kelanis Barge Loading Terminal to Nominated Delivery Points	Adaro and OML	Adaro made an agreement with OML as the contractor to haul coal through Barito River and deliver it to the forwarder’s vessels (Transshipment vessels) in Tabaneo Transshipment Port in Barito River mouth, or the Coal Terminal of Laut Island or other designated location.	-	23 <sup>rd</sup> May 2016
31	Agreement on Binungan H3N Coal Mining Project	SIS and Berau	Based on this agreement, SIS provides the manpower, equipments and raw material for soil peeling, coal mining, and overburden and coal transportation. SIS is also required to meet a certain minimum production level for these activities.		1 <sup>st</sup> January 2005 until 31 <sup>st</sup> December 2008
32	Agreement on Binungan H4	SIS and Berau	-ditto-		1 <sup>st</sup> January 2005 until 31 <sup>st</sup> December



No.	Name of Agreement	Parties	Brief Description	Value	Period
	Coal Mining Project				2009
33	Coal Mining Project of Binungan Block 1-4 – PT Berau Coal	SIS and Berau	-ditto-		31 <sup>st</sup> December 2010
34	Coal Mine Project Agreement of Sambarata	SIS and Berau	<p>On 25<sup>th</sup> February 2004, Dianlia entered into an agreement with Berau for coal mining operation service in Sambarata mine location</p> <p>On 1<sup>st</sup> May 2005, SIS, Dianlia and Berau entered into an assignment agreement to assign the agreement from Dianlia to SIS.</p> <p>Based on this agreement, SIS shall provide all plants, instruments, machines and other equipments required for coal mining and processing service required to satisfy certain minimum production requirements.</p>		5 years since 25 <sup>th</sup> February 2004, or when SIS reaches certain production accumulation level, which ever is earlier.
35	Coal Mine Project Agreement of Sambarata Block B-1	SIS and Berau	Berau appointed SIS as the contractor to provide mining service.		14 <sup>th</sup> July 2012
36	Sale and Transfer of Shares Agreement	Company and CSP	The Company bought 19,517 shares owned by CSP in SIS	IDR 31,754,159,000	Date of payment: 6 months since the agreement date or earlier at the parties' approval
37	Sale and Transfer of Shares Agreement	Company and SRIS	The Company bought 39,035 shares owned by SRIS in SIS	IDR 63,509,945,000	Date of payment: 6 months since the agreement date or earlier at the parties' approval
38	Sale and Transfer of Shares Agreement	Company and PCI	The Company bought 39,036 shares owned by PCI in SIS	IDR 63,511,572,000	Date of payment: 6 months since the agreement date or earlier at the parties' approval
39	Memorandum of Understanding for Sale and Purchase of Shares	The Company ("Buyer"), Saratoga Capital (Singapore) Pte.Ltd. ("SCS"), Recapital	The sellers intended to sell a part or all its shares in Orchard Maritime Logistics Pte.Ltd. and the buyer intends to buy the shares according to the terms and conditions in the Shares Sale and Purchase Agreement.	To be determined based on agreement between the parties by considering the result of evaluation of independent	The sale and purchase will be conducted no later than within 3 years from the date of agreement, i.e. 5 <sup>th</sup>

No.	Name of Agreement	Parties	Brief Description	Value	Period
		Maritim Holdings Limited (“RK”), Coronado Holdings Pte.Ltd. (“CH”), and BRS Investments Pte. Ltd. (“BRS”).  SCS, RK, CH and BRS act jointly as the Sellers		appraiser.	May 2008.
40	Basic understanding for shares sale and purchase	The Company (“Buyer”), PT Tanjung Anugerah (“TA”), PT Berau Sejahtera (“BS”), PT Kreasi Manunggal Investama (“KMI”) and PT Borneo Bara Lestari (“BBL”).  TA, BS, KMI and BBL shall be jointly referred to as Sellers.	The buyer intended to buy the shares owned by TA in PT Rahman Abdijaya in whole or in part, or the shares owned by BS, KMI, and BBL in TA in whole or in part, based on the terms and conditions to be subsequently agreed in a shares sale and purchase agreement.	To be determined based on agreement between the parties with respect to the evaluation of an independent appraiser registered with Bapepam to be appointed by the parties.	The sale and purchase shall be executed no later than 3 years since the date of agreement, i.e. 5 <sup>th</sup> May 2008.
41	Lease agreement	SMP and Dianlia	Dianlia leased 3 <sup>rd</sup> floor, Graha Saptaindra	US\$11x 11.25m2 = US\$ 123.75,  service expense US\$ 6 x 11.25m2 =US\$ 67.5	2 <sup>nd</sup> June 2009
42	Share Purchase Agreement	ATA and RAJ	RAJ conditionally purchased 128 shares owned by RAJ in PT Sarana Daya Mandiri.	IDR 128,000,000.-	No later than ninety (90) days after fulfillment of all requirements in the agreement

In the future, the Company and Subsidiaries intend to continue the synergy between the Company and Subsidiaries and other affiliated party mentioned above. To accomplish one of the Company’s strategy and objective as an integrated coal company to continuously attempt to increase production, at the

same time to conduct further production cost efficiency. For that purpose, to the extent required, the aforementioned agreement can be extended by the parties to the agreement.

## 12. LEGAL CASE ENCOUNTERED BY THE COMPANY AND SUBSIDIARIES

The following table shows the legal cases being faced by the Company and Subsidiaries until now:

No.	Number	Parties	Substance of Dispute	Court	Case Status
1.	Register SGHC 326Q/2004	Beckett Pte. Ltd. (as Plaintiff) and Deutsche Bank AG (“DB”) and Dianlia (as Defendant)	Execution of Pledge of Shares owned by Beckett Pte.Ltd., PT Swabara Mining and Energy and PT Asminco Bara Utama as the pledgor by Deutsche Bank A.G. as the creditor to Dianlia.	Court of Singapore	The judgment of the High Court of Singapore dated 21 December 2007 is as follows: <ol style="list-style-type: none"> <li>1. Beckett was able to prove that DB did not perform its obligations as the pledgee when DB sold the shares of PT Swabara Mining Energy, however it was not proven that DB sold the shares below reasonable price. The court judged to give compensation to Beckett of S\$.1,000.</li> <li>2. Rejected Beckett’s claim on the existing conspiracy on DB and Dianlia. Rejected DB’s counter claim against Beckett.</li> <li>3. It is currently in the process of cassation in the Supreme Court in Singapore.</li> </ol>
2	No.04/Pdt.G/2006/PN.T’jg	Adaro (Plaintiff) and Jarnan (Defendant I) and Mirayadi Mauh (Defendant II)	Dispute of title to a plot of land of 25.58 hectares located in Kasiau Village, Murung Pundak Subdistrict, Tabalong Regency.	District Court of Tanjung (Indonesia)	The decision of district court of Tanjung dated 13 June 2007: The plaintiff’s (Adaro) claim is granted in part. So far the process of appeal of the Defendant is taking place in the High Court of Palangkaraya.
3	No.05/Pdt.G/2005/PN.Btk and No.07/PDT/2006/PT.PR	Basri (Plaintiff and Appellee) and Adaro (Defendant and Appellant)	Basri feels harmed as the result of Adaro’s action of burying/covering 1 river, 3 wells, and 1 leper lake owned by Amberi Badjuri located in Kelanis Village, Hilir Hamlet, South Barito Regency	High Court of Palangka Raya (Indonesia)	The decision of district court of Buntok dated 17 September 2005: granted the Plaintiff’s (Basri) Claim. PN Palangkaraya: annulled the judgment of PN Buntok and awarded the defendant/appellant (Adaro).

No.	Number	Parties	Substance of Dispute	Court	Case Status
					Today the case is in cassation process in MA.
4	No.70/G/2006/PTUN-JKT	Adaro (Plaintiff) and Dir.Gen. of Minerbapabum DESDM ("Dir.Gen") (Defendant)	The claim object was Letter of Dir.Gen. of Minerbapabum, by which the Government claimed the under payment of DHPB withheld for VAT. The claim contents were among others: 1. to state the Letter of Dir.Gen. Minerbapabum void/ invalid. 2. to order the Defendant to annul the Letter of Dir.Gen. of Minerbapabum.	Administrative Court of Jakarta (Indonesia)	PTUN's Administrative Court) judgment dated 20 September 2006 granted the Plaintiff's claim and stated the Letter of Dir.Gen. of Minerbapabum null and void. In addition, PTUN decided the postponement of the execution of the Letter of Dir.Gen. of Minerbapabum until a court's judgment has become final and binding. PT TUN's Judgment: Confirm PTUN's judgment above. It is now in the process of cassation in the Supreme Court.
5	No.121/G/2007/PTUN-JKT	Adaro (Plaintiff) and Chairman of the Committee For State Receivables Affairs of DKI Jakarta (Defendant I) and the Minister of Energy and Mineral Resources of Republic of Indonesia (Defendant II) in Intervention)	Based on PTUN's decision number 70/G/2006/PTUN-JKT dated 24 <sup>th</sup> May 2006, the execution of the Letter of Dir.Gen. of Minerbapabum was delayed until a court's judgment has become final and binding. The Dir.Gen delegated the arrangement of DHPB payment to the Committee for State Receivables Affairs (PUPN)/KP2LN. Then PUPN issued a Decision of the Committee For State Receivables Affairs of DKI Jakarta Branch No.PJPN-434/PUPNC.11.05/2007 dated 20 <sup>th</sup> July 2007 on Decision of the amount State Receivables in the name of Adaro of IDR 144,873,604,671.90 and US\$ 93,501,290.46 (Decision of PUPN). Based on PTUN's decision number 70/G/2006/PTUN-JKT dated 24 <sup>th</sup> May 2006, Adaro instituted a claim against the above PUPN decision. The claim substance is among others:	Administrative Court of Jakarta (Indonesia)	Decision of Administrative Court dated 12 February 2008: To grant the claim and state PUPN's Decision null and void. To order the Defendant to revoke the PUPN's Decision. To state the Panel of Judges' decision No.121/G/2007/PTUN-JKT on PUPN's Decision postponement to remain valid and effective until a court's judgment has become final and binding. Defendant II is filing an appeal.

No.	Number	Parties	Substance of Dispute	Court	Case Status
			1. To state PUPN's Decision void or invalid. 2. To order the Defendant to revoke PUPN's Decision.		
6	No.1411/Pdt.G/2007/PN.Jak.Sel.	Winfield (Plaintiff) and Deutsche Bank, Aktiengesellschaft (Defendant I), of which Dianlia as Defendant III, Adaro as Co-Defendant III, and IBT as Co-Defendant IV	Dispute of Shares with the same material as point 1	District Court of South Jakarta (Indonesia)	The decision of district court of South Jakarta dated 29 April 2008 has rejected the Plaintiff's claim.  The Plaintiff has filed an appeal to the High Court of Jakarta.
7	No.06/Pdt.G/2007/PN.AMT	CV. Arto Moro (Plaintiff) and Adaro (Defendant)	Alleged pollution of Tutupan River conducted by Adaro	District Court of Amuntai (Indonesia)	The decision of district court of Amuntai dated 16 April 2008 accepted the exception of the Defendant (Adaro) and rejected the Claim of CV. Arto Moro.  The Defendant is making an appeal to the High Court, as it is not of the same opinion as the court's judgment stating that the claim is unacceptable.
8	No.72/PDT/2007/PT.BJM	Dansyah (Plaintiff) and Adaro (Defendant)	Dispute of land and alleged action against the law committed by Adaro	High Court of Banjarmasin (Indonesia)	The high court of Banjarmasin (Indonesia) dated 17 March 2008 has confirmed the District court's decision, which has rejected all of the plaintiff's claim.
9	No.05/PDT.G/2008/PN.AMT	Morhan (Plaintiff) and Adaro (Defendant I) and PT Hsu Mentari (Defendant II)	Land Sale and Purchase	District Court of Amuntai (Indonesia)	No judgment has been made (still in process of trial).

As disclosed in the Prospectus in Chapter Business Risk (sub chapter Risks Related to Company Management – 2. *Existing Claim against Dianlia, one of the Company's Subsidiaries, in connection with the validity of Dianlia's ownership on the shares of Adaro and IBT*), at the time one of the Company's subsidiaries, i.e. Dianlia, is one of the defendants in (i) the claim case in the court of Singapore ("Singapore Claim") filed by Beckett Pte. Ltd. ("Beckett"), and (ii) the Court's case in the court of Jakarta ("Jakarta Claim") filed by Winfield International Investment Ltd. ("Winfield").

In the Singapore Claim, the judge of Singapore High Court passed a judgment in September 2007, among others stating that:

1. Deutsche Bank A.G. ("Deutsche Bank") as the holder of Pledge of Shares had a liability to Beckett in the sale of shares of PT Swabara Mining & Energy ("SME"), but Beckett failed to

prove that the sale of SME's shares by Deutsche Bank was conducted below the market price (undervalue). Since Beckett was able only to prove Deutsche Bank's obligation, but failed to prove the existing loss in its claim against Deutsche Bank, Beckett received only a compensation of S\$1,000.-;

2. Beckett's claim on the existing conspiracy by Dianlia and Deutsche Bank was dismissed.

In one of its considerations, the judge of Singapore High Court concluded that Dianlia was a bonafide purchaser of Adaro's and IBT's shares, and Dianlia was not proven to be involved in a conspiracy to harm Beckett. Further, the judge of Singapore High Court also stated that even if Beckett's claim could be proven against Dianlia, the judge would not have granted the claim that the shares in dispute be returned to their original owners, because:

- (a) Beckett did not have a claim on the shares in dispute, except for SME's shares;
- (b) the ownership structure of shares in Adaro and IBT changed in connection with the acquisition by the Consortium taking place after the execution on the Pledge of Shares;
- (c) the value of shares in dispute increased as the consequence of the investment and development made and the sharp increase of the coal price occurring after the execution of the Pledge of Shares.

Beckett filed an appeal on the judgment of Singapore High Court to the Court of Appeal. In February 2008, the Court of Appeal conducted an examination and the parties are currently waiting for the judgment of the Court of Appeal.

The Company has received an opinion from Stamford Law Corporation ("Stamford Law"), who acts as the legal consultant for the Company in its letter dated 16<sup>th</sup> June 2008. Based on the opinion, Stamford Law explains that the Court of Appeal is of the court of appeal of final instance in Singapore. In the trial, the judge of the Court of Appeal will only hear the argumentation of appeal as to whether the judge of first instance who hears the case has been wrong in finding the fact or has been wrong in applying the law or has misinterpreted the law. In case of any appeal on the fact finding, the Court of Appeal will rely on the finding of facts in the trial of first instance and will not conduct examination of the witnesses. According to Stamford Law, it is very unlikely that the Court of Appeal will interfere with the finding of facts of the judge who has the opportunity to observe the attitude and assess the credibility of the witnesses in the court of first instance. The finding of facts will only change, if the finding of facts is apparently wrong or in conflict with the burden of proofs (submitted). Unless any new proofs are submitted, proving that Beckett suffered a loss or that the Court of Appeal made the interpretation different from that made by the judge of first instance, Stamford Law is in the opinion that the judge's judgment of first instance will be maintained.

Meanwhile, Stamford Law is also of the opinion that there is no significant issue related to the application of the proposed law. Further, Stamford also explains in its letter that the only way to make a legal remedy on the judgment of the Court of Appeal is by judicial review. However, Stamford Law is of the opinion that the judicial review process is generally inapplicable in the case of civil trial. Usually, the scope and function of judicial review are not related to the judgment on the merits of the case, but to the legality, i.e. a process where a judgment is made. A judicial review process is generally conducted only to the state administrative law, in connection with decisions of government agencies. Therefore, Stamford Law clarifies that so far there has never any precedent, when the Court of Appeal reviews its judgment.

The Company is confident that Dianlia's legal position as the owner and holder of shares in Adaro and IBT will be maintained, because Dianlia is not proven to have made an action against the law to Beckett, as claimed by Beckett in the Singapore Claim. Dianlia is legally a third party in good faith in connection with the purchase of shares in Adaro and IBT, therefore it is protected (by the law), although the sale and purchase agreement of the shares owned by PT Asminco Bara Utama ("Asminco") in Adaro and IBT with Deutsche Bank as the pledgee is annulled.

In connection with Jakarta Claim, the Panel of Judges in the District Court of South Jakarta has passed a judgment rejecting all claims filed by Winfield. Some significant considerations of the panel of judges in passing the judgment are among others:

1. based on the pledge agreement made by and between Deutsche Bank and Asminco, SME, and Beckett, Deutsche Bank is entitled to sell by private sale the pledge it holds, either with or without obtaining an order of the District Court of South Jakarta;
2. the sale and purchase of shares by Dianlia has been conducted according to the provisions in the pledge agreement, the Civil Code and prevailing law of procedure, and not in conflict with the legal provisions so that the sale and purchase of shares is legally effective and does not constitute an action against the law.
3. even if Winfield's argument is acceptable, due to the existing action against the law committed by Deutsche Bank and Dianlia, Winfield's claim should remain rejected since there is no element of loss.

Winfield has filed an appeal against the judgment of the District Court of South Jakarta referred to above and today this case is in the process of appeal in the High Court of Jakarta. Generally, the judge of the High Court only conducts an examination based on the document of appeal or counter memorandum of appeal submitted by the parties. Based on the provisions of the prevailing law of procedure, the High Court is competent to re-examine all facts or the law application on the case as concluded by the panel of judges of the court of first instance.

With regard to judgment of the panel of judges in the District Court of South Jakarta, Winfield's entire claims being dismissed, the Company is confident that the legal position of Dianlia as the owner and holder of shares in Adaro and IBT has been recognized and the right of Deutsche Bank to sell the shares pledged by private sale has been confirmed. Furthermore, the Panel of Judges of the District Court of South Jakarta considers that there is no element of loss able to prove by Winfield. Besides, the Company is also confident that the risk of Beckett or Winfield to be able to regain the shares currently held by Dianlia is not easy, because Beckett is no more a shareholder of SME and also not the owner of Asminco's shares, therefore Beckett's right to claim the return of shares is only held by SME, in which Beckett was a shareholder in SME before Deutsche Bank sold the entire shares owned by Beckett in SME based on the pledge of shares agreement it holds.

Based on Deed of Statement of Guarantee to the Public Shareholders PT Adaro Energy Tbk. No. 42 dated 4 July 2008, drawn up before Robert Purba, SH, Notary in Jakarta, the Guarantor, either jointly or individually, hereby states that will be responsible for any loss suffered directly by the Company's Public Shareholders (as defined below) in relation to Jakarta Claim and Singapore Claim in the event that the Company through its subsidiaries loss its ownership of shares in Adaro, in material amount thus giving impact that the financial statement of Adaro can not be consolidated into the financial statement of the Company in accordance with the accounting standard applied in Indonesia as a direct

impact of the exercising of court decision which final and binding on shares in Adaro by the judiciary institution having the authorization and jurisdiction toward to the Company and/or its subsidiaries.

The Public Shareholder is a shareholder that:

- (i) registered in the Company's share register on the date of final and binding of court decision;
- (ii) not a Main Shareholders of the Company as stipulated in Law No. 8 of 1995 on the Capital Market;
- (iii) not an Ultimate Shareholder; and
- (iv) not an affiliated party of the Guarantor, Ultimate Shareholders and Main Shareholder of the Company.

Such responsibility will be conducted by purchase the shares owned by the Public Shareholders on an average price of the highest price of the Company's shares daily trading in the Stock Exchange in Indonesia where the Company's shares are listed for the last of 90 days before the date of the court decision become final and binding. Such purchasing procedure will be conducted in accordance with Bapepam Rule No. IX.F.1 on Tender Offer.

### 13. SIGNIFICANT AGREEMENTS AND CONTRACTS WITH THIRD PARTIES

Below are significant agreements and contracts possessed by the Company and subsidiaries.

No.	Name of Agreement	Parties	Agreement Substance	Period
1	Agreement (PKP2B)	PN Tambang Batubara (the legal form was later altered to PTBA) and Adaro (PTBA's rights and obligations based on this Agreement were assigned to the Government of Indonesia, at the time represented by the Minister of Mining and Energy)	In this Agreement, Adaro is appointed as a single operator for conducting the coal mining operation in the area with the limits specified in the Agreement, estimated of 1,481.48 square kilometers. Adaro shall be fully responsible for the implementation of the coal mining operation and shall assume all risks related to the implementation of mining operation.  Based on this Agreement, Adaro is entitled to 86.5% of the total coal produced and available for sale and the Government is entitled to 13.5% of the total coal produced and available for sale.	30 years upon the commencement of production
2	US\$ 750,000,000 Facilities Agreement	Adaro and Coaltrade (as Borrowers); Adaro, Coaltrade, IBT, ATA, Arindo, Viscaya and Biscayne (as Guarantors); DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of	Agreement on investment loan facility granting in total of US\$ 750,000,000 from Original Lenders to the Borrowers.	5 years from 2 <sup>nd</sup> November 2007



No.	Name of Agreement	Parties	Agreement Substance	Period
		Tokyo-Mitsubishi UFJ, Ltd. Singapore Branch and UOB Asia Limited (as Arrangers); DBS Bank Ltd. (as Facility Agent); and Financial Institution as specified, i.e. DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd Singapore Branch and UOB Asia Limited (as Original Lenders)		
3	US\$ 80,000,000 Revolving Credit Facilities Agreement	Adaro (as Borrower); Coaltrade, IBT, ATA, Arindo, Viscaya and Biscayne (as Guarantors); DBS Bank Ltd., Standard Chartered Bank, United Overseas Bank Limited and PT ANZ Panin Bank (as Mandated Lead Arrangers); DBS Bank Ltd. (as Facility Agent); and Financial Institution, i.e. DBS Bank Ltd., Standard Chartered Bank, United Overseas Bank Limited, PT ANZ Panin Bank (as Original Lenders)	Agreement on revolving credit facility granting in total of US\$ 80,000,000 from Original Lenders to Borrower	1 year from 29 <sup>th</sup> February 2008
4	Loan Agreement	Company and Star Invest Corp.	Granting of loan facility of maximum value US\$ 1,247,823.47 and IDR 12,000,000,000	48 months from 15 <sup>th</sup> December 2004
5	Export Working Capital Loan Agreement	SIS and PT Bank Ekspor Indonesia (Persero)	Extending loan facilities of export working capital to SIS of the maximum principal amount US\$ 20,000,000 for export working capital loan facility I and US\$ 15,000,000 for export working capital loan facility II.	1 year from the last amendment, i.e. 13 <sup>th</sup> September 2007
6	Export Investment Loan Agreement	SIS and PT Bank Ekspor Indonesia (Persero)	PT Bank Ekspor Indonesia (Persero) grants an Export Investment Loan facility to SIS of the maximum amount US\$ 5,000,000.	4 years since the date of agreement signing
7	Agreement on Banking Facility Granting	PT Bank Permata Tbk. and SIS	Granting of loan facility as follows: Loan Facilities comprising: (i) Term Loan Facility of the ceiling amount of US\$ 12,850,000 ("TL-1 Facility"); (ii) Term Loan Facility of the ceiling amount of US\$ 300,000 ("TL-2	(i) TL-1 and TL-2 Facilities have the period of 48 months commencing from 27 <sup>th</sup> December 2006. (ii) Revolving

No.	Name of Agreement	Parties	Agreement Substance	Period
			Facility”); (iii) Revolving Loan Facility of the ceiling amount of US\$ 3,000,000 (“Revolving Loan Facility”).	Facility has the period until 27 <sup>th</sup> December 2008.
8	Loan Agreement with Security	SIS and PT Bank Bukopin Tbk.	PT Bank Bukopin Tbk. grants a Working Capital Loan facility of maximum amount US\$ 500,000 for working capital requirement to SIS.	5 <sup>th</sup> October 2009
9	Loan Agreement with Security	SIS and PT Bank Bukopin Tbk.	PT Bank Bukopin Tbk. grants an Investment Loan facility of maximum amount US\$ 6,640,000. The Investment Loan facility will be appropriated by SIS for the following requirements:  (i) Take Over of Bank Niaga’s loan up to maximum US\$ 1,640,000; and  (ii) Purchase of new heavy equipments up to maximum US\$ 5,000,000	31 <sup>st</sup> December 2009
10	Loan Agreement with Security	SIS and PT Bank Bukopin Tbk.	PT Bank Bukopin Tbk. grants a Working Capital Loan facility with the maximum amount of US\$ 2,000,000 for SIS working capital in Berau Coal project.	19 <sup>th</sup> December 2009
11	Loan Agreement	SIS and PT Bank Niaga	PT Bank Niaga grants:  (i) an Investment Loan (PI) of US\$ 8,500,000; and  (ii) a Fixed Loan (PT) of US\$ 5,000,000.	21 <sup>st</sup> July 2006 (PI) – 21 <sup>st</sup> August 2010 or 48 months after the first drawing (PI); and  21 <sup>st</sup> July 2007 (PT) – 21 <sup>st</sup> July 2008 (PT)
12	Loan Agreement	SIS and PT Bank Niaga	The loan facility granted by PT Bank Niaga is a Fixed Loan of US\$ 5 million	10 <sup>th</sup> October 2007 – 21 <sup>st</sup> July 2008
13	Loan Agreement	SIS and PT Bank Niaga	The loan facility granted by PT Bank Niaga is an Investment Loan of US\$ 10 million.	16 <sup>th</sup> November 2007 – 16 <sup>th</sup> May 2012
14	Bank Guarantee Agreement	SIS and PT Bank Niaga	PT Bank Niaga Tbk. is ready to give a Bank Guarantee Facility to SIS useable by SIS up to maximum US\$ 5,000,000	12 months
15	Working Capital Loan Agreement	SIS and PT Bank Mandiri (Persero) Tbk.	Bank approves to grant a loan facility in the form of KMK revolving facility of US\$ 1 million	7 <sup>th</sup> September 2007 – 6 <sup>th</sup> September 2008
16	Working Capital Loan Agreement	SIS and PT Bank Mandiri (Persero) Tbk.	Bank approves the Debtor’s request to grant a loan facility in the form of Loan Refinancing of Sumitomo Mitsui Banking Corporation (“SMBC”) of US\$ 40 million and an additional loan of US\$ 10 million to comply with the contract with Adaro.	7 <sup>th</sup> September 2007 – 31 <sup>st</sup> December 2010

No.	Name of Agreement	Parties	Agreement Substance	Period
17	Working Capital Loan Agreement	SIS and PT Bank Mandiri (Persero) Tbk.	Bank approves to grant a loan facility with due observance of the terms and conditions in Mandiri Loan Agreement III with the limit of US\$ 60,000,000	23 <sup>rd</sup> January 2008 – 22 <sup>nd</sup> January 2009
18	Agreement of Non-Cash Loan Facility Granting	SIS and PT Bank Mandiri (Persero) Tbk.	Bank approves to give a non-cash loan facility with the ceiling of US\$ 5,000,000	23 <sup>rd</sup> January 2008 – 22 <sup>nd</sup> January 2009
19	Loan Agreement	SIS and Hurtado Investment Limited	This agreement grants a loan facility to SIS with the maximum value of US\$ 6,500,000	13 <sup>th</sup> December 2008
20	Loan Agreement Extension	SIS and Hurtado Investment Limited	Granting of a loan facility to SIS of US\$ 1,350,000	10 <sup>th</sup> May 2007 – 10 <sup>th</sup> May 2008 (in extension process)
21	Loan Agreement Extension	SIS and Hurtado Investments Limited	The creditor approves to grant a loan facility of the value US\$ 500,000	28 <sup>th</sup> July 2008
22	Subordinated Loan Agreement	SIS and Great Oasis Equities Ltd.	The creditor approves to grant a loan facility of the value US\$ 2,000,000	30 days after the Settlement Date
23	Subordinated Loan Agreement	SIS and Great Oasis Equities Ltd.	The creditor approves to grant a loan facility of the value US\$ 8,000,000	30 days after the Settlement Date
24	Loan Agreement	SIS and Hurtado	This agreement has been partially novated to Joyce Corner International limited so that SIS' debt to Hurtado is currently of US\$ 2,000,000 US\$ 2,500,000 US\$ 2,300,000 US\$ 7,000,000	21 <sup>st</sup> December 2008 22 <sup>nd</sup> February 2009 5 <sup>th</sup> March 2009 21 <sup>st</sup> April 2009
25	Loan Agreement	SIS and Eastshine Global Limited	US\$ 10,000,000	5 <sup>th</sup> March 2009
26	Coal Sale Agreement	The Company and Friendly Coals Co.Ltd. ("Buyer")	Based on the agreement, the Company agrees to provide coal as the fuel for the steam power plant owned by the Buyer	1 <sup>st</sup> August 2007 – 31 <sup>st</sup> July 2010
27	Coal Sales Agreement	The Company and Holcim Trading Pte.Ltd. ("Buyer")	The Company agrees to sell and deliver to the Buyer, Indonesian Steam Coal in Bulk.	Valid from 3 <sup>rd</sup> May 2007
28	Bituminous Coal Sale Agreement	The Company and Indomining	The Seller agrees to sell Bituminous Coal to the Buyer	31 <sup>st</sup> July 2010
29	Mining and Transportation Contract	Adaro and PAMA	Based on the agreement, Pama agrees to provide coal mining and transportation services in Adaro's mine area. Pama shall also provide the means, equipments, machines, instruments and other goods required to operate such services.	13 <sup>th</sup> May 2002 until Pama has reached a certain level of production accumulation.
30	Mining and Transportation Contract	Adaro and BUMA	Based on the agreement, BUMA shall provide coal mining and transportation services in Adaro's mine area. BUMA shall also provide the means, equipments,	21 <sup>st</sup> January 2002 until a certain level of production

No.	Name of Agreement	Parties	Agreement Substance	Period
			machines, instruments and other goods required to operate such services.	accumulation.
31	Transportation Agreement	Adaro and Louis Dreyfus Armateurs S.N.C (“LDA”)	Adaro appoints LDA to provide and operate ship for transporting bulk coal from the loading port to discharge port based on the terms and conditions regulated in this Transportation Agreement.	1 <sup>st</sup> October 2022
32	Transportation Agreement	Adaro and PT Batuah Abadi Lines (“BAL”)	<p>On 18<sup>th</sup> February 2000, Adaro entered into coal transportation agreement with Guildford Marine Pte.Ltd. (“GM”). On 1<sup>st</sup> September 2003, Adaro, GM and BAL made a Novation Agreement, by which GM assigned all its rights and obligations to BAL. Based on the Novation Agreement, BAL may ask GM from time to time to negotiate and alter the contract period in the name of BAL.</p> <p>Based on the agreement, BAL agreed to provide coal transportation service for Adaro from Adaro’s main area to the designated destination port. BAL shall also provide all equipments, ship crew, spare-parts and other goods required to operate such service.</p> <p>On 2<sup>nd</sup> September 2003, BAL assigned the transportation agreement to other sub-contractor, i.e. PT Rig Tenders Indonesia.</p>	18 <sup>th</sup> February 2000 – 30 <sup>th</sup> June 2012
33	Letter Agreement Swap Transaction	Adaro and DBS Bank Ltd.	Transaction of Interest Rate Swap with the amount of US\$ 600 million and will be reduced gradually until become US\$70,588,235 in 2012.	7 March 2008 until 7 December 2012
34	Conditional Agreement on Settlement of Mining Area and Plantation Area Overlapping	Adaro and PT Cakung Permata Nusa, PT Cakradenta Agung Pertiwi, PT Astra Agro Lestari Tbk.	The parties agreed to arrange the settlement of status on the overlapping of the mining land owned by Adaro and the plantation lands owned by three other parties	This agreement was entered into 29 <sup>th</sup> February 2008
35	Coal Mining Agreement	SIS and SKB	SKB appointed SIS to conduct coal mining work in Paringguling Pit, Binnuang Subdistrict, Tapin Regency, South Kalimantan	Until the fifth year or terminated when SIS reaches a certain level of coal production accumulation, whichever is earlier.
36	Coal Mining and Transportation Contract	SIS and Borneo	Borneo appointed SIS to perform the coal mining and transportation activities.	Five years from 17 <sup>th</sup> October 2006, or when SIS has reached a certain level of coal production accumulation.

No.	Name of Agreement	Parties	Agreement Substance	Period
37	Coal Mining Contract	SIS and Indomining	Based on this agreement, Indomining appointed SIS as the contractor to perform the works of overburden disposal and coal mining in Sanga-Sanga Subdistrict, Kutai Kertanegara Regency, East Kalimantan	This contract is valid for five years from 14 <sup>th</sup> August 2007 or when SIS has reached a certain level of coal production accumulation.
38	Construction Services Contract No.MSW/002/CSC/2008 Tanjung Tabalong 2x30MW Coal Fired Power Plant Project	MSW and PT Punj Lloyd Indonesia (“Contractor”) dated 23 <sup>rd</sup> April 2008	MSW appointed the Contractor to develop a Coal Power Plant of Tanjung Tabalong 2x30 MW in Kalimantan, Indonesia	The period for transfer of the power plant unit to MSW is:  Unit 1: 25 months after the Effective Date; and  Unit 2: 27 months after the Effective Date
39	Equipment Supplies Contract (Offshore Contract) No.MSW/002/ESC/2008 Tanjung Tabalong 2x30 MW Fired Power Plant Project	MSW and Contractor, dated 23 <sup>rd</sup> April 2008	MSW has approved the design, procurement and supply of the construction proposed by the Contractor in connection with the development of Coal Power Plant Tanjung Tabalong 2x30 MW in Kalimantan, Indonesia to be performed by the Contractor and MSW shall provide any required equipments.	The period for transfer of the power plant unit to MSW is:  Unit 1: 25 months after the Effective Date; and  Unit 2: 27 months after the Effective Date
40	Management Service Agreement	MSW and PT Akraya International	<p>MSW received the Management Service from Akraya. In connection with this Agreement of Akraya, Akraya’s duties are among others: (i) To prepare EPC Contract, PPA, Coal Supply Agreement, Financing Agreement and any other agreements to be entered into by MSW in for the requirement of the project located in Tabalong, South Kalimantan; (ii) To arrange regular operation and activities related to power plant, after the official announcement and commercial production; and (iii) to arrange and carry out daily operation of MSW.</p> <p>While MSW is required (i) to work in cooperation and provide assistance and information to Akraya to enable Akraya to meet its responsibilities as regulated in this Akraya Agreement; (ii) MSW shall assume the tax of the payment fee for Akraya.</p> <p>Based on this agreement, MSW shall pay US\$ 160,000 per annum (net of all taxes) plus PPN/VAT applied and paid three-monthly.</p>	<p>This Akraya Agreement shall be valid from the date of implementation of this Akraya Agreement by the parties and shall expire on, among others:</p> <p>(i) the date when the Power Purchase Agreement (“PPA”) between MSW and Adaro expires, with/without renewal of term; or</p> <p>(ii) the date when the PPA between MSW and party other than Adaro expires, with or without time extension; or</p> <p>(iii) the date when it is reasonably believed that the existence of MSW or Akraya is no longer</p>

No.	Name of Agreement	Parties	Agreement Substance	Period
				sustainable.
41	Cooperation Agreement on Construction, Development and Operation of Coal Public Port in Laut Island – South Kalimantan	IBT and PT Pelindo III	IBT and Pelindo III agreed to conduct cooperation in the framework of construction, development and operation of Coal Public Port in Laut Island, South Kalimantan	30 years from 21 <sup>st</sup> August 1997.
42	Shareholder Agreement	Company; Rachpore; and Rachsing (“New Indonesian Investors”) PCI; SRIS; Winjaya Investments Pte. Ltd.; and Saluno (“Existing Indonesian Investors”) Kerry Coal; Goldman Sachs; Citigroup; Vencap; Agalia and Arindo FCM (“Offshore Investors”) ATA; Dianlia; Rachmalta; MEC; Arindo Global; Viscaya; Ariane; Indonesia Coal; Biscayne; Arindo Holdings; Vindoor; AIM. Adaro; IBT; and Coaltrade (“Ariane Group”)	Ariane Investors directly or indirectly have the shares in Adaro, IBT and Coaltrade. By their voting rights, directly or indirectly, Ariane Investor and Holding Companies can direct the operation and management from Adaro, IBT and Coaltrade. The parties intend to arrange the operation and management, transfer of shares and profit from the beneficial interest in Adaro, IBT, Coaltrade and ATA.	Principally the parties have agreed to terminate the Shareholders Agreement immediately after the Company’s shares listing on the Indonesia Stock Exchange.

Besides the foregoing significant agreements and contracts, the Company and Subsidiaries have other significant agreements and contracts not specified in this Prospectus, including agreements with their customers (such as coal sale and purchase agreements between Adaro and its customers, coal sale and purchase agreements between Coaltrade and its customers and port service agreements between IBT and its customers).

## XI. COAL MINING INDUSTRY

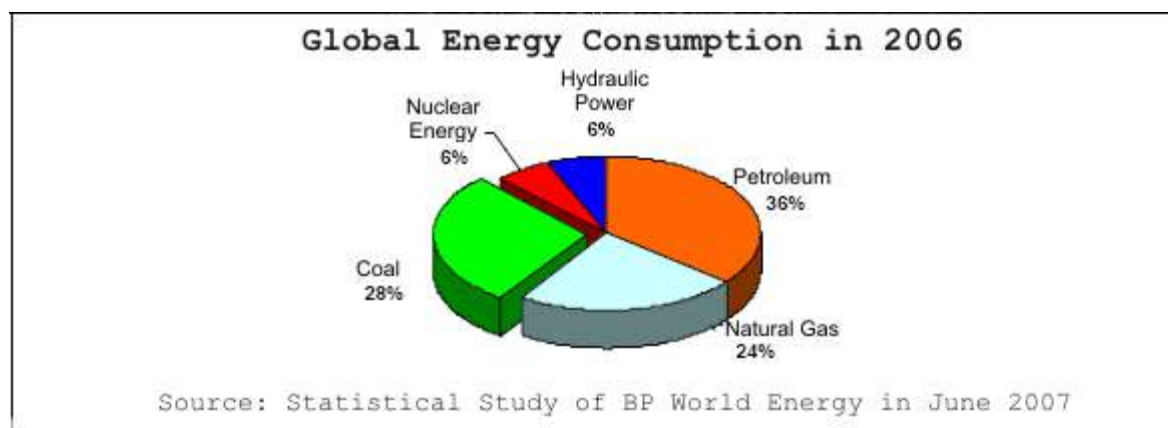
### GENERAL REVIEW

Coal is one of the natural resources widely distributed and mined by many countries all over the world. Coal industry is divided into two main segments, namely thermal coal and coking coal. Thermal coal is also known as steaming coal, i.e. a type of coal used in burning process to produce steam to be further used for producing electricity and heat. Coking coal is also known as metallurgic coal, principally used in iron and steel production. In general, coal is considered as fossil fuel relatively at lowest cost based on the heat contained and it is largely used as energy source for power plant. Other benefits of coal include the relatively stable supply from various geographical locations, easy and safe storing, and easy transportation. Those factors have made power plant industry to depend on coal.

Based on various information adapted by the Company from AME Mineral Economics, American Enterprise Institute (AEI), Institute of Applied Energy (EIA) and McCloskeys's on power plant industry globally, today it is estimated that most power plants, around 51.3%, are coal-based. Below are the development of power plant industry and the percentage of coal-based power plants for the period of 2003-2008.

	Unit	2003	2004	2005	2006	2007E	2008E
Global Power Plants	TWhr	15,582	16,528	17,195	17,881	18,578	19,211
Growth Level	%	3.2	4.3	4.0	4.0	3.9	3.4
Coal-based Power Plants	%	48.0	49.4	50.1	50.7	51.2	51.3

Based on the result of Statistical Study of BP World Energy in June 2007, the world energy consumption reached to total equivalent to 10,875.5 million tons oil in 2006, in which coal gave contribution at 28.4%, while oil and natural gas respectively at 35.8% and 23.7%.

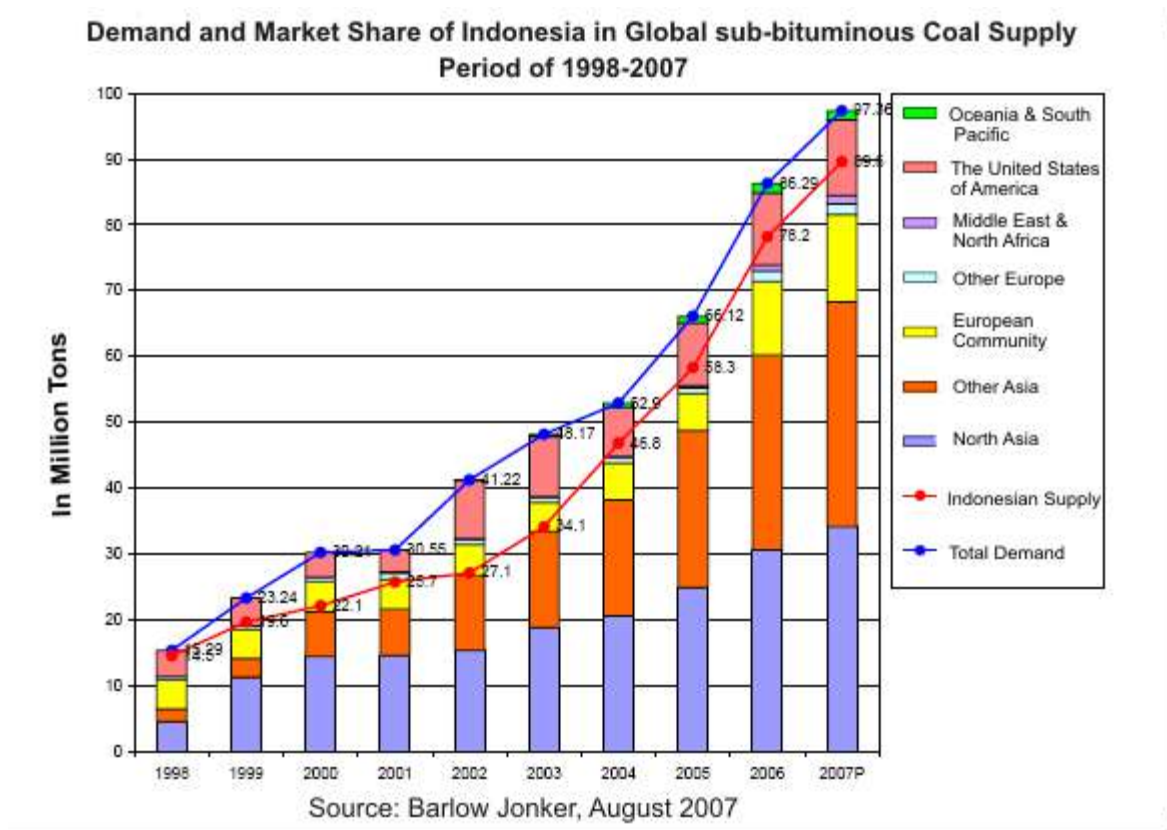


The coal product of the Company and subsidiaries, Envirocoal, is included in thermal coal segment classified as Sub-bituminous coal. Envirocoal is mostly used in the blending process with coal having higher contents of ash, sulfur, pollution and caloric, to enable the end-users to meet the prescribed condition of emission threshold, however it still suffices the minimum energy required.

### SUB-BITUMINOUS COAL DEMAND AND SUPPLY GLOBALLY

Sub-bituminous coal international trading started from 1985, when coal of Healy type from Usibelli mine in Alaska received a contract for the first time from the national power plant of Korea, KEPCO. Envirocoal for the first time was introduced to international market in 1990. Based on the report of Barlow Jonker published as of 12<sup>th</sup> October 2007, since that time international demand for Sub-bituminous coal has had a quite rapid growth, reaching up to 97.3 million tons in 2007. The highest growth level of the coal demand is mostly around 70% from Asian market, initially triggered by the specific demand for *Sub-bituminous* coal type from Taiwan Power Plant Company in 1996. Besides today, particularly in South-East Asian region, have started many developments of power plants designed to be able to directly conduct Sub-bituminous coal burning without requiring any process of blending first.

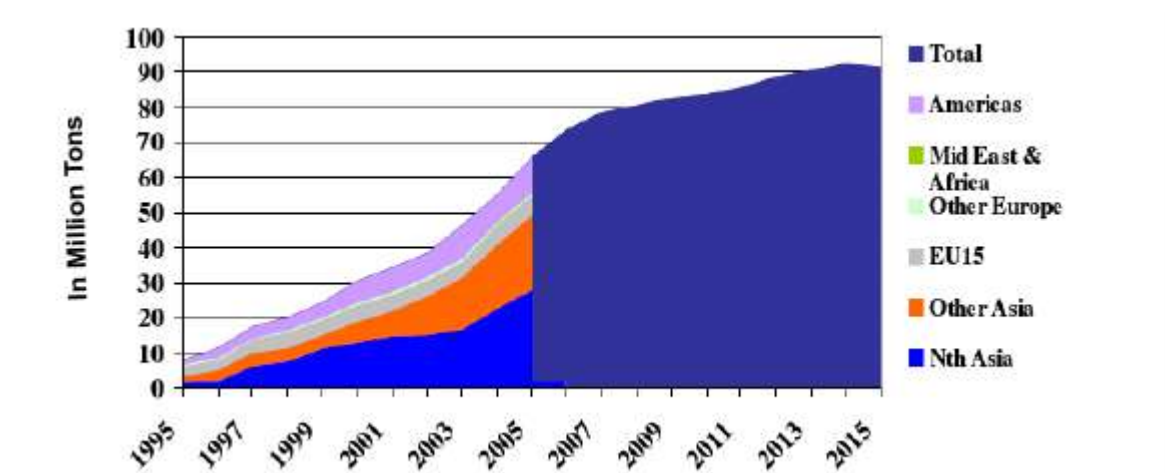
For nearly the last one (1) decade, global demand for Sub-bituminous coal has had the average growth level around 23%. Along with the high growing demand for that coal, the supply of this type of coal also grows quite significantly, as most of the supply, in the average around 90.7%, comes from Indonesia, while the remaining from North America and East Europe. Below is the description of demand and market share of Indonesia in global Sub-bituminous coal supply for the period of 1998-2007.





### PREDICTION ON GLOBAL SUB-BITUMINOUS COAL DEMAND

Barlow Jonker in his report as of 12<sup>th</sup> October 2007 predicts that global demand for Sub-bituminous coal will continue to grow quite significantly along with the increasingly wider market demand and the existing tendency of declining domestic production level due to the increasingly high production cost and the consideration of coal production quality. The world regions predicted to potentially become the key factors of growing demand for this type of coal are South Asia, Europe and USA that really have more preference for coal having low contents of ash, sulfur and nitrogen. Below is the description on the predicted global demand for Sub-bituminous coal until 2015.



### PREDICTION ON GLOBAL SUB-BITUMINOUS COAL SUPPLY

As described above, until today, based on Barlow Jonker’s prediction, global Sub-bituminous coal supply mostly comes from Indonesia. While the remaining of around a half million tons per annum is supply from Alaska to North America, as direct coal trading transaction between USA and Canada. This supply is predicted to continue around this range of supply until later some time in the future.

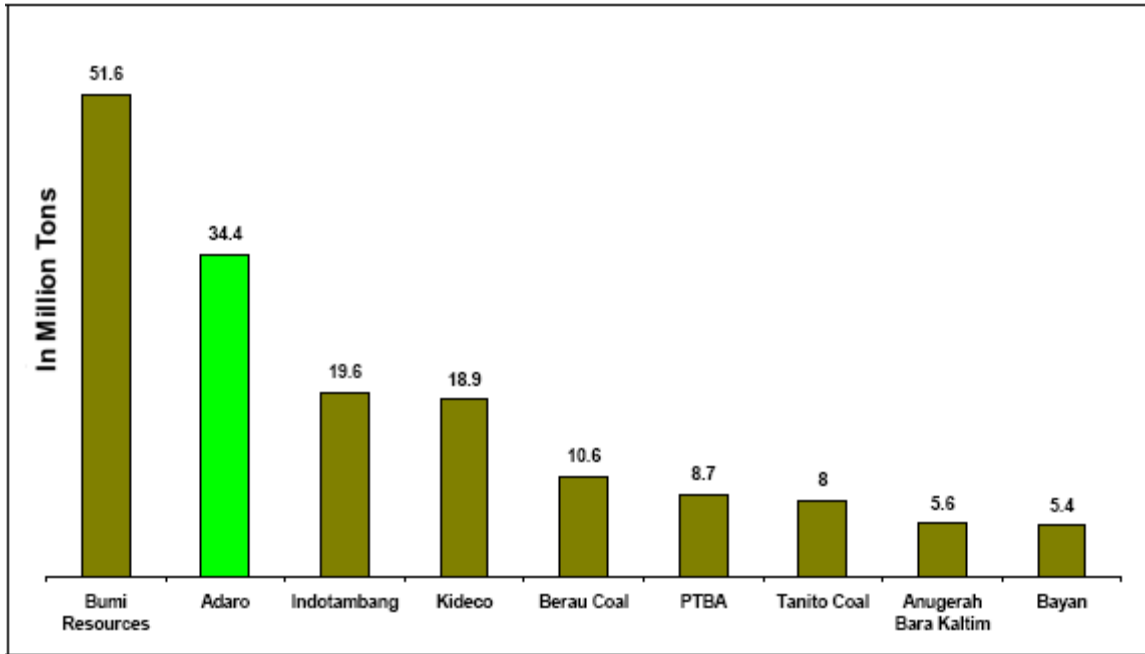
This type of coal supply from other place is predicted to come from Australia. However, this Sub-bituminous coal supply from Australia commercially has been conducted just from 2003, and it is predicted that the growth level will only reach less than one million tons per annum.

The Company’s Sub-bituminous coal is also classified as eco-friendly Sub-bituminous coal as the Sub-bituminous coal of this type has the contents of sulfur and ash respectively below 0.3% and 3%. In 2007, this global coal supply is predicted to reach around 90 million tons, of which the Company supplies up to around 28 million tons.

### INDONESIAN COAL PRODUCERS

Based on Barlow Jonker Coal Supply Series Indonesia 2007, the overall Indonesian coal production is dominated by only ten coal producers, who collectively produced 168.7 million tons of coal or approximately 83.1% of the total coal produced In Indonesia in 2006, by which the Company and subsidiaries received the rating as the second biggest coal producer with the total production volume

of 34.4 million tons. Below are the coal producers all over Indonesia and their production levels for 2006.



## PRICE FIXING

Coal price in international market is the result of negotiation between the buyers and sellers, as the balance between the buyers' need for the coal supply certainty guarantee, the variation and supply at low price, and on the other side the producers' need for a margin able to give satisfactory rate of return to the shareholders and able to give adequate financing capacity for making new investment. In a short-term, the main decisive factor of coal price is perception on the balance of coal demand and supply, while in a long-term is the production cost amount.

Whereas in the Indonesian coal price fixing, the indicators applied are generally the Barlow Jonker Index and ACR Asia Index. The coal price fixing usually depends on the level of energy able to produce by coal, by which the basic price is fixed for the energy level of 6,700 kcal/kg based on "air dried", after that it is adjusted pro rata.

As the impact of the high growing demand for eco-friendly coal as described above for the period of the next 10 to 15 years and by the existing supply limitation, Barlow Jonker predicted that this eco-friendly coal price will remain high for the next few periods, which will give more benefits to coal companies in Indonesia and Asia.

## **XII. REGULATION OF INDONESIAN COAL MINE INDUSTRY**

### **REGULATION ON MINING**

Based on the Constitution of the Republic of Indonesia, all natural resources are controlled and regulated by the state in the interest of the nation and people's prosperity. Mining activities in Indonesia are regulated based on Law No.11/1967 on the Main Provisions of Mining ("Law of Mining 11") and its implementing regulation, namely Government Regulation No.32/1969 on the Implementation of the Law of Mining as amended by Government Regulation No.79/1992 and Government Regulation No.75/2001 ("Government Regulation 75"), and Decree of the Minister of Energy and Mineral Resources (ESDM) No.1614/2004 on Guidelines for Processing the Request of Work Contract and Work Agreement of Coal Mining Exploitation in the framework of Foreign Investment ("Decree 1614").

Law of Mining 11 specifies that the authority and control and arrangement of strategic and vital mineral resources, including coal, in Indonesia are given to the Minister of ESDM, while the authority and control and arrangement of non-strategic and non-vital mineral resources are given to the regional government, where the mineral resources are found.

Law of Mining 11 also specifies that general mining activities, including but not limited to general survey, exploration, and exploitation on mineral resources may be conducted by Government institution, State-Owned Corporations and Indonesian legal entity by Mining Concession. Further provisions related to the contents, authority, limits and other certain aspects of Mining Concession shall be regulated in the Government Regulation as the implementation of Law of Mining 11.

Based on Law of Mining 11, the Government is the holder of mining concession on all natural resources in Indonesian mining area and the authority to perform mining activities as the concession holder. In performing their authority, the Government may appoint any contractors and make agreements with the contractors to perform mining activities. The terms and conditions in cooperation agreements between the Government as the holder of mining right and the contractors shall be specified hereunder.

### **PKP2B**

In 1967, when Law of Mining 11 was affected, the Minister of ESDM was awarded the authority to appoint any contractors by work contracts to perform mining activities that have not been conducted or were unable to be conducted by the Government as the mining concession holder.

In 1981, Presidential Decree Number 49/1981 on the Main Provisions of Cooperation Agreements on Coal Mine Exploitation between the "Perusahaan Negara Tambang Batu Bara" and Private Contractors ("Decree 49") was affected. The term used in Decree 49 is "Cooperation Agreement". Based on Decree 49, Cooperation Agreement is an agreement made by and between the Perusahaan Negara Tambang Batu Bara" as the holder of mining concession and a private company, as the contractor, for performing coal mining activities for the period of 30 years.

In 1984, the name and status of the "Perusahaan Negara Tambang Batu Bara" was changed to "Perusahaan Umum (PERUM) Tambang Batu Bara". Perusahaan Umum (PERUM) Tambang Batu Bara" was then dissolved in 1990 and all its rights and obligations related to cooperation agreements were assigned to PTBA.

In 1993, Presidential Decree Number 21/1993 on the Main Provisions of Cooperation Agreements of Coal Mining Exploitation between PTBA and Contractor Companies (“Decree 21”) was affected. The term used in Decree 21 was “Cooperation Agreement on Coal Mining Operation”. Decree 21 was further revoked and replaced by Presidential Decree No.75/1996 on the Main Provisions of Work Agreements on Coal Mining Exploitation (“Decree 75”).

Decree 75 specified that “Work Agreements on Coal Mining Operation” known as “Coal Cooperation Agreements” were agreements between the government and private contractors to perform coal mining activities. Based on Decree 75, all rights and obligations of PTBA related to cooperation agreements in coal mining operation were assigned to the Minister of Mining and Energy (now altered to Minister of ESDM).

The implementing regulation of Decree 75 was Decree of the Minister of Energy No.680/K/29/M.PE/1997 as amended based on Decree of the Minister of ESDM No.0057/K/40/MEN/2004. This implementing regulation specified that all aspects in connection with coal mining activities based on Decree 49 and Decree 21 formerly under the authority of PTBA were assigned to the Minister of ESDM and executed by the Directorate General of Geology and Mineral Resources.

Until 2004, before the enforcement of Decree 1614, the terms Work Contract and Cooperation Agreement of Coal Exploitation were considered the same as there was no provision in the Government Regulation that clearly specified any difference between these two terms.

In 2004, Decree 1614 was enforced, specifying the differences between work contract and cooperation agreement of coal Exploitation, namely:

- Work contract is an agreement made by and between the Government and a limited liability Company established in the framework of foreign investment for performing mining activities, not including oil, gas, geothermal, radioactive and coal; and
- Cooperation agreement of coal Exploitation is an agreement entered into by and between the Government and a limited liability company established in the framework of foreign investment for performing coal mining activities.

However, Decree 1614 will not affect the existing PKP2B owned by Adaro, since all PKP2B already existing and signed by the Government before the issue of Decree 1614, including PKP2B Adaro were still under the authority of the Minister of ESDM and executed by the Directorate General of Geology and Mineral Resources.

Decree 49, Decree 21 and Decree 75 regulated Cooperation Agreements of Coal Exploitation made by and between the Government as the holder of mining rights and the Contractors, and contained the following provisions:

- Contractors shall assume all risks and costs related to coal mining activities executed based on Cooperation Agreements of Coal Exploitation;
- Contractors shall be required to transfer 13.5% of the coal production proceeds to the Government;
- Contractors shall be required to pay the dead rent to the Government based on the coal mining area according to the prevailing regulations;

- Capital goods and materials imported for mining activity operation shall be exempted from levies, among others import duty and charges;
- Contractors shall be required to prioritize the use of local products and the employment of Indonesian manpower.

Based on Government Regulation No.75, the authority to manage coal cooperation agreements was held by the minister in coordination with the regional governments in case of Community Development, change in concession area, supervision of environment and reclamation and other regional issues. Government Regulation No.75 regulated that (i) respectively the minister and governor, regent or mayor of the relevant regional government shall manage the existing mining authority based on their respective authorities and the requirements of mining authority shall be unalterable until the end of the concession period; (ii) the minister shall administer and supervise mining activities in general to be executed by the governor, regent or mayor of the related regional government administration; (iii) all coal mining authorizations and cooperation agreements issued before 1<sup>st</sup> January 2001 shall remain effective until their expiration periods; and (iv) the provisions related to taxation and local contribution based on coal cooperation agreements shall remain valid.

## **LAWS AND REGULATIONS OF REGIONAL GOVERNMENT**

Indonesia is divided into several provinces, further divided into Regencies and Municipalities. Regencies and Municipalities in one province are independent in most of their activities, therefore shall not be subject to the provincial governments.

In 1999, the Government ratified Law No.22/1999 (“Law 22”), which assigned and delegated certain authorities formerly executed by the Government to regional governments. On 15<sup>th</sup> October 2004, the Government enacted Law No.32/2004 on Regional Government Administration, which was amended based on Government Regulation in Lieu of Law No.3/2005, then reconfirmed as law based on Law No.8/2005 (“Law 32”) in lieu of Law 22, and similar to Law 22, it substantially changed the legal frame and regulation of mining industry in Indonesia. Law 32 required regional governments to maintain fair and harmonious relation with the Government and other regional governments, when executing their government administration affairs, including in connection with utilization of natural resources, etc. Affected government’s affairs include (i) authorities and responsibilities for, and utilization, maintenance and control of impacts on the treatment and preservation of nature and other resources, (ii) profit sharing from utilization of natural resources and other sources and (iii) harmonization of environment, layout plan and land rehabilitation.

## **FORESTRY REGULATION**

Law No.41/1999 on Forestry, amended based on Law No.19/2004, ratifying Government Regulation in Lieu of Law No.1/2004 (“Law of Forestry 19”) specified that open pit operation was unable to conduct in protected forests. Besides the general prohibition, a number of licenses and contracts for open pit in forest areas existing before enactment of Law of Forestry 19 remain valid. There are some areas in Indonesia classified as protected forests, however in the mining area of the mining strategic business unit, Adaro, there is no protected forest area.

Based on Law of Forestry 19, the utilization of forest areas for mining purpose shall be based on the “borrow-use” license (Izin Pinjam Pakai) issued by the Minister of Forestry.

Further based on Decree of the Minister of Forestry No.P.14/Menhut-II/2006 amended by Decree of the Minister of Forestry No.64/Menhut-II/2006, the borrow-use license may be given 5-yearly according to the validity period of the relevant license.

Based on Decree of the Minister of Forestry No.146/KPTS-II/99 dated 22<sup>nd</sup> March 1999 on Guidelines For Reclamation of Former Mine in Forest Zone, mining and energy companies having their mining activities performed in forest estates shall be required to conduct reclamation of their mining areas at their own expense within no later than six months upon expiration of mining activities. The reclamation and rehabilitation activities shall be contained in the reclamation plan to be evaluated and asked for approval of the Land Rehabilitation and Land Conservation Center, Land Rehabilitation and Land Conservation Unit, or the Forestry Service of Level II Region. The report on the progress of reclamation and rehabilitation activities shall be presented quarterly by Adaro to the Government agency.

Government Regulation No.2/2008 (“PP 2/2008”) is a regulation on the calculation of value of State’s income other than taxes from forest utilization in the interest of development outside forestry activities on production and protected forests. The amount of cost payable by mining companies based on PP 2/2008 depends on the tariff regulated in the above regulation by the following calculation:

$$PNBP = (L1 \times \text{tariff}) + (L2 \times 4 \times \text{tariff}) + (L3 \times 2 \times \text{tariff}) \text{ IDR/year}$$

PNPB is Non-Tax State Revenue earned from forest estate utilization in the interest of development outside forestry estates with the area over thirty percent (30%) of the area extent of river basin and/or island; L1 is the area interfered by the utilization of forest estates for supporting means and infrastructures that are permanent by nature and of mine opening for the period of forest estate utilization (ha); L2 is an interfered area by the utilization of forest estates that are temporary by nature and technically able to conduct reclamation (ha) and L3 is an area interfered by the utilization of forest estates that are permanent by nature and technically unable to conduct reclamation (ha).

The calculation of tariff in mining companies, particularly mining activity conducted by Adaro, of which the mining is conducted vertically and horizontally in production forests, can be explained as follows:

Activity	Tariff IDR /year/ha for Production Forest
Open-cut mining horizontally	IDR 2,400,000
Open-cut mining vertically	IDR 1,800,000

## ENVIRONMENT REGULATION

Environment protection in Indonesia is covered by many laws, regulations and decisions, including Law No.23/1997 on Environment Management (“Law of Environment 23”), Government Regulation No.27/1999 on Analysis of Environment Impacts or “AMDAL”, Decree of State Minister for Environment No.11/2006 on Types of Business Plan And/Or Activities Required To Complete With Analysis of Environment Impacts (“Regulation 11”), Decree of the Minister of Energy No.1453K/29/MEM/2000 dated 3<sup>rd</sup> November 2000 on Technical Guidelines related to Obligations of Organizations or Government in General Mining Sector (“Decree 1453”) and



Decree of the Minister of energy No.1457K/28/MEM/2000 dated 3<sup>rd</sup> November 2000 on Technical Guidelines For Environment Management in Mining and Energy (“Decree 1457”).

Regulation 11 and Decree 1457 specify among others that mining companies whose activities give environment or social impacts should obtain and maintain AMDAL document comprising Terms of Reference of Environment Impacts Analysis or Ka ANDAL, Environment Impacts Analysis or AMDAL, Environment Management Plan or RKL and Environment Monitoring Plan or RPL. If AMDAL document is not required, then based on Decree 1457, mining companies shall make Environment Management Efforts and Environment Monitoring Efforts.

Based on Law of Environment 23, the measures and sanctions of correction and prevention (such as obligation to rehabilitate tailing area shall be subject to quite serious criminal sentence and penalty and revocation of the approval) also may be subject to repair or prevent pollution caused by operational activity. The sanction starts from sentence of imprisonment of three to fifteen years applied to the company’s management concerned and/or penalty from IDR 100 million to IDR 750 million. Penalty in specie may be imposed as the substitute of implementation of obligation to rehabilitate damaged areas. Law of Environment 23 also requires licensing for all waste disposals. Waste disposal is only able to conduct in certain locations specified by the Minister of Environment.

The disposal of waste water was further regulated by Government Regulation No.82/2001 on Water Quality Management and Water Pollution Control (“Government Regulation 82”). Government Regulation 82 requires the parties in charge, including mining companies, to submit reports on their waste water disposal, specifying their compliance with the relevant regulation by them. This report shall be presented to the regent or mayor concerned, of which the copy shall be presented quarterly to the Minister of Environment.

Decree of the Minister of Environment No.113/2003 on Waste Water Quality Standard For Coal Business And Or Mining Activities (“Decree 113”) further regulates waste water management by mining companies. Decree 113 requires mining companies (i) to treat waste water from mining activities and processing/washing activities according to the required quality standard as specified in Decree 113; (ii) to treat water affected by mining activities by sedimentation pond; and (iii) to examine the location for disposal of waste water from mining activities, where waste water from the sedimentation pond and/or waste water treatment facility is disposed into surface water. Based on Decree 113, mining companies shall (i) observe the conditions specified in their respective licenses on waste water disposal; and (ii) submit the analysis on waste water and daily flow rate to the regent or mayor, and the copy shall be presented quarterly to the Governor and the Minister of Environment.

The mining company shall also observe other regulations, including Government Regulation No.18/1999 amended based on Government Regulation No.85/1999 on Management of Wastes of Hazardous and Toxic Substances and Government Regulation No.74/2001 on the Management of Hazardous and Toxic Substances, related to the management of certain substances and wastes. Flammable, toxic or infectious wastes produced by mining operation (such as used lubricant produced in Adaro’s mining activities) shall be subject to these regulations, unless the Company is able to scientifically prove that the wastes are outside the category specified in the regulations. These regulations require the company using the materials or producing the wastes to get the license for storing, gathering, utilizing, managing and accumulating the wastes. This license may be withdrawn and the operation could possibly be stopped, if the regulations related to the waste

management are breached. The activities of keeping and collecting used lubricant oil are further regulated in Decision of the Head of Regional Board for Environment Impacts Control No.255/1996 on the Procedure and Requirements of Used Lubricant Oil Keeping and Collecting (“Decision 255”) specifying among others that an organization collecting used oil for further use or process shall observe certain requirements as regulated in decision 225 [sic], including obtaining the license, meeting certain specifications related to the building where the used oil will be kept, specifying the standard procedure for collecting and distributing the used oil and submitting periodical reports quarterly with respect to the activities.

Adaro has held the temporary license for keeping hazardous substances, particularly related to the keeping of used lubricant. Adaro has also appointed a third party to manage toxic and hazardous wastes, including managing the used battery/storage battery of operational vehicles and used lubricant produced from Adaro’s mining activities.

Decree 1453 also specifies the technical guidelines to prepare AMDAL, RKL and RPL documents. Decree 1453 also states that regional governments shall be responsible for the arrangement of environment issue and the approval on AMDAL, RKL and RPL documents. Adaro has obtained the approval for AMDAL, RKL and RPL documents and reports from the Minister of ESDM. As an addition, Adaro is currently in the process of obtaining AMDAL related to production increase to reach 45 million tons coal per annum.

Based on Decree 1453, holders of mining concession, work contract and PKP2B shall be required to present to the relevant Regional Government, the Annual Plan of Environment Management and Monitoring (“RTKPL”) in the initial phase of exploitation or production. Since then, holders of Mining Concession (Work Contract and PKP2) shall also be required to present Environment Management Annual Plan (“RTKL”) and make reclamation payment deposit to government banks or foreign exchange banks. The guidelines for making RTKPL and RTKL and the procedure for settlement of the reclamation payment deposit are articulated in Decree 1453. Adaro has met its obligation to present RTKPL and RTKL reports and settled payment deposit No.119/DBS/B6/IX/05 dated 28<sup>th</sup> September 2005.

Decree of the Minister of Mining and Energy No.1211.K/008/M.PE/1995 dated 17<sup>th</sup> July 1995 on Prevention and Control of Environment Damage and Pollution in General Mining Business Activities (“Decree 1211”) requires mining companies to have the facilities and to be responsible for the cost and expense in carrying out the activities to prevent and minimize environment pollution and damage resulting from its mining activities. For this reason, mining companies are required to, among others (i) appoint the Mine Technical Head who is required to directly manage the prevention of environment damage and pollution caused by general mining activities and to regularly submit 6-monthly reports to the Executing Head For Mine Inspection of the Government related to environment management and supervision; (ii) submit RTKL, covering information on reclamation activity to the Head For Mine Inspection and Implementation, and (iii) submit the Annual Plan Of Environment Monitoring to the Executing Head For Mine Inspection. Based on Decree 1211, mining companies are also required to make the reclamation payment deposit of the amount to be approved by the Directorate General of Geology and Mineral Resources, in the form of payment bond in the relevant company’s account in the appointed bank. The Company has met the requirements based on Decree 1211 in all material aspects.



## **OTHER REGULATIONS RELATED TO MINING OPERATION**

Other related regulations valid for mining operation of the mining strategic business unit, Adaro, cover the regulations of ground water utilization and technical guidelines for control of air pollution from immobile sources.

A company planning to conduct exploration, drilling and taking of ground water for its operational requirements shall meet the provisions based on Decree of the Minister of ESDM No.1451K/10/MEM/2000, including the requirement to obtain the licenses for exploration, drilling and taking of ground water. Any failure in meeting the above provisions may be subject to the suspension and revocation of the related license.

Adaro's business activities are also subject to the Government Regulations concerning:

- (i) the use and operation of harbor for internal purposes;
- (ii) the use of airport located in the mine area for internal purposes;
- (iii) power plant for internal use;
- (iv) keeping and using explosives;
- (v) right in using radio for telecommunication for internal purposes.

The Company and relevant Subsidiaries have observed the above regulations.

### XIII. EQUITY

The following table illustrates the equity positions of the Company and Subsidiaries, whose figures are quoted and computed based on the Company's consolidated Financial Statements for the period of 1 (one) month ended on 31st January 2008 and for the year ended on 31st December 2007 originated from consolidated financial statement which has been audited by Public Accounting Firm Haryanto Sahari & Rekan (member of the PricewaterhouseCoopers) with Unqualified Opinion with Explanatory Paragraph regarding restructuring transactions of entities under common control and VAT in compensation against royalty payment. For the years ended on 31st December 2006 and 2005 originated from consolidated financial statement which has been audited by Public Accounting Firm Kosasih and Nurdiyaman with Unqualified Opinion of which the introductory paragraph in the statement of opinion explains the reference to the statement of other auditor, unaudited subsidiaries, the explanatory paragraph for the going concern of subsidiary and the re-issue of consolidated financial statements for the years ended 31st December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined and consolidated financial statements of the Company and its Subsidiaries dated 31st December 2006 and 2005 and for the years then ended, after the restatements for applying the pooling of interests method on the restructuring transactions of entities under common control with the opinion that the consolidated financial statements have been restated properly based on the accounting principles generally accepted in Indonesia.

EQUITY	31st Jan 2008	(in IDR million)		
		2007	31st December 2006*	2005*
Authorized Capital				
Issued and fully paid-up capital	2,084,663	2,062,478	143,628	143,628
Exchange difference due to financial statement translation	(22,365)	21,172	(22,596)	10,898
Difference in value from restructuring transactions of entities under common control	359,332	382,513	310,314	246,770
Difference in transactions of changes in equity of subsidiaries and associates	-	1,115	-	-
Retained earnings/ (accumulated losses)	18,405	24,240	(44,325)	(95,459)
<b>Total Equity</b>	<b>2,440,035</b>	<b>2,491,518</b>	<b>387,021</b>	<b>305,837</b>

\* As restated, related to the restructuring transactions of entities under common control based on PSAK 38 (Revised 2004), "Restructuring Accounting for Entities Under Common Control".

There is no alteration to the capitalization structure of the Company as of 31st January 2008.

Should there be changes in the Company's equity as the results of the Public Offering of as many as eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) Common Shares each carrying a par value of IDR 100.- (one hundred rupiah), which is offered at the Offer price of IDR 1,100 each share, then the Company's Pro-forma Equity as of such date shall be as follows:

(in IDR million)

Descriptions	Issued and fully paid-up capital	Exchange difference due to financial statement translation	Difference in value from restructuring transactions of entities under common control	Paid-in Capital [Agio]	Retained Earnings	Total Equity
Equity according to the Company's Financial Statements as of 31 <sup>st</sup> January 2008	2,084,663	(22,365)	359,332	-	18,405	<b>2,440,035</b>
Change in Equity after 31 <sup>st</sup> January 2008 had the following happened on that date:						
- Public Offering of 11,139,331,000 Registered shares at the Offer price of IDR 1,100 each share.(net of floating cost)	1,113,933	-	-	10,634,281	-	11,748,214
The Company's Pro-forma Equity as of 31 <sup>st</sup> January 2008 following the public offering to shareholders	3,198,596	(22,365)	359,332	10,634,281	18,405	14,188,249

#### **XIV. DIVIDEND POLICY**

Based on the laws and regulations in Indonesia and the Company's Articles of Association, dividend payment shall be approved by the shareholders in the annual RUPS based on the Board of Directors' recommendation. Based on the provisions of the Company's Articles of Association, if the Company records a net profit in one financial year, the Company may distribute dividends to the shareholders based on the Board of Directors' recommendation at the approval RUPS.

With respect to (i) operating income, cash flow, capital adequacy and financial condition of the Company and Subsidiaries in the framework of reaching the optimum growth in the future; (ii) the required fulfillment of reserve fund establishment; (iii) the obligations of the Company and Subsidiaries based on agreements with third parties (including creditors); and (iv) compliance with the prevailing laws and regulations and the approval of RUPS; commencing from the financial year when the Company lists its shares on Stock Exchange, the Company's management is planning the ratio of dividend payment annually up to 45% of the Company's consolidated net profit.

As addition, the Indonesian law enables a limited liability company to pay interim dividends before the closing of financial year of the limited liability company.

The payment of interim dividends may only be made, if the net assets of the limited liability company shall not become smaller than the amount of issued capital and the fund reserve created by the limited liability company and shall not affect the capacity of the limited liability company to satisfy the obligations to its creditors.

The interim dividend shall be payable based on the Board of Directors' decision subject, however to an approval of the Board of Commissioners.

If after the interim dividend payment, the Company suffers a loss, the shareholders shall refund the interim dividend received to the Company. The Board of Directors and Board of Commissioners shall be jointly and severally responsible for the loss suffered by the Company, if the shareholders do not refund the interim dividend they received.

## XV. TAXATION

The Income Tax on share dividend is imposed subject to the prevailing laws and regulations. Based on Law of the Republic of Indonesia No.17 dated 2<sup>nd</sup> August 2000 (effective from 1<sup>st</sup> January 2001) on amendment to Law of the Republic of Indonesia No. 10 dated 9<sup>th</sup> November 1994 on amendment to Law No.7 of 1991 dated 30<sup>th</sup> December 1991 on amendment to Law No.7 of 1983 on Income Tax, beneficiaries of dividend or profit distribution received by Limited Liability Companies as domestic taxpayers, cooperatives, foundations or organizations of similar types or State-Owned Corporations or Regional-Owned Corporations, from equity participation in corporate bodies established and domiciled in Indonesia also shall not be included as Income Tax Objects in so far all the conditions hereunder are complied with:

1. The dividend is from the reserve of retained earning; and
2. For Limited Liability Companies, State-Owned Corporations and Regional-Owned Corporations that receive dividend, the share ownership in the corporations giving dividend is at the lowest 25% of the total paid-up capital and it shall have active business outside the share ownership.

Pursuant to Decree of the Minister of Finance of the Republic of Indonesia No. 651/KMK.04/1994 dated 29<sup>th</sup> December 1994 on Certain Investment Sectors Giving Income to Pension Fund Not Included As Tax Object of Income, the income received or acquired by Pension Fund which establishment has been ratified by the Minister of Finance of the Republic of Indonesia shall not be included as Income Tax Object, if such income is received or acquired from investment, among others dividend from shares in Limited Liability Companies listed on Stock Exchange.

Pursuant to Government Regulation of the Republic of Indonesia No.14 of 1997 on Amendment to Government Regulation No.41 of 1994 on Income Tax Of Income From Shares Sale Transaction at Stock Exchange, it is stipulated as follows:

1. Any income received or acquired by Individual Taxpayer and Corporate Taxpayer from share sale transaction at Stock Exchange shall be subject to Income Tax at one per thousand (0.1%) of the gross amount of the sale transaction value and it is final. The indebted Income Tax payment shall be conducted by deduction by the Stock Exchange operator through stockbrokers at the time of settlement of share sale transaction;
2. Founder shareholders shall be imposed additional Income Tax that is final at five per thousand (0.5%) of the total value of the founders' shares owned at the time of Public Offering.
3. The payment of additional indebted Income tax may be conducted by the Company in the name of the respective founder shareholders within no later than one (1) month upon the shares trading at Stock Exchange. However if the founder shareholders do not select the terms of payment based on 0.5% of Income Tax that is final, the calculation of Income Tax shall be made based on the Income Tax tariff generally applied according to article 17 of Law No.17 of 2000.

The government regulation on income from share sale transaction at Stock Exchange above shall also apply to Pension Fund, which establishment has been ratified by the Minister of Finance of the Republic of Indonesia.

Pursuant to the Circular of the Directorate General of Taxes No. SE-28/PJ.43/1995 dated 22<sup>nd</sup> May 1995 on Income Tax Article 23 on the interest of bond and dividend received by Individual Taxpayers (serial PPh article 23/article 26 No. 6), the interest of bonds and dividends, either from shares or

securities, either traded in Capital Market or not, indebted or paid to individual domestic Taxpayers in 1995 and on, shall be deducted by Income Tax article 23 at fifteen percent (15%) of the gross amount. This deduction of income tax article 23 is a tax credit for annual income tax indebted by Individual Taxpayer shareholders.

Dividend received or acquired by Domestic Taxpayer shareholders other than the parties meeting the foregoing conditions and the form of permanent establishment of Foreign Taxpayers shall be subject to Income Tax based on article 23 of Law No.17 of 2000. The company paying the dividend shall deduct income tax article 23 at fifteen percent (15%) of the gross amount pursuant to article 23 of the Law of Income Tax. This deduction of income tax article 23 is a tax credit for annual income tax indebted by the shareholders of Domestic Taxpayers and permanent establishment.

Dividend paid or indebted to Foreign Taxpayers from retained earnings shall be subject to tariff at twenty percent (20%) of the cash paid (in case of cash dividend) or twenty percent (20%) of the par value (in case of share dividend). To those who are residents of a country that has signed an Anti Double-Taxation Treaty (P3B) with Indonesia, by meeting Circular of Dir.Gen. of Tax No.SE-03/PJ.101/1996 dated 29<sup>th</sup> March 1996 on Application of Approval of Anti Double-Taxation (P3B) may obtain lower tariff facility on condition that they submit the original Certificate of Domicile issued by the Tax Office of the origin country. This certificate shall be valid for the period of one (1) year and to be renewed further. However for a bank, in so far the bank does not change the address as specified in the certificate, such certificate shall remain valid.

**Prospective buyers of the shares in this Public Offering are expected to consult their respective Tax Consultants regarding the taxation consequence incurred from the purchase, ownership or sale of shares purchased through this Public Offering.**

## XVI. UNDERWRITING

### 1. INFORMATION ON UNDERWRITING

Based on the terms and conditions specified in the Deed of Underwriting Agreement In the Framework of Initial Public Offering of Shares of PT Adaro Energy Tbk No. 4 dated 5<sup>th</sup> May 2008, as amended by Deed of First Amendment to the Underwriting Agreement In the Framework of Initial Public Offering of Shares of PT Adaro Energy Tbk No. 21 Dated 13<sup>th</sup> May 2008, and lastly amended by Deed of Second Addendum to the Underwriting Agreement in the Framework of Initial Public Offering of Shares of PT Adaro Energy Tbk. No.39 dated 11<sup>th</sup> June 2008, all are drawn up before Robert Purba, S.H., Notary in Jakarta, the Lead Managing Underwriter and the Underwriters whose names are specified hereunder, jointly as well as severally fully approve to offer and sell the Company's Shares to public of their respective underwriting portions with full commitment at one hundred percent (100%) of the shares issue to the maximum number of eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand (11,139,331,000) shares, hence binding to buy at the preliminary price, the remaining shares not sold-up on the closing date of the Offering Period.

This Underwriting Agreement shall annul any written or unwritten commitments of the sorts already existing earlier or that will exist in the future between the Issuer and the Underwriters.

Further the Underwriters participating in the Company's underwriting have agreed to perform their respective duties according to Decision of Chairman of the Capital Market Supervisory Board No. KEP-45/PM/2000 dated 27<sup>th</sup> October 2000, Regulation No.IX.A.7 on Responsibility of Allotment Manager in the Framework of Subscription and Allotment of Securities in the Public Offering.

The structure and total underwriting portion and the percentage of members of the underwriting syndication in the Company's Public Offering are as follows:

Name of Underwriter	Underwriting (share) Portion (Full Commitment)	%
<i>Lead Managing Underwriter</i>		
PT DANATAMA MAKMUR	10,780,156,000	96.776%
<i>Underwriters</i>		
1 PT Amcapital Indonesia	3,000,000	0.027%
2 PT Andalan Artha Advisindo Sekuritas	1,025,000	0.009%
3 PT Antaboga Delta Sekuritas	800,000	0.007%
4 PT Asia Kapitalindo Securities	1,000,000	0.009%
5 PT Bahana Securities	9,000,000	0.081%
6 PT Bapindo Bumi Sekuritas	350,000	0.003%
7 PT Bumiputera Capital Indonesia	500,000	0.004%
8 PT CIMB GK Securities	8,000,000	0.072%
9 PT Ciptadana Securities	5,000,000	0.045%
10 PT Citi Pasific Securities	100,000	0.001%
11 PT Danasakti Securities	200,000	0.002%
12 PT Danpac Sekuritas	500,000	0.004%
13 PT Dhanawibawa Securities	750,000	0.007%
14 PT Dinamika Usaha Jaya	1,000,000	0.009%
15 PT E-capital Securities	750,000	0.007%
16 PT Equity Securities Indonesia	500,000	0.004%
17 PT HD Capital	1,000,000	0.009%
18 PT Henan Putihrai	285,000,000	2.559%
19 PT Indomitra Securities	150,000	0.001%
20 PT Intifikasa Securindo	500,000	0.004%

	Name of Underwriter	Underwriting (share) Portion	%
21	PT Kim Eng Securities	9,000,000	0.081%
22	PT Kresna Graha Sekurrindo	1,000,000	0.009%
23	PT Lautandhana Securindo	3,400,000	0.031%
24	PT Madani Securities	500,000	0.004%
25	PT Mahanusa Securities	200,000	0.002%
26	PT Makindo Securities	300,000	0.003%
27	PT Makinta Securities	500,000	0.004%
28	PT Masindo Artha Securities	500,000	0.004%
29	PT Mega Capital Indonesia	500,000	0.004%
30	PT Minna Padi Investama	150,000	0.001%
31	PT Nusadana Capital Indonesia	2,000,000	0.018%
32	PT Optima Securities	1,500,000	0.013%
33	PT Panca Global Securities	1,500,000	0.013%
34	PT Panin Sekuritas	1,000,000	0.009%
35	PT Phillip Securities Indonesia	750,000	0.007%
36	PT Pratama Capital Indonesia	1,000,000	0.009%
37	PT Recapital Securities	1,000,000	0.009%
38	PT Reliance Securities	750,000	0.007%
39	PT Samuel Sekuritas	1,000,000	0.009%
40	PT Sarijaya Securities	750,000	0.007%
41	PT Semesta Indovest	2,000,000	0.018%
42	PT Sinarmas Sekuritas	3,000,000	0.027%
43	PT Sucorinvest Central Gani	750,000	0.007%
44	PT Trimegah Securities	4,000,000	0.036%
45	PT Universal Broker	750,000	0.007%
46	PT UOB Kay Hian Securities	350,000	0.003%
47	PT Victoria Sekuritas	1,000,000	0.009%
48	PT Wanteg Securindo	500,000	0.004%
49	PT Yulie Sekurindo	400,000	0.004%
	<b>Total</b>	<b>11,139,331,000</b>	<b>100.000%</b>

The Lead Managing Underwriter and Underwriters as specified above expressly state to be not affiliated as referred to in Law No.8 of 1995 dated 10<sup>th</sup> November 1995 on Capital Market.

Based on Law No.8 of 1995 dated 10<sup>th</sup> November 1995 on Capital Market and its Implementing Regulation, those intended by parties having affiliated relation are as follows:

1. family of marital or blood relationship up to the second degree, both in a collateral line and a direct line;
2. Relation between the parties and the employees, directors or commissioners of such parties;
3. Relation between two (2) companies in which there are one or more same members of the board of directors or board of commissioners;
4. Relation between a company and the parties, directly or indirectly, controlling or being controlled by the company;
5. Relation between two (2) companies controlled directly or indirectly by the same party; or
6. Relation between a company and the main shareholder.



## **2. FIXING OF OFFER PRICE OF SHARES IN PRIMARY MARKET**

This offer price is fixed based on the price agreed and negotiated by the Company and Underwriter.

The fixing of offer price of one thousand one hundred (IDR 1,100) taking the result of book building conducted by the Underwriters into consideration is conducted by sounding to investors in domestic and international markets and in consideration of the following various factors:

1. Market condition when the book building is conducted;
2. Demand from global investors (domestic and international);
3. Demand from qualified prospective investors;
4. Company's financial performance;
5. Data and information on the Company, Company's performance, brief history, business prospect, and information on industry related to energy service, energy resource, and energy infrastructures in Indonesia;
6. Status of Company's latest development.
7. The above factors related to the fixing of market value and various assessment methods for several companies engaged in the field similar to that of the Company;
8. Assessment based on PER ratio of several public companies listed on regional Stock Exchange that could serve as comparison; and
9. Considering the shares performance in secondary market.

## XVII. CAPITAL MARKET SUPPORTING INSTITUTIONS AND PROFESSIONALS

The Capital Market Supporting Institutions and Professionals playing the role in this Share Initial Public Offering are as follows:

**Public Accountant:**

**KAP Haryanto Sahari & Rekan** (member of PricewaterhouseCoopers)

Jl. H.R. Rasuna Said Kav.X-7 No.6

Jakarta 12940-Indonesia

Tel. (021) 521 2901

Fax. (021) 529 05555

STTD No.: 383/PM/STTD-AP/2004

Date of STTD: 27<sup>th</sup> July 2004

IAPI Membership No.: 1171

IAI Membership No.: 100310823

**Main Duty and Obligation:**

To conduct audit based on the auditing standard set by the Indonesian Public Accountants Institute. In the standard, the Public Accountant is required to plan and conduct audit to obtain appropriate assurance that the financial statement is free from material misrepresentation. In this case the Public Accountant shall be responsible for the opinion given on the financial statement they audited.

The audit conducted by the Public Accountant shall include audit on the test of proofs that support the amounts and disclosure in the financial statement, evaluation of the accounting principles applied and significant estimation made by the management and assessment on the overall financial statement representation.

**Law Consultant:**

**Hadiputranto, Hadinoto & Partners**

Indonesia Stock Exchange Building Tower II, 21<sup>st</sup> Floor

Sudirman Central Business District

Jl. Jenderal Sudirman Kav.52-53, Jakarta

Tel. (021) 515 5090

Fax. (021) 515 4840

STTD No.: 179/ STTD-KH/PM/1998

Date of STTD: 21<sup>st</sup> April 1998

Capital Market Law Consultant Assosiation Membership No.98037

**Main Duty and Obligation:**

To conduct examination from legal aspect on the existing facts regarding the Company and other related information as presented by the Company. The result of examination has been contained in the Report of Due Diligence to serve as the basis of the Legal Opinion given objectively and independently, based on the prevailing Code of Ethics, Professional Standard and Regulation in the field of Capital Market.

**Notary:**

Robert Purba S.H.  
Panin Life Center 2<sup>nd</sup> Fl., Room 201  
Jl. Letjend. S.Parman Kav.91, Slipi. Jakarta 11420  
Tel. (021) 569 56005  
Fax. (021) 569 56007  
STTD No.: 472/PM/STTD-N/2002  
Date of STTD: 18th January 2002

**Main Duty and Obligation:**

To prepare and draw up deeds of Minutes of the Company's RUPS and Agreements in connection with the Public Offering, based on Notary Officio Regulation and Notary Code of Ethics.

**Shares Appraiser:**

**Truscel Capital**

Patal Senayan Kav.3  
South Jakarta 12210  
Tel. (021) 572 2586  
Fax. (021) 572 2585  
STTD No.: 01/PM/STTD-P/B/2006  
Date of STTD: 4<sup>th</sup> January 2006  
Indonesian Appraisal Community Membership No.: 2000/VIII/0073

**Main Duty and Obligation:**

The main duty and obligation are to assess fair market value of shares and made fairness opinion related to the Transaction plan.

**Securities Administration Bureau:**

**PT Ficomindo Buana Registrar**

Mayapada Tower 10<sup>th</sup> Fl., Suite 2b  
Jl. Jenderal Sudirman Kav.28  
Jakarta-12920, Indonesia  
Tel. (021) 521 2316/17  
Fax. (021) 521 2320

**Main Duty and Obligation:**

To be responsible for receiving the subscription in the form of Subscription Register (DPPS) and Subscription Form (FPPS) that have been completed with the documents as required in the subscription and have obtained the approval of the Lead Managing Underwriter as the subscription submitted to be given shares allotment and to conduct the administration of subscription according to the application available in BAE. Collectively with the Lead Managing Underwriter, BAE has the right

to reject any subscription that does not meet the subscription requirements with due observance of the prevailing regulations.

The Capital Market Supporting Institutions and Professionals hereby state to have no affiliate relation with the Company, directly or indirectly as stipulated in the Capital Markets Law.

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**XVIII. LEGAL OPINION**

Below is the copy of Legal Opinion on the Company related to this Public Offering, prepared by Hadiputranto, Hadinoto & Partners.

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No. Ref.: RT/93038-v5

[Unofficial English Translation]

16 June 2008

To:

**PT Adaro Energy Tbk.**  
Menara Karya Lt. 23  
Jl. H. R. Rasuna Said Blok X-5, Kav. 1-2  
South Jakarta 12950

**Attn.: Board of Directors**

**Re.: LEGAL OPINION ON THE INITIAL PUBLIC OFFERING OF PT  
ADARO ENERGY TBK.**

Dear Sir/Madam,

In compliance with the Capital Market regulations, we, Law Firm Hadiputranto, Hadinoto & Partners, holder of Capital Market Supporting Profession Registration Letter No. 179/STTD-KH/PM/1998, dated 21 April 1998, under the name of Rambun Tjajo, SH, which has been registered with the Capital Market Legal Consultants Association No. 98037, as an independent Legal Consultant, have been appointed by PT Adaro Energy Tbk. (the "**Company**") based on its Appointment Letter dated 2 April 2008 to conduct due diligence and prepare a Due Diligence Report and to render a Legal Opinion regarding the Company's plan to conduct an Initial Public Offering of 11,139,331,000 new shares ("**Public Offering**") with a nominal value of Rp100 per share and offering price of Rp1,100 per share, giving a total of Rp12,253,264,100,000, with full commitment by PT Danatama Makmur as the Lead Managing Underwriter and other Underwriters.

The proceeds of this Public Offering, after deducting issuance costs, will be used by the Company as follows:

- (a) Around 92.47% or approximately Rp10,863,438 million will be used to increase the Company's investment in PT Alam Tri Abadi ("**ATA**"), and the funds will be used as follows:
  - (i) Around 76.49% or approximately US\$901,879,947 or Rp8,309,180 million will be used to buy, either directly or indirectly, 100% shares of Ariane Investments Mezzanine Pte. Ltd. ("**AIM**"), with the following description:



- Around 73.21% or approximately US\$660,304,936 or Rp6,083,507 million will be used to buy:
  - 423,077 shares equal to 42.13% shares of AIM from Arindo FCM (Mauritius) Ltd. (“**Arindo FCM**”) worth US\$354,310,005 or Rp3,264,320,950,000;
  - 134,615 shares equal to 13.46% shares of AIM from Vencap Holdings (1987) Pte. Ltd. (“**Vencap**”) worth US\$177,154,973 or Rp1,632,160,200,000;
  - 76,923 shares equal to 7.69% shares of AIM from Goldman Sachs Asia Finance (“**Goldman Sachs**”) worth US\$64,419,979 or Rp593,512,700,000;
  - 76,923 shares equal to 7.69% shares of AIM from Citigroup Financial Products Inc. (“**Citigroup**”) worth US\$64,419,979 or Rp593,512,700,000;
- Approximately 26.79% or US\$241,575,011 or Rp2,225,673 million will be used to purchase 250,001 shares equal to 100% shares of Kerry Coal (Singapore) Pte. Ltd. (“**Kerry Coal**”), which is the owner of 28.85% shares of AIM from Gold Pilot International Ltd. (“**Gold Pilot**”).

(the Transaction above will be referred to as “**Acquisition of AIM Transaction**”)

- (ii) Around 15.00% or approximately US\$176,840,011 or Rp1,629,258 million will be used to purchase 6,717,602 shares equal to 100% shares of Agalia Energy Investments Pte. Ltd. (“**Agalia**”) from Agalia Capital Ltd. (“**Agalia Capital**”).

The completion of acquisition of AIM, Kerry Coal and Agalia shares is estimated to occur not more than 3 working days after the end of the Offering Period.

(the Transaction above will be referred to as “**Acquisition of Agalia Transaction**”)

- (iii) Around 8.51% or approximately US\$100,000,000 will be used to repay some of ATA’s loan to PT Adaro Indonesia (“**Adaro**”) and to repay some of Coaltrade Services International Pte. Ltd.’s (“**Coaltrade**”) loan. Those funds will be used by Adaro to repay some of its loan to a syndication (DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd. Singapore Branch and UOB Asia Ltd.) based on US\$750,000,000 Facilities Agreement dated 2 November 2007 (“**Facilities Agreement**”). Currently, the remaining balances of the Subsidiaries loan mentioned above are as follows:

- Adaro's loan based on the Facilities Agreement is US\$531,732,000. Some of that loan, i.e. US\$75 million, will be repaid from the Public Offering proceeds; and
- Coaltrade's loan based on the Facilities Agreement is US\$193,268,000. Some of that loan, i.e. US\$25 million, will be repaid from the Public Offering proceeds.

The repayment of Adaro and Coaltrade's loan is estimated to be done after the Listing Date of the Company's shares in the stock exchange but no later than the following interest payment date, i.e. on 7 September 2008.

(the shareholding increase by the Company in ATA hereinafter will be referred to as "**Shareholding Increase in ATA**")

- (b) Around 3.03% or approximately Rp356,000 million will be used to purchase 47,477 of ATA's shares owned by PT Persada Capital Investama ("**PCI**") for Rp118,669,207,743 and 94,951 of ATA's shares owned by PT Saratoga Investama Sedaya ("**SRIS**") for Rp237,330,916,957. This transaction will be completed immediately after the Company's Listing Date in the Stock Exchange.

(the transaction above will be referred to as "**Acquisition of ATA Transaction**")

- (c) Around 1.35% or approximately Rp158,776 million will be used to pay the purchase 39,036 shares of PT Saptaindra Sejati ("**SIS**") owned by PCI for Rp63,511,572,000, 39,035 shares owned by SRIS for Rp63,509,945,000 and 19,517 shares owned by PT Cipta Sejahtera Persada ("**CSP**") for Rp31,754,159,000. The acquisition will be completed immediately after the end of the Offering Period but no later than 13 September 2008.

(the transaction above will be referred to as "**Repayment of SIS' Shares Acquisition**")

- (d) Around 3.15% or approximately Rp.370,000 million will be used to increase the Company's shareholding in SIS, henceforth to be used for capital expenditure and working capital of SIS. The acquisition will be completed immediately after the end of the Public Offering.

(the transaction above will be referred to as "**Shareholding Increase in SIS**")

This Legal Opinion is made based on the Company's condition from the date of its establishment until the date of this Legal Opinion and made based on originals, extracts, copies or photocopies of documents that we received from the Company, and verbal as well as written statements from the members of the Board of Directors, Board of Commissioners, the Company's representatives and/or employees, the results of which are stated in Executive Summary of the Company No. RT/93140-v5, dated 16 June 2008 ("**Executive Summary**"), which becomes the basis and an inseparable part of this Legal

Opinion, and the prevailing laws and regulations. This Legal Opinion replaces our previous Legal Opinion in our letter Ref. No. RT/93038-v3 dated 13 May 2008.

After reviewing and observing the relevant documents as stated in the Executive Summary, and subject to the assumptions and qualifications below, our Legal Opinion is as follows:

**A. PT Adaro Energy Tbk.**

1. The Company, previously named PT Padang Karunia, domiciled in South Jakarta, is a limited liability company legally established based on the laws of the Republic of Indonesia, based on Deed No. 25 dated 28 July 2004, drawn up before Sukawati Sumadi, SH, Notary in Jakarta (“DOE”). The Company’s DOE has been approved by the Ministry of Justice and Human Right based on its Decree No. C-21493 HT.01.01.TH.2004, dated 26 August 2004, which has been registered in the Company Registry Office of South Jakarta No. 2334/BH.09.03/XI/2004, dated 5 November 2004, and published in the State Gazette of the Republic of Indonesia No. 59, dated 25 July 2006, Supplement No. 8036. The Company’s Article of Association has been amended several time, lastly with Deed No. 62 dated 18 April 2008, drawn up before Robert Purba SH, Notary in Jakarta. The amendment of Articles of Association has been approved by the Ministry of Justice and Human Rights, based on its Decree No. AHU-20330.AH.01.02Tahun2008 dated 23 April 2008 and No. AHU-21258.AH.01.02.Tahun2008 dated 25 April 2008 has been register in Company Registry No. AHU-0031139.AH.01.09.Tahun2008 dated 25 April 2008, and has been register in the Company Registry Office South Jakarta Region, dated 15 May 2008.

The Company has the authority to engage its main bussinees according to its Articles of Association. The Company’s Articles of Association and all its amendment, **except** related to the amendment of the Company’s status, from a private company to become a public company, is valid based on the applicable laws and regulations of the Republic of Indonesia. The amendment of Articles of Association regarding the change of the company status from private company to become a public company, is applicable since the effective date of the registration statement applied to the Capital Markets and Financial Institutions Supervisory Agency.

The Articles of Association include all the provisions stipulated by Bapepam Regulation No. IX.J.1 regarding Main Provisions of the Articles of Association of a Company Which Conducts Equity Public Offering. Based on Article 21 of the Company’s Articles of Association, as long as not mentioned in the Company’s Articles of Association, the Limited Liabilities Company Law and other prevailing laws and regulations in the Republic of Indonesia and other regulations in Capital Markets in the Republic of Indonesia shall be applied. In relation to that, the Company shall follow Bapepam Regulations including Bapepam Regulations No. IX.D.1, No. IX.D.4, No. IX.E.1 and No. IX.E.2.

2. Based on Article 3 paragraph (1) Deed No. 62, dated 18 April 2008, drawn up before Robert Purba, SH., Notary in Jakarta, the objectives and purposes of the Company are to engage in trading, services, industry, transportation, repair shop, mining and construction. The main business of the company are coal mining and trading, infrastructure and coal logistic, mining contractor services, either directly or indirectly, through its subsidiaries. The Company's main business activities above are included in the Company's scope of business in its Articles of Association.
3. Based on Deed No. 68, dated 31 January 2008, drawn up before Humberg Lie, SH, SE, MKn, Notary in Tangerang ("Deed No. 68/2008"), the capital structure of the Company is as follow:

Authorized capital	:	Rp.8,000,000,000,000
Issued capital	:	Rp.2,084,663,100,000
Paid-up capital	:	Rp.2,084,663,100,000

The authorized capital of the Company divided into 80,000,000,000 shares, each with a nominal value of Rp100.

The structure of the capital above is in accordance to the Articles of Association of the Company and the applicable regulations.

4. Based on Deed No. 68/2008, the shareholding structure of the Company on the date of this Legal Opinion is as follows:

1.	PT Saratoga Investama Sedaya	477,552,480,600	4,775,524,806	22.91
2.	PT Triputra Investindo Arya	426,834,769,700	4,268,347,697	20.48
3.	PT Persada Capital Investama	352,099,597,500	3,520,995,975	16.89
4.	Garibaldi Thohir	249,638,406,200	2,496,384,062	11.97
5.	PT Trimugraha Thohir	249,638,406,200	2,496,384,062	11.97
6.	Edwin Soeryadjaya	137,587,764,600	1,375,877,646	6.60
7.	Theodore Permadi Rachmat	72,442,043,000	724,420,430	3.48
8.	Sandiaga Salahuddin Uno	66,083,820,200	660,838,202	3.17
9.	Ir. Subianto	41,693,262,000	416,932,620	2.00
10.	PT Saratoga Sentra Business	11,092,550,000	110,925,500	0.53
<b>Total</b>		<b>2,084,663,100,000</b>	<b>20,846,631,000</b>	<b>100.00</b>
<b>Share capital in Portepel</b>		<b>5,915,336,900,000</b>	<b>59,153,369,000</b>	

The shareholdings structure mentioned above has been done in accordance with the Articles of Association of the Company and the applicable regulations.

The company has prepared and maintained the register of shareholders and the special register, as required by the applicable regulations.

5. Based on Deed No. 62, dated 18 April 2008, drawn up before Robert Purba SH, Notary in Jakarta, which has been notified to the Ministry of Law and Human Rights, based on letter No. AHU-AH.01.10-10217 dated 29 April 2008, which has been register in Company Registry Office, South Jakarta, dated 2 April 2008, the current structure of the Board of Directors and Board of Commissioners of the Company is as follow:

Board of Directors:

President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Director	:	Sandiaga Salahuddin Uno
Director	:	Andre Johannes Mamuaya
Director	:	Chia Ah Hoo
Director	:	David Tendian
Director	:	Alastair Bruce Grant

Board of Commissioners

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto
Independent Commissioner	:	Djoko Suyanto
Independent Commissioner	:	Palgunadi Tatit Setyawan

The appointment of the Board of Directors and the Board of Commissioners above has been legally done in accordance with the Company's Articles of Association and other applicable regulations, including the Capital Market regulations.

The term of office of the Board of Directors and the Board of Commissioners is from the GMS which appoint them until the closing of the fifth annual GMS from their appointment.

The Company has appointed Independent Commissioners in accordance with Bapepam Regulation No. IX.1.5 and BEI Regulation No. I-A. The Company has also appointed a Corporate Secretary in accordance to Bapepam Regulation No. IX.1.4. Currently, the Company has not appointed the Audit Committee in accordance to Bapepam Regulation No. IX.1.5 and BEI Regulation No. I-A. Based on Article III.1 of BEI Regulation No. I-A, the Company is obliged to form an Audit Committee within 6 months after the Company is listed in the stock exchange.

Based on the statement of the Company's Board of Directors and Board of Commissioners, all members of the Board of Directors and Board of

Commissioners state that they have fulfilled all the qualifications to become a Director and Commissioner based on Bapepam Regulation No. IX.6.

6. The Company and its Material Subsidiaries, i.e Adaro, SIS and IBT, have obtained the important licenses to carry out their main business in accordance with the applicable regulations and such licenses are still valid on the date of this Legal Opinion.
7. On the date this Legal Opinion, the Company has share participation in the following companies:
  - 7.1 The Company has 164,428 shares in ATA, which represent 92.02% of total issued and paid-up shares in ATA.

ATA is a limited liability company established based on the laws of the Republic of Indonesia, based on Deed of Establishment No. 2, dated 1 December 2004, drawn up before Ir. Rusli, S.H., Notary in Bekasi ("DOE"). The DOE was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.C-31123 HT.01.01.TH-2004 dated 23 December 2004, registered in the Company Registry at the Company Registry Office of South Jakarta No. 604/BH.09.03/III/2005 on 10 March 2005 and published in the State Gazette of the Republic of Indonesia No.52 dated 1 July 2005, Supplement No.6922. ATA's Articles of Association have been amended several times, lastly under Deed No.3 dated 3 January 2008, drawn up before Humbert Lie, S.H., S.E., MKn., Notary in Tangerang ("Deed No. 3/2008"), approved by the Minister of Law and Human Rights based on Decree No.AHU-00535.AH.01.02 of 2008 dated 4 January 2008 and published in the State Gazette of the Republic of Indonesia No. 34, dated 25 April 2008, Supplement No. 5082/2008.

Based on Deed No. 3/2008, on the date of this Legal Opinion, ATA's capital structure is as follows:

Authorized capital	: Rp. 6,000,000,000,000
Issued capital	: Rp. 1,784,857,000,000
Paid-up capital	: Rp. 1,784,857,000,000

The authorized capital of ATA is divided into 6,000,000 shares, each with a nominal value of Rp1,000,000.

Based on Article 3 paragraph (1) of the DOE, ATA's objectives and purposes are to engage in trading, construction, industry, agriculture, services, land transportation and repair shop. ATA's main business activities above are included in ATA's scope of business in its Articles of Association.

ATA has share participation in:

- (a) Adaro in the amount of 267,287 shares representing 60.22% of the total issued and paid-up shares in Adaro. Adaro is a limited liability company legally established based on the prevailing laws and regulations in the Republic of Indonesia based on Deed of Establishment No. 77, dated 11 November 1982, as amended by Deed of Amendment No. 34 dated 15 November 1983, both drawn before Warda Sungkar Alurmei, SH, Notary in Jakarta (“DOE”). Adaro’s DOE has been approved by the Ministry of Justice based on Decree No. C2-7797-HT.01.01.Th.83, dated 5 December 1983, registered in the registration book in the West Jakarta District Court No. 1543/1983/Not on 13 December 1983 and has been published in the State Gazette of the Republic of Indonesia No. 27, dated 4 April 1989, Supplement No. 590. Adaro’s Articles of Association have been amended several times, lastly based on Deed No.5 dated 24 October 2005 drawn up before Parlindungan L. Tobing, S.H., Notary in Jakarta (“Deed No. 5/2005”). The report of the above amendment was received by the Minister of Law and Human Rights of the Republic of Indonesia based on receipt of Report of Amendment Deed of Articles of Association No.C-29613 HT.01.04.TH.2005 on 26 October 2005, and registered at the Company Registry of South Jakarta on 28 October 2005 under registration No. 1343/RUB.09.03/X/2005 and has been published in the State Gazette of the Republic of Indonesia No. 38, dated 18 April 2008, Supplement No. 5974.

Based on Deed No. 5/2005, on the date of this Legal Opinion, Adaro’s capital structure is as follows:

Authorized capital	:	Rp.119,426,580,000 (US\$177,520,000)
Issued capital	:	Rp. 29,856,645,000 (US\$ 44,380,000)
Paid-up capital	:	Rp. 29,856,645,000 (US\$ 44,380,000)

The authorized capital of Adaro is divided into 1,775,200 shares, each with a nominal value of Rp67,275 or US\$100.

Based on Article 3 paragraph (1) Deed No. 10, dated 12 December 2001, drawn before Agus Hasyim Ahmad, SH., Notary in Jakarta, Adaro’s objectives and purposes are to engage in mining. Adaro’s main business activities are to engage in coal mining business including survey, exploration, coal exploitation, sale and export based on Agreement dated 16 November 1982, between Perusahaan Negara Tambang Batubara (“PTBA”) and Adaro, as amended by Amendment to Contract, dated 27 June 1997 (“PKP2B”), where all rights and obligations of PTBA under PKP2B were assigned to the Government of the Republic of Indonesia which was represented, at that time, by the Ministry of Mining and Energy of the Republic of Indonesia. Adaro’s main business activities above are included in Adaro’s scope of business in its Articles of Association.

Adaro has a share participation in Adaro Finance B.V., ("**Adaro Finance**") of 2,000,000 shares which represent 100% of the total issued and paid-up shares in Adaro Finance, a company established based on the laws of the Netherlands. Based on Legal Opinion of Adaro Finance issued by Loyens & Loeff N.V. dated 27 March 2008, Adaro Finance's main scope of business is to engage in finance.

- (b) Decimal Investment Ltd. ("**Decimal**") in the amount of 60,301 shares representing 100% of the total issued shares in Decimal, a company established based on the laws of the British Virgin Islands. Based on Legal Opinion of Decimal issued by Walkers dated 2 May 2008, Decimal's main scope of business is to engage in investment.

Decimal has participation in:

- (i) Rachpore Investmets Pte. Ltd. ("**Rachpore**") in the amount of 1 share representing 100% of the total issued shares in Rachpore, a company established based on the laws of Singapore. Based on Legal Opinion issued by CTLC Law Corporation dated 23 April 2008, Rachpore's main scope of business is to engage in investment.

Rachpore has participation in:

1. RachMalta Investments Ltd. ("**RachMalta**") in the amount of 62,160 shares representing 50% of the total issued shares in RachMalta, a company established based on the laws of Republic of Malta. Based on Legal Opinion issued by Ganado & Associates dated 24 April 2008, RachMalta's main scope of business is to engage in investment.

RachMalta has participation in MEC Indo Coal B.V. ("**MEC**") in the amount of 35,000 shares representing 100% of the total issued shares in MEC, a company established based on the laws of the Netherlands. Based on Legal Opinion of MEC issued by Loyens & Loeff N.V. dated 23 April 2008, MEC's main scope of business is to engage in investment.

MEC has participation in Adaron in the amount of 4,150 shares representing 0.95% of the total issued shares in Adaro.

2. Arindo Global B.V. ("**Arindo Global**") in the amount of 693,000 shares representing 33% of the total issued shares in Arindo Global, a company established based



on the laws of the Netherlands. Arindo Global's main scope of business is to engage in investment.

- (ii) Rach (Mauritius) Ltd. ("**Rach**") in the amount of 1 share representing 100% of the total issued shares in Rach, a company established based on the laws of Mauritius. Based on Legal Opinion of Rach issued by Madun Gujadhur Chambers dated 4 April 2008, Rach's main scope of business is to engage in investment.

Rach has participation in Arindo Holdings (Mauritius) Ltd. ("**Arindo Holdings**") in the amount of 48,174 shares representing 64% of the total issued shares in Arindo Holdings, a company established based on the laws of Mauritius. Based on Legal Opinion of Arindo Holding issued by Madun Gujadhur Chambers dated 4 April 2008, Arindo Holding's main scope of business is to engage in investment.

Arindo Holdings has participation in Vindoor Investments (Mauritius) Ltd. ("**Vindoor**") in the amount of 50,000 shares representing 100% of the total issued shares in Vindoor, a company established based on the laws of Mauritius. Based on Legal Opinion of Vindoor issued by Madun Gujadhur Chambers dated 4 April 2008, Vindoor's main scope of business is to engage in investment.

Vindoor has participation in Coaltrade in the amount of 1,000,000 shares representing 100% of the total issued shares in Coaltrade, a company established based on the laws of Singapore. Based on Legal Opinion of Coaltrade issued by Madun Gujadhur Chambers dated 4 April 2008, Coaltrade's main scope of business is to engage in sale and services of coal, mineral, dirt, coke, oil and other related products, warehousing and merchandise.

- (iii) Rachsing Holdings Pte. Ltd. ("**Rachsing**") in the amount of 60,301 shares representing 100% of the total issued shares in Rachsing, a company established based on the laws of Singapore. Based on Legal Opinion of Rachsing issued by CTLC Law Corporation dated 15 April 2008, Rachsing's main scope of business is to engage in investment.

Rachsing has participation in PT Biscayne Investments ("**Biscayne**") in the amount of 603 shares representing 31.97% of the total issued shares in Biscayne. Biscayne is a limited liability company established based on the prevailing laws and regulations in the Republic of Indonesia based on Deed of Establishment of Biscayne No. 01, dated 4 May 2005, drawn

before Dwi Yulianti, SH, Notary in Tangerang (“DOE”). Biscayne’s DOE has been legalized by the Ministry of Law and Human Rights based on its Decree No. C-12624 HT.01.01.TH.2005, dated 10 May 2005, registered in the Company Registry at the Company Registry Office No. 1195/BH.09.03/V/2005 on 13 May 2005 and has been published in State Gazette of the Republic of Indonesia No. 43, dated 31 May 2005, Supplement No. 5563. Biscayne’s articles of association have been amended several times, lastly by Deed No.8 dated 30 September 2005 drawn up before Drs. Soebiantoro, S.H., S.E., Notary in Jakarta. The report on the above amendment was received by the Ministry of Law and Human Rights based on Receipt of Report on Amendment of Deed of Articles of Association No.C-31478 HT.01.04.TH.2005 dated 25 November 2005, listed in the Company Register at the Company Registry Office of South Jakarta Municipality under No.1508/RUB09.03/XII/2005 dated 19 December 2005, and has been published in the State Gazette of the Republic of Indonesia No 40/2008 dated 16 May 2008, Supplement No. 400/L/2008.

Based on Deed No. 22, dated 30 June 2005 drawn up before Ilmiawan Dekrit Supatmo, SH, Notary in Jakarta, on the date of this Legal Opinion, the capital structure of Biscayne is as follows:

Authorized capital	: Rp.	3,818,000,000	(US\$400,000)
Issued capital	: Rp.	1,800,187,000	(US\$188,600)
Paid-up capital	: Rp.	1,800,187,000	(US\$188,600)

The authorized capital of Adaro is divided into 4,000 shares, each with a nominal value of Rp954,500 or US\$100.

Based on Article 3 paragraph (1) of DOE, Biscayne’s objectives and purposes are to engage in consultation services and business and management services.

Biscayne has a participation in PT Indonesia Bulk Terminal (“IBT”) in the amount of 127,500 shares representing 91.07% of the total issued shares in IBT. IBT is a limited liability company established based on the prevailing laws and regulations in the Republic of Indonesia, based on Deed of Establishment No. 22, dated 5 March 1990, as amended by Deed No. 303, dated 29 May 1990, both drawn up before Sutjipto, SH, Notary in Jakarta (“DOE”). IBT’s DOE is legalized by the Ministry of Justice of the Republic of Indonesia based in its Decree No. C2-3841 HT.01.01.Th.90., dated 30 June 1990, and registered in the register book at the District Court of South Jakarta No. 637/Not/1990/PN.JKT.SEL, dated 11 August 1990 and

published in the State Gazette of the Republic of Indonesia No. 57, dated 16 July 1991, Supplement No. 2085. IBT's articles of association have been amended several times, lastly by Deed No.2 dated 12 October 2005 drawn up before Drs. Soebiantoro, S.H., Notary in Jakarta. The report on above amendment was received by the Minister of Law and Human Rights based on Decree No.C-28437 HT.01.04.TH.2005 dated 14th October 2005 and has been registered in the Company Register at the Company Registry Office of South Jakarta No. 1291/RUB.09.03/X/2005, on 21 October 2005.

Based on Deed No. 3, dated 14 July 2005, drawn up before Drs. Soebiantoro, SH, Notary in Jakarta, on the date of this Legal Opinion, the capital structure of IBT is as follows:

Authorized capital	: Rp.100,520,000,000 (US\$56,000,000)
Issued capital	: Rp. 25,130,000,000 (US\$.14,000,000)
Paid-up capital	: Rp. 25,130,000,000 (US\$.14,000,000)

The authorized capital of IBT is divided into 560,000 shares, each with a nominal value of Rp. 179,500.

Based on Article 3 paragraph (1) Deed No. 4, dated 7 January 1998, drawn up before Agus Hashim Ahmad, SH, Notary in Jakarta, IBT's main purposes and objectives are to engage in construction, operation and management of terminal and coal port. IBT's current business is to engage in construction, operation and management of terminal and coal port. The main scope of business above is included in the IBT's scope of business in its Articles of Associaton.

- (c) PT Dianlia Setyamukti ("**Dianlia**") in the amount of 999,999,999 shares representing 99.99% of the total issued shares in Dianlia. Dianlia is a limited liability company established based on the prevailing laws and regulation in the Republic of Indonesia, based on Deed of Establishment No. 71, dated 24 September 1991, as amended by Deed No. 56, dated 27 Agustus 1993, both drawn before Sri Rahayu, SH, Notary in Jakarta ("DOE"), legalized by the Ministry of Justice of the Republic of Indonesia based on its Decree No. C2-8837HT.01.01.Th93, on 11 September 1993, and has been registered in the South Jakarta District Court Registration Office under No. 887/A.PT/HKM/1993/PN.JAK.SEL and No. 1253/A.Not/HKM/1993/PN.JAK.SEL, on 23 September 1993, and has been published in the State Gazette of the Republic of Indonesia No. No. 91, dated 12 November 1993, Supplement No. 5349. Dianlia's articles of association have been amended several times, and lastly amended by Deed No. 42 dated 30 June 2004, drawn up before Darmawan Tjoa, S.H., S.E., Notary in Jakarta, approved by the Minister of Law and Human Rights of the

Republic of Indonesia based on Decree No.C-19863 HI.01.04.TH.2004 dated 6 August 2004, has been registered in the Company Registry Office No. 857/RUB.09.03/IX/2004, tanggal 3 September 2004 and published in State Gazette of the Republic of Indonesia No. 75 dated 17 September 2004, Supplement No. 9261.

Based on Deed No. 32, dated 21 April 2004, drawn up before Poerbaningsih Adi Warsito, SH, Notary in Jakarta, on the date of this Legal Opinion, the capital structure of Dianlia is as follows:

Authorized capital	:	Rp. 400,000,000,000
Issued capital	:	Rp. 100,000,000,000
Paid-up capital	:	Rp. 100,000,000,000

The authorized capital of Dianlia is divided into 4,000,000,000 shares, each with a nominal value of Rp. 100.

Based on Article 3 paragraph (1) Deed No. 42, dated 30 June 2004, drawn up before Darmawan Tjoa SH, SE, Notary in Jakarta, Dianlia's main purposes and objectives are to engage in trading, mining, industry, transportation and construction. The main scope of business above is included in the Dianlia's scope of business in its Articles of Association.

Dianlia has a participation in Adaro in the amount of 25,908 shares representing 5.83% of the total issued shares in Adaro.

- (d) PT Jasa Power Indonesia ("JPI") in the amount of 454,999 shares representing 99.99% of the total issued shares in JPI. JPI is a limited liabilities company established based on the prevailing laws and regulations in the Republic of Indonesia, based on Deed of Establishment No. 9, dated 25 September 2007, drawn up before Dwi Yulianti, SH, Notary in Jakarta ("DOE"), legalized by the Ministry of Law and Human Rights based on Decree No. C-01217HT.01.01-TH.2007 dated 25 October 2007. JPI's articles of association have been amended several times, and lastly amended based on Deed No. 9 dated 7 January 2008, drawn up before Humberg Lie, S.H., S.E., MKn, Notary in Tangerang ("Deed No. 9/2008"). This amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No.AHU-00863.AH.01.02.Tahun 2008 dated 8 January 2008 and has been registered in the Company Registry No. 09.03.1.51.54119 dated 8 April 2008 and has been published in the State Gazette of the Republic of Indonesia No. 36, dated 2 May 2008, Supplement No. 5497/2008.

Based on Deed No. 9/ 2008, on the date of this Legal Opinion, the capital structure of JPI is as follows:

Authorized capital	:	Rp.1,800,000,000,000
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Issued capital : Rp. 455,000,000,000  
Paid-up capital : Rp. 455,000,000,000

The authorized capital of JPI is divided into 1,800,000 shares each with a nominal value of Rp.1,000,000.

Based on Article 3 paragraph (1) of DOE, JPI's main purposes and objectives are to engage in the construction, trade, industry and mining. JPI's main business activity is trading. The main scope of business above is included in the JPI's scope of business in its Articles of Association.

- (e) Revere Group Ltd. ("**Revere**") in the amount of 50,000 shares representing 100% of the total issued shares in Revere, a company established based on the laws of British Virgin Islands. Based on Legal Opinion issued by Walkers dated 25 April 2008, Revere's main scope of business is to engage in investment.

Revere has a participation in Saluno Investments Pte. Ltd. ("**Saluno**") in the amount of 60,301 shares representing 100% of the total issued shares in Saluno, a company established based on the laws of Singapore. Based on Legal Opinion issued by CTLC Law Corporation dated 15 April 2008, Saluno's main scope of business is to engage in investment.

Saluno has a participation of 603 shares representing 31.97% of the total issued shares in Biscayne.

- 7.2 The Company has participation in SIS in the amount of 345,873 shares representing 85.92% of the total issued shares in SIS.

SIS is a limited liabilities company established based on the prevailing laws and regulations in the Republic of Indonesia based on Deed of Establishment No. 2, dated 14 June 1999, drawn up before Hasanali Yani Ali Amin, SH, Notary in Jakarta ("**DOE**"). The DOE has been legalized by the Ministry of Justice of the Republic of Indonesia based on its Decree No. C-18253.HT.01.01.TH.99, dated 28 October 1999, has been registered in the Company Registry Office of South Jakarta No. 185/BH.09.03/III/2000, dated 13 March 2000, published in the State Gazette of the Republic of Indonesia No. 43, dated 30 May 2000, Supplement No. 2746. SIS' articles of association have been amended several times, and the last amendment was based on Deed No. 43 dated 31 March 2008, drawn up before Humbert Lie, S.H., S.E., M.Kn., Notary in Tangerang ("**Deed No. 43/2008**"). The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decree No. AHU-16046.AH.01.02 dated 1 April 2008 and has been registered in the Company Registry No. AHU-0023646.AH.01.09.Tahun 2008, dated 1 April 2008 and has been published in the State Gazette of the Republic of Indonesia No. 35, dated 8 April 2008, Supplement No. 332/L/2008.

Based on Deed No 43/2008, on the date of this Legal Opinion, the capital structure of SIS is as follows:

Authorized capital	: Rp.1,200,000,000,000
Issued capital	: Rp. 402,552,000,000
Paid-up capital	: Rp. 402,552,000,000

The authorized capital of SIS is divided into 1,200,000 shares each with a nominal value of Rp.1,000,000.

Based on Article 3 paragraph (1) of Deed No. 43 dated 31 March 2008, drawn up before Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, SIS' main purposes and objectives are to engage in general mining contractor. SIS' main business activity currently is mining contractor services. The main scope of business above is included in the SIS' scope of business in its Articles of Association.

SIS has a participation in PT Satya Mandiri Persada ("SMP") in the amount of 39,997,500 shares representing 99.99% of the total issued shares in SMP.

SMP is a limited liability company established based on the prevailing laws and regulations in the Republic of Indonesia based on Deed of Establishment No. 6, dated 2 September 2004, drawn before Darmawan Tjoa, SH, SE, Notary in Jakarta ("DOE"). SMP's DOE has been legalized by the Ministry of Justice and Human Rights of the Republic of Indonesia based on its Decree No. C-22605HT.01.01.TH.2004, dated 8 September 2004, and has been published in the State Gazette of the Republic of Indonesia No. 83, dated 15 October 2004, Supplement No. 10390. SMP's Articles of Association have been amended several times, lastly based on Deed No. 103 dated 27 March 2008, drawn up before SP Henny Singgih S.H., Notary in Jakarta.

Based on Deed No. 46, dated 19 December 2006, drawn up before Darmawan Tjoa, SH, SE, Notary in Jakarta, on the date of this Legal Opinion, the capital structure of SMP is as follows:

Authorized capital	: Rp. 160,000,000,000
Issued capital	: Rp. 40,000,000,000
Paid-up capital	: Rp. 40,000,000,000

The authorized capital of SMP is divided into 160,000,000 shares each with a nominal value of Rp1,000.

Based on Article 3 paragraph (1) Deed No. 103, dated 27 March 2008, drawn up before SP Henny Singgih, SH, Notary in Jakarta, SMP's main scope of business are to engage in trading, construction, industry, mining, land transportation, agriculture, printing, repair shop and services (excluding services in law and tax). SMP's main business activity currently in services, including leasing and

managing office building. The main scope of business above is included in the SMP's scope of business in its Articles of Association.

- 5.3 The Company has a participation in PT Makmur Sejahtera Wisesa ("MSW") in the amount 921,965 shares representing 99.59% of the total issued shares in MSW.

MSW is a limited liability company legally established based on the prevailing laws and regulations of the Republic of Indonesia based on Deed of Establishment No. 96, dated 24 July 2001, drawn up before Yonsah Minanda, SH, Notary in Jakarta ("DOE"), which has been legalized by the Ministry of Justice and Human Rights of the Republic of Indonesia based on its Decree No. C-07956-HT.01.01.TH2001 dated 11 September 2001, and has been registered in the Company Registry of South Jakarta No. 1298/BH.09.03/X/2001, dated 5 October 2001 and has been published in the State Gazette of the Republic of Indonesia No. 30, dated 13 April 2004, Supplement No. 3624. MSW's Articles of Association have been amended several times, and the last amendment was made based on Deed No. 19 dated 15 January 2008, drawn up before Humbert Lie, S.H., S.E., MKn., Notary in Tangerang ("Deed No. 19/2008"). The Deed was approved by the Ministry of Law and Human Rights of the Republic of Indonesia based on its Decree No. AHU-03552.AH.01.02.TH.2008 dated 24 January 2008.

Based on Deed No. 19/2008, on the date of this Legal Opinion, the capital structure of MSW is as follows:

Authorized capital	: Rp.180,000,000,000
Issued capital	: Rp. 46,290,250,000
Paid-up capital	: Rp. 46,290,250,000

The authorized capital of MSW is divided into 3,600,000 each with a nominal value of Rp.50,000.

Based on Article 3 paragraph (1) Deed No. 9, dated 12 February 2007, drawn-up before Darmawan Tjoa, SH., SE., Notary in Jakarta, MSW's main purposes and objectives are to engage in supplying power plant, electricity power support industry and trading (export). MSW's main business activities are engaging in those fields. The main scope of business above is included in the MSW's scope of business in its Articles of Association.

- 7.4 The Company has a participation in PT Karunia Barito Sejahtera ("KBS") in the amount of 82 shares representing 32.80% of the total issued shares in KBS.

KBS is a limited liability company legally established based on the prevailing laws and regulations of the Republic of Indonesia based on Deed of Establishment No. 3, dated 4 November 2003, drawn-up before Gaby Siantori, SH, Notary in Banjarmasin ("DOE"), which has been legalized by the Ministry of Justice and Human Rights based on its Decree No. C-

29872HT.01.01.TH.2003 dated 23 December 2003, and has been registered in the Company Register of Banjar No. 178/BH.16.01/IX/2007 dared 12 September 2007. KBS' Articles of Association has been amended several times, lastly with Deed No. 42, dated 25 July 2005, drawn by Winnie Susanti Hadiprodjo, SH, Notary in Jakarta. The amendment of the Articles of Association has been approved by the Ministry of Law and Human Rights based on its Decree No. C-07803.HT.01.04-TH.2007, dated 28 December 2007.

Based on DOE, on the date of this Legal Opinion, the capital structure of KBS is as follows:

Authorized capital	: Rp.250,000,000
Issued capital	: Rp.250,000,000
Paid-up capital	: Rp.250,000,000

The authorized capital of KBS is divided into 250 shares each with a nominal value of Rp1,000,000.

Based on Article 3 paragraph (1) DOE, KBS' purposes and objectives are to engage in trading, mining, industry, agriculture and land transportation. KBS' main business activity is trading. The main scope of business above is included in the KBS' scope of business in its Articles of Association.

KBS has a participation in PT Anugerah Buminusantara Abadi ("ABA") in the amount of 95,744 shares representing 99.99% of the total issued shares in ABA.

- 7.5 The Company has a participation in ABA in the amount of 1 shares representing 0.01% of the total issued shares in ABA.

ABA is a limited liability company legally established based on laws of the Republic of Indonesia, based on Deed of Establishment No. 4, dated 2 September 2004, drawn up before Winnie Susanti Hadiprodjo, SH, Notary in Jakarta ("DOE"). ABA's DOE has been legalized by the Ministry of Law and Human Rights based on its Decree No. C-26922 HT.01.01.TH.2004, dated 27 October 2004, registered in the Company Registry Office of North Jakarta No. 174/BH.09.01/XII/2004 dated December 2004 and has been published in the State Gazette of the Republic of Indonesia No. 5, dated 18 January 2005, Supplement No. 582. ABA's Articles of Association has been amended several times, lastly with Deed No. 74, dated 29 December 2006, drawn up before Darmawan Tjoa, SH, SE, Notary in Jakarta ("Deed No. 74/2006"). The reporting of the above amendment has been received by the Ministry of Law and Human Rights based on Receipt of Amendment Deed of Articles of Association No. W7-HT.01.04-4801, dated 11 April 2007 and has been registered in the Company Registry No. 45/RUB.09.03/III/2008, dated 3 March 2008.

Based on Deed No. 74/2006, on the date of this Legal Opinion, the capital structure of ABA is as follows:



Authorized capital : Rp.150,000,000,000  
Issued capital : Rp. 95,745,000,000  
Paid-up capital : Rp. 95,745,000,000

The authorized capital of ABA is divided into 150,000 shares each with a nominal value of Rp1,000,000.

Based on Article 3 paragraph (1) of DOE, ABA's purposes and objectives are to engage in mining, trading, construction, land transportation, industry, services, agriculture, repair shop and printing. ABA's main business activities are in coal mining, mechanical/electrical/telecommunication and cargo services. The main scope of business above is included in the ABA's scope of business in its Articles of Association.

The Company's shares participations in each of its subsidiaries are not being secured for the Company's obligations to a third party. With due consideration of our opinion in point 8 below, the Company's shares participation in its subsidiaries has been done in accordance with its Articles of Association and the prevailing laws and regulations.

8. As disclosed in the chapter "Business Risks" in the Prospectus (sub-chapter "Risks Related to the Company Management" – 2. The existing claim against Dianlia, a Company Subsidiary in relation with the validity of Dianlia's ownership of Adaro's and IBT's shares), a subsidiary of the Company, Dianlia, is currently a defendant in (i) a case in Singapore court submitted by Beckett Pte. Ltd. ("Singapore Claim"), and (ii) a case in Jakarta Court submitted by Winfield International Investment Ltd. ("Jakarta Claim"). The objects of the Singapore Claim and the Jakarta Claim are shares owned by Dianlia in Adaro and IBT, which on the date of this Legal Opinion are in the amount of 20,320 shares or around 4.57% and 10,000 shares or around 7.14% of the total issued shares in Adaro and IBT, respectively ("Disputed Shares"). In addition, there are two claims in Administrative Court, both of which have become final and binding.

Based on the legal facts disclosed in the Prospectus and our legal due diligence on the Disputed Shares, the purchase of the Disputed Shares has been approved by Adaro's GMS as required by Adaro's Articles of Association, drawn up before Ilmiawan Dekrit Supatmo, SH, Notary in Jakarta. The change of shareholder in relation to the purchase of the Disputed Shares by Dianlia has been approved by Badan Koordinasi Penanaman Modal based on letter No. 277/III/PMA/2002 and has been informed to the Minister of Justice and Human Rights (MOJHR) based on a letter dated 15 February 2002. The Approval Letter from BKPM and the letter from the MOJHR have never been revoked by any court or any relevant government authority. Therefore, we are of the opinion that Dianlia's position as a shareholder of Adaro as a legal consequence of the purchase of the Disputed Shares has been conducted in accordance with the Articles of Association of Adaro and the applicable regulations.

In relation to the ownership of Dianlia over the Disputed Shares, we are of the opinion that in the event there is an annulment of the sale of the Disputed Shares by Deutsche Bank A.G. as the pledgee to Dianlia, and as long as it cannot be proven otherwise based on a legal and binding court decision, the rights of Dianlia as a third party acting in good faith are protected by the law, as stipulated in Article 1341 of the Civil Code.

We are of the opinion that the share ownership of (i) ATA and Viscaya in Adaro and (ii) Biscayne in IBT as stipulated in the Articles of Association and shareholders registry of Adaro and IBT as disclosed in the Prospectus chapter "Information on the Company and Subsidiaries" (sub chapter 6. *Information on Subsidiaries*) are valid because they have been done in accordance with the Articles of Association of Adaro and IBT and the applicable laws and regulations. To the best of our knowledge, there is no claim, either in the administrative court or in any other Indonesian courts, against (i) the decision of the Minister of Law and Human Rights of the Republic of Indonesia No. C-24088 HT.01.04.TH.2005, dated 31 August 2005 on the approval of Deed No. 14, dated 26 August 2005, drawn before Parlindungan L. Tobing, Notary in Jakarta, in relation to the amendment of Article 4 of the Articles of Association of Adaro; and (ii) the decision of the Minister of Law and Human Rights of the Republic of Indonesia No. C-20069 HT.91.04.TH.2005, dated 20 July 2005 on the approval of Deed No. 3, dated 14 July 2005, drawn before Drs. Soebiantoro SH, Notary in Jakarta, in relation to the amendment of Article of 4 of the Articles of Association of IBT.

9. The important and material assets of the Company and the Company's subsidiaries are lands totaling 671,000M2 and machinery. The assets in the form of lands consist of 44,274M2 of lands with "Rights to Build" certificates and 626,726M2 of lands obtained based on the releasing of rights and now in the process of certification. Those Company and Company's subsidiaries assets have been owned or obtained in accordance with the applicable laws and regulations. Some of the Company's subsidiaries' assets in the form of lands and machinery have been used as security over the obligation of a subsidiary (i.e. SIS) to third parties. As of the date of this Legal Opinion, the important and material assets of the Company and the Company's subsidiaries are not the object of any disputes.
10. The Company and the Material Subsidiaries have complied with the applicable employment rules, i.e. have maintained company regulations or collective labor agreements, participated in the Jamsostek program, submitted manpower reports, paid salaries above the minimum requirement, and complied with the requirements to employ expatriates, except that the approvals to employ several expatriates of the Company and the Material Subsidiaries are now in the process of extension.
11. The Company and the Material Subsidiaries have complied with the applicable rules in relation to the environmental aspects, including the Environmental

Impact Analysis, the Environmental Supervision Plan, and the Environmental Management Plan.

12. Important agreements, including financing agreements with third parties, which are material to the Company and the Material Subsidiaries in doing their business, are binding to the Company and Material Subsidiaries. The Public Offering does not contravene or breach a provision and requirement and/or is not a default under the agreements which have been signed by the Company and Material Subsidiaries.

In some financing transactions where a Material Subsidiary (i.e. SIS) is a party, there are some negative covenants. One of the covenants is in relation to the distribution of dividends. However, SIS has obtained letters from its creditors stating their approvals to revoke, waive, or amend the provision on the limitation to distribute dividends. These creditors are PT Bank Ekspor Indonesia, PT Bank Permata Tbk., and PT Bank Niaga Tbk.

13. Based on the PKP2B, Adaro is obliged to pay royalty (Dana Hasil Produksi Batubara or "DHPB") to the Government. As disclosed in the Prospectus in the chapter "Business Risks" (sub chapter "Risks Related to the Provisions of Laws and Social Environment" – 2. *The mining strategic business unit, Adaro, has set-off an amount of Incoming PPN/VAT on royalty payment (DHPB) to the government, however there is a possibility that such treatment is not approved by the Government as a party to the PKP2B and will be followed by a legal remedy*), Adaro has set off a certain amount of incoming PPN on its obligation to pay DHPB. Based on Articles 1425 and 1426 of the Civil Code, a set-off occurs by operation of law if two parties have loans to each other and these loans will be set off. As long as the Government has receivables to Adaro and Adaro has receivables to the Government, then in line with the provision of Articles 1425 and 1426 of the Civil Code, a set-off will occur by operation of law.

The Government, which is represented by Departemen Energi dan Sumber Daya Mineral qq Direktorat Jenderal Mineral, Batubara dan Panas Bumi ("Minerbapabum"), has rejected such action by Adaro and has asked the repayment of the outstanding DHPB. For such Government action, Adaro has submitted a claim to the Jakarta Administrative Court. The case is now in the review process at the Supreme Court of the Republic of Indonesia.

Based on the PKP2B, the Government may declare that Adaro has failed to fulfil its obligation and decide to terminate the PKP2B. However, such termination will not be automatically applicable until it is decided by arbitration forum of the International Centre for Settlement of Investments Disputes (ICSID) ("Arbitration") that Adaro has proven to be in default. If the Arbitration declares that Adaro has defaulted on its obligation as stipulated in the PKP2B, then based on the PKP2B, Adaro will be given time as will be determined by the Arbitration panel to remedy such proved default. Further, based on the PKP2B, the

Government cannot terminate the PKP2B if within the specified time Adaro attempts to remedy such default.

14. The Company and the Material Subsidiaries have purchased insurance from certain insurance companies to cover the assets of the Company and the Material Subsidiaries which are considered important and material for the main business of the Company and Material Subsidiaries. As of the date of this Legal Opinion, those insurance policies **except** some Adaro policies which have expired and now in the process of extension. Based on the information from the Company, the coverage of those insurances is sufficient to cover all losses which may occur and materially affect the going concern of the Company and the Material Subsidiaries.
15. Based on the applicable capital market laws and regulations, in this Public Offering, the Company has signed:
  - 15.1 Deed of Underwriting Agreement in relation to the Initial Public Offering of PT Adaro Energy Tbk No. 4, dated 5 May 2008, as amended by Deed of First Addendum to the Underwriting Agreement No. 21, dated 13 May 2008, and lastly amended by Deed of Second Addendum to the Underwriting Agreement No. 39, dated 11 June 2008, all of which are drawn before Robert Purba, SH, Notary in Jakarta between the Company and PT Danatama Makmur as the Lead Managing Underwriter and PT Amcapital Indonesia, PT Andalan Artha Advisindo Sekuritas, PT Antaboga Delta Sekuritas, PT Asia Kapitalindo Sekuritas, PT Bahana Securities, PT Bapindo Bumi Sekuritas, PT Bumiputera Capital Indonesia, PT CIMB GK Securities, PT Ciptadana Securities, PT Citi Pasific Securities, PT Danasakti Securities, PT Danpac Sekuritas, PT Dhanawibawa Securities, PT Dinamika Usaha Jaya, PT E-capital Securities, PT Equity Securities Indonesia, PT HD Capital, PT Henan Putihrai, PT Indomitra Securities, PT Intifikasa Securindo, PT Kim Eng Securities, PT Kresna Graha Sekurindo, PT Lautandhana Securindo, PT Madani Securities, PT Mahanusa Securities, PT Makindo Securities, PT Makinta Securities, PT Masindo Artha Securities, PT Mega Capital Indonesia, PT Minna Padi Investama, PT Nusadana Capital Indonesia, PT Optima Securities, PT Panca Global Securities, PT Panin Sekuritas, PT Phillip Securities Indonesia, PT Pratama Capital Indonesia, PT Recapital Securities, PT Reliance Securities, PT Samuel Sekuritas, PT Sarijaya Securities, PT Semesta Indovest, PT Sinarmas Sekuritas, PT Sucorinvest Central Gani, PT Trimegah Securities, PT Universal Broker, PT UOB Kay Hian Securities, PT Victoria Sekuritas, PT Wanteg Securindo, and PT Yulie Sekurindo as Underwriters.
  - 15.2 Deed of Shares Administration Agreement No. 5, dated 5 May 2008, as amended by Deed of Addendum to the Shares Administration Agreement No. 22, dated 13 May 2008, both drawn before Robert Purba, SH, Notary in Jakarta, between the Company and PT Ficomindo Buana Registrar.

- 15.3 Agreement on Equity Securities Registration at KSEI No. SP-012/PE/KSEI/058 dated 13 May 2008 between the Company and PT Kustodian Sentral Efek Indonesia.
- 15.4 Preliminary Securities Listing Agreement dated 12 June 2008 between the Company and PT Bursa Efek Indonesia.
16. Based on its Articles of Association, in relation to the Public Offering, the Company has obtained approval from its shareholders, as stipulated in Deed No. 62, dated 18 April 2008, drawn before Robert Purba SH, Notary in Jakarta.
17. The shares offered in the Public Offering will give the same rights as the shares that have been issued by the Company and held by the Company's existing shareholders on the date of this Legal opinion.
18. In relation to the involvement of the Company and its subsidiaries established under the laws of the Republic of Indonesia, i.e. ATA, Adaro, Biscayne, Dianlia, IBT, JPI, SIS, SMP, and MSW ("Indonesian Subsidiaries") in cases in courts, pursuant to the statement of the Company dated 30 April 2008 and Indonesian Subsidiaries, i.e. statement letter of ATA, Adaro, Dianlia, IBT, JPI and MSW dated 30 April 2008; statement letter of SIS dated 24 April 2008,; statement letter of SMP dated 22 April 2008; and statement letters on the Company and Indonesian Subsidiaries from District Court, Commercial Court, Badan Arbitrase Nasional Indonesia (BANI), Administrative Court, and Industrial Relation Court, until the issuance date of the Executive Summary, the Company is not involved in any legal cases, either civil or criminal, or other disputes with any judiciary institutions and/or arbitration in Indonesia or outside Indonesia, or any administrative disputes with any competent government authorities, including tax or employment disputes, and is claimed for bankruptcy by a third party or has never been declared bankrupt, that may materially affect the going concern of the Company and Indonesian Subsidiaries, except some cases which have been disclosed in the Executive Summary and Prospectus. Other than cases in the relevant courts in relation to (i) the Disputed Shares, and (ii) the Government's claim in relation to Adaro's obligation to pay DHPB, based on our due diligence and information from the Company, those cases faced by the Company and Indonesian Subsidiaries do not potentially give negative material impact to the going concern of the Company.
19. In relation to the involvement of the members of the Board of Directors and the Board of Commissioners of the Company and the Indonesian Subsidiaries in cases in courts, pursuant to the statement letter from each member of the Board of Directors and Board of Commissioners of the Company and the Indonesian Subsidiaries dated 22 April 2008, 24 April 2008, and 30 April 2008, until the issuance date of this Legal Opinion, there is no member of the Board of Directors and the Board of Commissioners of the Company and the Indonesian Subsidiaries who is involved in any legal cases, either civil or criminal, or other disputes with any judiciary institutions and/or arbitration in Indonesia or outside

authorities, including tax or employment disputes, and is claimed for bankruptcy by a third party or has never been declared bankrupt or caused a company to be declared bankrupt and other disputes outside courts, that may materially affect their ability to perform their duties and obligations as members of the Board of Directors and Board of Commissioners of the Company and the Indonesian Subsidiaries, except Sandiaga Salahuddin Uno who is currently a Defendant in a case at the Singapore High Court under No. 544/2007/J dated 27 August 2007; based on his statement dated 30 April 2008, however, he guaranteed that such case would not materially affect the performance of his duties and obligations as a director of the Company.

**B. Shares Acquisition Transaction**

1. By using part of the Public Offering proceeds, the Company plans to increase its participation in ATA to become 99.99%. Some part the funds will then be used by ATA to acquire:
  - (a) 711,538 shares or 71.15% of the total issued shares of AIM from Arindo FCM, Vencap, Citigroup, and Goldman Sachs;
  - (b) 250,001 shares or 100% of the total issued shares of Kerry Coal from Gold Pilot; and
  - (c) 6,717,602 shares or 100% of the total issued shares of Agalia from Agalia Capital.

In relation to the above, ATA has signed agreements as follows:

- (a) *Conditional Sale and Purchase Agreement* dated 5 May 2008, between ATA and Arindo FCM;
  - (b) *Conditional Sale and Purchase Agreement* dated 5 May 2008, between ATA and Vencap;
  - (c) *Conditional Sale and Purchase Agreement* dated 5 May 2008, between ATA and Citigroup;
  - (d) *Conditional Sale and Purchase Agreement* dated 5 May 2008, between ATA and Gold Pilot;
  - (e) *Conditional Sale and Purchase Agreement* dated 5 May 2008, between ATA and Goldman Sachs; and
  - (f) *Conditional Sale and Purchase Agreement* dated 13 May 2008, between ATA and Agalia Capital.
2. AIM has investments in:

- 2.1 PT Viscaya Investments (“**Viscaya**”), in the amount of 114,359 shares or 76.28% of the total issued shares of Viscaya, a limited liability company established under the laws of the Republic of Indonesia based on Deed of Establishment No. 2, dated 4 May 2005 drawn before Dwi Yulianti, SH, Notary in Tangerang (“DOE”). The DOE was approved by the Minister of Law and Human Rights of the Republic of Indonesia based on Decision No. C-12623.HT.01.01.TH.2005, dated 10 May 2005 and was announced in the State Gazette of the Republic of Indonesia No. 43, dated 31 May 2005, Supplement No. 5562. The Articles of Association of Viscaya have been amended several times, lastly by Deed No. 9, dated 30 September 2005, drawn before Drs. Soebiantoro, SH, Notary in Jakarta. The report on this amendment to the Articles of Association has been accepted by the Minister of Law and Human Rights of the Republic of Indonesia based on letter No. C-31477.HT.01.04.TH.2005, dated 25 November 2005 and has been registered in the Company Register at the Company Registration Office Kodya Jakarta Selatan No. 1609/RUB.09.03/XII/2005, dated 19 December 2005.

On the date of this Legal Opinion, the capital structure of Viscaya is as follows:

Authorized Capital	:	Rp.	572,394,560,000 (AS\$.59,968,000)
Issued Capital	:	Rp.	143,098,640.000 (AS\$.14,992,000)
Paid Up Capital	:	Rp.	143,098,640,000 (AS\$.14,992,000)

The Authorized Capital of Viscaya consists of 599,680 shares, each share having a nominal value of Rp. 954,500 or AS\$ 100 per share.

The main business activity of Viscaya is trading.

Viscaya has investments in:

- (a) Adaro, in the amount of 125,713 shares or 28.326% of the total issued shares of Adaro.
- (b) Ariane Investments (Australia) Ltd. (“**Ariane**”), in the amount of 1,000,100 shares or 100% of the total issued shares of Ariane, a company established under the laws of Australia.

Ariane has share participation in Indonesia Coal Pty. Ltd. (“**Indocoal**”) in the amount of 100,000 shares or 100% of the total issued shares of Indocoal, a company established under the laws of Australia.

Indocoal has share participation in Adaro in the amount of 20,742 shares or 4.674% of the total issued shares of Adaro.

- 5.6 Biscayne, in the amount of 501 shares or 26.56% of the total issues shares of Biscayne.

- 5.7 Arindo Global, in the amount of 546,000 shares or 26% of the total issued shares of Arindo Global.
- 5.8 Arindo Holdings, in the amount of 21,077 shares or 28% of the total issued shares of Arindo Holdings.
6. Gold Pilot has investments in Kerry Coal in the amount of 250,001 shares or 100% of the issued shares of Kerry Coal.

Kerry Coal has 288,462 shares or 28.85% of the total issued shares of AIM.

7. Agalia Capital has investments in Agalia in the amount of 6,717,602 shares or 100% of the total issued shares of Agalia.

Agalia has investments in:

- (a) Viscaya, in the amount of 35,545 shares or 23.71% of the total issued shares of Viscaya;
  - (b) Biscayne, in the amount of 178 shares or 9.45% of the total issued shares of Biscayne;
  - (c) Arindo Holdings, in the amount of 6,024 shares or 8% of the total issued shares of Arindo Holdings; and
  - (d) Arindo Global, in the amount of 168,000 shares or 8% of the total issued shares of Arindo Global.
5. In relation to the increase of the Company's participation in ATA by using the Public Offering proceeds, the Company has obtained approval from its shareholders based on Deed No. 62, dated 18 April 2008, drawn before Robert Purba S.H., Notary in Jakarta.
  6. Based on its Articles of Association, ATA must obtain approval from its commissioners for conducting a Shares Acquisition Transaction and approval from GMS for increasing its capital. As of the date of this Legal Opinion, ATA has obtained approval from its Board of Commissioners. However, ATA has not yet obtained approval from its GMS.
  7. The Acquisition of AIM Transaction and the Acquisition of Agalia Transaction are not conflict-of-interest transactions as stipulated in Bapepam Rule No. IX.E.1. This is because the sellers in these transactions are not directors, commissioners, or principal shareholders of the Company or their affiliates.

The Shareholding Increase in ATA, the Acquisition of ATA Transaction, the Repayment of SIS Acquisition, and the Shareholding Increase in SIS are conflict-of-interest transactions as stipulated in Bapepam Rule No. IX.E.1. This is because the parties in these transactions (except CSP) are the principal shareholders of the Company or their affiliates. However, the implementation of



these transactions after the Public Offering does not need to be approved by the independent shareholders of the Company because the respective plans of the transactions have been disclosed in the Public Offering Prospectus, and therefore are exempted from the requirement to obtain approval from GMS as required by Bapepam Rule No. IX.E.1.

The Shareholding Increase in ATA, The Acquisition of AIM Transaction, the Acquisition of Agalia Transaction, the Acquisition of ATA Transaction, the Repayment of SIS Acquisition, and the Shareholding Increase in SIS are material transactions as stipulated in Bapepam Rule No. IX.E.2 because the value of these transactions exceeds 10% of the Company's revenues and 20% of the Company's equities. However, the implementation of these transactions after the Public Offering does not need to be approved by the shareholders of the Company because the respective plans of the transactions have been disclosed in the Public Offering Prospectus, and therefore are exempted from the requirement to obtain approval from GMS as required by Bapepam Rule No. IX.E.2.

This Legal Opinion was prepared based on laws and regulations applicable in the Republic of Indonesia, and based on the assumptions and qualifications set out below:

1. all signatures are authentic, all documents provided to us as originals are authentic, and all copies, extracts or photocopies of the documents given to us are the same as the original documents, and the original of those documents are authentic;
2. each party who executed agreements with the Company and the Company's subsidiaries (including Material Subsidiaries) and/or the government officials who issued licenses to or conducted registrations or recording for the benefit of the Company and the Company's subsidiaries (including Material Subsidiaries), has the capacity and authority to conduct such action with legal and binding effect;
3. written or verbal statements and confirmation provided by members of the Board of Directors, the Board of Commissioners, representatives and/or employees of the Company and the Company's subsidiaries (including Material Subsidiaries), government officials and other parties are correct, complete and conform to the actual conditions
4. our opinion on "important licenses," "important and material agreements," and "important and material assets" are to the extent those licenses, agreements, and assets have direct impact on the going concern of the Company and the Company's subsidiaries (including Material Subsidiaries);
5. our opinion in relation to the Company's subsidiaries established outside the jurisdiction of the Republic of Indonesia is based on the legal opinions of qualified legal consultants in the jurisdiction of each of those subsidiaries, except for Ariane, Indocoal, Gold Pilot, and Kerry, which are based on data provided by the Company;

6. our opinion on agreements are to the extent those agreements are governed by the laws of the Republic of Indonesia;
7. Material Subsidiaries are companies where the Company has shares either directly or indirectly and the ownership is material, where the business activities of those Material Subsidiaries give material impact to the business and going concern of the Company. In this Legal Opinion, the Material Subsidiaries are Adaro, SIS, and IBT;
8. if there is a reference to “to the best of our knowledge,” we refer to statements and information, whether in writing or verbally, given by members of the Board of Directors, the Board of Commissioners, representatives and/or employees of the Company, government officials, and other parties that are correct, complete and conform to the actual conditions;
9. a decision of a court in Indonesia on a case does not bind other courts when they review other cases, whether the other case is related or not related but has similar substance. Not all Indonesian courts have the experience to handle complex transactions. In addition, it is not uncommon for Indonesian courts to make inconsistent interpretations on the applicable regulations. Consequently, there is an uncertainty on the interpretation and implementation of legal principles that are applicable in Indonesia.

In addition, Indonesian courts are independent. Under the Indonesian legal system, the judge who reviews a case in a court has rights and authorities to make his own legal interpretation on the applicable laws and regulations in Indonesia and he is not bound to make a decision or interpretation based on the previous decision of other courts or a higher court.

In relation to the above, our opinion in point 8 does not close the possibility that other authorized courts will have a different opinion or make a different decision. The opinion or decision made by those courts may not be in line with our opinion in point 8 above.

We prepared this Legal Opinion in our capacity as an independent legal consultant, in full honesty and neutrality, without any personal interests either directly or indirectly in the business activities of the Company, and we are responsible for the contents of this Legal Opinion.

Yours truly,

**HADIPUTRANTO, HADINOTO & PARTNERS**

Rambun Tjajo, SH

STTD: No. 179/STTD-KH/PM/1998

Cc:

- The Chairman of the Capital Market and Financial Institutions Supervisory Board

## **XIX. INDEPENDENT AUDITOR REPORT AND FINANCIAL STATEMENTS OF THE COMPANY**

Below are the consolidated financial statements of the Company and Subsidiaries for the period of 1 (one) month ended on 31<sup>st</sup> January 2008 and for the year ended 31 December 2007 originated from consolidated financial statement, which was audited by Public Accountant Office: Haryanto Sahari & Rekan (member of the PriceWaterhouseCoopers) with Unqualified Opinion with Explanatory Language regarding restructure of controller's entity and Incoming VAT compensation against royalty payment. For the years ended on 31<sup>st</sup> December 2006 and 2005 originated from consolidated financial statement which was audited by Public Accountant Office: Kosasih and Nurdiyaman with the Unqualified opinion, of which the introductory paragraph in his report explains the reference to the report of other auditor in his statement of opinion and there are some subsidiaries unaudited and the paragraph of clarification on subsidiaries' capacities to maintain their survival and the re-issue of consolidated financial statements for the years ended 31<sup>st</sup> December 2006 and 2005. The Public Accounting Firm Haryanto Sahari & Rekan has audited the combined and consolidated financial statements of the Company and its Subsidiaries dated 31<sup>st</sup> December 2006 and 2005 and for the years ended on that date, after representation by the pooling of interests method on the restructuring transactions of the controller's entity with the opinion that the consolidated financial statements have been re-presented correctly based on the accounting principles generally applied in Indonesia. For the period from the date of establishment (28<sup>th</sup> July 2004) to 31<sup>st</sup> December 2004 it is from the consolidated financial statement audited by the Public Accounting Firm Kosasih and Nurdiyaman with Unqualified opinion.

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**DIRECTORS' STATEMENT REGARDING  
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005  
AND FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005**

**PT ADARO ENERGY Tbk (FORMERLY PT PADANG KARUNIA) AND SUBSIDIARIES**

On behalf of the Board of Directors, we, the undersigned:

1. Name : Garibaldi Thohir  
Office address : Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta  
Address of domicile : GD. Peluru Blok E/139, Tebet, Jakarta Selatan  
Telephone : +62 21 5211265  
Position : President Director
2. Name : Christian Ariano Rachmat  
Office address : Menara Karya Lt. 23, Jl. HR Rasuna Said Blok X-5 Kav. 1-2, Jakarta  
Address of domicile : Jl. Patra Kuningan I LI/10-11, Setiabudi, Jakarta Selatan  
Telephone : +62 21 5211265  
Position : Director

declare that:

1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Adaro Energy Tbk (formerly PT Padang Karunia) and its subsidiaries (the "Group");
2. The Group's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Indonesia;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;  
b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts; and
4. We are responsible for the Group's internal control systems.

Thus this statement is made by the truth.

For and on behalf of the Board of Directors



**Garibaldi Thohir**  
President Director



**Christian Ariano Rachmat**  
Director

JAKARTA  
16 June 2008

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A00618/DC2/DWD/II/2008

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF  
PT ADARO ENERGY Tbk AND SUBSIDIARIES**

**Kantor Akuntan Publik  
Haryanto Sahari & Rekan**  
PricewaterhouseCoopers  
Jl. H.R. Rasuna Said Kav. X-7 No.6  
Jakarta 12940 - INDONESIA  
P.O. Box 2473 JKP 10001  
Telephone +62 21 5212901  
Facsimile +62 21 52905555/52905050  
www.pwc.com

We have audited the accompanying consolidated balance sheets of PT Adaro Energy Tbk (formerly PT Padang Karunia) (the "Company") and its subsidiaries (together, the "Group") as at 31 January 2008 and 31 December 2007 and the related consolidated statements of income, changes in equity and cash flows for the one month period ended 31 January 2008 and for the year ended 31 December 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PT Adaro Energy Tbk and its subsidiaries as at 31 January 2008 and 31 December 2007, and the consolidated results of its operations and cash flows for the one month period ended 31 January 2008 and for the year ended 31 December 2007, in conformity with accounting principles generally accepted in Indonesia.

We also audited the combination of the accompanying consolidated financial statements of PT Adaro Energy Tbk and its subsidiaries as at 31 December 2006 and 2005 and for the years then ended, after restatement for the pooling of interests of PT Saptaindra Sejati, PT Alam Tri Abadi and PT Makmur Sejahtera Wisesa as if the transactions described in Note 4 to the consolidated financial statements had occurred from the earliest period presented, in accordance with Statement of Financial Accounting Standards No. 38 (Revised 2004), "Accounting for Restructuring of Entities Under Common Control". We did not audit the consolidated financial statements of the Group which statements reflect total assets of Rp 655,428 million and Rp 615,009 million as at 31 December 2006 and 2005, respectively and total revenue of Rp 66,789 million and Rp 50,610 million for the years then ended, before the restatement as mentioned above, which are part of the consolidated financial statements. These consolidated financial statements were audited by other independent auditors whose report has been reissued dated 11 June 2007 expressed an unqualified opinion where in its introductory paragraph explained the reference to the report of other independent auditors in expressing his opinion and several of the subsidiaries were not audited and included an explanatory paragraph that described the ability of the subsidiaries to continue as a going concern. Our opinion, insofar as it relates to the amounts included for the Group for the years ended 31 December 2006 and 2005, is based solely on the reports of the other independent auditors. In our opinion, such consolidated financial statements have been properly combined on the basis described in Note 4 to the consolidated financial statements.



*Kantor Akuntan Publik  
Haryanto Sahari & Rekan*

As discussed in Note 37b to the consolidated financial statements, as at 31 January 2008, PT Adaro Indonesia ("Adaro"), a 61% indirectly owned subsidiary, has a receivable balance relating to Value Added Tax (VAT) input amounting to US\$17.1 million or equivalent to Rp 159,207 million and has offset VAT claims totalling US\$174.8 million or equivalent to Rp 1,615,750 million against royalty payments to Government. The Board of Directors believes this treatment is appropriate pursuant to Adaro's Coal Cooperation Agreement. However, this treatment has not been confirmed by the Government. As a result of Indonesia's current political, economic, legal and social conditions, there is a risk that the Government may seek to challenge this treatment or otherwise contest the rights of Adaro. The consolidated financial statements do not include any other adjustments that might ultimately result from an adverse decision from the Government regarding this matter.

Prior to this report, we have issued independent auditors' report No. 00478/DC2/DWD/II/2008 dated 5 May 2008 on the consolidated financial statements of PT Adaro Energy Tbk and its subsidiaries for the one month period ended 31 January 2008 and for the year ended 31 December 2007 with unqualified opinions with explanatory paragraph. For the purpose of Initial Public Offering, the Company has reissued the consolidated financial statements for the one month period ended 31 January 2008 and for the year ended 31 December 2007, in order to conform with the disclosure requirements of the Capital Market and Financial Institution Supervisory Board. There are no material differences between the previous consolidated financial statements issued and these reissued consolidated financial statements for the one month period ended 31 January 2008 and for the year ended 31 December 2007, except as explained in Note 50b to the consolidated financial statements for the reissuance of consolidated financial statements.

JAKARTA

5 May 2008, except for Note 50b dated 16 June 2008



**Dwi Wahyu Daryoto, Ak, CPA.**

License of Public Accountant No. 04.1.0940

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*The accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly the accompanying consolidated balance sheets and related consolidated statements of income, changes in equity and cash flows and their utilisation are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.*

*The standards, procedures and practices utilised in Indonesia to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.*

**CONSOLIDATED BALANCE SHEETS  
AS AT 31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, except for par value and share data)

	<b>Notes</b>	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
				<b>2006*</b>	<b>2005*</b>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	893,103	831,840	758,453	1,191,019
Restricted cash and cash equivalents	6	54,967	64,595	754,168	778,087
Available-for-sale investments	7	1,747,863	1,734,330	-	491,500
Trade receivables, net of allowance for doubtful accounts of Rp nil (31 December 2007, 2006 and 2005: Rp nil)	8				
Third parties		1,391,059	1,153,572	1,120,959	848,510
Related parties		257,345	396,571	184,450	249,864
Other receivables					
Third parties		63,445	60,727	57,580	82,492
Advances and prepayments		123,715	83,638	67,417	40,384
Inventories, net of provision for obsolete stock of Rp nil (31 December 2007, 2006 and 2005: Rp nil)	9	276,550	238,148	204,353	144,537
Prepaid taxes	37a	167,042	153,997	135,131	77,249
Recoverable tax	37b	159,207	210,171	188,323	162,495
Prepayment to related party	39c	-	-	115,506	316,569
Deferred financing costs, net of accumulated amortisation of Rp 943,343 (31 December 2007: Rp 954,155, 2006: Rp 695,297 and 2005: Rp 275,017)	11	22,578	16,269	57,313	156,341
Deferred expenses, net		44,366	49,776	-	-
Other current assets		<u>7,891</u>	<u>4,038</u>	<u>13,088</u>	<u>3,841</u>
Total current assets		<u>5,209,131</u>	<u>4,997,672</u>	<u>3,656,741</u>	<u>4,542,888</u>

\* As restated (refer to Note 4)

**CONSOLIDATED BALANCE SHEETS  
AS AT 31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, except for par value and share data)

	Notes	31 January 2008	2007	31 December	
				2006*	2005*
<b>NON-CURRENT ASSETS</b>					
Other receivables					
Related parties	39b	26,146	26,128	16,468	2,701
Fixed assets, net of accumulated depreciation of Rp 1,015,617 (31 December 2007: Rp 1,002,660, 2006: Rp 713,615 and 2005: Rp 549,140)	12	3,518,727	3,558,698	2,327,320	1,856,686
Investments in associates	13	4,755	4,868	667,674	76,322
Mining properties, net of accumulated amortisation of Rp 46,637 (31 December 2007: Rp 46,593, 2006: Rp 36,721 and 2005: Rp 31,411)	14	116,076	118,362	121,247	140,742
Goodwill, net of accumulated amortisation of Rp 63,936 (31 December 2007: Rp 36,684, 2006: Rp 4,788 and 2005: Rp 730)	15	5,153,242	1,225,532	15,508	19,383
Deferred exploration and development expenditure, net of accumulated amortisation of Rp 255,572 (31 December 2007: Rp 258,857, 2006: Rp 251,069 and 2005: Rp 269,070)	10	85,415	86,828	193,391	196,122
Prepayment to related party - non-current portion	39c	-	-	-	125,879
Loans to related parties	39d	2,044,337	4,498,016	6,161,683	6,476,686
Deferred financing costs, net of accumulated amortisation of Rp 943,343 (31 December 2007: Rp 954,155, 2006: Rp 695,297 and 2005: Rp 275,017) - non-current portion	11	79,919	59,728	127,543	353,014
Deferred expenses, net - non-current portion		12,165	12,590	11,918	27,416
Deferred tax assets	37e	31,988	36,823	33,699	30,285
Restricted cash and cash equivalents - non-current portion	6	11,104	11,236	10,092	5,120
Other non-current assets		5,105	52,202	109	-
<b>Total non-current assets</b>		<u>11,088,979</u>	<u>9,691,011</u>	<u>9,686,652</u>	<u>9,310,356</u>
<b>TOTAL ASSETS</b>		<u>16,298,110</u>	<u>14,688,683</u>	<u>13,343,393</u>	<u>13,853,244</u>

\* As restated (refer to Note 4)

**CONSOLIDATED BALANCE SHEETS  
AS AT 31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, except for par value and share data)

	<b>Notes</b>	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
				<b>2006*</b>	<b>2005*</b>
<b>CURRENT LIABILITIES</b>					
Short-term borrowings					
Bank loans	19	445,968	447,045	269,698	152,512
Other loans	20				
- Third parties		51,648	191,677	75,317	18,212
Trade payables	16				
Third parties		1,566,967	1,505,851	1,308,660	1,270,087
Related parties		198,346	182,322	80,929	3,881
Taxes payable	37c	98,828	138,819	86,209	236,039
Accrued expenses	17	377,358	306,127	85,652	285,482
Convertible bonds	26	92,910	-	-	-
Promissory notes	18	-	-	-	98,300
Current maturity of long-term borrowings:					
Lease payables	22	121,361	125,728	87,743	54,277
Bank loans	23	863,349	747,892	589,259	677,332
Other loans					
- Third parties	24	6,504	6,594	366,262	193,044
Other current liabilities		765	1,237	5,896	4,430
Royalties payable	21	<u>424,332</u>	<u>583,452</u>	<u>614,554</u>	<u>550,720</u>
Total current liabilities		<u>4,248,336</u>	<u>4,236,744</u>	<u>3,570,179</u>	<u>3,544,316</u>
<b>NON-CURRENT LIABILITIES</b>					
Amounts due to related parties	39f	9,503	8,765	17	544
Long-term borrowings, net of current maturities:					
Lease payables	22	230,034	243,036	151,025	62,114
Bank loans	23	7,187,741	5,535,428	4,365,722	1,844,088
Notes	25	-	-	3,579,733	3,893,370
Other loans					
- Third parties	24	23,423	23,753	26,998	274,141
- Related parties	39h	12,602	10,945	28,675	2,969,878
Subordinated loan	27	92,910	94,190	90,200	-
Deferred tax liabilities	37f	489,529	496,681	521,593	479,361
Provision for employee benefits		48,006	50,195	33,921	29,580
Accrued stripping costs	28	<u>422,392</u>	<u>421,522</u>	<u>4,273</u>	<u>11,661</u>
Total non-current liabilities		<u>8,516,140</u>	<u>6,884,515</u>	<u>8,802,157</u>	<u>9,564,737</u>
<b>MINORITY INTEREST</b>	29a	<u>1,093,599</u>	<u>1,075,906</u>	<u>584,036</u>	<u>438,354</u>

\* As restated (refer to Note 4)

**CONSOLIDATED BALANCE SHEETS  
AS AT 31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, except for par value and share data)

	<u>Notes</u>	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006*</u>	<u>2005*</u>
<b>EQUITY</b>					
Share capital - authorised 80,000,000,000 shares (31 December 2007: 80,000,000,000 shares, 2006 and 2005: 300,000 shares), issued and fully paid 20,846,631,000 shares (31 December 2007: 20,624,780,000 shares, 2006 and 2005: 143,628 shares), with par value of Rp 100 (31 December 2007: Rp 100, 2006 and 2005: Rp 1,000,000) per share	30	2,084,663	2,062,478	143,628	143,628
Exchange difference due to financial statement translation		(22,365)	21,172	(22,596)	10,898
Difference in value from restructuring transactions of entities under common control	31	359,332	382,513	310,314	246,770
Difference in transactions of changes in equity of subsidiaries and associates	32	-	1,115	-	-
Retained earnings/(accumulated losses)		<u>18,405</u>	<u>24,240</u>	<u>(44,325)</u>	<u>(95,459)</u>
Total equity		<u>2,440,035</u>	<u>2,491,518</u>	<u>387,021</u>	<u>305,837</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>16,298,110</u>	<u>14,688,683</u>	<u>13,343,393</u>	<u>13,853,244</u>

\* As restated (refer to Note 4)

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005**

(Expressed in million Rupiah, except for basic and diluted earnings per share)

	<b>Notes</b>	<b>31 January 2008</b>	<b>2007</b>	<b>31 December 2006*</b>	<b>2005*</b>
<b>Revenue</b>	34	1,115,080	11,592,640	9,748,068	7,174,651
<b>Cost of revenue</b>	35	<u>(891,675)</u>	<u>(9,121,200)</u>	<u>(7,787,558)</u>	<u>(5,836,588)</u>
<b>Gross profit</b>		223,405	2,471,440	1,960,510	1,338,063
<b>Operating expenses</b>					
Selling and marketing	36a	(10,366)	(173,173)	(130,217)	(111,593)
General and administration	36b	<u>(8,468)</u>	<u>(77,775)</u>	<u>(89,079)</u>	<u>(51,969)</u>
Total operating expenses		<u>(18,834)</u>	<u>(250,948)</u>	<u>(219,296)</u>	<u>(163,562)</u>
<b>Operating income</b>		<u>204,571</u>	<u>2,220,492</u>	<u>1,741,214</u>	<u>1,174,501</u>
<b>Other income/(expenses)</b>					
Interest expenses and finance charges	38a	(57,718)	(1,725,928)	(1,620,887)	(703,287)
Interest income	38b	17,938	610,722	512,282	150,935
Gain/(loss) on disposal of fixed assets	12	286	(1,489)	78,598	(9,280)
Foreign exchange gain/(loss), net		69,876	(167,799)	181,090	(27,615)
Share in net income of associates prior to dilution	13	-	-	-	26,527
Share in net loss of associates	13	(49)	(20,541)	-	-
Loss on sale of available-for-sale investments		-	-	(47,599)	-
Other income/(expenses), net		<u>1,830</u>	<u>31,568</u>	<u>6,581</u>	<u>(10,086)</u>
		<u>32,163</u>	<u>(1,273,467)</u>	<u>(889,935)</u>	<u>(572,806)</u>
<b>Profit before income tax</b>		236,734	947,025	851,279	601,695
Income tax expense	37d	<u>(101,342)</u>	<u>(567,529)</u>	<u>(527,972)</u>	<u>(353,378)</u>
<b>Profit from ordinary activity</b>		135,392	379,496	323,307	248,317
Extraordinary item	44	<u>(35,618)</u>	-	-	-
<b>Profit before pre-acquisition (income)/loss</b>		99,774	379,496	323,307	248,317
Pre-acquisition (income)/loss		-	(38,048)	(17)	3,546
<b>Profit before minority interest</b>		99,774	341,448	323,290	251,863
Minority interest in net income of subsidiaries	29b	<u>(41,665)</u>	<u>(208,595)</u>	<u>(182,157)</u>	<u>(185,971)</u>
<b>Net income</b>		<u>58,109</u>	<u>132,853</u>	<u>141,133</u>	<u>65,892</u>
<b>Basic and diluted earnings per share</b>	40	<u>3</u>	<u>92</u>	<u>98</u>	<u>136</u>

\*As restated (refer to Note 4)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005  
(Expressed in million Rupiah, unless otherwise stated)**

	Share capital	Exchange difference due to financial statement translation	Difference in value from restructuring transactions of entities under common control	Difference in transactions of changes in equity of subsidiaries and associates	Retained earnings/ (accumulated losses)	Total
<b>Balance at 1 January 2005</b>	1,250	-	(9,086)	-	(2,106)	(9,942)
Adjustment related to the implementation of Statement of Financial Accounting Standards No. 38 (Revised 2004) in 2005 due to the acquisition of PT Saptaindra Sejati ("SIS"), PT Alam Tri Abadi ("ATA") and PT Makmur Sejahtera Wisesa ("MSW")	-	-	69,042	-	-	69,042
<b>Balance at 1 January 2005-restated</b>	<u>1,250</u>	<u>-</u>	<u>59,956</u>	<u>-</u>	<u>(2,106)</u>	<u>59,100</u>
Issuance of share capital	142,378	-	-	-	-	142,378
Net income for the year-restated	-	-	-	-	65,892	65,892
Adjustment related to the acquisition of PT Bahtera Alam Tamiang ("BAT")	-	-	(379)	-	-	(379)
Changes in equity of ATA related to the exchange difference due to financial statement translation and the difference in value from restructuring transactions of entities under common control	-	10,898	-	59,556	-	70,454
Changes in equity of entities under common control other than net income/(loss)	-	-	312,421	-	-	312,421
Changes in retained earnings of ATA related to the dilution of subsidiary and disposal of investments in SIS and MSW	-	-	-	(59,556)	(59,831)	(119,387)
Investment paid to acquire entities under common control	-	-	(224,642)	-	-	(224,642)
Company's share of net income/(loss) of entities under common control prior to restructuring transactions	-	-	99,414	-	(99,414)	-
<b>Balance at 31 December 2005-restated</b>	<u>143,628</u>	<u>10,898</u>	<u>246,770</u>	<u>-</u>	<u>(95,459)</u>	<u>305,837</u>
Net income for the year-restated	-	-	-	-	141,133	141,133
Changes in equity of ATA related to the exchange difference due to financial statement translation	-	(33,494)	-	-	-	(33,494)
Changes in equity of entities under common control other than net income/(loss)	-	-	(25,807)	-	-	(25,807)
Investment paid to acquire entities under common control	-	-	(648)	-	-	(648)
Company's share of net income/(loss) of entities under common control prior to restructuring transactions	-	-	89,999	-	(89,999)	-
<b>Balance at 31 December 2006-restated</b>	<u>143,628</u>	<u>(22,596)</u>	<u>310,314</u>	<u>-</u>	<u>(44,325)</u>	<u>387,021</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005  
(Expressed in million Rupiah, unless otherwise stated)**

	Share capital	Exchange difference due to financial statement translation	Difference in value from restructuring transactions of entities under common control	Difference in transactions of changes in equity of subsidiaries and associates	Retained earnings/ (accumulated losses)	Total
<b>Balance at 31 December 2006-restated</b>	<u>143,628</u>	<u>(22,596)</u>	<u>310,314</u>	<u>-</u>	<u>(44,325)</u>	<u>387,021</u>
Net income for the year	-	-	-	-	132,853	132,853
Changes in equity of ATA related to the exchange difference due to financial statement translation and changes in equity of ATA's subsidiaries	-	43,768	-	2,725	-	46,493
Changes in equity of SIS related to the difference in value from restructuring transactions of entities under common control due to the disposal of PT Anugerah Bumihutan Abadi ("ABA") and the unrealised gain from available-for-sale investments	-	-	-	(1,610)	-	(1,610)
Issuance of share capital	1,918,850	-	-	-	-	1,918,850
Adjustment on retained earnings related to the recognition of income from investment in PT Indonesia Bulk Terminal ("IBT")	-	-	-	-	12,042	12,042
Disposal of subsidiaries to entities under common control	-	-	107,467	-	-	107,467
Changes in equity of entities under common control other than net income/(loss)	-	-	97,652	-	-	97,652
Payment of investment to acquire entities under common control	-	-	(209,250)	-	-	(209,250)
Company's share of net income/(loss) of entities under common control prior to restructuring transactions	-	-	76,330	-	(76,330)	-
<b>Balance at 31 December 2007</b>	<u>2,062,478</u>	<u>21,172</u>	<u>382,513</u>	<u>1,115</u>	<u>24,240</u>	<u>2,491,518</u>
Issuance of share capital	22,185	-	-	-	-	22,185
Net income for the period	-	-	-	-	58,109	58,109
Changes in equity of SIS related to the unrealised gain from available-for-sale investments	-	-	-	1,189	-	1,189
Changes in equity of ATA related to the exchange difference due to financial statement translation and the changes in equity of ATA's subsidiaries	-	(43,537)	-	(2,304)	(64,055)	(109,896)
Changes in equity of entities under common control other than net income/(loss)	-	-	(23,070)	-	-	(23,070)
Company's share of net income/(loss) of entities under common control prior to restructuring transactions	-	-	(111)	-	111	-
<b>Balance at 31 January 2008</b>	<u>2,084,663</u>	<u>(22,365)</u>	<u>359,332</u>	<u>-</u>	<u>18,405</u>	<u>2,440,035</u>



**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005**

(Expressed in million Rupiah, unless otherwise stated)

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006*</b>	<b>2005*</b>
<b>Cash flows from operating activities</b>				
Receipts from customers	1,062,833	11,523,125	9,463,111	6,925,570
Payments to suppliers	(840,768)	(6,766,613)	(6,938,471)	(6,241,263)
Payments to employees	(30,336)	(305,958)	(193,511)	(142,537)
Receipts of interest income	3,617	684,316	480,460	39,864
Payments of royalties	(133,967)	(564,864)	(439,328)	(293,665)
Payments of income taxes	(56,435)	(671,208)	(625,638)	(233,901)
Payments of interest and finance charges	(68,169)	(908,094)	(1,282,530)	(255,072)
<b>Net cash flows (used in)/provided from operating activities</b>	<b>(63,225)</b>	<b>2,990,704</b>	<b>464,093</b>	<b>(201,004)</b>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(13,920)	(650,770)	(662,613)	(787,402)
Proceeds from disposal of fixed assets	1,277	12,743	173,649	52,618
Payments for addition of available-for-sale investments	-	(1,728,106)	(147,450)	(491,500)
Proceeds from sale of available-for-sale investments	-	-	591,352	-
Payments of deferred expenses	(23)	(68,345)	(10,556)	(91,805)
Payments for addition of investments in associates	-	(82)	(591,352)	-
Loan to related parties	-	(3,187,880)	(2,860,150)	(6,374,814)
Receipts from loan to related parties	44,618	4,762,757	1,376,678	524
Purchase of additional interest in subsidiaries	(864)	-	-	(1,378)
Net cash inflow/(outflow) from acquisition of subsidiaries	169,571	(749,005)	(523)	(244,150)
Net cash inflow from disposal of subsidiaries	-	163,769	1,149	238
<b>Net cash flows provided from/(used in) investing activities</b>	<b>200,659</b>	<b>(1,444,919)</b>	<b>(2,129,816)</b>	<b>(7,937,669)</b>
<b>Cash flows from financing activities</b>				
Receipts from related party loans	3,040	27,000	1,584,836	4,638,740
Repayments of related party loans	(68)	(60,219)	(2,847,652)	(1,784,910)
Receipts from third party loans	-	301,068	134,981	543,932
Repayments of third party loans	(44,514)	(499,182)	(36,454)	(255,281)
Receipts from bank loans	19,030	6,299,800	5,240,944	2,724,251
Repayments of bank loans	(19,038)	(5,056,064)	(2,461,884)	(412,442)
Payments of finance charges	(6,533)	(108,304)	(152,840)	(762,059)
Payments of dividends	-	-	-	(74,780)
Receipts from issuance of Notes	-	-	-	3,845,750
Repayments of Notes	-	(3,654,400)	-	-
Payments of obligation under finance leases	(17,369)	(122,365)	(108,036)	(56,470)
Receipts from issuance of new shares	-	1,920,050	792	407,931
Payments of finance charges on early settlement of Notes	-	(548,211)	-	-
Repayments of promissory notes	-	-	(98,300)	-
Payments for security deposit	-	(174)	-	-
<b>Net cash flows (used in)/provided from financing activities</b>	<b>(65,452)</b>	<b>(1,501,001)</b>	<b>1,256,387</b>	<b>8,814,662</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>71,982</b>	<b>44,784</b>	<b>(409,336)</b>	<b>675,989</b>

\*As restated (refer to Note 4)

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE ONE MONTH PERIOD ENDED 31 JANUARY 2008 AND  
FOR THE YEARS ENDED 31 DECEMBER 2007, 2006 AND 2005**

(Expressed in million Rupiah, unless otherwise stated)

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006*</u>	<u>2005*</u>
Net increase/(decrease) in cash and cash equivalents	71,982	44,784	(409,336)	675,989
Cash and cash equivalents at the beginning of the year	831,840	758,453	1,191,019	3,943
Adjustment related to the implementation of Statement of Financial Accounting Standards No. 38 (Revised 2004) in 2005 due to the acquisition of SIS, ATA and MSW	-	-	-	426,406
Effect of exchange rate changes on cash and cash equivalents	(10,719)	28,603	(23,230)	84,681
Cash and cash equivalents at the end of the year (refer to Note 5)	<u>893,103</u>	<u>831,840</u>	<u>758,453</u>	<u>1,191,019</u>
<b>Non-cash activities:</b>				
Acquisition of assets under finance leases	-	263,542	234,584	184,904
Disposal of investment in subsidiary in exchange for receivables from third party	-	-	-	45,733
Acquisition of subsidiaries through promissory notes	-	-	-	97,660
Acquisition of subsidiary through issuance of new shares	22,185	-	-	-

\*As restated (refer to Note 4)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**1. GENERAL**

**a. Establishment and other information**

PT Padang Karunia (the "Company") was established by Notarial Deed of Sukawaty Sumadi, S.H., Notary in Jakarta, No. 25 dated 28 July 2004. The Deed was published in the State Gazette of the Republic of Indonesia No. 59 dated 25 July 2006, State Gazette Supplementary No. 8036 and was approved by the Minister of Justice of the Republic of Indonesia in Decree No. C-21493 HT.01.01.TH.2004 dated 26 August 2004. The Articles of Association have been amended from time to time and most recently by Notarial Deed of Humbert Lie, S.H., S.E., MKn., Notary in Tangerang, No. 68 dated 31 January 2008, in relation to issuance of 221,851,000 new shares with par value of Rp 100 (full amount) per share, registered for PT Saratoga Sentra Business ("SSB") and PT Persada Capital Investama ("PCI") amounting to Rp 11,092.55, respectively. The report of these changes was received by the Minister of Law and Human Rights of the Republic of Indonesia based on Receipt Report of the Deed of Articles of Association Amendment No. AHU-AH.01.10-2652 dated 31 January 2008.

Based on the Extraordinary Shareholders Meeting dated 17 April 2008, by Notarial Deed of Robert Purba S.H., Notary in Jakarta, No. 62 dated 18 April 2008, the shareholders of the Company approved the change of the Company's name from PT Padang Karunia to PT Adaro Energy, to change the Company's status from private to public company, issue 11,726,230,000 shares, at a maximum, be offered to the public through an Initial Public Offering ("IPO") and to change the composition of the Company's Boards of Commissioners and Directors was as follows:

President Commissioner	:	Edwin Soeryadjaya
Vice President Commissioner	:	Theodore Permadi Rachmat
Commissioner	:	Ir. Subianto
Independent Commissioners	:	Djoko Suyanto Palgunadi Tatit Setyawan
President Director	:	Garibaldi Thohir
Vice President Director	:	Christian Ariano Rachmat
Directors	:	Sandiaga Salahuddin Uno Andre Johannes Mamuaya David Tendian Chia Ah Hoo Alastair Bruce Grant

The amendment of the Articles of Association was approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-20330.AH.01.02.Tahun 2008 dated 23 April 2008 and No. AHU-21258.AH.01.02.Tahun 2008 dated 25 April 2008.

In accordance with Article 3 of the Articles of Association, the Company is engaged in trading, services, industry, coal hauling, workshop, mining and establishment. The Company's subsidiaries are engaged in the coal mining, trading, mining contractor services, infrastructure and coal logistics.

The Company commenced its commercial operations in July 2005. The Company's head office is domiciled in Jakarta and located at Menara Karya Building, 23<sup>rd</sup> floor, Jl. H.R. Rasuna Said Blok X-5, Kav. 1-2, South Jakarta.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**1. GENERAL** (continued)

**a. Establishment and other information** (continued)

As at 31 January 2008, 31 December 2007, 2006 and 2005, the composition of the Company's Boards of Commissioners and Directors was as follows:

**31 January 2008 and 31 December 2007**

President Commissioner : Edwin Soeryadjaya  
Commissioners : Theodore Permadi Rachmat  
Ir. Subianto

President Director : Garibaldi Thohir  
Directors : Sandiaga Salahuddin Uno  
Christian Ariano Rachmat  
Andre Johannes Mamuaya

**31 December 2006**

President Commissioner : Muhammad Thohir  
Commissioners : Theodore Permadi Rachmat  
Soeprapto

President Director : Garibaldi Thohir  
Directors : Christian Ariano Rachmat  
Aloysius Barin Alowie  
Iwan D. Budiyuwono

**31 December 2005**

President Commissioner : Muhammad Thohir  
Commissioner : Soeprapto

President Director : Garibaldi Thohir  
Directors : Christian Ariano Rachmat  
Aloysius Barin Alowie  
Iwan D. Budiyuwono

The Boards of Directors and Commissioners of the Company and its subsidiaries (collectively hereinafter referred to as the "Group") received a remuneration amounting to Rp 1,186 for the one month period ended 31 January 2008 (for the years ended 31 December 2007: Rp 14,500, 2006: Rp 15,026 and 2005: Rp 10,965).

As at 31 January 2008, the Group had 3,386 employees (31 December 2007: 3,269 employees, 2006: 2,311 employees and 2005: 1,407 employees) (unaudited).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**b. Subsidiaries**

The Company has direct and indirect ownerships in the following subsidiaries:

Subsidiaries	Business activity	Domicile	Commence- ment of commercial operations	Acquisition year	Percentage of ownership (%)				Total assets (in billion Rupiah, before elimination)			
					Jan 2008	December		Jan 2008	December			
						2007	2006		2005	2007	2006	2005
<b>Direct</b>												
PT Padang Anugerah ("PA")	Mining	Jakarta	-	2004	-	-	90%	90%	-	-	1	1
PT Padang Sejahtera ("PS")	Mining	Jakarta	-	2004	-	-	67%	90%	-	-	1	1
PT Padang Berkat ("PB")	Mining	Jakarta	-	2004	-	-	90%	90%	-	-	1	1
PT Padang Mulia ("PM")	Mining	Jakarta	-	2004	-	-	90%	90%	-	-	9	8
PT Padang Santosa ("PSA")	Mining	Jakarta	-	2005	-	-	-	90%	-	-	-	1
PT Padang Talenta ("PT")	Mining	Jakarta	-	2005	-	-	-	90%	-	-	-	1
PT Anugerah Kasih ("AK")	Mining	Jakarta	-	2004	-	-	99%	99%	-	-	1	1
PT Karunia Barito Sejahtera ("KBS")	Mining	Jakarta	-	2004	33%	33%	99%	99%	66	66	0	0
PT Talenta Bumi ("TB") <sup>a)</sup>	Trading, service and industry	Jakarta	-	2004	-	-	70%	70%	-	-	81	87
PT Bahtera Alam Tamiang ("BAT") (formerly PT Anugerah Santosa)	Mining	Jakarta	-	2004	-	-	99%	99%	-	-	209	212
PT Alam Tri Abadi ("ATA") <sup>a)</sup>	Trading and service	Jakarta	2007	2005	92%	50%	50%	50%	13,430	11,769	11,245	12,671
PT Saptaindra Sejati ("SIS") <sup>a)</sup>	Mining services	Jakarta	2002	2005	72%	72%	29%	29%	2,889	2,965	2,043	1,183
PT Makmur Sejahtera Wisasa ("MSW")	Trading and power plant service	Jakarta	-	2005	100%	45%	45%	50%	43	44	4	1
<b>Indirect</b>												
PT Alhasanie ("ALH")	Mining	Sanga-sanga	2005	2004	-	-	42%	42%	-	-	60	77
PT Sumber Makmur Raya ("SMR")	Trading	Sanga-sanga	-	2005	-	-	42%	42%	-	-	0	0
PT Anugerah Buminasantara Abadi ("ABA")	Mining service	Jakarta	2005	2004	33%	33%	100%	100%	61	61	84	115
PT Satya Mandiri Persada ("SMP")	Service	Jakarta	2006	2006	72%	72%	29%	-	53	53	40	-
PT Adaro Indonesia ("Adaro") <sup>a)</sup>	Mining	Jakarta	1992	2005	61%	33%	33%	33%	10,320	10,488	11,569	12,488
PT Dianlia Setyamukti ("Dianlia")	Mining service	Jakarta	1995	2005	92%	50%	50%	50%	131	131	138	402
Revere Group Ltd ("Revere") <sup>a)</sup>	Investment	British Virgin Island	-	2006	92%	50%	23%	-	110	109	59	-
Decimal Investments Ltd ("Decimal") <sup>a)</sup>	Investment	British Virgin Island	-	2006	92%	50%	23%	-	4,490	114	84	-
PT Jasa power Indonesia ("JPI") <sup>a)</sup>	Trading	Jakarta	-	2007	92%	50%	-	-	1,524	1,512	-	-
Adaro Finance B.V. ("Adaro Finance")	Service	Netherlands	2005	2005	61%	33%	33%	33%	13	13	7,673	5,910

<sup>a)</sup> and subsidiaries

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**b. Subsidiaries (continued)**

Subsidiaries	Business activity	Domicile	Commence- ment of commercial operations	Acquisition year	Percentage of ownership				Total assets (in billion Rupiah, before elimination)					
					2007		2006		2007		2006		2005	
					Jan 2008	December 2007	Jan 2008	December 2007	Jan 2008	December 2007	Jan 2008	December 2007	Jan 2008	December 2007
<b>Indirect (continued)</b>														
Saluno Investments Pte Ltd ("SI") <sup>a)</sup>	Investment	Singapore	-	2006	92%	50%	23%	-	110	109	59	-		
Rachsing Holdings Pte Ltd ("RH") <sup>a)</sup>	Investment	Singapore	-	2006	92%	50%	23%	-	110	109	59	-		
PT Biscayne Investments ("Biscayne") <sup>a)</sup>	Investment	Jakarta	-	2006	59%	32%	15%	-	816	815	783	-		
PT Indonesia Bulk Terminal ("IBT")	Coal hauling	Jakarta	1997	2005	62%	34%	18%	4%	1,652	1,659	1,556	1,713		
Rach (Mauritius) Ltd ("Rach (M)") <sup>a)</sup>	Investment	Mauritius	-	2006	92%	50%	23%	-	4,375	-	-	-		
Rachpore Investments Pte Ltd ("RI")	Investment	Singapore	-	2006	92%	50%	23%	-	5	5	25	-		
Arindo Holdings (Mauritius) Ltd ("Arindo Holdings") <sup>a)</sup>	Investment	Mauritius	-	2006	59%	16%	7%	-	4,357	4,397	4,335	-		
Vindoor Investments (Mauritius) Ltd ("Vindoor") <sup>a)</sup>	Investment	Mauritius	-	2006	59%	16%	7%	-	2,300	2,302	516	-		
Coaltrade Services International Pte Ltd ("Coaltrade")	Coal trading	Singapore	2001	2006	59%	16%	7%	-	2,299	2,302	516	-		
PT Nusantara Power Energy ("NPE")	Power plant service	Jakarta	-	2007	64%	35%	-	-	5	5	-	-		

<sup>a)</sup> and subsidiaries

**c. Coal Cooperation Agreement**

Adaro's activities are governed by the provisions of the Coal Cooperation Agreement ("CCA") which was entered into by Adaro and PT Tambang Batubara Bukit Asam (Persero) Tbk ("PTBA"), formerly Perusahaan Negara Tambang Batubara, on 16 November 1982.

Based on Presidential Decree No. 75/1996 dated 25 September 1996 and amendment of the CCA No. J2/Ji.DU/52/82 between PTBA and Adaro on 27 June 1997, all rights and obligations of PTBA under the CCA were transferred to the Government of the Republic of Indonesia represented by the Minister of Mines and Energy, effective from 1 July 1997.

Under the terms of the CCA, Adaro acts as the contractor of the Government which is responsible for coal mining operations in an area located in South Kalimantan where the Government has exclusive authority to mine. Commencing from 1 July 1999, Adaro has adopted the sales-based cash royalty method in accordance with government regulations to satisfy the Government's production entitlement.

Adaro commenced its 30-year operating period on 1 October 1992 with coal produced from the Paringin area of interest. Adaro is entitled to 86.5% of coal produced with the remaining 13.5% being the Government's share of production. Adaro's sales reflect 100% of the revenue generated from coal production with the government royalty expense recorded as a cost of revenue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**

(Expressed in million Rupiah, unless otherwise stated)

**1. GENERAL (continued)**

**d. Cooperation Agreement**

On 25 August 1990, IBT entered into a Basic Agreement with PT (Persero) Pelabuhan Indonesia III (formerly Perum Pelabuhan III) for the construction, development and operation of a Public Coal Port in Pulau Laut, South Kalimantan. On 10 November 1994, IBT and PT (Persero) Pelabuhan Indonesia III amended the Basic Agreement to become the Cooperation Agreement. Under the terms of the Cooperation Agreement, IBT commenced its 30-year operating period on 21 August 1997.

Pursuant to the Cooperation Agreement, IBT has an obligation to pay royalty to PT (Persero) Pelabuhan Indonesia III based on a certain percentage of revenue from coal bulk terminal management services. As at 31 January 2008, the rate charged to IBT was 4% (31 December 2007: 4%, 2006: 2.5% and 2005: 2.5%).

**e. Coal reserves**

Based on a report from Terence Willsted & Associates dated 29 February 2008, the coal reserves of Adaro as at 31 December 2007 were as follows (in million tonnes - unaudited):

Coal reserves	Proven	Probable	Total
Tutupan	622	37	659
Wara I	254	74	328
Total	876	111	987

**f. Exploitation/development Area**

Location Name	Exploration Licence Acquired Date	Due Date	Total Exploration Expenditure	Total Proven Reserves (Tonnes)	Total Production (Tonnes)		Remaining Reserves (Tonnes)
					Current Year*	Accumulated Total Production**	
Paringin	PKP2B - 6 NOVEMBER 1982	1 OCTOBER 2022	24,202,386		2,748,514	251,046,373	873,251,486
Wara			7,703,097	254,000,000			
Tutupan			4,795,349	622,000,000			
<b>Total</b>			<b>36,700,832</b>	<b>876,000,000</b>			

\* Period 1 January - 31 January 2008

\*\* Commencing since 1991 - 2007

Adaro did not have exploration area.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Group's consolidated financial statements were prepared and finalised by the Board of Directors on 5 May 2008.

Presented below are the significant accounting policies adopted in preparing the consolidated financial statements of the Group, which are in conformity with accounting principles generally accepted in Indonesia. The consolidated financial statements are also prepared in conformity with Regulation of the Capital Market and Financial Institution Supervisory Board (BAPEPAM & LK) No. VIII.G.7 for the Financial Statements Presentation Guidance and the Circulate Letter of BAPEPAM & LK No. SE-02/BL/2008 dated 31 January 2008 for the Preparation and Disclosure Guidance for Financial Statements of Issuer or Public Company in General Mining Industry.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. Basis of preparation of the consolidated financial statements**

The consolidated financial statements have been prepared on the basis of historical cost except for investments in securities such as available-for-sale investments.

The consolidated financial statements have been prepared on the basis of the accrual concept except for the consolidated statement of cash flows.

The consolidated statement of cash flows have been prepared based on the direct method by classifying cash flows on the basis of operating, investing and financing activities. For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, cash in banks and short-term investments with a maturity of three months or less, net of overdrafts.

Figures in the consolidated financial statements are expressed in millions of Rupiah, unless otherwise stated.

These consolidated financial statements are not comparable between the periods, since the consolidated operating results for the period of 2007, 2006 and 2005 represent the consolidated operating results of 1 January - 31 December 2007, 2006 and 2005, whilst the consolidated operating results for the period of 2008 only represents the consolidated operating results of 1 January - 31 January 2008.

**b. Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its subsidiaries in which the Company directly or indirectly has ownership of more than 50% of voting rights, or if equal to or less than 50%, the Company has the ability to control the subsidiaries. The subsidiaries are consolidated from the date on which effective control is transferred to the Company and are no longer consolidated from the date of disposal.

The effect of all transactions and balances between the companies in the Group has been eliminated in preparing the consolidated financial statements.

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the subsidiaries unless otherwise stated.

The accounts of the foreign operations that are integral to the Company are translated as if such foreign operations are the Company's own transactions.

For domestic and foreign subsidiaries that are not integral to the Company's operation and the functional currency is not Rupiah, the assets and liabilities are translated to Rupiah at the exchange rates prevailing at the balance sheet date. The equity is translated at historical exchange rates. The revenue and expenses are translated at average exchange rates for the period or the year.

The net difference in the translation of the subsidiaries' financial statements is presented as "exchange difference due to financial statement translation" under the equity section in the consolidated balance sheet.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005**  
(Expressed in million Rupiah, unless otherwise stated)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Principles of consolidation (continued)**

The exchange rates of United States Dollars ("US Dollars") to the Rupiah (Rupiah full amount) used in respect of the consolidation process of domestic and foreign subsidiaries which are not integral to the Company's operation for 31 January 2008 and 31 December 2007, 2006 and 2005 were as follows:

	Exchange rates at the balance sheet date				Average exchange rates			
	January	December			January	December		
	2008	2007	2006	2005	2008	2007	2006	2005
US Dollars 1/Rupiah	9,291	9,419	9,020	9,830	9,406	9,136	9,167	9,711

The proportionate share of minority shareholders in the net assets of subsidiaries is presented as "minority interest" in the consolidated balance sheet.

A minority interest is not recognised in respect of subsidiaries with a deficit in equity, unless the minority shareholders have a contractual obligation to fund the deficit.

The proportionate share of minority shareholders in net income/(loss) prior to acquisition is recorded as pre-acquisition (income)/loss in the consolidated statement of income.

Goodwill represents the excess of the acquisition cost over the fair value of the Group's share of the net assets of the acquired subsidiaries at the date of acquisition. Goodwill is amortised over a period of 5 - 20 years using the straight-line method. Management determines the estimated useful life of goodwill based on its evaluation at the time of the acquisition, considering factors inherent in the acquired companies.

Mining properties represent the fair value adjustment of mining properties acquired at the date of acquisition of Adaro and are stated at cost. Mining properties are amortised using the straight-line method over the shorter of the remaining life of the mine and the operating period based on the CCA.

**c. Foreign currency translation**

Transactions denominated in currencies other than Rupiah are converted into Rupiah at the exchange rate prevailing at the date of the transactions. At the balance sheet date, monetary assets and liabilities in currencies other than Rupiah are translated at the exchange rate prevailing at that date. Exchange gains and losses arising on the translation of monetary assets and liabilities in currencies other than Rupiah are recognised in the consolidated statement of income. As at balance sheet date, the exchange rates (Rupiah full amount) used, based on middle rates published by Bank Indonesia, were as follows:

	31 January	31 December		
	2008	2007	2006	2005
US Dollars ("US\$")	9,291	9,419	9,020	9,830
Singapore Dollars ("S\$")	6,550	6,502	5,879	5,907
Australian Dollars ("A\$")	8,268	8,229	7,133	7,207
Euro ("€")	13,789	13,760	11,858	11,660
Japanese Yen ("¥")	87	83	76	83

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d. Receivables**

Receivables are presented at their estimated recoverable value after providing for doubtful accounts, based on management's review of the status of each receivable account at the balance sheet date. Receivables are written-off during the period in which they are determined to be not collectible.

**e. Inventories**

Coal inventory is valued at the lower of cost or net realisable value. Cost is determined based on the weighted average cost incurred during the period and includes an appropriate portion of fixed and variable overheads. Net realisable value is the estimated sales amount in the ordinary course of business, less the costs of completion and selling expenses.

Spareparts, fuel, lubricants and supplies are valued at cost, determined on a first-in, first-out basis, less provision for obsolete items. A provision for obsolete and slow moving inventory is determined on the basis of estimated future usage or sale of individual inventory items. Supplies of maintenance materials are charged to production costs in the period they are used.

**f. Investments in debt and equity securities**

Investments in equity securities are recorded using either the equity method or cost method.

Investments in equity securities in which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control, are accounted for by the equity method. Investments in equity securities in which the Group has less than 20% of the voting rights, and over which the Group exercises no significant influence, are accounted for by the cost method.

For investments in debt and equity securities that have readily determinable fair values, the Group classifies its investments in securities into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments are acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a gain from short-term, maximum of three months, fluctuation in price are classified as trading investments and included in current assets.

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Held-to-maturity investments are carried at amortised cost using the effective yield method. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale and are included in non-current assets unless management has expressed an intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Realised and unrealised gains and losses arising from changes in the fair value of trading investments are recognised in the consolidated statement of income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**f. Investments in debt and equity securities (continued)**

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated statement of income as gains and losses from investment securities.

Costs of securities sold are determined on the basis of the weighted average method.

**g. Impairment of investment in equity securities**

At the balance sheet date, the Group undertakes a review to determine whether there is any indication of impairment in investment in equity securities. A provision is only made when there has been a significant reduction or a permanent decline in the value of investment.

**h. Fixed assets and depreciation**

Fixed assets, except land, are stated at cost of acquisition less accumulated depreciation.

Fixed assets, except the land and fixed assets of Adaro, are depreciated to their estimated residual value using the straight-line method over their expected useful lives as follows:

	<u>Years</u>
Buildings	20
Infrastructure	20 - 30
Operational equipment	8 - 10
Project equipment	4
Mining equipment	4
Vehicles	4
Office equipment	4 - 5

The fixed assets of Adaro are depreciated using the straight-line method to their estimated residual value over the lesser of the estimated useful lives of the assets, the life of the mine or the term of the CCA, stated as follows:

	<u>Years</u>
Buildings	10 - 21
Machinery, operational equipment and vehicles	3 - 20
Office equipment	10
Crushing and handling facility	10 - 30
Roads and bridges	17 - 30
Stockpile facilities	17 - 20
Dock facilities	20

The cost of maintenance and repairs is charged as an expense as incurred. Expenditure which extends the future life of assets or provides further economic benefits by increasing the capacity or quality of production, is capitalised and depreciated over the remaining useful life of the related asset.

For assets which are no longer utilised, sold or surrendered to the Government, the carrying amount and its accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the consolidated statement of income.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Fixed assets and depreciation (continued)**

The accumulated costs of the construction of buildings and plant and the installation of machinery are capitalised as construction in progress. These costs are reclassified to fixed asset accounts when the construction or installation is completed. Depreciation is charged from such date.

**i. Impairment of long-lived assets**

At the balance sheet date, the Group undertakes a review to determine whether there is any indication of asset impairment.

Fixed assets and other non-current assets including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Reversal of impairment is recorded as income in the period when the reversal occurs.

**j. Fixed assets under finance leases**

Fixed assets acquired by means of finance leases and the related liabilities are presented at the fair value of the leased assets or at the present value of the minimum lease payments, if the present value is lower than fair value. Each lease payment is allocated between the liability and finance charges. The assets are depreciated similarly to owned assets. If there is no reasonable certainty that the Group will hold the ownership by the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

**k. Deferred exploration and development expenditure**

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

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

Ultimate recoument of exploration expenditure carried forward is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area. Deferred exploration expenditure on each area of interest is reviewed at the end of each accounting period. Exploration expenditure in respect of an area of interest, which has been abandoned, or for which a decision has been made by the Group's directors against the commercial viability of the area of interest are written-off in the period the decision is made.

Mine development expenditure and incorporated costs in developing an area of interest prior to commencement of operations in the respective area, as long as they meet the criteria for deferral, are capitalised.

Deferred exploration and development expenditure represents the accumulated costs relating to general investigation, administration and licence, geology and geophysics expenditure and costs incurred to develop a mine before the commencement of commercial productions.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k. Deferred exploration and development expenditure (continued)**

Deferred exploration and development expenditure is amortised on a straight-line basis from the date of commercial production of the respective area of interest over the lesser of the life of the mine and the remaining term of the CCA.

**l. Restoration, rehabilitation and environmental expenditure**

The operation of the Group has been, and may in the future be, affected from time to time in varying degrees by changes in environmental regulations. The Group's policy is to meet or, if possible, surpass the requirements of all regulations issued by the Government by application of technically proven and economically feasible actions.

Expenditure that relates to ongoing environmental and reclamation programmes is charged to the consolidated statement of income as incurred. In addition, the Group also provides a Reclamation Guarantee in the form of performance bonds in accordance with applicable Government regulations (refer to Note 45).

**m. Deferred stripping costs**

Stripping costs are recognised as production costs based on the annual planned stripping ratio. The annual planned stripping ratio is determined based on current knowledge of the disposition of coal resources and is estimated not to be materially different from the long term planned stripping ratio of the Group. If the actual stripping ratio exceeds the planned ratio, the excess stripping costs are recorded in the consolidated balance sheet as deferred stripping costs. On the contrary, this will be recorded as accrued stripping costs. Changes in the planned stripping ratio are considered as changes in estimates and are accounted for on a prospective basis.

Deferred stripping costs are amortised using a straight-line basis over the remaining mine life.

**n. Deferred financing costs**

Costs incurred to obtain financing are deferred and are amortised as an adjustment to finance charges on a straight-line basis over the terms of the related financing agreements. Commitment fees incurred subsequent to obtain the financing are recorded as finance charges.

**o. Deferred expenses**

Expenditures which are considered as providing benefits in future periods are recorded as deferred expenses and recognised as expenses during benefited periods.

**p. Provision for employee benefits**

**(i) Post-retirement benefit obligations**

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**p. Provision for employee benefits (continued)**

**(i) Post-retirement benefit obligations (continued)**

The Group is required to provide a minimum amount of pension benefits in accordance with Labour Law No. 13/2003 or the Group's Collective Labour Agreement (the "CLA"), whichever is higher. Since the Labour Law or the CLA set the formula for determining the minimum amount of benefits, in substance pension plans under the Labour Law or the CLA represent defined benefit plans. The Group provides defined pension benefits based on the prevailing labour law and regulation or KKB.

The liabilities recognised in the consolidated balance sheet in respect of the defined benefit pension plan are the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is determined based on the periodical calculation of independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms of maturity approximating the terms of the related pension liabilities.

Expenses charged to the consolidated statement of income include the current service cost, interest expense, amortisation of past service cost and actuarial gains and losses. The past service liability is amortised using the straight-line method over the estimated average service period until the benefits become vested.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to the pension plan, when exceeding 10% of the defined benefit or 10% of the fair value of the programme's assets, are charged or credited to the consolidated statement of income over the average remaining service lives of the related employees.

**(ii) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date. The Group recognises the termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan with a low possibility of withdrawal.

**q. Taxation**

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Current enacted or substantially enacted tax rates are used to determine deferred income tax. The tax rate used by the Company and its subsidiaries, except for Adaro, to calculate the deferred income tax, is 30%. The tax rate used by Adaro according to CCA, is 35% for the first 10 years from the date of the agreement and 45% for the subsequent years.

Deferred tax assets relating to future tax benefits and the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the future tax benefits and unused tax losses can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r. Revenue and expense recognition**

Revenue represents revenue earned from the sale of the Group's products and services, net of returns, trade allowances, duties and Value Added Tax ("VAT").

Revenue from sales of goods should be recognised when all the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred with respect to the sales transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction, and the costs to complete the transaction, can be measured reliably.

When the outcome of the transaction involving the rendering of services can not be estimated reliably, revenue should be recognised only to the extent of the expenses recognised that are recoverable.

Expenses are recognised as incurred on the accrual basis.

**s. Earnings per share**

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period or the year.

Diluted earnings per share is computed by dividing net income adjusted for the interest expense and the foreign exchange gains or losses on convertible bonds, and its related tax effects by the weighted-average number of issued and fully paid shares during the period, assuming that all options have been exercised and all the convertible bonds have been converted.

**t. Segment reporting**

Segment reporting is presented based on identified business and geographical segments. A business segment is a distinguishable component in providing a product or service and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in other economic environments.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**t. Segment reporting (continued)**

The Group segments its financial reporting as follows:

- (i) business segments (primary), where the Group's business activities are classified into coal mining and trading, mining services and others (power plant services and building management); and
- (ii) geographical segments (secondary), which classifies sales based on target market areas.

**u. Difference in value from restructuring transactions of entities under common control**

Restructuring transactions among entities under common control are accounted for using the pooling-of-interests method.

The difference between the transfer price and the book value of each restructuring transactions among entities under common control is recorded under the account "difference in value from restructuring transactions of entities under common control" in the equity section of the consolidated financial statements.

The balance of the account "difference in value from restructuring transactions of entities under common control" can change when:

- (i) there is reciprocal transactions between entities under common control;
- (ii) there is quasi-reorganisation;
- (iii) lost of under common control substance between transacting entities; or
- (iv) transfer of assets, liabilities, equity or other ownership instruments that cause the difference from restructuring under common entities transactions to other party who is not under common control.

When changes on the balance of the account come from point (i), the existing balance of "difference in value from restructuring transactions of entities under common control" is netted-off with the new transaction, hence create a new balance of the account.

When changes on the balance of the account come from point (ii), then the balance is used to eliminate or add the negative retained earning balance.

When changes on the balance of the account come from point (iii) or (iv), then the balance is recognized as realised gain or losses.

**v. Dividends**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are declared.

**w. Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results could differ from those estimates.



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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

**a. Acquisition of PT Saptaindra Sejati**

On 22 December 2005, the Company acquired 28.57% interest in SIS from the issuance of new shares of SIS. The Company acquired 100% of 39,035 shares issued at fair value of Rp 2,075,061 (full amount) per share, through exchange of investments in ABA and share subscription payable. Details of net assets acquired and goodwill are as follows:

	<u><b>2005</b></u>
Purchase consideration through exchange of investments in ABA	32,000
Purchase consideration through share subscription payable	<u>49,000</u>
	81,000
Net assets acquired	<u>(61,856)</u>
Goodwill	<u><u>19,144</u></u>

Goodwill amounting to Rp 19,144 is amortised for five years from acquisition date. The balance of unamortised goodwill from the acquisition of SIS as at 31 January 2008 amounting to Rp 11,167 (31 December 2007: Rp 11,486, 2006: Rp 15,315 and 2005: Rp 19,144).

On 17 December 2007, SIS increased its issued and paid in capital through issuance of new shares. The Company acquired all 209,250 shares issued at par value of Rp 1,000,000 (full amount) per share, and the Company's interest in SIS increased from 28.57% to 71.78%.

The restructuring transaction on 17 December 2007 has been accounted for using the pooling-of-interests method as required under the Statement of Financial Accounting Standards No. 38 (Revised 2004), "Accounting for Restructuring of Entities under Common Control" ("PSAK No. 38 (Revised 2004)"), since both the Company and SIS are entities under common control. Details of the book value of net assets acquired and the difference arising from this restructuring transactions of entities under common control are as follows:

	<u><b>2007</b></u>
Purchase consideration through cash payment	209,250
Book value of net assets acquired	<u>(272,234)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>(62,984)</u></u>

**b. Acquisition of PT Alam Tri Abadi**

On 28 March 2005, the Company acquired 50% interest in ATA through purchase from the previous shareholders and the issuance of new shares, for Rp 50. Details of net assets acquired and goodwill are as follows:

	<u><b>2005</b></u>
Purchase consideration through cash payment	50
Net assets acquired	<u>(50)</u>
Goodwill	<u><u>-</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**b. Acquisition of PT Alam Tri Abadi (continued)**

On 27 June 2005, ATA increased its issued and paid in capital through issuance of 284,757 new shares with par value of Rp 1,000,000 (full amount) per share. The Company acquired 142,378 shares issued amounting to Rp 143,352 (US\$14,908,726), and the Company's interest in ATA decreased from 50.00% to 49.99%. Details of net assets acquired and goodwill are as follows:

	<u>2005</u>
Purchase consideration through cash payment	143,352
Net assets acquired	<u>(143,352)</u>
Goodwill	<u>=</u>

On 3 January 2008, ATA increased its issued and paid in capital through issuance of 1,500,000 new shares with par value of Rp 1,000,000 (full amount) per share. The Company acquired all the new shares issued, and the Company's interest in ATA increased from 49.99% to 92.02%.

The restructuring transaction on 3 January 2008 has been accounted for using the pooling-of-interests method as required under PSAK No. 38 (Revised 2004), since both the Company and ATA are entities under common control. Details of the book value of net assets acquired and the difference arising from this restructuring transactions of entities under common control are as follows:

	<u>2008</u>
Purchase consideration through cash payment	1,500,000
Book value of net assets acquired	<u>(1,700,598)</u>
Difference in value from restructuring transactions of entities under common control	<u>(200,598)</u>

**c. Acquisition and disposal of PT Makmur Sejahtera Wisesa**

On 8 September 2005, the Company acquired 50% interest in MSW from Dianlia for Rp 240. The difference between acquisition cost and net assets acquired has been accounted for as difference in value from restructuring transactions of entities under common control, as required under PSAK No. 38 (Revised 2004), since both the Company and Dianlia are entities under common control.

	<u>2005</u>
Purchase consideration through cash payment	240
Net assets acquired	<u>(5)</u>
Difference in value from restructuring transactions of entities under common control	<u>235</u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**c. Acquisition and disposal of PT Makmur Sejahtera Wisesa (continued)**

On 21 February 2006, the Company disposed of 5% of its interest in MSW to PT Akraya International ("Akraya") for Rp 24. Net assets at the disposal was as follows:

	<u><b>2006</b></u>
Net liabilities at disposal	(84)
Interest disposed of	<u>5%</u>
Net liabilities disposed of	(4)
Adjustment to net liabilities disposed of:	
- Difference in value from restructuring transactions of entities under common control	24
- Gain from disposal of subsidiary	<u>4</u>
Net cash inflow from disposal of subsidiary	<u><u>24</u></u>

On 29 June 2006, MSW increased its issued and paid in capital through issuance of 28,800 new shares with par value of Rp 50,000 (full amount) per share. The Company acquired 12,960 of the new shares issued amounting to Rp 648, and the Company's interest in MSW remained 45%.

On 15 January 2008, MSW increased its issued and paid in capital through issuance of 887,405 new shares with par value of Rp 50,000 (full amount) per share. The Company acquired 443,703 of the new shares issued amounting to Rp 22,185, and the Company's interest in MSW increased from 45% to 49.80%.

On 24 January 2008, the Company acquired an additional 49.80% interest in MSW through purchase from SSB and PCI, each of 24.9% for Rp 11,524.50, and the Company's interest in MSW increased from 49.80% to 99.60%. For this acquisition, the Company will pay Rp 864 in cash and issued new shares of the Company amounting to Rp 22,185.

This restructuring transaction has been accounted for using the pooling-of-interests method as required under PSAK No. 38 (Revised 2004), since the Company, SSB and PCI are entities under common control. Details of the book value of net assets acquired and the difference arising from restructuring transactions of entities under common control are as follows:

	<u><b>2008</b></u>
Purchase consideration through cash payment	23,049
Purchase consideration through exchange of the Company's new shares	<u>22,185</u>
Book value of net assets acquired	45,234
	<u>(43,194)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>2,040</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**d. Disposal of PT Padang Anugerah**

On 28 February 2007, the Company disposed of all of its 90% interest in PA for Rp 1,125 to PT Bumi Alam Sejahtera ("BAS") and AK. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Company, BAS and AK are entities under common control.

	<u><b>2007</b></u>
Cash and cash equivalents	1
Amounts due from related parties	<u>1,231</u>
Net assets	1,232
Interest disposed of	<u>90%</u>
Net assets disposed of	1,109
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	<u>16</u>
Cash received from disposal of subsidiary	1,125
Cash and cash equivalents in PA	<u>(1)</u>
Net cash inflow from disposal of subsidiary	<u><u>1,124</u></u>

**e. Acquisition and disposal of PT Padang Sejahtera**

On 4 January 2006, the Company disposed all of its 90% interest in PS to Iwan Dewono Budiuyuwono and Radianto Kusumo for Rp 1,125.

	<u><b>2006</b></u>
Cash and cash equivalents	1
Amounts due from related parties	<u>1,238</u>
Net assets	1,239
Interest disposed of	<u>90%</u>
Net assets disposed of	1,115
Adjustment to net assets disposed of:	
- Gain from disposal of subsidiary	<u>10</u>
Cash received from disposal of subsidiary	1,125
Cash and cash equivalents in PS	<u>(1)</u>
Net cash inflow from disposal of subsidiary	<u><u>1,124</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**e. Acquisition and disposal of PT Padang Sejahtera (continued)**

On 2 November 2006, the Company reacquired 67% interest in PS for Rp 838. Details of net assets acquired and goodwill are as follows:

	<u><b>2006</b></u>
Purchase consideration through cash payment	838
Net assets acquired	<u>(827)</u>
Goodwill	<u><u>11</u></u>

The assets and liabilities arising from the acquisition are as follows:

	<u><b>2006</b></u>
Cash and cash equivalents	2
Amounts due from related parties	<u>1,232</u>
Net assets	1,234
Interest acquired	<u>67%</u>
Net assets acquired	827
Goodwill	<u>11</u>
Purchase consideration through cash payment	838
Cash and cash equivalents in PS	<u>(2)</u>
Net cash outflow from acquisition of subsidiary	<u><u>836</u></u>

On 28 February 2007, the Company disposed of all of its 67% interest in PS to BAS for Rp 838. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since both the Company and BAS are entities under common control.

	<u><b>2007</b></u>
Cash and cash equivalents	2
Amounts due from related parties	<u>1,203</u>
Net assets	1,205
Interest disposed of	<u>67%</u>
Net assets disposed of	807
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	<u>31</u>
Cash received from disposal of subsidiary	838
Cash and cash equivalents in PS	<u>(2)</u>
Net cash inflow from disposal of subsidiary	<u><u>836</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**f. Disposal of PT Padang Berkat**

On 28 February 2007, the Company disposed of all of its 90% interest in PB to BAS and AK for Rp 1,125. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Company, BAS and AK are entities under common control.

	<u>2007</u>
Cash and cash equivalents	2
Amounts due from related parties	<u>1,230</u>
Net assets	1,232
Interest disposed of	<u>90%</u>
Net assets disposed of	1,109
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	<u>16</u>
Cash received from disposal of subsidiary	1,125
Cash and cash equivalents in PB	<u>(2)</u>
Net cash inflow from disposal of subsidiary	<u><u>1,123</u></u>

**g. Disposal of PT Padang Mulia**

On 28 February 2007, the Company disposed of all of its 90% interest in PM to BAS and AK for Rp 1,125. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Company, BAS and AK are entities under common control.

	<u>2007</u>
Cash and cash equivalents	11
Prepayments	46
Amounts due from related parties	625
Fixed assets, net	69
Deferred expenses, net	8,525
Trade payables	(1,515)
Taxes payable	(254)
Amounts due to related parties	<u>(6,736)</u>
Net assets	771
Interest disposed of	<u>90%</u>
Net assets disposed of	694
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	1,272
- Adjustment to the net assets of the subsidiary, which was eliminated previously in the consolidation process	<u>(841)</u>
Cash received from disposal of subsidiary	1,125
Cash and cash equivalents in PM	<u>(11)</u>
Net cash inflow from disposal of subsidiary	<u><u>1,114</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**h. Disposal of PT Talenta Bumi**

On 23 February 2007, the Company disposed of all of its 70% interest in TB to BAS and AK for Rp 175. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Company, BAS and AK are entities under common control.

	<u><b>2007</b></u>
Net liabilities disposed of	(49,189)
Adjustment to net liabilities disposed of:	
- Difference in value from restructuring transactions of entities under common control	56,367
- Adjustment to the net liabilities of subsidiary, which was eliminated previously in the consolidation process	<u>(7,003)</u>
Cash received from disposal of subsidiary	175
Cash and cash equivalents in TB	<u>(92)</u>
Net cash inflow from disposal of subsidiary	<u><u>83</u></u>

**i. Acquisition and disposal of PT Anugerah Kasih**

On 6 December 2004, the Company acquired 70% interest in AK from PT Padangbara Sukses Makmur ("PSM") for Rp 4,738. The difference between acquisition cost and net assets acquired has been accounted for as difference in value from restructuring transactions of entities under common control, as required under PSAK No. 38 (Revised 2004), since both the Company and PSM are entities under common control.

	<u><b>2004</b></u>
Purchase consideration through cash payment	4,738
Net assets acquired	<u>(700)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>4,038</u></u>

The assets and liabilities arising from the acquisition are as follows:

	<u><b>2004</b></u>
Cash and cash equivalents	-
Amounts due from related parties	<u>1,000</u>
Net assets	1,000
Interest acquired	<u>70%</u>
Net assets acquired	700
Difference in value from restructuring transactions of entities under common control	<u>4,038</u>
Purchase consideration through cash payment	4,738
Cash and cash equivalents in AK	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u><u>4,738</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**i. Acquisition and disposal of PT Anugerah Kasih (continued)**

On 25 July 2005, the Company acquired an additional 29% interest in AK from the previous shareholders for Rp 290. There was no difference between the acquisition cost and net assets acquired. On 23 February 2007, the Company disposed of all of its interest in AK to Theodore Permadi Rachmat and Garibaldi Thohir ("Buyers") for Rp 990. The disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Buyers are controlling parties of the Company.

	<u>2007</u>
Cash and cash equivalents	-
Amounts due from related parties	<u>1,000</u>
Net assets	1,000
Interest disposed of	<u>99%</u>
Net assets disposed of	990
Difference in value from restructuring transactions of entities under common control - at acquisition	4,038
Difference in value from restructuring transactions of entities under common control - at disposal	<u>(4,038)</u>
Cash received from disposal of subsidiary	990
Cash and cash equivalents in AK	<u>-</u>
Net cash inflow from disposal of subsidiary	<u><u>990</u></u>

**j. Acquisition and disposal of PT Karunia Barito Sejahtera**

On 6 December 2004, the Company acquired 70% interest in KBS from PSM with acquisition cost amounting to Rp 1,184. The difference between the acquisition cost and net assets acquired has been accounted for as difference in value from restructuring transactions of entities under common control, as required under PSAK No. 38 (Revised 2004), since both the Company and PSM are entities under common control.

	<u>2004</u>
Purchase consideration through cash payment	1,184
Net assets acquired	<u>(175)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>1,009</u></u>
The assets and liabilities arising from the acquisition are as follows:	
Cash and cash equivalents	-
Amounts due from related parties	<u>250</u>
Net assets	250
Interest acquired	<u>70%</u>
Net assets acquired	175
Difference in value from restructuring transactions of entities under common control	<u><u>1,009</u></u>



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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**j. Acquisition and disposal of PT Karunia Barito Sejahtera (continued)**

	<u><b>2004</b></u>
Purchase consideration through cash payment	1,184
Cash and cash equivalent in KBS	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u><u>1,184</u></u>

On 25 July 2005, the Company acquired an additional 29% interest in KBS from the previous shareholders for Rp 73. There was no difference between the acquisition cost and net assets acquired. On 28 February 2007, the Company disposed of all of its interest in KBS to BAS and AK for Rp 248. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since the Company, BAS and AK are entities under common control.

	<u><b>2007</b></u>
Cash and cash equivalents	-
Amounts due from related parties	<u>250</u>
Net assets	250
Interest disposed of	<u>99%</u>
Net assets disposed of	248
Difference in value from restructuring transactions of entities under common control - at acquisition	1,009
Difference in value from restructuring transactions of entities under common control - at disposal	<u>(1,009)</u>
Cash received from disposal of subsidiary	248
Cash and cash equivalents in KBS	<u>-</u>
Net cash inflow from disposal of subsidiary	<u><u>248</u></u>

On 30 April 2007, the Company reacquired 33% interest in KBS for Rp 82. There was no difference between acquisition cost and net assets acquired.

**k. Acquisition and disposal of PT Bahtera Alam Tamiang**

On 6 December 2004, the Company acquired 70% interest in BAT from PSM for Rp 4,738. The difference between the acquisition cost and net assets acquired has been accounted for as difference in value from restructuring transactions of entities under common control, as required under PSAK No. 38 (Revised 2004), since both the Company and PSM are entities under common control.

	<u><b>2004</b></u>
Purchase consideration through cash payment	4,738
Net assets acquired	<u>(321)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>4,417</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**k. Acquisition and disposal PT Bahtera Alam Tamiang (continued)**

On 25 July 2005, the Company acquired an additional 29% interest in BAT for Rp 290 from PT Gunung Emas Abadi ("GEA"). Details of net assets acquired and goodwill are as follows:

	<u>2005</u>
Purchase consideration through cash payment	290
Net assets acquired	<u>(29)</u>
Goodwill	<u>261</u>

On 23 February 2007, the Company acquired an additional 0.9% interest in BAT for Rp 9 from BAS. The difference between the acquisition cost and net assets acquired has been accounted for as difference in value from restructuring transactions of entities under common control, as required under PSAK No. 38 (Revised 2004), since both the Company and BAS are entities under common control.

	<u>2007</u>
Purchase consideration through cash payment	9
Net liabilities acquired	<u>75</u>
Difference in value from restructuring transactions of entities under common control	<u>84</u>

On 26 February 2007, BAT increased its issued and paid in capital through issuance of 170,067 new shares with par value of Rp 1,000,000 (full amount) per share. The Company acquired 100% of the shares issued, and the Company's interest in BAT increased from 99.90% to 99.99%. Details of net assets acquired and goodwill are as follows:

	<u>2007</u>
Purchase consideration through cash payment	170,067
Net assets acquired	<u>(170,058)</u>
Goodwill	<u>9</u>

On 15 November 2007, the Company disposed of all of its interest in BAT to BAS for Rp 160,000. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since both the Company and BAS are entities under common control.

	<u>2007</u>
Carrying amounts of the investment at disposal	166,335
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	(5,437)
- Adjustment to the net assets of subsidiary, which was eliminated previously in the consolidation process	<u>(898)</u>
Cash received from disposal of subsidiary	160,000
Cash and cash equivalents in BAT	<u>(330)</u>
Net cash inflow from disposal of subsidiary	<u>159,670</u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**I. Acquisition and disposal of PT Anugerah Buminusantara Abadi**

On 2 September 2004, the Company established ABA with interest of 70% amounting to Rp 1,750. On 25 July 2005, the Company acquired an additional 29% interest in ABA for Rp 725 from GEA. Details of net assets acquired and goodwill from the additional acquisition are as follows:

	<u><b>2005</b></u>
Purchase consideration through cash payment	725
Net liabilities acquired	<u>3,079</u>
Goodwill	<u><u>3,804</u></u>

On 29 November 2005, ABA increased its issued and paid in capital through issuance of 72,500 new shares with par value of Rp 1,000,000 (full amount) per share. The Company acquired 100% of the new shares issued and the Company's interest in ABA increased from 99.00% to 99.97%. Details of net assets acquired and goodwill are as follows:

	<u><b>2005</b></u>
Purchase consideration through cash payment	72,500
Net assets acquired	<u>(72,238)</u>
Goodwill	<u><u>262</u></u>

On 22 December 2005, the Company disposed of its 98,97% interest in ABA to SIS for Rp 32,000, in exchange for the issuance of new shares of SIS (refer to Note 3a).

	<u><b>2005</b></u>
Net assets disposed of	34,988
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	50,981
- Adjustment to the net assets of subsidiary, which was eliminated previously in the consolidation process	(50,981)
- Loss from disposal of subsidiary	<u>(2,988)</u>
Cash received from disposal of subsidiary	32,000
Exchange for the issuance of new shares of SIS	<u>(32,000)</u>
Net cash inflow from disposal of subsidiary	<u><u>-</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**I. Acquisition and disposal of PT Anugerah Buminusantara Abadi (continued)**

On 30 April 2007, the Company disposed of 0.78% interest in ABA to KBS for Rp 157. This disposal has been accounted for as required under PSAK No. 38 (Revised 2004), since both the Company and KBS are entities under common control.

	<u><b>2007</b></u>
Carrying amounts of the investments at disposal	353
Adjustment to net assets disposed of:	
- Difference in value from restructuring transactions of entities under common control	<u>(196)</u>
Cash received from disposal of investments	157
Receivables from disposal of investments	<u>(157)</u>
Net cash inflow from disposal of investments	<u><u>-</u></u>

**m. Acquisition of Revere Group Ltd and Decimal Investment Ltd**

**i. Acquisition of Revere Group Ltd**

On 29 December 2006, ATA acquired 46.43% interest in Revere for US\$32,780,000 (Rp 295,676), based on the shares valuation report from independent party.

	<u><b>2006</b></u>
Purchase consideration through cash payment	295,676
Net assets acquired	<u>(27,296)</u>
Goodwill	<u><u>268,380</u></u>

On 17 December 2007, ATA increased 53.57% its interest in Revere so the total of its interest become 100%, for US\$37,500,000 (Rp 347,835), based on the shares valuation report from independent party. As such, Revere has been consolidated to ATA's consolidated financial statements since 2007.

	<u><b>2007</b></u>
Purchase consideration through cash payment	347,835
Net assets acquired	<u>(58,163)</u>
Goodwill	<u><u>289,672</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**m. Acquisition of Revere Group Ltd and Decimal Investment Ltd (continued)**

**i. Acquisition of Revere Group Ltd (continued)**

Details of assets and liabilities arising from the acquisition are as follows:

	<u><b>2007</b></u>
Investment in equity securities	108,591
Accrued expenses	<u>(20)</u>
Net assets	108,571
Interest acquired	<u>53.57%</u>
Net assets acquired	58,163
Goodwill	289,672
Cash and cash equivalent in Revere	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u><u>347,835</u></u>

**ii. Acquisition of Decimal Investments Ltd**

On 29 December 2006, ATA acquired 46.43% interest in Decimal and a previous shareholder receivable amounting to Rp 5,614 for US\$32,780,000 (Rp 295,676), based on the shares valuation report from independent party.

	<u><b>2006</b></u>
Purchase consideration through cash payment	295,676
Assignments of receivables from previous shareholders	<u>(5,614)</u>
Acquisition cost	290,062
Net assets acquired	<u>(32,463)</u>
Goodwill	<u><u>257,599</u></u>

On 17 December 2007, ATA increased 53.57% its interest in Decimal so the total of its interest become 100%, for US\$44,931,344 (Rp 416,765), based on the shares valuation report from independent party. As such, Decimal is consolidated to ATA's consolidated financial statements since 2007.

	<u><b>2007</b></u>
Purchase consideration through cash payment	416,765
Net assets acquired	<u>(53,067)</u>
Goodwill	<u><u>363,698</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**m. Acquisition of Revere Group Ltd and Decimal Investment Ltd (continued)**

**ii. Acquisition of Decimal Investments Ltd (continued)**

Details of assets and liabilities arising from acquisition are as follows:

	<u><b>2007</b></u>
Amounts due from related parties	114
Investments in equity securities	113,419
Accrued expenses	(41)
Amounts due to related parties	(8,571)
Loans from shareholders	<u>(5,861)</u>
Net assets	99,060
Interest acquired	<u>53.57%</u>
Net assets acquired	53,067
Goodwill	363,698
Cash and cash equivalent in Decimal	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u><u>416,765</u></u>

By having 100% interest of ATA in Revere and Decimal in 2007, ATA has indirect ownership of 63.94% in Biscayne. Therefore, ATA consolidated the consolidated financial statements of Biscayne and its subsidiary, and recognised the pre-acquisition income in Revere and Decimal amounting to Rp 38,048 in the consolidated statements of income. The ownership in Revere and Decimal also resulted in a 50% indirect ownership in PT Rachindo Investments ("Rachindo") amounting to Rp 4,778 and 33% indirect ownership in Arindo Global (Netherlands) B.V. ("Arindo Global") amounting to Rp 50.

Net cash outflow from acquisition of Revere and Decimal and the consolidation of Biscayne and its subsidiary are as follows:

	<u><b>2007</b></u>
Cost of acquisition of Revere in 2007	(347,835)
Cost of acquisition of Decimal in 2007	(416,765)
Net cash inflow from consolidation of Biscayne and its subsidiary	<u>16,295</u>
Net cash outflow from acquisition of Revere, Decimal and consolidation of Biscayne and its subsidiary	<u><u>(748,305)</u></u>

From its ownership in Biscayne and Dianlia, which own 58.23% and 8.93% interest in IBT, respectively, ATA has indirect ownership in IBT of 67.16%. Dianlia's portion of net income of IBT has been consolidated to the consolidated statements of income of ATA. Dianlia's portion of the prior year's net income of IBT amounted to Rp 24,084 and is recorded as addition to retained earnings in the ATA's consolidated financial statements.

The acquisition of Revere and Decimal has contributed revenue and operating income for the year ended 31 December 2007 amounting to Rp 460,152 and Rp 243,111, respectively.

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**n. Acquisition of PT Nusantara Power Energy by PT Jasapower Indonesia**

On 3 December 2007, the Company acquired 70% interest in NPE for Rp 700.

	<u><b>2007</b></u>
Purchase consideration through cash payment	700
Net asset acquired	<u>700</u>
Goodwill	<u><u>-</u></u>

Detail of assets arising from acquisition are as follows:

	<u><b>2007</b></u>
Other assets	<u>1,000</u>
Net assets	1,000
Interest acquired	<u>70%</u>
Net asset acquired	700
Goodwill	-
Cash and cash equivalent in NPE	<u>-</u>
Net cash outflow from acquisition of subsidiary	<u><u>700</u></u>

**o. Acquisition of Arindo Holdings (Mauritius) Ltd by Rach (Mauritius) Ltd**

In January 2008, Rach (M), a subsidiary of Decimal, increased its interest in Arindo Holdings, which owns 100% interest in Coaltrade through Vindoor, from 32% to 64% for US\$1 or equivalent to Rp 9,419 (full amount). From this increase, the consolidated financial statements of Arindo Holdings and its subsidiaries is consolidated to the consolidated financial statements of Rach (M) and ATA. This acquisition has contributed revenue and operating loss amounting to Rp 212,987 and Rp 16,092, respectively.

	<u><b>2008</b></u>
Purchase consideration through cash payment	-
Net liabilities acquired	<u>40,749</u>
Goodwill	<u><u>40,749</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**o. Acquisition of Arindo Holdings (Mauritius) Ltd by Rach (Mauritius) Ltd (continued)**

Detail of assets and liabilities arising from acquisition are as follows:

	<u><b>2008</b></u>
Cash and cash equivalents	169,571
Receivables	210,902
Inventories	30,665
Fixed assets, net	423
Goodwill	3,985,825
Payables	(351,599)
Taxes payable	(34,078)
Borrowings	<u>(4,139,048)</u>
Net liabilities acquired	(127,339)
Interest acquired	<u>32%</u>
Net liabilities acquired	(40,749)
Goodwill	<u>40,749</u>
Purchase consideration through cash payment	-
Cash and cash equivalent in Arindo Holdings	<u>169,571</u>
Net cash inflow from acquisition of subsidiary	<u><u>169,571</u></u>

Goodwill recorded by Arindo Holdings represents the goodwill arised from the acquisition of Vindoor by Arindo Holdings, as follows:

Purchase consideration through cash payment	4,238,550
Net assets acquired	<u>(252,725)</u>
Goodwill	<u><u>3,985,825</u></u>

In 2007, the net assets of Arindo Holdings is in a deficit position, resulted in no recognition on the portion of previous 32% in Arindo Holdings' net loss and the minority portions of net liabilities of Arindo Holdings, amounting to Rp 83,989. The unrecognised share of net loss in Arindo Holdings and minority portion of net liabilities in Arindo Holdings has been recognised by Rach (M) in 2008 since the increase of Rach (M)'s interest in Arindo Holdings to 64%. At ATA's consolidation level, the previous unrecognised portion and minority portions of net liabilities were recorded as a reduction to the difference in transactions of changes in equity of subsidiaries and retained earnings amounting to Rp 17,327 and Rp 66,662, respectively.

**p. Acquisition of PT Dianlia Setyamukti and PT Adaro Indonesia**

On 28 March 2005, ATA acquired a 100% interest in Dianlia for US\$35,000,000 (Rp 341,810), consisting of cash paid of US\$25,000,000 (Rp 244,150) and the issuance of non-interest bearing promissory notes (refer to Note 18) with a face value of US\$25,000,000 (Rp 245,750) at a discounted value of US\$10,000,000 (Rp 97,660). At that date, the assets and liabilities acquired from Dianlia included a 51% controlling ownership interest in Adaro. The acquisition has been accounted for using the pooling-of-interests method as required under PSAK No. 38 (Revised 2004), since both ATA and Dianlia are entities under common control.

In June 2005, Adaro also resolved to increase its issued and paid-up capital through a new share issue. ATA acquired 267,287 new shares at par value of US\$100 per share.

As a result of these two transactions, the Group owns a 66.07% interest in Adaro, 60.23% directly held by ATA and 5.84% held by ATA's subsidiary, Dianlia.



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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**p. Acquisition of PT Dianlia Setyamukti and PT Adaro Indonesia (continued)**

Details of the net book value of net assets acquired and difference in value from restructuring transactions of entities under common control for the first acquisition, are as follows:

	<u><b>2005</b></u>
Purchase consideration through cash payment	244,150
Purchase consideration through promissory notes	<u>97,660</u>
	341,810
Net book value of net assets acquired as at 1 January 2005	<u>(448,067)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>(106,257)</u></u>

Net book value of net assets acquired and difference in value from restructuring transactions of entities under common control for the second acquisition, are as follows:

	<u><b>2005</b></u>
Adaro's net assets acquired after share issuance (66.07% interest)	530,707
Adaro's net assets acquired before share issuance (51% interest)	<u>(215,013)</u>
Increase in net assets acquired	315,694
Purchase consideration through cash payment	<u>(259,616)</u>
Difference in value from restructuring transactions of entities under common control	<u><u>56,078</u></u>

The reconciliation of difference in value from restructuring transactions of entities under common control is as follows:

	<u><b>2005</b></u>
Difference in value from restructuring transactions of entities under common control - first acquisition	106,257
Difference in value from restructuring transactions of entities under common control - second acquisition	56,078
Pre-acquisition translation adjustment - Dianlia	7,823
Pre-acquisition income - Dianlia	(9,350)
Pre-acquisition income - Adaro	<u>(41,697)</u>
	<u><u>119,111</u></u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**p. Acquisition of PT Dianlia Setyamukti and PT Adaro Indonesia (continued)**

**PT Dianlia Setyamukti and PT Indonesia Bulk Terminal**

As stated above, on 28 March 2005 ATA acquired an interest in Dianlia. At that acquisition date, the assets acquired from Dianlia included a 50% interest in IBT. In July 2005, IBT increased its issued and paid-in capital by issuance of new shares. Dianlia did not participate in the issuance of shares. As a result, the interest of the Group in IBT decreased from 50% to 8.93%. The Group recorded the investment in IBT using the equity method from 1 January 2005 until the date of ownership changed and recognised the portion from associates' net income before dilution of Rp 26,527. From the date of decrease in ownership percentage to 8.93%, the Group started to use the cost method for this investment. As at 31 December 2007, the 8.93% investment in IBT has been consolidated to the consolidated financial statements as the result of acquisition of subsidiaries of Revere and Decimal (refer to Note 3m).

The changes in carrying amount of investment in IBT are as follows:

	<u>2005</u>
Carrying amount before shares issuance	(289,621)
Carrying amount after shares issuance	<u>76,323</u>
Dilution of investment in IBT	<u>(213,298)</u>

The dilution is recognised as the difference in transactions of changes in equity of subsidiaries by deducting the retained earnings in the consolidated financial statements.

**q. Disposal of PT Saptaindra Sejati by PT Dianlia Setyamukti**

At Dianlia's shareholders meeting on 14 July 2005, the shareholders agreed to sell their 80% interest in SIS to PCI and PT Saratoga Investama Sedaya ("Saratoga") for Rp 45,733. In satisfaction of the sales proceeds due from the sales transaction, Dianlia agreed to obtain payment of Rp 45,733 from Active Sashay Ltd ("ASL"), to satisfy an existing receivable due from ASL to PCI and Saratoga.

	<u>2005</u>
Total assets	469,217
Total liabilities	<u>(372,399)</u>
Net assets	96,818
Interest disposed of	<u>80%</u>
Net assets disposed of	77,455
Adjustment to net assets disposed of:	
- Adjustment to fixed assets from negative goodwill	(5,473)
- Difference in value from restructuring transactions of entities under common control	(26,249)
- Proceeds from disposal of subsidiary that was exchanged for a receivable from ASL	<u>(45,733)</u>
Cash received from disposal of subsidiary	-
Cash and cash equivalent in SIS	<u>(29,212)</u>
Net cash outflow from disposal of subsidiary	<u>(29,212)</u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**r. Acquisition and disposal of PT Makmur Sejahtera Wisesa by PT Dianlia Setyamukti**

At the time of ATA's acquisition of Dianlia in March 2005 (refer to Note 3p), Dianlia had a 99.5% interest in MSW, which it had acquired through a conversion of a receivable from MSW into ordinary shares of MSW. On 14 September 2005, the shareholders of Dianlia agreed to sell their 99.5% interest in MSW to the Company, PCI and Saratoga, for Rp 478.

	<u>2005</u>
Total assets	102
Total liabilities	<u>(396)</u>
Net liabilities	(294)
Interest disposed of	<u>99.5%</u>
Net liabilities disposed of	(293)
Adjustment to net liabilities disposed of:	
- Additional shares from minority interest	(2)
- Difference in value from restructuring transactions of entities under common control	<u>773</u>
Cash received from disposal of subsidiary	478
Cash and cash equivalents in MSW	<u>(102)</u>
Net cash inflow from disposal of subsidiary	<u><u>376</u></u>

**s. Acquisition of PT Anugerah Buminusantara Abadi by PT Saptaindra Sejati**

On 22 December 2005, SIS acquired a 99% interest in ABA. The acquisition did not give any contribution to operating income due to the acquisition taking place near to balance sheet date.

Details of net assets acquired and goodwill are as follows:

	<u>2005</u>
Purchase consideration through share issuance	32,000
Net assets acquired	<u>(31,292)</u>
Goodwill	<u><u>708</u></u>

The assets and liabilities arising from the acquisition are as follows:

	<u>2005</u>
Cash and cash equivalents	814
Trade receivables	38,053
Other receivables	3,303
Inventories	886
Advances and prepayments	845
Prepaid tax	569
Fixed assets, net	70,747

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**s. Acquisition of PT Anugerah Buminusantara Abadi by PT Saptaindra Sejati (continued)**

	<u><b>2005</b></u>
Trade payables	(10,817)
Taxes payable	(9,089)
Accrued expenses	(1,407)
Short-term borrowings	(5,253)
Long-term borrowings	(56,561)
Provision for employee benefits	<u>(482)</u>
Net assets	31,608
Interest acquired	<u>99%</u>
Net assets acquired	31,292
Goodwill	708
Purchase consideration through share issuance	(32,000)
Cash and cash equivalent in ABA	<u>814</u>
Net cash inflow from acquisition of subsidiary	<u><u>814</u></u>

No fair value adjustment made to acquired net book value of net assets.

On 29 December 2006, ABA increased its issued and paid in capital through new shares. SIS acquired 100% of the shares issued at par value for Rp 20,745 through the conversion of its loan to equity.

As a result of this transaction, SIS' interest in ABA increased from 99% to 99.22%. The net assets acquired and additional goodwill for the second acquisition are as follows:

	<u><b>2006</b></u>
Purchase consideration through conversion of loan to equity	20,745
Net assets acquired	<u>(20,579)</u>
Goodwill	<u><u>166</u></u>

**t. Disposal of PT Anugerah Buminusantara Abadi by PT Saptaindra Sejati**

On 30 April 2007, SIS disposed of 99.22% interest in ABA for Rp 20,000.

The assets and liabilities of ABA disposed of on 30 April 2007, are as follows:

	<u><b>2007</b></u>
Total assets	67,840
Total liabilities	<u>(52,598)</u>
Net assets	15,242
Interest disposed of	<u>99.22%</u>

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**t. Disposal of PT Anugerah Buminusantara Abadi by PT Saptaindra Sejati (continued)**

	<u>2007</u>
Net assets disposed of	15,123
Adjustment to net assets disposed of:	
- Difference in value from restructuring transaction of entities under common control	(6,409)
- Deferred tax asset on loss from investment in ABA	<u>11,286</u>
Cash received from disposal of subsidiary	20,000
Receivables from disposal of subsidiary	(20,000)
Cash and cash equivalents in ABA	<u>(1,192)</u>
Net cash inflow from disposal of subsidiary	<u><u>(1,192)</u></u>

**u. Acquisition of PT Satya Mandiri Persada by PT Saptaindra Sejati**

On 17 November 2006, SIS acquired 99% interest in SMP amounting to Rp 248. The acquired business contributed sales and operating loss of Rp 396 and Rp 91, respectively, to SIS for the year ended 31 December 2006.

Details of fair value of net assets acquired and goodwill are as follows:

	<u>2006</u>
Purchase consideration through cash payment	248
Net assets acquired	<u>(243)</u>
Goodwill	<u><u>5</u></u>

The assets and liabilities arising from the acquisition are as follows:

	<u>2006</u>
Cash and cash equivalents	563
Trade receivables	205
Taxes payable	(18)
Accrued expenses	<u>(505)</u>
Net assets	245
Interest acquired	<u>99%</u>
Net assets acquired	243
Goodwill	5
Cash and cash equivalents in SMP	<u>(563)</u>
Net cash inflow from acquisition of subsidiary	<u><u>(315)</u></u>

No fair value adjustments were made to the book value of the net assets acquired.

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**3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)**

**u. Acquisition of PT Satya Mandiri Persada by PT Saptaindra Sejati (continued)**

On 19 December 2006, SMP increased its issued and paid in capital through issuance of new shares. SIS participated in the shares issue, acquiring 100% of the shares issued at par value for Rp 39,750 through conversion of its loan to equity.

As a result of this transaction, SIS' interest in SMP increased from 99% to 99.99%. The net assets acquired and additional goodwill for the second acquisition are as follows:

	<u>2006</u>
Purchase consideration through conversion loan to equity	39,750
Net assets acquired	<u>(39,749)</u>
Goodwill	<u><u>1</u></u>

**4. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**

As disclosed in Note 3, restructuring transactions on investments in SIS, ATA and MSW have been accounted for using the pooling-of-interests method as required under PSAK No. 38 (Revised 2004). Therefore, the consolidated financial statements per 31 December 2006 and 2005 have been restated as if the restructuring transactions had already occurred as at 1 January 2005.

The comparative consolidated financial statements as at 31 December 2006 and 2005 that have been restated, are as follows:

	<u>31 December 2006</u>	
	<u>Before restatement</u>	<u>After restatement</u>
<b>Consolidated balance sheet</b>		
Total assets	655,428	13,343,393
Total liabilities	522,342	12,372,336
Minority interest	350	584,036
Equity	132,736	387,021
<b>Consolidated statement of income</b>		
Operating (loss)/income	(27,621)	1,741,214
Other income/(expenses)	85,129	(889,935)
Income tax expense	(4,997)	(527,972)
Pre-acquisition (loss)/income	5	(17)
Minority interest in net loss/(income) of subsidiaries	18	(182,157)
Net income	52,534	141,133
	<u>31 December 2005</u>	
	<u>Before restatement</u>	<u>After restatement</u>
<b>Consolidated balance sheet</b>		
Total assets	615,009	13,853,244
Total liabilities	502,593	13,109,053
Minority interest	351	438,354
Equity	112,065	305,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005

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4. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

	<b>31 December 2005</b>	
	<u>Before restatement</u>	<u>After restatement</u>
<b>Consolidated statement of income</b>		
Operating (loss)/income	(40,013)	1,174,501
Other income/(expenses)	39,494	(572,806)
Income tax benefit/(expense)	25,410	(353,378)
Pre-acquisition loss	-	3,546
Minority interest in net loss/(income) of subsidiaries	4,049	(185,971)
Net income	28,940	65,892

5. CASH AND CASH EQUIVALENTS

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Cash on hand:</b>				
Rupiah	490	425	359	1,002
US Dollars	16	32	63	17
Total cash on hand	<u>506</u>	<u>457</u>	<u>422</u>	<u>1,019</u>
<b>Cash in banks:</b>				
<b>Rupiah</b>				
PT Bank Sumitomo Mitsui Indonesia The Hongkong and Shanghai Banking Corporation Ltd	69,189	108,508	60,515	23,932
PT Bank Mandiri (Persero) Tbk	28,565	38,618	80,070	2,785
PT Bank DBS Indonesia	8,996	9,146	9,265	6,204
PT Bank Negara Indonesia (Persero) Tbk	6,399	5,520	2,267	568
PT Bank NISP Tbk	2,369	1,592	4,119	1,835
PT Bank NISP Tbk	192	3,408	20	5
Standard Chartered Bank	-	-	-	58,141
Others (each below Rp 3,000)	2,767	1,667	2,358	1,768
Total Rupiah accounts	<u>118,477</u>	<u>168,459</u>	<u>158,614</u>	<u>95,238</u>
<b>US Dollars</b>				
Sumitomo Mitsui Banking Corporation	643,713	531,905	392,238	255,332
Standard Chartered Bank	47,687	-	19,517	438,395
PT Bank Mega Tbk	17,162	6,897	131	-
PT Bank Niaga Tbk	8,136	6,085	47,215	10,672
PT Bank DBS Indonesia	4,045	5,952	3,287	63,549
PT Bank Mandiri (Persero) Tbk	2,042	6,006	12,564	2,124
PT Bank NISP Tbk	1,028	6,076	5,667	-
The Hongkong and Shanghai Banking Corporation Ltd	1,000	24,096	33,457	163,154
Citibank, N.A.	798	809	16,767	84,122
PT Bank Bukopin Tbk	767	814	3,482	2,993
PT Bank Lippo Tbk	-	-	29	3,484
Others (each below Rp 3,000)	670	1,085	1,075	1,409
Total US Dollars accounts	<u>727,048</u>	<u>589,725</u>	<u>535,429</u>	<u>1,025,234</u>

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**5. CASH AND CASH EQUIVALENTS (continued)**

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Cash in banks (continued):</b>				
<b>Singapore Dollars</b>				
The Hongkong and Shanghai Banking Corporation Ltd	3,135	-	-	-
Total Singapore Dollars account	3,135	-	-	-
<b>Euro</b>				
MeesPierson Bank	4,828	5,071	294	450
Total Euro account	4,828	5,071	294	450
Total cash in banks	853,488	763,255	694,337	1,120,922
<b>Time deposits:</b>				
<b>Rupiah</b>				
PT Bank DBS Indonesia	9,291	7,000	-	-
PT Bank Mega Tbk	5,110	3,502	-	-
PT Bank NISP Tbk	-	-	7,000	8,000
PT Bank Mandiri (Persero) Tbk	-	-	5,000	-
PT Bank Mitraniaga	-	-	5,000	-
PT Bank Niaga Tbk	-	-	3,000	-
Others (each below Rp 3,000)	-	1,002	2,000	-
Total Rupiah time deposits	14,401	11,504	22,000	8,000
<b>US Dollars</b>				
PT Bank Mega Tbk	24,708	286	1,365	-
PT Bank DBS Indonesia	-	36,716	-	-
PT Bank NISP Tbk	-	14,128	-	34,454
PT Bank Mega Tbk	-	5,494	-	-
PT Bank Permata Tbk	-	-	17,138	-
PT Bank Bukopin Tbk	-	-	-	3,938
Total US Dollars time deposits	24,708	56,624	18,503	38,392
<b>Euro</b>				
MeesPierson Bank	-	-	23,191	22,686
Total Euro time deposit	-	-	23,191	22,686
Total time deposits	39,109	68,128	63,694	69,078
Total cash and cash equivalents	893,103	831,840	758,453	1,191,019

There are no cash and cash equivalents with related parties.



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**5. CASH AND CASH EQUIVALENTS (continued)**

The interest rates of the above time deposits were as follows:

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
Rupiah	2.9% - 7.3%	4.3% - 6%	5.3% - 7.7%	7.2% - 11.5%
US Dollars	3.8% - 4.5%	4.8% - 5%	4.5%	1.7% - 3.3%
Euro	-	-	3.2%	1.8%

As at 31 December 2006, the balances of cash in banks owned by ATA and Adaro of Rp 18,325 (2005: Rp nil) and Rp 593,924 (2005: Rp 827,520), respectively, were pledged as collateral for a short term loan from PT Bank DBS Indonesia ("DBS"), Guaranteed Secured Notes ("Notes"), the New Senior Facility and the Mezzanine Facility (refer to Notes 19, 23 and 25). However, as at 31 December 2007, the cash and cash equivalents were no longer pledged as collateral for those facilities as they had been fully paid.

**6. RESTRICTED CASH AND CASH EQUIVALENTS**

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
<b>Cash in bank:</b>				
<b>US Dollars</b>				
Standard Chartered Bank	-	-	708,023	737,250
Total cash in bank	-	-	708,023	737,250
<b>Time deposits:</b>				
<b>Rupiah</b>				
PT Bank DBS Indonesia	9,327	18,350	8,892	32,140
The Hongkong and Shanghai Banking Corporation Ltd	4,303	4,355	4,350	-
Total Rupiah time deposits	13,630	22,705	13,242	32,140
<b>US Dollars</b>				
PT Bank DBS Indonesia	42,095	42,658	30,607	8,632
The Hongkong and Shanghai Banking Corporation Ltd	7,364	7,445	9,493	-
Citibank, N.A.	2,982	3,023	2,895	5,185
Total US Dollars time deposits	52,441	53,126	42,995	13,817
Total time deposits	66,071	75,831	56,237	45,957
Total restricted cash and cash equivalents	66,071	75,831	764,260	783,207
Less:				
Current portion	(54,967)	(64,595)	(754,168)	(778,087)
Non-current portion	11,104	11,236	10,092	5,120

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**6. RESTRICTED CASH AND CASH EQUIVALENTS (continued)**

The interest rates of the above time deposits were as follows:

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u>	
			<u>2006</u>	<u>2005</u>
Rupiah	7.1%	7.8%	7.7%	7.2%
US Dollars	4.1%	4.3%	3.4%	1.7%

The time deposits in DBS, the Hongkong and Shanghai Bank Corporation Ltd (“HSBC”) and Citibank, N.A., are pledged for bank guarantees issued by these banks as described in Note 43t.

The restricted cash held by ATA in a deposit escrow account at the Standard Chartered Bank (“SCB”) (Singapore branch), is governed by an Escrow Deposit Agreement (signed by ATA, Adaro and IBT with Senior Facility agent, Mezzanine Facility agent and Senior Notes trustee) (refer to Note 23).

The average interest rate per year of this escrow account was one month’s Singapore Interbank Bid (“SIBID”) less 0.25% for positive balances.

In 2007, Adaro fully paid the payables from those facilities, therefore the restricted deposit in SCB (Singapore branch) has been released.

**7. AVAILABLE-FOR-SALE INVESTMENTS**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u>	
			<u>2006</u>	<u>2005</u>
Third parties:				
Cost	1,728,106	1,728,106	-	491,500
Add:				
Unrealised gain from increase in investment value	<u>19,757</u>	<u>6,224</u>	<u>-</u>	<u>-</u>
Total	<u>1,747,863</u>	<u>1,734,330</u>	<u>-</u>	<u>491,500</u>

On 17 December 2007, the Company, JPI, SIS and PT Recapital Asset Management (“Recapital”) entered into a Fund Management Agreement with a term of one year, whereby the Group appointed Recapital as investment manager to manage a fund of Rp 1,728,106. Part or all of the funds will be invested in mutual funds, bonds, marketable securities, shares, convertible bonds and warrants. As at 31 January 2008, the net assets value was Rp 1,747,863 (31 December 2007: Rp 1,734,330).

Based on the investment agreement dated 28 November 2005 between ATA and Morgan Creek Capital Ltd (“Morgan”), ATA appointed Morgan to act as its fund manager to manage ATA’s fund of US\$50,000,000 (Rp 491,500) which is invested on property, property-related assets, equity securities and listed and/or non-listed bonds. Based on a supplementary agreement dated 16 January 2006, ATA authorised Morgan to manage an additional fund of US\$15,000,000.

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**7. AVAILABLE-FOR-SALE INVESTMENTS (continued)**

Morgan invested the funds in unlisted equity securities, structured lendings and mutual funds. The amount invested in unlisted equity securities was invested in natural resources sectors, coal projects and alternative energy industries.

No companies invested in by Morgan were considered related parties.

On 29 December 2006, all of the available-for-sale investments in Morgan were sold to purchase the investment in Decimal and Revere totalling US\$65,560,000 (Rp 591,352) (refer to Note 13).

**8. TRADE RECEIVABLES**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Third parties:				
PT Paiton Energy (formerly PT Paiton Energy Company)	228,677	222,332	215,924	187,467
International Energy Group Ltd	187,146	82,922	-	-
PT Sumber Segara Primadaya	177,760	157,845	110,823	3,585
PT Pembangkitan Jawa Bali	86,142	56,493	76,931	63,517
PT Sumber Kurnia Buana	80,159	77,838	60,812	31,344
Castle Peak Power Co Ltd	60,479	-	-	-
Taiwan Power Company	42,730	53,469	26,469	-
PT Indomining	38,808	36,267	-	-
PSEG Energy Resources & Trade LCC	38,761	-	-	32,905
International Power Fuel Co Ltd	36,197	-	-	-
PT Terminal Batubara Indah	36,069	29,676	24,918	12,086
PT Holcim Indonesia Tbk	33,042	35,580	34,405	33,414
Eastern Energy Pte Ltd	32,857	16,644	56,972	27,438
Adityaa Energy Resources Pte Ltd	32,628	41,530	9,272	11,265
TNB Fuel Services Sdn Bhd	29,261	46,016	79,102	26,486
Carboex S.A.	18,051	68,818	63,328	58,055
Quezon Power (Phils.) Ltd	-	70,579	487	32,343
The Tata Power Co Ltd	-	39,699	17,137	34,572
Leralonde Resources Ltd	-	-	93,901	-
Calmacil Energy Holdings Ltd	-	-	78,670	-
PT Berau Coal	-	-	-	85,109
PT Indonesia Power	-	-	-	31,348
Others (each below Rp 30,000)	<u>232,292</u>	<u>117,864</u>	<u>171,808</u>	<u>177,576</u>
	<u>1,391,059</u>	<u>1,153,572</u>	<u>1,120,959</u>	<u>848,510</u>
Related parties:				
PT Berau Coal <sup>a)</sup>	177,218	172,758	100,790	-
PT Interex Sacra Raya	80,127	75,507	12,918	16,585
Coaltrade Services International Pte Ltd	-	<u>148,306</u>	<u>70,742</u>	<u>233,279</u>
	<u>257,345</u>	<u>396,571</u>	<u>184,450</u>	<u>249,864</u>
Total trade receivables	<u>1,648,404</u>	<u>1,550,143</u>	<u>1,305,409</u>	<u>1,098,374</u>

<sup>a)</sup> Related party since July 2006

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**8. TRADE RECEIVABLES (continued)**

Aging analysis of trade receivables is as follows:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Current and overdue 1 - 30 days	1,554,678	1,470,773	1,161,137	1,003,783
Overdue 31 - 60 days	18,586	21,951	41,141	34,979
Overdue 61 - 90 days	27,064	9,244	34,232	37,848
Overdue more than 90 days	48,076	48,175	68,899	21,764
Total trade receivables	<u>1,648,404</u>	<u>1,550,143</u>	<u>1,305,409</u>	<u>1,098,374</u>

Details of trade receivables based on currencies are as follows:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Rupiah	508,226	553,730	513,837	373,614
US Dollars	<u>1,140,178</u>	<u>996,413</u>	<u>791,572</u>	<u>724,760</u>
Total trade receivables	<u>1,648,404</u>	<u>1,550,143</u>	<u>1,305,409</u>	<u>1,098,374</u>

As at 31 January 2008, the trade receivables of the Company amounting to Rp 15,273 (31 December 2007: Rp 17,351) were pledged as collateral for a short-term loan from DBS (refer to Note 19).

As at 31 January 2008, the trade receivables of SIS amounting to Rp 476,339 (including receivables from Adaro amounting to Rp 161,118 that has been eliminated) were pledged as collateral for loans from PT Bank Bukopin Tbk ("Bukopin"), PT Bank Ekspor Indonesia (Persero) ("BEI"), PT Bank Mandiri (Persero) Tbk ("Mandiri"), PT Bank Niaga Tbk ("Niaga"), PT Bank NISP Tbk and Oversea-Chinese Banking Corporation Ltd ("NISP") (syndicated loan) and PT Bank Permata Tbk ("Permata") (refer to Notes 19 and 23).

As at 31 December 2006 and 2005, the trade receivables of Adaro amounting to Rp 1,101,467 and Rp 943,804, respectively, were pledged as collateral for a short term loan from DBS, Notes, the New Senior Facility and the Mezzanine Facility (refer to Notes 19, 23 and 25). However, as at 31 December 2007, the trade receivables of Adaro were no longer pledged as collateral for those facilities as they had been fully paid.

Based on the review of the status of the individual receivable accounts at the end of the period, the Group's management is of the opinion that these receivables will be collected in full, therefore an allowance for doubtful accounts is not considered necessary.

Since 2008, Coaltrade has been consolidated into the Group's consolidated financial statements, therefore balances and transactions between Coaltrade, Adaro and IBT have been eliminated.

Refer to Note 39 for details of related parties balances and transactions.

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**9. INVENTORIES**

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Coal inventory	155,444	129,532	140,561	122,733
Spare parts	41,512	26,395	15,326	1,074
Tools and supplies	41,410	49,873	28,487	13,451
Fuel and lubricants	<u>38,184</u>	<u>32,348</u>	<u>19,979</u>	<u>7,279</u>
Total inventories	<u>276,550</u>	<u>238,148</u>	<u>204,353</u>	<u>144,537</u>

As at 31 December 2006 and 2005, Adaro's inventories amounting to Rp 147,264 and Rp 127,035, respectively, were pledged as collateral for a short-term loan from DBS, Notes, the New Senior Facility and the Mezzanine Facility (refer to Notes 19, 23 and 25). However, as at 31 December 2007, Adaro's inventories were no longer pledged as collateral for those facilities as they had been fully paid.

As at 31 January 2008, SIS' inventories amounted to US\$6,900,000 were pledged as collateral for a loan from BEI (refer to Note 19).

The Group's management is of the opinion that the inventories can either be used or sold, therefore a provision for obsolete stock is not considered necessary.

As at 31 January 2008, Adaro's coal inventories were covered by insurance against the risk of material damage with total coverage of Rp 74,328 and inventories other than coal were not insured. The Group's management is of the opinion that the inventories as at 31 January 2008 are adequately insured.

**10. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE**

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Acquisition cost</b>				
Deferred exploration and development expenditure related to commercially producing areas				
South Paringin, North Paringin and Tutupan				
Carrying amount - beginning balance	300,518	287,787	313,631	296,402
Exchange difference due to financial statement translation	<u>(4,084)</u>	<u>12,731</u>	<u>(25,844)</u>	<u>17,229</u>
	<u>296,434</u>	<u>300,518</u>	<u>287,787</u>	<u>313,631</u>
Sanga-sanga				
Carrying amount - beginning balance	-	33,764	29,976	7,271
Addition	-	-	3,788	22,705
Reversal due to disposal of subsidiaries	<u>-</u>	<u>(33,764)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>33,764</u>	<u>29,976</u>

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**10. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE (continued)**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u>	
			<u>2006</u>	<u>2005</u>
<b>Acquisition cost (continued)</b>				
Deferred exploration and evaluation expenditure incurred for an area of interest which as at balance sheet date has not reached the stage of commercial production				
Wara				
Carrying amount - beginning balance	45,167	43,254	47,138	44,434
Exchange difference due to financial statement translation	(614)	1,913	(3,884)	2,704
	<u>44,553</u>	<u>45,167</u>	<u>43,254</u>	<u>47,138</u>
East Barito, South Barito and North Barito				
Carrying amount - beginning balance	-	72,012	68,615	68,615
Addition	-	-	3,397	-
Reversal due to disposal of subsidiaries	-	(72,012)	-	-
	<u>-</u>	<u>-</u>	<u>72,012</u>	<u>68,615</u>
Sanga-sanga				
Carrying amount - beginning balance	-	7,643	5,832	5,832
Addition	-	-	1,811	-
Reversal due to disposal of subsidiaries	-	(7,643)	-	-
	<u>-</u>	<u>-</u>	<u>7,643</u>	<u>5,832</u>
Total acquisition cost	<u>340,987</u>	<u>345,685</u>	<u>444,460</u>	<u>465,192</u>
<b>Accumulated amortisation</b>				
Deferred exploration and development expenditure relating to commercially producing areas				
South Paringin, North Paringin and Tutupan				
Carrying amount - beginning balance	(258,857)	(245,187)	(264,285)	(247,001)
Amortisation	(235)	(2,739)	(2,723)	(2,891)
Exchange difference due to financial statement translation	3,520	(10,931)	21,821	(14,393)
	<u>(255,572)</u>	<u>(258,857)</u>	<u>(245,187)</u>	<u>(264,285)</u>

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**10. DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURE (continued)**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Accumulated amortisation (continued)</b>				
Deferred exploration and development expenditure relating to commercially producing areas (continued)				
Sanga-sanga				
Carrying amount - beginning balance	-	(5,882)	(4,785)	-
Amortisation	-	-	(1,097)	(4,785)
Reversal due to disposal of subsidiaries	-	5,882	-	-
	<u>-</u>	<u>-</u>	<u>(5,882)</u>	<u>(4,785)</u>
Total accumulated amortisation	<u>(255,572)</u>	<u>(258,857)</u>	<u>(251,069)</u>	<u>(269,070)</u>
Total	<u>85,415</u>	<u>86,828</u>	<u>193,391</u>	<u>196,122</u>

The ultimate recoupment of exploration expenditure carried forward is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective area.

As at 31 January 2008 and 31 December 2007, deferred exploration and development expenditure from BAT, ALH, AK, PM and AM was not consolidated into the consolidated financial statements due to those subsidiaries having been disposed of by the Company (refer to Note 3).

**11. DEFERRED FINANCING COSTS**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Acquisition cost</b>				
Carrying amount - beginning balance	1,030,152	880,153	784,372	-
Addition	6,532	108,882	161,796	775,034
Acquisition	23,155	-	-	-
Exchange difference due to financial statement translation	(13,999)	41,117	(66,015)	9,338
Total acquisition cost	<u>1,045,840</u>	<u>1,030,152</u>	<u>880,153</u>	<u>784,372</u>
<b>Accumulated amortisation</b>				
Carrying amount - beginning balance	(954,155)	(695,297)	(275,017)	-
Amortisation	(1,947)	(221,791)	(450,107)	(271,688)
Exchange difference due to financial statement translation	12,759	(37,067)	29,827	(3,329)
Total accumulated amortisation	<u>(943,343)</u>	<u>(954,155)</u>	<u>(695,297)</u>	<u>(275,017)</u>
Total	<u>102,497</u>	<u>75,997</u>	<u>184,856</u>	<u>509,355</u>
Less:				
Current portion	<u>(22,578)</u>	<u>(16,269)</u>	<u>(57,313)</u>	<u>(156,341)</u>
Non-current portion	<u>79,919</u>	<u>59,728</u>	<u>127,543</u>	<u>353,014</u>

Deferred financing costs represent consultancy cost, bank charges, finance charges, professional fees and other costs that were incurred to obtain long-term borrowing.

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12. FIXED ASSETS

31 January 2008						
	Beginning balance	Additions	Acquisition	Disposal/ reclassification	Exchange difference due to financial statement translation	Ending balance
<b>Acquisition costs</b>						
<b>Direct ownership</b>						
Land	26,365	-	-	-	-	26,365
Buildings	82,289	717	-	188	(552)	82,642
Infrastructure	149,989	-	-	-	(2,816)	147,173
Machinery, operational equipment and vehicles	2,001,041	2,120	-	(3,315)	(12,466)	1,987,380
Mining equipment	3,908	-	-	-	-	3,908
Project equipment	7,218	6	-	-	-	7,224
Office equipment	40,270	735	423	-	(306)	41,122
Crushing and handling facility	664,321	6,082	-	-	(9,102)	661,301
Roads and bridges	830,444	270	-	-	(11,289)	819,425
Stockpile facilities	57,462	-	-	-	(781)	56,681
Dock facilities	20,477	-	-	-	(278)	20,199
	<u>3,883,784</u>	<u>9,930</u>	<u>423</u>	<u>(3,127)</u>	<u>(37,590)</u>	<u>3,853,420</u>
Construction in progress	73,589	3,990	-	(188)	(452)	76,939
	<u>73,589</u>	<u>3,990</u>	<u>-</u>	<u>(188)</u>	<u>(452)</u>	<u>76,939</u>
<b>Leased assets</b>						
Operational equipment	603,794	-	-	-	-	603,794
Vehicles	191	-	-	-	-	191
	<u>603,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>603,985</u>
	<u>4,561,358</u>	<u>13,920</u>	<u>423</u>	<u>(3,315)</u>	<u>(38,042)</u>	<u>4,534,344</u>
<b>Accumulated depreciation</b>						
<b>Direct ownership</b>						
Buildings	(21,074)	(372)	-	-	248	(21,198)
Infrastructure	(8,967)	(535)	-	-	910	(8,592)
Machinery, operational equipment and vehicles	(339,626)	(15,653)	-	2,324	4,962	(347,993)
Mining equipment	(2,543)	(81)	-	-	-	(2,624)
Project equipment	(2,969)	(147)	-	-	-	(3,116)
Office equipment	(17,896)	(640)	-	-	233	(18,303)
Crushing and handling facility	(208,939)	(3,174)	-	-	2,878	(209,235)
Roads and bridges	(271,420)	(3,169)	-	-	3,727	(270,862)
Stockpile facilities	(31,377)	(240)	-	-	429	(31,188)
Dock facilities	(14,920)	(85)	-	-	204	(14,801)
	<u>(919,731)</u>	<u>(24,096)</u>	<u>-</u>	<u>2,324</u>	<u>13,591</u>	<u>(927,912)</u>
<b>Leased assets</b>						
Operational equipment	(82,816)	(4,772)	-	-	-	(87,588)
Vehicles	(113)	(4)	-	-	-	(117)
	<u>(82,929)</u>	<u>(4,776)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(87,705)</u>
	<u>(1,002,660)</u>	<u>(28,872)</u>	<u>-</u>	<u>2,324</u>	<u>13,591</u>	<u>(1,015,617)</u>
<b>Net book value</b>	<u>3,558,698</u>					<u>3,518,727</u>



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12. FIXED ASSETS (continued)

<b>31 December 2007</b>							
	Beginning balance	Additions	Acquisition	Disposal/ reclassification	Reversal due to disposal of subsidiaries	Exchange difference due to financial statement translation	Ending balance
<b>Acquisition costs</b>							
<b>Direct ownership</b>							
Land	22,308	8,002	-	1,584	(5,529)	-	26,365
Buildings	68,137	13,459	-	312	(1,335)	1,716	82,289
Infrastructure	-	37	141,172	-	-	8,780	149,989
Machinery, operational equipment and vehicles	1,025,750	445,793	539,540	(3,935)	(44,936)	38,829	2,001,041
Mining equipment	3,313	595	-	-	-	-	3,908
Project equipment	3,931	3,287	-	-	-	-	7,218
Office equipment	28,384	16,597	658	(4,561)	(1,711)	903	40,270
Crushing and handling facility	575,849	57,645	-	3,461	-	27,366	664,321
Roads and bridges	749,921	8,799	-	54,889	(17,535)	34,370	830,444
Stockpile facilities	55,028	-	-	-	-	2,434	57,462
Dock facilities	19,610	-	-	-	-	867	20,477
	<u>2,552,231</u>	<u>554,214</u>	<u>681,370</u>	<u>51,750</u>	<u>(71,046)</u>	<u>115,265</u>	<u>3,883,784</u>
Construction in progress	122,396	96,556	-	(69,079)	(77,682)	1,398	73,589
	<u>366,308</u>	<u>263,542</u>	<u>-</u>	<u>(7,626)</u>	<u>(18,239)</u>	<u>-</u>	<u>603,985</u>
	<u>3,040,935</u>	<u>914,312</u>	<u>681,370</u>	<u>(24,955)</u>	<u>(166,967)</u>	<u>116,663</u>	<u>4,561,358</u>
<b>Leased assets</b>							
Operational equipment	363,826	263,542	-	(7,560)	(16,014)	-	603,794
Vehicles	2,482	-	-	(66)	(2,225)	-	191
	<u>366,308</u>	<u>263,542</u>	<u>-</u>	<u>(7,626)</u>	<u>(18,239)</u>	<u>-</u>	<u>603,985</u>
	<u>3,040,935</u>	<u>914,312</u>	<u>681,370</u>	<u>(24,955)</u>	<u>(166,967)</u>	<u>116,663</u>	<u>4,561,358</u>
<b>Accumulated depreciation</b>							
<b>Direct ownership</b>							
Buildings	(16,071)	(4,555)	-	78	213	(739)	(21,074)
Infrastructure	-	(6,231)	-	-	-	(2,736)	(8,967)
Machinery, operational equipment and vehicles	(195,533)	(161,842)	-	5,603	27,138	(14,992)	(339,626)
Mining equipment	(1,643)	(900)	-	-	-	-	(2,543)
Project equipment	(1,603)	(1,366)	-	-	-	-	(2,969)
Office equipment	(15,605)	(4,778)	-	2,487	695	(695)	(17,896)
Crushing and handling facility	(165,957)	(34,570)	-	-	-	(8,412)	(208,939)
Roads and bridges	(227,651)	(34,819)	-	-	2,106	(11,056)	(271,420)
Stockpile facilities	(27,291)	(2,792)	-	-	-	(1,294)	(31,377)
Dock facilities	(13,308)	(993)	-	-	-	(619)	(14,920)
	<u>(664,662)</u>	<u>(252,846)</u>	<u>-</u>	<u>8,168</u>	<u>30,152</u>	<u>(40,543)</u>	<u>(919,731)</u>
	<u>(47,956)</u>	<u>(47,715)</u>	<u>-</u>	<u>2,491</u>	<u>10,364</u>	<u>-</u>	<u>(82,816)</u>
Vehicles	(997)	(54)	-	64	874	-	(113)
	<u>(48,953)</u>	<u>(47,769)</u>	<u>-</u>	<u>2,555</u>	<u>11,238</u>	<u>-</u>	<u>(82,929)</u>
	<u>(713,615)</u>	<u>(300,615)</u>	<u>-</u>	<u>10,723</u>	<u>41,390</u>	<u>(40,543)</u>	<u>(1,002,660)</u>
<b>Net book value</b>	<u>2,327,320</u>						<u>3,558,698</u>

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12. FIXED ASSETS (continued)

	31 December 2006				
	Beginning balance	Addition	Disposal/ reclassification	Exchange difference due to financial statement translation	Ending balance
<b>Acquisition costs</b>					
<b>Direct ownership</b>					
Land	4,596	17,712	-	-	22,308
Buildings	45,793	24,290	1,441	(3,387)	68,137
Machinery, operational equipment and vehicles	638,624	476,777	(86,757)	(2,894)	1,025,750
Mining equipment	2,682	631	-	-	3,313
Project equipment	3,518	413	-	-	3,931
Office equipment	25,627	4,907	(553)	(1,597)	28,384
Crushing and handling facility	576,473	47,642	-	(48,266)	575,849
Roads and bridges	758,541	53,505	-	(62,125)	749,921
Stockpile facilities	59,970	-	-	(4,942)	55,028
Dock facilities	21,371	-	-	(1,761)	19,610
	<u>2,137,195</u>	<u>625,877</u>	<u>(85,869)</u>	<u>(124,972)</u>	<u>2,552,231</u>
Construction in progress	94,952	36,736	(8,659)	(633)	122,396
<b>Leased assets</b>					
Operational equipment	171,264	234,517	(41,955)	-	363,826
Vehicles	2,415	67	-	-	2,482
	<u>173,679</u>	<u>234,584</u>	<u>(41,955)</u>	<u>-</u>	<u>366,308</u>
	<u>2,405,826</u>	<u>897,197</u>	<u>(136,483)</u>	<u>(125,605)</u>	<u>3,040,935</u>
<b>Accumulated depreciation</b>					
<b>Direct ownership</b>					
Buildings	(14,419)	(2,860)	-	1,208	(16,071)
Machinery, operational equipment and vehicles	(95,447)	(131,076)	29,614	1,376	(195,533)
Mining equipment	(892)	(751)	-	-	(1,643)
Project equipment	(688)	(915)	-	-	(1,603)
Office equipment	(13,627)	(3,130)	99	1,053	(15,605)
Crushing and handling facility	(147,774)	(30,854)	-	12,671	(165,957)
Roads and bridges	(213,939)	(31,735)	-	18,023	(227,651)
Stockpile facilities	(26,737)	(2,802)	-	2,248	(27,291)
Dock facilities	(13,435)	(996)	-	1,123	(13,308)
	<u>(526,958)</u>	<u>(205,119)</u>	<u>29,713</u>	<u>37,702</u>	<u>(664,662)</u>
<b>Leased assets</b>					
Operational equipment	(21,689)	(37,986)	11,719	-	(47,956)
Vehicles	(493)	(504)	-	-	(997)
	<u>(22,182)</u>	<u>(38,490)</u>	<u>11,719</u>	<u>-</u>	<u>(48,953)</u>
	<u>(549,140)</u>	<u>(243,609)</u>	<u>41,432</u>	<u>37,702</u>	<u>(713,615)</u>
<b>Net book value</b>	<u><u>1,856,686</u></u>				<u><u>2,327,320</u></u>

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12. FIXED ASSETS (continued)

	<b>31 December 2005</b>				
	<u>Beginning balance</u>	<u>Addition</u>	<u>Disposal/ reclassification</u>	<u>Exchange difference due to financial statement translation</u>	<u>Ending balance</u>
<b>Acquisition costs</b>					
<b>Direct ownership</b>					
Land	151	4,500	(55)	-	4,596
Buildings	35,185	4,245	4,252	2,111	45,793
Machinery, operational equipment and vehicles	219,170	498,357	(80,795)	1,892	638,624
Mining equipment	2,666	20	(4)	-	2,682
Project equipment	1,558	2,780	(820)	-	3,518
Office equipment	21,354	5,930	(2,735)	1,078	25,627
Crushing and handling facility	422,073	27,247	99,904	27,249	576,473
Roads and bridges	624,202	23,548	71,805	38,986	758,541
Stockpile facilities	56,440	93	-	3,437	59,970
Dock facilities	20,145	-	-	1,226	21,371
	<u>1,402,944</u>	<u>566,720</u>	<u>91,552</u>	<u>75,979</u>	<u>2,137,195</u>
Construction in progress	<u>50,386</u>	<u>220,682</u>	<u>(176,761)</u>	<u>645</u>	<u>94,952</u>
<b>Leased assets</b>					
Operational equipment	46,004	126,215	(955)	-	171,264
Vehicles	1,735	680	-	-	2,415
	<u>47,739</u>	<u>126,895</u>	<u>(955)</u>	<u>-</u>	<u>173,679</u>
	<u>1,501,069</u>	<u>914,297</u>	<u>(86,164)</u>	<u>76,624</u>	<u>2,405,826</u>
<b>Accumulated depreciation</b>					
<b>Direct ownership</b>					
Buildings	(11,492)	(2,229)	24	(722)	(14,419)
Machinery, operational equipment and vehicles	(37,350)	(79,290)	22,048	(855)	(95,447)
Mining equipment	(222)	(671)	1	-	(892)
Project equipment	(337)	(656)	305	-	(688)
Office equipment	(11,864)	(2,701)	1,590	(652)	(13,627)
Crushing and handling facility	(115,695)	(24,734)	-	(7,345)	(147,774)
Roads and bridges	(174,954)	(28,008)	-	(10,977)	(213,939)
Stockpile facilities	(22,377)	(2,962)	-	(1,398)	(26,737)
Dock facilities	(11,657)	(1,056)	-	(722)	(13,435)
	<u>(385,948)</u>	<u>(142,307)</u>	<u>23,968</u>	<u>(22,671)</u>	<u>(526,958)</u>
<b>Leased assets</b>					
Operational equipment	(5,567)	(16,420)	298	-	(21,689)
Vehicles	-	(493)	-	-	(493)
	<u>(5,567)</u>	<u>(16,913)</u>	<u>298</u>	<u>-</u>	<u>(22,182)</u>
	<u>(391,515)</u>	<u>(159,220)</u>	<u>24,266</u>	<u>(22,671)</u>	<u>(549,140)</u>
<b>Net book value</b>	<u><u>1,109,554</u></u>				<u><u>1,856,686</u></u>

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**12. FIXED ASSETS (continued)**

Depreciation expense was allocated as follows:

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
Cost of revenue	28,428	297,001	228,719	153,954
General and administration expenses	444	3,614	14,363	4,617
Deferred expenses	-	-	527	649
	<u>28,872</u>	<u>300,615</u>	<u>243,609</u>	<u>159,220</u>

The calculation of gain/(loss) on disposals of fixed assets was as follows:

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
Acquisition costs	3,315	24,955	136,483	86,164
Accumulated depreciation	<u>(2,324)</u>	<u>(10,723)</u>	<u>(41,432)</u>	<u>(24,266)</u>
Carrying value of fixed assets	<u>991</u>	<u>14,232</u>	<u>95,051</u>	<u>61,898</u>
Proceeds from disposals of fixed assets	<u>1,277</u>	<u>12,743</u>	<u>173,649</u>	<u>52,618</u>
Gain/(loss) on disposals of fixed assets	<u>286</u>	<u>(1,489)</u>	<u>78,598</u>	<u>(9,280)</u>

In accordance with the CCA (refer to Note 1c), the fixed assets of Adaro as at 31 January 2008 amounting to Rp 1,108,154 (31 December 2007: Rp 1,122,089, 2006: Rp 1,033,515 and 2005: Rp 1,053,567) remain the property of the Government of the Republic of Indonesia. However, Adaro has an exclusive right to use these assets over the contract period, or their useful lives, whichever is shorter.

In accordance with the Cooperation Agreement (refer to Note 1d), fixed assets of IBT as at 31 January 2008 amounting to Rp 665,997 (31 December 2007: Rp 677,725), in the area of the coal bulk terminal become the property of PT (Persero) Pelabuhan Indonesia III at the end of the 30-years operation period.

The decrease in construction in progress of BAT was due to return to related supplier.

The Group owns 25 plots of land with "*Hak Guna Bangunan*" titles ("Building-Use Title" or "HGB") with remaining useful lives of between 13 to 30 years. Management believes that there will be no difficulties in the extension of the land rights as the land was acquired legally and is supported by sufficient evidence of ownership.

As at 31 January 2008, the Group's fixed assets were covered by insurance against the risk of loss and damage due to fire and all risks with total coverage of approximately Rp 4,812,415. Management believes that the fixed assets as at 31 January 2008 are adequately insured.

As at 31 December 2006 and 2005, the movable assets of Adaro were pledged as collateral for short-term loans from DBS, the New Senior Facility, the Mezzanine Facility and Notes (refer to Notes 19, 23 and 25). However, as at 31 December 2007, the moveable assets of Adaro were no longer pledged as collateral for those facilities as they had been fully paid.

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**12. FIXED ASSETS (continued)**

The fixed assets of SIS were pledged as collateral for loans obtained from Bukopin, BEI, Niaga, NISP, Mandiri and Permata (refer to Notes 19 and 23).

Effective from 1 January 2007, SIS changed the estimated useful life of operational equipment. Details of changes in estimated useful lives are as follows:

<u>Assets</u>	<u>Useful life before changes</u>	<u>Useful life after changes</u>
<u>Direct ownership</u>		
Operational equipment	8	10
<u>Leased assets</u>		
Operational equipment	8	10

The changes were based on the engineering department's review and comparison with similar industry's practices. The changes were applied prospectively and resulted in a decrease in depreciation expense by Rp 51,587 for the year ended 31 December 2007.

**Construction in progress**

Construction in progress represents projects that have not been completed at the balance sheet date as follows:

<b>31 January 2008</b>			
<u>Construction in progress that has not been completed at the balance sheet date</u>	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion date</u>
Hauling road	35%	24,825	December 2008
Buildings	97%	30,321	March 2008
Others (each below Rp 20,000)	50% - 85%	<u>21,793</u>	February 2008 - December 2008
		<u><u>76,939</u></u>	
<b>31 December 2007</b>			
<u>Construction in progress that has not been completed at the balance sheet date</u>	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion date</u>
Hauling road	33%	23,047	December 2008
Buildings	96%	30,426	March 2008
Others (each below Rp 20,000)	50% - 85%	<u>20,116</u>	February 2008 - December 2008
		<u><u>73,589</u></u>	

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**12. FIXED ASSETS (continued)**

**Construction in progress (continued)**

<b>31 December 2006</b>			
<u>Construction in progress that has not been completed at the balance sheet date</u>	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion date</u>
Road and bridges	60%	77,683	2009
Resurfacing chipseal	88%	30,004	June 2007
Others (each below Rp 20,000)	10% - 95%	14,709	January 2007 - March 2008
		<u>122,396</u>	
<b>31 December 2005</b>			
<u>Construction in progress that has not been completed at the balance sheet date</u>	<u>Percentage of completion</u>	<u>Accumulated costs</u>	<u>Estimated completion date</u>
Road and bridges	50%	84,564	2008
Others (each below Rp 20,000)	8% - 73%	10,388	January 2007 - April 2008
		<u>94,952</u>	

**13. INVESTMENTS IN ASSOCIATES**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<u>PT Rachindo Investments</u>				
Percentage of interest	50.00%	50.00%	-	-
Carrying amount - beginning balance	4,778	-	-	-
Carrying amount prior to consolidation of Decimal	-	4,597	-	-
Share in net loss of associates	-	(22)	-	-
Exchange difference due to financial statement translation	(64)	203	-	-
	<u>4,714</u>	<u>4,778</u>	-	-
<u>PT Karunia Barito Sejahtera</u>				
Percentage of interest	32.80%	32.80%	-	-
Carrying amount - beginning balance	39	-	-	-
Addition of investment	-	82	-	-
Share in net loss of associates	-	(43)	-	-
	<u>39</u>	<u>39</u>	-	-

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13. INVESTMENTS IN ASSOCIATES (continued)

	31 January	31 December		
	2008	2007	2006	2005
<u>Arindo Global (Netherlands) B.V.</u>				
Percentage of interest	33.00%	33.00%	-	-
Carrying amount - beginning balance	50	-	-	-
Carrying amount prior to consolidation of Decimal	-	20,264	-	-
Share in net loss of associates	(49)	(20,476)	-	-
Exchange difference due to financial statement translation	-	262	-	-
	<u>1</u>	<u>50</u>	<u>-</u>	<u>-</u>
<u>PT Anugerah Buminusantara Abadi</u>				
Percentage of interest	0.01%	0.01%	-	-
Carrying amount - beginning balance	1	-	-	-
Investment addition due to subsidiary's dilution	-	1	-	-
	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>
<u>Decimal Investment Ltd</u>				
Percentage of interest	-	-	46.43%	-
Carrying amount - beginning balance	-	295,676	-	-
Acquisition	-	-	295,676	-
Reversal due to Group's consolidation	-	(295,676)	-	-
	<u>-</u>	<u>-</u>	<u>295,676</u>	<u>-</u>
<u>Revere Group Ltd</u>				
Percentage of interest	-	-	46.43%	-
Carrying amount - beginning balance	-	295,676	-	-
Acquisition	-	-	295,676	-
Reversal due to Group's consolidation	-	(295,676)	-	-
	<u>-</u>	<u>-</u>	<u>295,676</u>	<u>-</u>
<u>PT Indonesia Bulk Terminal</u>				
Percentage of interest	-	-	8.93%	8.93%
Carrying amount - beginning balance	-	76,322	76,322	250,477
Share in net income of subsidiary - prior to dilution	-	-	-	26,527
Deduction due to investment dilution	-	-	-	(213,298)
Exchange difference due to financial statement translation	-	-	-	12,616
Reversal due to Group's consolidation	-	(76,322)	-	-
	<u>-</u>	<u>-</u>	<u>76,322</u>	<u>76,322</u>
	<u>4,755</u>	<u>4,868</u>	<u>667,674</u>	<u>76,322</u>

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**13. INVESTMENTS IN ASSOCIATES (continued)**

Details of share in (loss)/income of associates for the one month period ended 31 January 2008 and the years ended 31 December 2007, 2006 and 2005 were as follow:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
PT Rachindo Investments	-	(22)	-	-
PT Karunia Barito Sejahtera	-	(43)	-	-
Arindo Global (Netherlands) B.V.	(49)	(20,476)	-	-
PT Indonesia Bulk Terminal - prior to dilution	-	-	-	26,527
	<u>(49)</u>	<u>(20,541)</u>	<u>-</u>	<u>26,527</u>

As at 31 December 2007, Revere, Decimal and IBT were consolidated to the consolidated financial statements as the result of the increase of ownership in Revere and Decimal (refer to Note 3m).

As at 31 December 2006 and 2005, investments in associates owned by ATA were pledged as collateral for a short-term loan from DBS, Notes, the New Senior Facility and the Mezzanine Facility (refer to Notes 19, 23 and 25). However, as at 31 December 2007, the investments in associates were no longer pledged as collateral for those facility as they had been fully paid.

Investment in Rachindo and Arindo Global were the assets acquired from the acquisition of Decimal (refer to Note 3m).

**14. MINING PROPERTIES**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Acquisition cost</b>				
Carrying amount - beginning balance	164,955	157,968	172,153	162,276
Exchange difference due to financial statement translation	<u>(2,242)</u>	<u>6,987</u>	<u>(14,185)</u>	<u>9,877</u>
	<u>162,713</u>	<u>164,955</u>	<u>157,968</u>	<u>172,153</u>
<b>Accumulated amortisation</b>				
Carrying amount - beginning balance	(46,593)	(36,721)	(31,411)	(21,495)
Amortisation	(686)	(8,000)	(8,027)	(8,503)
Exchange difference due to financial statement translation	<u>642</u>	<u>(1,872)</u>	<u>2,717</u>	<u>(1,413)</u>
	<u>(46,637)</u>	<u>(46,593)</u>	<u>(36,721)</u>	<u>(31,411)</u>
	<u>116,076</u>	<u>118,362</u>	<u>121,247</u>	<u>140,742</u>

The balance represents the mining properties arising from the acquisition of ownership in Adaro, as a result of the fair valuation of the assets acquired at the date of acquisition.



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15. GOODWILL

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Acquisition cost</b>				
Carrying amount - beginning balance	1,262,216	20,296	20,113	-
Addition	4,026,574	1,206,775	183	20,113
Deduction	-	(1,155)	-	-
Exchange difference due to financial statement translation	(71,612)	36,300	-	-
	<u>5,217,178</u>	<u>1,262,216</u>	<u>20,296</u>	<u>20,113</u>
<b>Accumulated amortisation</b>				
Carrying amount - beginning balance	(36,684)	(4,788)	(730)	-
Addition	(27,986)	(32,027)	(4,058)	(730)
Deduction	-	1,003	-	-
Exchange difference due to financial statement translation	734	(872)	-	-
	<u>(63,936)</u>	<u>(36,684)</u>	<u>(4,788)</u>	<u>(730)</u>
	<u>5,153,242</u>	<u>1,225,532</u>	<u>15,508</u>	<u>19,383</u>

The balance of goodwill arises from the acquisition of ownership in PS, ABA, SMP, BAT, Revere, Decimal, IBT, Arindo Holdings and goodwill recorded by Arindo Holdings from the acquisition of Vindoor (refer to Note 3).

16. TRADE PAYABLES

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Third parties:				
PT Pamapersada Nusantara	622,625	586,280	491,369	602,347
PT Batuah Abadi Lines	263,765	224,748	214,171	216,545
PT Bukit Makmur Mandiri Utama	171,346	150,366	172,499	112,943
PT United Tractors Tbk	68,889	70,733	40,679	29,157
PT Rig Tender Indonesia	40,735	33,819	32,237	42,358
PT AKR Corporindo Tbk	40,203	40,098	-	-
PT Concord Fuels Indonesia	-	37,249	-	-
Orchard Maritime Services Pte Ltd	-	-	-	65,072
Others (each below Rp 30,000)	359,404	362,558	357,705	201,665
	<u>1,566,967</u>	<u>1,505,851</u>	<u>1,308,660</u>	<u>1,270,087</u>

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**16. TRADE PAYABLES (continued)**

	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
			<b>2006</b>	<b>2005</b>
Related parties:				
Orchard Maritime Logistics Pte Ltd <sup>a)</sup>	110,861	108,023	62,755	-
PT Rahman Abdijaya <sup>b)</sup>	51,135	58,720	-	-
PT Pulau Seroja Jaya <sup>c)</sup>	22,026	-	-	-
PT Padangbara Sukses Makmur	7,478	6,749	693	-
PT Anugerah Buminusantara Abadi	6,846	6,290	-	-
PT Padang Sejahtera	-	2,540	-	-
PT Indonesia Bulk Terminal	-	-	17,481	-
Coaltrade Services International Pte Ltd	-	-	-	3,881
	<u>198,346</u>	<u>182,322</u>	<u>80,929</u>	<u>3,881</u>
	<u>1,765,313</u>	<u>1,688,173</u>	<u>1,389,589</u>	<u>1,273,968</u>

<sup>a)</sup> Related party since June 2006

<sup>b)</sup> Related party since October 2007

<sup>c)</sup> Related party since January 2008

Details of trade payables based on currencies are as follows:

	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
			<b>2006</b>	<b>2005</b>
US Dollars	1,369,518	1,356,629	1,136,863	1,071,146
Rupiah	387,713	322,077	243,657	195,113
Euro	4,280	5,438	5,900	6,308
Japanese Yen	1,709	1,691	2,433	66
Australian Dollars	1,169	1,476	7	50
Singapore Dollars	924	862	729	1,285
	<u>1,765,313</u>	<u>1,688,173</u>	<u>1,389,589</u>	<u>1,273,968</u>

Aging analysis of trade payables is as follows:

	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
			<b>2006</b>	<b>2005</b>
Current and overdue 1 - 30 days	1,753,263	1,599,051	1,211,900	1,229,601
Overdue 31 - 60 days	5,191	82,958	111,210	2,376
Overdue 61 - 90 days	2,468	432	351	2,902
Overdue more than 90 days	4,391	5,732	66,128	39,089
	<u>1,765,313</u>	<u>1,688,173</u>	<u>1,389,589</u>	<u>1,273,968</u>

Trade payables balances mainly arose from the purchase of spare parts, repair and maintenance services, purchase of coal and mining services.

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**16. TRADE PAYABLES (continued)**

Since 2007, IBT has been consolidated to the Group's consolidated financial statements, therefore balances and transactions between IBT and the Group were eliminated. Since 2007, ABA and PS were not consolidated into the Group's consolidated financial statements. Since 2008, Coaltrade has been consolidated to the Group's consolidated financial statements, therefore balances and transactions between Coaltrade and the Group were eliminated.

Refer to Note 39 for details of related parties balances and transactions.

**17. ACCRUED EXPENSES**

	<u>31 January</u> <u>2008</u>	<u>31 December</u> <u>2007</u>	<u>2006</u>	<u>2005</u>
Freight	217,463	208,035	25,812	50,029
Accrued interest	71,013	61,523	43,077	40,106
Fuel cost	53,216	-	-	-
VAT (refer to Note 37b)	-	-	-	163,336
Others	<u>35,666</u>	<u>36,569</u>	<u>16,763</u>	<u>32,011</u>
	<u>377,358</u>	<u>306,127</u>	<u>85,652</u>	<u>285,482</u>

**18. PROMISSORY NOTES**

	<u>31 January</u> <u>2008</u>	<u>31 December</u> <u>2007</u>	<u>2006</u>	<u>2005</u>
Third parties	-	-	-	58,980
Related parties	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,770</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,750</u>
Discount	-	-	-	(144,450)
Movement in foreign exchange rates	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,300</u>

On 28 June 2005, ATA entered into non-interest bearing Subordinated Promissory Notes ("Promissory Notes") with PT Sukses Indonesia ("SI"), PCI, Saratoga, PT Unitras Pertama ("UP") and PT Pranaindah Gemilang ("PG") as part of the payment for the acquisition of Dianlia of US\$25 million (equivalent to Rp 245,750). The Promissory Notes is due and payable in one bullet payment on the date falling 30-years after the issuance date.

On 30 November 2005, PCI transferred its rights to the Promissory Notes amounting to US\$5.25 million (equivalent to Rp 51,608) to Morgan. On 21 December 2005, Morgan transferred its rights to the Promissory Notes to Great Oasis Equities Ltd ("GOE"). On 28 March 2006 the Promissory Notes were redeemed by ATA in the amount of US\$10 million.

Refer to Note 39 for details of related parties balances and transactions.

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**19. SHORT-TERM BANK LOANS**

	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
			<b>2006</b>	<b>2005</b>
<b>US Dollars</b>				
PT Bank Ekspor Indonesia (Persero)	325,185	329,665	180,400	98,440
PT Bank Niaga Tbk	92,910	94,190	44,198	-
PT Bank DBS Indonesia	18,582	13,771	45,100	49,150
PT Bank Mandiri (Persero) Tbk	9,291	9,419	-	-
PT Bank Bukopin Tbk	-	-	-	4,922
	<u>445,968</u>	<u>447,045</u>	<u>269,698</u>	<u>152,512</u>

The interest rate on the short-term bank loans were as follows:

	<b>31 January 2008</b>	<b>2007</b>	<b>31 December</b>	
			<b>2006</b>	<b>2005</b>
US Dollars	6.6%-8.3%	7.4%-8.7%	5.1%-8.5%	6.8%-7.5%

**a. PT Bank Ekspor Indonesia (Persero)**

On 27 September 2005, SIS entered into a short-term loan agreement with BEI amounting to US\$10,000,000 to finance the working capital of export activities. The term of the loan is 360 days and is renewable upon agreement by both parties. This loan bears interest at the Singapore Interbank Offered Rate ("SIBOR") plus a certain percentage. On 3 October 2005, SIS made a full drawdown of US\$10,000,000.

On 21 December 2006, the agreement was amended to increase the loan facility up to US\$20,000,000 at the maximum and extend the maturity date until 17 September 2007. On 27 December 2006, SIS made an additional drawdown of US\$10,000,000.

On 28 May 2007, the agreement was amended to increase the loan facility up to US\$35,000,000 at the maximum. On 17 September 2007, the agreement was amended to extend the maturity date until 17 September 2008. During 2007, SIS made additional drawdown amounting to US\$15,000,000. As at 31 January 2008, the outstanding balance of this facility was US\$35,000,000.

This loan is collateralised by:

- trade receivables of US\$41,500,000;
- inventories of US\$6,900,000;
- heavy equipment of US\$22,750,000; and
- corporate guarantee from Saratoga, PCI and PT Cipta Sejahtera Persada ("CSP"), limited to the facility of US\$10,000,000.

This loan, together with other facilities agreed by BEI have the same terms and conditions as those of the long-term bank loans from BEI (refer to Note 23g).

In addition, SIS is required to maintain certain financial ratios and the ratio of the total pledged inventories and trade receivables compared to the outstanding facility at a minimum of 122%, and this loan has become the senior loan of the subordinate loan from GOE of US\$8,000,000 (refer to Note 27).

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**19. SHORT-TERM BANK LOANS (continued)**

**b. PT Bank Niaga Tbk**

On 21 July 2006, SIS entered into a loan facility agreement with Niaga to finance the purchase of land and building and working capital amounting to US\$5,000,000 as a revolving fixed loan facility. This facility was due on 21 July 2007. In 2006 and 2007, SIS made drawdowns amounting to US\$4,900,000 and US\$100,000 respectively.

On 2 August 2007, SIS amended the agreement with Niaga to extend the maturity date of the loan facility until 21 October 2007. On 10 October 2007, SIS amended the agreement with Niaga to extend the maturity date of the revolving fixed loan facility until 21 July 2008.

On 10 October 2007, SIS entered into a loan facility agreement with Niaga to finance the purchase of heavy equipment and the working capital for mining services in Birang amounting to US\$5,000,000 as a second revolving fixed loan facility. The second revolving fixed loan facility will be due on 21 July 2008. During 2007, SIS made a full drawdown amounting to US\$5,000,000.

This loan, together with other facilities agreed by Niaga, have the same collateral, terms and conditions as those of the long-term bank loans from Niaga (refer to Note 23d).

As at 31 January 2008, the outstanding balance of the short-term bank loan to Niaga was US\$10,000,000.

**c. PT Bank DBS Indonesia**

**The Company**

On 10 May 2007, the Company entered into a bank loan facility agreement with DBS amounting to US\$11,000,000 at the maximum. The facility provided by DBS consists of an uncommitted joint pre-export facility ("PEF") of US\$5,000,000 or in Rupiah equivalent, at the maximum and an uncommitted account receivables discounting (with recourse) facility ("ARD") of US\$4,000,000 or in Rupiah equivalent, at the maximum with total sub-facilities of PEF and ARD of US\$5,000,000 at the maximum. In addition, there is also an uncommitted export bill letter of credit (clean) facility for an export financing facility of US\$5,000,000 at the maximum and an uncommitted foreign exchange banking facility of US\$1,000,000 at the maximum.

The loan will be due on 11 April 2008 and bears interest at SIBOR divided by 0.87 plus a certain percentage for the facility in US Dollars currency and *Sertifikat Bank Indonesia* ("SBI") rates divided by 0.9 plus a certain percentage for the facility in Rupiah currency. As at 31 January 2008, the outstanding balance under this loan was US\$2,000,000 (31 December 2007: US\$1,462,000).

This loan is collateralised by:

- trade receivables of the Company of US\$5,883,000; and
- 51% of shares ownership interest in BAT which is owned by BAS.

Based on the agreement, the Company is required to maintain certain financial ratios and comply with certain covenants such as restrictions on distribution of dividends, pledging the Company's assets, paying any liabilities to the shareholder and related parties, receiving any loans and administration requirements.

In 2008 and 2007, the Company did not comply with several of the terms and conditions above. However, this has been approved by the bank. On 7 April 2008, the loan has been fully paid by the Company.

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**19. SHORT-TERM BANK LOANS (continued)**

**c. PT Bank DBS Indonesia (continued)**

**PT Adaro Indonesia**

On 11 June 2002, Adaro entered into a loan agreement with DBS for a revolving loan facility of US\$5 million, bank guarantee facility of US\$10 million and foreign currency transaction facility of US\$1 million. The agreement was annually reviewed for renewal with the latest renewal signed on 13 September 2006 for period end on 11 June 2007 which consists of a revolving loan facility of US\$5 million, bank guarantee facility of US\$5 million, Standby Letter of Credit ("SBLC") facility of Rp 45,500 and foreign currency transaction facility of US\$1 million. This revolving loan facility bears interest at the SIBOR divided by 0.87 plus a certain percentage and was pledged by the following collaterals:

- pledge of all shares of Adaro;
- fiduciary securities over Adaro's bank accounts, moveable assets, receivables, insurance and inventories;
- assignment of Adaro's principal agreement for security purposes;
- pledge of receivables; and
- assignment of rights under shares subscription agreement.

As at 31 December 2006 and 2005, the outstanding loan from the revolving loan facility was US\$5 million. The revolving loan facility was fully repaid on 8 February 2007; nevertheless, the other facilities have been extended until 11 September 2007.

On 13 February 2007, Adaro entered into an agreement to convert the existing facility into an SBLC facility of US\$15 million. This facility is not bound by any collateral.

**d. PT Bank Mandiri (Persero) Tbk**

On 7 September 2007, SIS entered into a short-term loan agreement with Mandiri amounting to US\$1,000,000 to finance working capital. This loan is a revolving loan and due on 6 September 2008. On 27 November 2007, SIS made full drawdown of this facility. As at 31 January 2008, the outstanding balance of this facility was US\$1,000,000.

This loan together with other facilities agreed by Mandiri have the same collateral, terms and conditions as those of the long-term bank loans from Mandiri (refer to Note 23b).

**e. PT Bank Bukopin Tbk**

On 26 August 2005, SIS entered into a short-term loan agreement with Bukopin amounting to US\$500,000 for working capital purposes. The loan was due on 5 September 2005. In 2005, SIS made full drawdown of this facility.

Since the initial agreement, the loan has been extended several times. On 29 September 2006, the maturity date of this loan was extended until 5 October 2009. Therefore, this loan was categorised as a long-term loan in 2006 (refer to Note 23f).

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**20. OTHER SHORT-TERM LOANS**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>US Dollars</b>				
Third parties:				
Hurtado Investments Ltd	51,648	144,582	75,317	-
Lawnfield Pacific Ltd	-	47,095	-	-
Great Oasis Equities Ltd	-	-	-	13,290
Others	-	-	-	4,922
Total other short-term loans	<u>51,648</u>	<u>191,677</u>	<u>75,317</u>	<u>18,212</u>

The interest rates on the other short-term loans are as follows:

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
US Dollars	8%-17%	8%-17%	8%-13%	8%-17%

**a. Hurtado Investments Ltd**

On 20 December 2006, SIS, Hurtado Investments Ltd ("Hurtado") and ASL entered into a novation agreement, whereby ASL assigned its rights and obligations on loans amounting to US\$1,350,000 and US\$6,500,000, respectively, to Hurtado. The loans were due on 10 May 2007 and 13 December 2007, respectively (refer to Note 20c).

On 10 May 2007, SIS and Hurtado amended the agreement to extend the maturity date of the loan amounting to US\$1,350,000 until 10 May 2008.

On 13 December 2007, SIS and Hurtado amended the agreement to extend the maturity date of the loan amounting to US\$6,500,000 until 13 December 2008. In January 2008, SIS partially repaid the loan from Hurtado in the amount of US\$4,791,100.

On 28 December 2006, SIS, Hurtado and an individual third party entered into a novation agreement, whereby the individual third party assigned its rights and obligations on a loan amounting to US\$500,000 to Hurtado. The loan was due on 28 July 2007 (refer to Note 20d). On 28 July 2007, SIS and Hurtado amended the agreement to extend the maturity date of this loan until 28 July 2008.

On 21 December 2007, SIS entered into a new loan agreement with Hurtado amounting to US\$7,000,000 for working capital purposes. This loan will be due on 21 December 2008. In December 2007, SIS made a full drawdown of this loan facility.

On 14 January 2008, Hurtado and Joyce Corner International Ltd ("Joyce") entered into a novation agreement, whereby Hurtado assigned its rights and obligations on its loan to SIS amounting to US\$5,000,000 to Joyce (refer to Note 26).

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**20. OTHER SHORT-TERM LOANS (continued)**

**b. Lawnfield Pacific Ltd**

On 21 December 2007, SIS and Lawnfield Pacific Ltd ("Lawnfield") entered into a loan agreement amounting to US\$5,000,000 for working capital purposes. This loan was due on 24 March 2008. In December 2007, SIS made a full drawdown of this loan facility.

On 14 January 2008, Lawnfield and Joyce entered into a novation agreement, whereby Lawnfield assigned its rights and obligations on its loan to SIS amounting to US\$5,000,000 to Joyce (refer to Note 26).

**c. Great Oasis Equities Ltd**

On 28 April 2005, PT Persada Capital entered into a novation agreement to assign its loans to SIS amounting to US\$750,000 and US\$1,000,000, respectively, to GOE. The loans were due on 5 May 2005 and 10 May 2005, respectively. During 2005, SIS repaid the loan amounting to US\$400,000. The agreement has been amended several times, and most recently by amendment agreement dated 10 May 2006 which amended the maturity date to 10 May 2007 for the loan of US\$1,350,000.

On 20 November 2006, SIS, GOE and ASL entered into a novation agreement, whereas GOE assigned its rights and obligations on this loan amounting to US\$1,350,000 to ASL.

On 13 July 2006, SIS entered into a loan agreement with GOE amounting to US\$10,000,000 for working capital purposes. This loan was due on 13 October 2006. SIS made full drawdown of this loan facility in July 2006. The loan was gradually repaid in September 2006 in the amount of US\$3,500,000. On 13 October 2006, the remaining outstanding loan of US\$6,500,000 had its maturity date extended until 13 December 2006.

On 20 November 2006, SIS, GOE and ASL entered into a novation agreement, whereby GOE assigned its rights and obligations on the remaining outstanding loan of US\$6,500,000 to ASL.

On 20 December 2006, the loans of US\$1,350,000 and US\$6,500,000, respectively, were assigned by ASL to Hurtado (refer to Note 20a).

**d. Others**

In April 2005, SIS entered into several novation agreements with Dianlia and an individual third party to assign the loans from Dianlia to SIS amounting to US\$500,000. On 28 December 2006, SIS, an individual third party and Hurtado entered into a novation agreement, whereby individual third party assigned its rights and obligations on this loan to Hurtado (refer to Note 20a).



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**21. ROYALTIES PAYABLE**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Government royalties payable, net	<u>424,332</u>	<u>583,452</u>	<u>614,554</u>	<u>550,720</u>

Since 1 July 1999, Adaro has adopted a sales-based cash royalty method to satisfy the Government's production entitlement (refer to Note 1c). Payments of the Government's entitlement are based on Adaro's calculation of net sales price which is subject to audit by the Directorate of Mineral and Coal Business Supervision, Department of Energy and Mineral Resources. By Adaro, the settlement of the royalty is offset with VAT input (refer to Note 37b).

**22. LEASE PAYABLES**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
PT Komatsu Astra Finance	289,928	301,726	131,931	-
VFS International AB	47,513	50,903	54,322	46,001
Others (each below Rp 30,000)	<u>13,954</u>	<u>16,135</u>	<u>52,515</u>	<u>70,390</u>
Total lease payables	<u>351,395</u>	<u>368,764</u>	<u>238,768</u>	<u>116,391</u>
Less:				
Portion due within one year	<u>(121,361)</u>	<u>(125,728)</u>	<u>(87,743)</u>	<u>(54,277)</u>
Non-current portion	<u>230,034</u>	<u>243,036</u>	<u>151,025</u>	<u>62,114</u>

The future minimum lease payments under the lease agreements are as follows:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Payable not later than 1 year	122,040	152,664	107,707	76,138
Payable later than 1 year and not later than 2 years	124,630	128,040	81,206	36,775
Payable later than 2 years	<u>128,444</u>	<u>140,156</u>	<u>88,153</u>	<u>18,780</u>
	<u>375,114</u>	<u>420,860</u>	<u>277,066</u>	<u>131,693</u>
Less:				
Future financing charges	<u>(23,719)</u>	<u>(52,096)</u>	<u>(38,298)</u>	<u>(15,302)</u>
Present value of minimum lease payments	<u>351,395</u>	<u>368,764</u>	<u>238,768</u>	<u>116,391</u>

Significant general terms and conditions of the finance leases are as follows:

- the Group is restricted from selling, lending, leasing, or otherwise disposing of or ceasing to exercise direct control over the leased assets;
- the Group is restricted from creating or allowing any encumbrance to all or any part of the leased assets; and
- all leased assets are pledged as collateral for the underlying finance leases.

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**23. LONG-TERM BANK LOANS**

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Rupiah</b>				
PT Bank Niaga Tbk	108	167	559	631
PT Bank Mandiri (Persero) Tbk	-	-	463	355
PT Bank Rakyat Indonesia (Persero) Tbk	-	-	359	482
PT Bank Central Asia Tbk	-	-	123	-
PT Bank Muamalat Indonesia Tbk	-	-	-	60,691
	<u>108</u>	<u>167</u>	<u>1,504</u>	<u>62,159</u>
<b>US Dollars</b>				
DBS Bank Ltd (syndicated loan)	6,968,250	5,180,450	-	-
PT Bank Mandiri (Persero) Tbk	418,095	423,855	-	-
PT Bank NISP Tbk - OCBC Ltd (syndicated loan)	353,025	357,889	216,480	-
PT Bank Niaga Tbk	160,750	164,254	72,160	-
PT Bank Permata Tbk	69,560	71,726	18,040	-
PT Bank Bukopin Tbk	55,494	57,507	82,989	111,087
PT Bank Ekspor Indonesia (Persero)	25,808	27,472	41,342	49,220
New Mezzanine Facility (syndicated loan)	-	-	2,711,471	-
New Senior Facility (syndicated loan)	-	-	1,376,728	1,966,000
Sumitomo Mitsui Banking Corporation	-	-	432,960	305,164
PT Bank Danamon Tbk	-	-	1,307	4,304
PT Bank Syariah Mandiri Tbk	-	-	-	23,486
	<u>8,050,982</u>	<u>6,283,153</u>	<u>4,953,477</u>	<u>2,459,261</u>
Total long-term bank loans	<u>8,051,090</u>	<u>6,283,320</u>	<u>4,954,981</u>	<u>2,521,420</u>
Less:				
Portion due within one year	<u>(863,349)</u>	<u>(747,892)</u>	<u>(589,259)</u>	<u>(677,332)</u>
Non-current portion	<u>7,187,741</u>	<u>5,535,428</u>	<u>4,365,722</u>	<u>1,844,088</u>

The interest rates on the long-term bank loans are as follows:

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Rupiah	19%	15.5%-19%	6.9%-19%	4.6%-16%
US Dollars	5.74%-9%	7.5%-16.9%	7.4%-16.9%	8%-17%

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**23. LONG-TERM BANK LOANS (continued)**

**a. DBS Bank Ltd (syndicated loan)**

On 2 November 2007, Adaro and Coaltrade, as the Borrowers, entered into a syndicated loan facility agreement with several foreign banks (the "Lenders") which consist of DBS Bank Ltd, SCB (Singapore branch), Sumitomo Mitsui Banking Corporation (Singapore branch) ("SMBC"), The Bank of Tokyo-Mitsubishi UFJ Ltd (Singapore branch) and United Overseas Bank Ltd (Singapore and Labuan branch), wherein DBS Bank Ltd acts as the facility agent. Based on the agreement, the Lenders agreed to grant bank loan facilities of US\$750 million with a maturity date of December 2012 of which Adaro and Coaltrade obtained facilities of US\$550 million and US\$200 million, respectively. These facilities consist of a term loan facility of US\$650 million and a revolving loan facility of US\$100 million with interest rates at the London Interbank Offered Rate ("LIBOR") plus a certain percentage. These facilities were used to refinance the New Mezzanine facility, New Senior facility and Notes.

The term loan facility is payable quarterly with the first instalment on 7 March 2008. The payment schedule for the loan is as follows:

<u>Year</u>	<u>Adaro</u>	<u>Coaltrade</u>	<u>Total</u>
2008	US\$ 36,536,000	US\$ 13,464,000	US\$ 50,000,000
2009	US\$ 36,536,000	US\$ 13,464,000	US\$ 50,000,000
2010	US\$ 36,536,000	US\$ 13,464,000	US\$ 50,000,000
2011	US\$146,144,000	US\$ 53,844,000	US\$199,988,000
2012	<u>US\$294,248,000</u>	<u>US\$105,764,000</u>	<u>US\$400,012,000</u>
	<u>US\$550,000,000</u>	<u>US\$200,000,000</u>	<u>US\$750,000,000</u>

The revolving loan facility shall be paid in full on 7 December 2010, wherein Adaro and Coaltrade have an option to extend up to 7 December 2012.

As at 31 January 2008, the outstanding balance of this loan facility for Adaro and Coaltrade was US\$550 million and US\$200 million, respectively (31 December 2007: US\$550 million for Adaro).

ATA, IBT, Biscayne, Arindo Holdings, Viscaya Investments ("Viscaya") and the Borrowers (collectively hereinafter referred to as the "Guarantor"), act as the guarantors of the syndicated loan.

In accordance with the loan agreement, the Borrowers are required to maintain certain financial ratios.

Significant terms and conditions of the syndicated loan are as follows:

- IBT, Adaro and Coaltrade are not allowed to assign any or part of their assets to their related parties, dispose of any their receivables on recourse terms and enter into any arrangement under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts;
- The Borrowers must ensure that no substantial change is made to the general nature of the business of IBT, Adaro and Coaltrade;
- No Borrower or Guarantor may enter into any merger, consolidation, amalgamation or reconstruction other than a Permitted IPO or any merger, consolidation and amalgamation where the resulting entity becomes a Borrower and a Guarantor. Permitted IPO is defined as initial public offering in the Indonesia Stock Exchange or in any internationally reputable stock exchange which results in certain amount of net proceeds at minimum;

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**23. LONG-TERM BANK LOANS (continued)**

**a. DBS Bank Ltd (syndicated loan) (continued)**

- IBT, Adaro and Coaltrade may not acquire or subscribe for shares or other ownership interests in or securities of any company; acquire any business; or incorporate any company, unless it was made pursuant to the a Permitted Reorganisation or a Permitted IPO. Permitted Reorganisation is defined as any reorganisation that does not result in a change of control;
- IBT, Adaro and Coaltrade may not act as a creditor for their customers;
- IBT, Adaro and Coaltrade may not redeem, purchase, retire or repay any of its shares or share capital; issue any shares or instrument convertible into shares which by their terms are redeemable or carry any right to a return; or issue any shares or share capital to any person other than a guarantor or a wholly-owned subsidiary of a Guarantor, unless certain conditions are satisfied;
- IBT, Adaro and Coaltrade may distribute any dividends in connection with a Permitted Reorganisation, where the dividends are distributed from their net profit plus any retained earnings that should not exceed 50% of those companies' net profit; and
- IBT, Adaro and Coaltrade cannot make amendments to their articles of association that result in changes of controls or limit their authority to obtain the loan.

**b. PT Bank Mandiri (Persero) Tbk**

**The Company**

In 2005, the Company obtained a loan facility from Mandiri for vehicle financing purposes. This facility was due in 24 months since the date of the agreement. This loan is collateralised with the vehicle purchased under this loan facility. As at 31 December 2006 and 2005, the outstanding balance of this loan was Rp 304 and Rp130, respectively. In November 2007, this loan was fully repaid.

**PT Padang Mulia**

In 2005, PM obtained a loan facility from Mandiri for vehicle financing purposes. This facility was due in 24 months since the date of the agreement. This loan is collateralised with the vehicle purchased under this loan facility. As at 31 December 2005, the outstanding balance of this loan was Rp 225. In 2006, this loan was fully repaid.

**PT Bahtera Alam Tamiang**

On 1 June 2006, BAT obtained a loan facility from Mandiri for vehicle financing purposes. This facility was due in 48 months since the date of the agreement. This loan is collateralised with the vehicle purchased under this loan facility. As at 31 December 2006, the outstanding balance of this loan was Rp 159.

Commencing on 31 December 2007, BAT's loan balance from Mandiri was no longer consolidated into the Group, as it had been disposed on 15 November 2007 (refer to Note 3k).

**PT Saptaindra Sejati**

On 7 September 2007, SIS entered into a long-term loan facility agreement with Mandiri amounting to US\$50,000,000 to refinance the loan from SMBC and finance the working capital for coal mining contractor services in Adaro. The facility shall be repaid in 23 quarterly instalments. During 2007, SIS made full drawdown of this facility amounting to US\$50,000,000 and repayment amounting to US\$5,000,000.

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**23. LONG-TERM BANK LOANS (continued)**

**b. PT Bank Mandiri (Persero) Tbk (continued)**

**PT Saptaindra Sejati (continued)**

This loan is collateralised by receivables from Adaro amounting to US\$70,000,000 and heavy equipment.

Based on the loan agreement, SIS is required to maintain certain financial ratios, subsequent to the IPO and comply with certain covenants such as restriction on making new participations in other companies and administration requirements.

As at 31 January 2008, the outstanding balance of this facility was US\$45,000,000 (31 December 2007: US\$45,000,000), which is repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$12,500,000
2009	US\$15,000,000
2010	US\$17,500,000

On 31 January 2008, SIS and Mandiri entered into a long-term revolving loan agreement amounting to US\$60,000,000 to refinance the loan from NISP and finance the working capital in existing and new projects, effective on 23 January 2008. On 27 February 2008, SIS made drawdown of US\$37,966,500 to fully pay all loan facilities from NISP (refer to Note 23c).

**c. PT Bank NISP Tbk and Oversea-Chinese Banking Corporation Ltd (syndicated loan)**

On 29 November 2006, SIS entered into a syndicated loan facilities agreement with NISP. These syndicated loan facilities consist of a term loan facility ("Facility A") amounting to US\$35,000,000 and a revolving loan facility ("Facility B") amounting to US\$10,000,000. Facility A and Facility B will mature within 48 months and 24 months, respectively. This loan bears interest at SIBOR plus a certain percentage.

During 2006, SIS made drawdown of Facility A and Facility B amounting to US\$20,000,000 and US\$4,000,000, respectively.

During 2007, SIS made additional drawdown of Facility A and Facility B amounting to US\$15,000,000 and US\$6,000,000, respectively. SIS also made partial repayments of Facility A amounting to US\$7,003,500. There was no additional drawdown and repayment during January 2008.

This loan is collateralised by heavy equipment that was financed by this loan and trade receivables from PT Sumber Kurnia Buana ("SKB") and Adaro.

Under the loan agreement, SIS is required to maintain certain financial ratios and comply with the following covenants:

- restriction on distributing dividends;
- restriction on reguaranteeing SIS's asset which has been pledged;
- restriction on selling, assigning and disposing of its mining contract with Adaro and SKB;
- restriction on fully repaying the subordinated loan;
- restriction on entering into any derivative transaction; and
- administration requirement.

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**23. LONG-TERM BANK LOANS (continued)**

**c. PT Bank NISP Tbk and Oversea-Chinese Banking Corporation Ltd (syndicated loan)**  
(continued)

As at 31 January 2008, the outstanding balance of Facility A was US\$27,996,500, (31 December 2007: US\$27,996,500 and 2006: US\$20,000,000) which was repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$9,338,000
2009	US\$9,338,000
2010	US\$9,320,500

As at 31 January 2008, the outstanding balance of Facility B was US\$10,000,000 (31 December 2007: US\$10,000,000 and 2006: US\$4,000,000).

In 2006 and 2007, SIS did not comply with several of the financial requirements above, however, the loan was fully repaid by SIS on 29 February 2008 using the long-term financing from Mandiri (refer to Note 23b).

**d. PT Bank Niaga Tbk**

**PT Saptaindra Sejati**

On 21 July 2006, SIS entered into a loan facility agreement with Niaga to finance the purchase of land and building and working capital, with an amount of US\$8,500,000 for the investment loan facility. The investment loan facility has a term of four years and is payable on a monthly basis. During 2006, SIS made full drawdown of this investment loan facility amounting to US\$8,500,000.

As at 31 January 2008, the outstanding balance under the investment loan facility was US\$6,250,000 (31 December 2007: US\$6,400,000 and 2006: US\$8,000,000), which is repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$1,850,000
2009	US\$2,520,000
2010	US\$1,880,000

On 10 October 2007, SIS entered into a loan facility agreement with Niaga to finance the purchase of heavy equipment and the working capital for mining services in Birang, amounting to US\$10,000,000 for the second investment loan facility. The second investment loan facility has a grace period of six months from the first drawdown and is repayable in 48 monthly instalments. During 2007, SIS made drawdown of the second investment loan facility amounting to US\$9,973,480.

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**23. LONG-TERM BANK LOANS (continued)**

**d. PT Bank Niaga Tbk (continued)**

**PT Saptaindra Sejati (continued)**

As at 31 January 2008, the outstanding balance of the second investment loan facility was US\$9,973,480 (31 December 2007: US\$9,973,480), which is repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$1,200,000
2009	US\$2,200,000
2010	US\$2,400,000
2011	US\$3,000,000
2012	US\$1,173,480

The above facility is collateralised by:

- heavy equipment which was financed by this facility;
- land and building purchased under this facility;
- trade receivables of PT Berau Coal ("Berau") amounting to US\$16,875,000; and
- corporate guarantee from SIS' shareholders.

Based on this loan agreement, SIS is required to comply with certain covenants such as restriction on distributing dividends, providing a corporate guarantee, providing or receiving loans from other parties, paying any liabilities to shareholders and administration requirements.

In 2007, SIS did not comply with several of the terms and conditions above, however, this was approved by the bank on 20 February 2008.

**PT Satya Mandiri Persada**

On 10 October 2007, SMP entered into a loan facility agreement with Niaga to refinance the shareholder's loan and building renovation amounting to US\$1,500,000. This facility has a grace period of three months from the first drawdown and shall be repaid in 60 monthly instalments. During 2007 and 2008, SMP made drawdown amounting to US\$1,065,012 and US\$13,143, respectively. SMP has not made any repayment of this loan. The payment schedule for the outstanding balance of US\$1,078,155 is as follows:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$106,501
2009	US\$163,302
2010	US\$205,902
2011	US\$248,503
2012	US\$291,103
2013	US\$ 62,844

This loan is collateralised by:

- building and land;
- operational equipment of Rp 285; and
- trade receivables of US\$44,640.

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**23. LONG-TERM BANK LOANS (continued)**

**d. PT Bank Niaga Tbk (continued)**

Car Loan Facility

**PT Dianlia Setyamukti**

On 29 October 2003, Dianlia entered into a car credit facility agreement with Niaga to finance the purchase of vehicles amounting to Rp 5,000 at the maximum. As at 31 December 2005, the outstanding loan balance was Rp 631. On 17 July 2006, the loan was transferred to SIS, a related party.

**PT Saptaindra Sejati**

On 17 July 2006, SIS, Dianlia and Niaga entered into a novation agreement to assign Dianlia's rights and obligations on this car credit facility to SIS for the remaining outstanding loan amounting to Rp 429. In 2006, SIS also made additional drawdown from this facility amounting to Rp 384. The loan is collateralised by the vehicles purchased using this loan. The loan has a term of three years and is payable on a monthly basis. In 2006, the loan was partially repaid in the amount of Rp 254. As at 31 January 2008, the outstanding balance of the car loan facility was Rp 108 (31 December 2007: Rp 167 and 2006: Rp 559).

**e. PT Bank Permata Tbk**

On 27 December 2006, SIS entered into a loan facility agreement with Permata, with aggregate amounts of US\$12,850,000 for the term loan facility ("TL-1 facility") to finance the purchase of heavy equipment, US\$300,000 for the term loan facility ("TL-2 facility") to finance the building of infrastructure on site and US\$3,000,000 for the revolving loan facility for working capital purposes. TL-1 and TL-2 facilities have a grace period of six months from the agreement date, a grace period of six months from the first drawdown and a term of 48 months including the grace periods. The revolving loan facility will mature on 27 December 2007.

On 28 January 2008, the maturity date of the revolving loan facility was temporarily extended until 27 March 2008, awaiting permanent extension.

This loan is collateralised by:

- heavy equipment amounting to US\$15,420,000 at the minimum; and
- trade receivables from PT Borneo Indobara ("Borneo") amounting to US\$19,380,000 at the minimum.

Under the agreement, SIS is required to subordinate the loan from GOE amounting to US\$8,000,000 and maintain the debt to equity ratio that will not exceed four, including the subordinate loan from GOE amounting to US\$8,000,000 as equity.

Based on the loan agreement, SIS is required to comply with certain covenants such as restriction on distributing dividends, acquiring loans from other creditors, providing loans to other parties, acting as guarantor of any other party's loan, repaying any liabilities to the shareholders and administration requirements.

As at 31 January 2008, the outstanding balance under the revolving facility was US\$3,000,000 (31 December 2007: US\$3,000,000 and 2006: US\$2,000,000).



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**23. LONG-TERM BANK LOANS (continued)**

**e. PT Bank Permata Tbk (continued)**

As at 31 January 2008, the outstanding balance under the TL-1 facility was US\$4,486,825 (31 December 2007: US\$4,615,020), which is repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$1,410,145
2009	US\$1,538,340
2010	US\$1,538,340

In 2007, SIS did not comply with several of the terms and conditions above. However, a written approval has been obtained from the bank.

**f. PT Bank Bukopin Tbk**

On 26 August 2005, SIS entered into a long-term loan agreement with Bukopin amounting to US\$3,111,416 for the purpose of purchasing of heavy equipment. The loan has a term of 25 months. On 29 August 2005, SIS made full drawdown amounting to US\$3,111,416. As at 31 December 2006 and 2005, the outstanding balance of this loan was US\$1,138,311 and US\$2,552,582, respectively. In September 2007, the loan was fully repaid by SIS.

On 19 October 2005, SIS entered into the second long-term loan agreement with Bukopin amounting to US\$6,640,000 for the purpose of refinancing the previous existing loan and purchasing of new heavy equipment amounting to US\$1,640,000 and US\$5,000,000, respectively. The loan has a term of 51 months. During 2005, SIS made several drawdowns with the total amount of US\$5,972,787. During 2006, SIS has made additional drawdown amounting to US\$667,213 and has made a full drawdown of this facility.

As at 31 January 2008, the outstanding balance under this facility was US\$3,472,883 (31 December 2007: US\$3,605,399, 2006: US\$5,124,447 and 2005: US\$5,809,094) which is repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$1,520,076
2009	US\$1,796,250
2010	US\$156,557

On 19 October 2005, SIS entered into a third long-term loan agreement with Bukopin amounting to US\$2,000,000 for working capital purposes. The loan has a term of 24 months and will be due on 19 October 2007. The interest will be repaid by SIS on a monthly basis. On 31 October 2005, SIS made a full drawdown amounting to US\$2,000,000. On 30 October 2007, the agreement was amended to extend the maturity date to 19 December 2009. As at 31 January 2008, the outstanding balance of this loan was US\$2,000,000.

On 19 October 2005, SIS entered into a fourth long-term loan agreement with Bukopin amounting to US\$1,000,000 for working capital purposes. The loan has a term of 24 months. On 28 October 2005, SIS made full drawdown amounting to US\$1,000,000. As at 31 December 2006 and 2005, the outstanding balance under this facility was US\$437,823 and US\$923,127, respectively. In October 2007, this loan was fully repaid by SIS.

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**23. LONG-TERM BANK LOANS (continued)**

**f. PT Bank Bukopin Tbk (continued)**

All loans from Bukopin above are collateralised by fiduciary transfer to Bukopin of SIS' heavy equipment which was financed under these loan facilities and SIS' trade receivables from Berau amounting to US\$5,500,000.

SIS is obliged to inform Bukopin in advance of incurring additional borrowings or taking over a credit facility from another bank, unless for purposes that are not related to SIS' core business, SIS shall obtain prior written consent from Bukopin. SIS is also restricted in certain circumstances from lending the money to other group members or other parties that are not related to the SIS' business and having an overdraft and cross clearing.

**g. PT Bank Ekspor Indonesia (Persero)**

On 27 September 2005, SIS entered into a long-term loan agreement with BEI amounting to US\$5,000,000 for the purpose of purchasing heavy equipment for coal mining operations. This loan has a term of four years with a one year grace period. Therefore, the repayment schedule will commence in the 13<sup>th</sup> month after the first drawdown, with each payment amounting to US\$138,889. On 3 October 2005, SIS made a full drawdown amounting to US\$5,000,000.

Based on the loan agreement, SIS is required to maintain certain financial and adequacy collateral ratios, subordinate the loan from GOE amounting to US\$8,000,000 and comply with certain covenants, such as restrictions on acquiring new loan, acting as a guarantor, selling or leasing certain main assets and administration requirements.

This loan is collateralised by:

- heavy equipment which was financed by this loan; and
- corporate guarantee from Saratoga, PCI and CSP.

As at 31 January 2008, the outstanding balance under this facility was US\$2,777,778 (31 December 2007: US\$2,916,667, 2006: US\$4,583,333 and 2005: US\$5,000,000) which was repayable according to the following schedule:

<u>Year</u>	<u>Payment schedule</u>
2008	US\$1,527,778
2009	US\$1,250,000

In 2007, SIS did not comply with several of the terms and conditions above, however, a written approval has been obtained from BEI.

**h. New Mezzanine Facility**

On 29 December 2006, Adaro Finance entered into a Mezzanine credit facility agreement of US\$300,606,483 with Citibank N.A. (London branch) as facility agent and DBS Bank Ltd as security agent (the "Mezzanine Facility"). The loan is repayable by Adaro Finance on 22 June 2020. The Mezzanine Facility bears interest at a fixed rate which is payable semi-annually commencing on 8 June 2007.

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**23. LONG-TERM BANK LOANS (continued)**

**h. New Mezzanine Facility (continued)**

On 23 March 2007, Adaro Finance entered into a Mezzanine credit facility agreement of US\$265,000,000 with Goldman Sachs Credit Partners L.P. ("Goldman") as lead arranger and facility agent, and DBS Bank Ltd as collective security agent (the "New Mezzanine Facility") and made drawdown of the remaining New Senior Facility of US\$47,369,375 (refer to Note 23i) to fully repay the existing Mezzanine facility and pay the accrued interest and finance charges related to this New Mezzanine Facility.

Based on the Guarantee Deed of Benny Kristianto S.H., Notary in Jakarta, No. 64 and 66 dated 23 March 2007, entered into by and between Adaro Finance, as one of the guarantors, and DBS Bank Ltd, Adaro is guaranteed the following items:

- Notes of US\$400 million issued by Adaro Finance;
- New Senior Facility of US\$200 million for a four year period obtained by Adaro Finance from a syndicate of DBS Bank Ltd, SMBC and Goldman; and
- New Mezzanine Facility of US\$265 million for a 13 year period obtained from group of investors.

The Notes, New Senior Facility and New Mezzanine Facility were guaranteed pursuant to the same security instruments as follows:

- pledges of all shareholders' shares in Adaro;
- assignments of Adaro's bank accounts;
- fiduciary security over Adaro's bank accounts, movable assets, receivables, insurance, inventories; and
- assignments of Adaro's principal agreements with third parties.

Adaro is also required to comply with certain requirements in accordance with the Notes, New Senior Facility and New Mezzanine Facility. On 10 December 2007, this loan was fully repaid.

**i. New Senior Facility (syndicated loan)**

On 6 December 2005, Adaro Finance entered into a bank loan agreement of US\$200 million with a syndicate of banks consisting of JPMorgan Securities (Asia Pacific) Ltd, SMBC and DBS Bank Ltd (the "Senior Facility"). The Senior Facility will mature on 9 December 2009.

Loan instalments of US\$12.5 million plus accrued interest are payable quarterly commencing on 8 March 2006. The loan bears an interest rate at LIBOR plus a certain percentage. This loan was fully repaid on 29 December 2006.

On 27 December 2006, Adaro Finance obtained a new bank loan facility of US\$200 million from a syndicate of banks consisting of DBS Bank Ltd, Goldman and SMBC under the Senior Credit Facilities (the "New Senior Facility"). As at 31 December 2006, the facility that had been drawdown amounted to US\$152,630,625. The applied interest rate is based on LIBOR plus a certain percentage.

On 23 March 2007, Adaro Finance made drawdown of the remaining New Senior Facility amounting to US\$47,369,375 which was used to refinance the Mezzanine Facility (refer to Note 23h).

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**23. LONG-TERM BANK LOANS (continued)**

**i. New Senior Facility (syndicated loan) (continued)**

Adaro Finance shall repay the New Senior Facility on a quarterly basis with the first instalment commencing on 8 March 2007. The first two instalments amounting to US\$10,000,000 each. For the remaining balance, an amount of US\$95,788,784 will be repaid in 13 quarterly instalments of US\$7,368,368 each and the final instalment of US\$36,841,840 will be due on 8 December 2010. Refer to Note 38a for interest expense incurred during 2007 and 2006. This loan was fully repaid on 10 December 2007.

**j. Sumitomo Mitsui Banking Corporation**

On 28 February 2005, SIS entered into a loan facility agreement with SMBC. SMBC will provide facilities amounting to US\$35,000,000 for the purchase of heavy equipment and working capital purposes for its coal mining contractor services to Adaro and Interex. During 2005, SIS made drawdown amounting to US\$18,000,000 and was fully repaid in the same year using loans from Morgan (refer to Note 24d).

On 14 December 2005, SIS entered into a transferable term loan facility agreement amounting to US\$60,000,000 with SMBC as mandated lead arranger, the banks and other financial institutions as the lenders, SMBC as facility agent and security agent and PT Bank Sumitomo Mitsui Indonesia as onshore account bank. The loan may only be used for refinancing the shareholder loan, financing the purchases of the heavy equipment, working capital requirements and financing costs. The loan shall be repaid in 15 successive quarterly instalments of US\$4,000,000 each, the first instalment to be paid exactly six months after the date on which the first loan was made. This loan bears interest at LIBOR plus a certain percentage. On 19 December 2005, SIS made a drawdown amounting to US\$31,000,000 net with a front end fee, agency fee, security agent fee and account bank fee for the total amount of US\$1,275,000. On 4 January 2006, SIS made an additional drawdown amounting to US\$29,000,000. As at 31 December 2006 and 2005, the outstanding balance under this facility was US\$48,000,000 and US\$31,000,000, respectively.

On 19 September 2007, the loan was fully repaid using the loan from Mandiri (refer to Note 23b).

**k. PT Bank Danamon Tbk**

On 24 December 2004, ABA entered into a credit facility agreement with PT Bank Danamon Tbk ("Danamon") amounting to US\$1,100,000. As at 31 December 2006, the outstanding balance was US\$144,883 (2005: US\$437,184). This loan has a term of 28 months. The facility was collateralised by trade receivables and heavy equipment purchased by ABA under this loan facility. On 24 March 2006, ABA and Danamon entered into an agreement to change the credit facility from US\$1,100,000 to US\$387,482.

As of 31 January 2008 and 31 December 2007, the loan was no longer consolidated to the Group as ABA had been disposed of by SIS on 30 April 2007 (refer to Note 3).

**l. PT Bank Syariah Mandiri Tbk**

On 17 September 2003, Dianlia entered into a loan agreement with PT Bank Syariah Mandiri Tbk for financing the purchase of heavy equipment and mining transportation vehicles with a total facility of US\$4 million.

Total drawdown up to 2006 was US\$3,387,649. As at 31 December 2005, the outstanding balance was US\$ 2,385,863. On 17 July 2006, the loan was fully repaid.

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**23. LONG-TERM BANK LOANS (continued)**

**m. PT Bank Rakyat Indonesia (Persero) Tbk**

On 4 November 2004, SIS entered into a credit facility agreement with PT Bank Rakyat Indonesia (Persero) Tbk amounting to Rp 615. The loan has a term of 60 months with monthly instalments of Rp 10. The facility is collateralised by land rights and building purchased by SIS under this loan facility. On 30 August 2007, the loan was fully repaid by SIS.

**n. PT Bank Central Asia Tbk**

On 6 July 2006, the Company obtained a loan facility from PT Bank Central Asia Tbk ("BCA") for vehicle financing. This facility was due in 24 months commencing on the agreement date. This loan is collateralised by the vehicle purchased under this loan facility.

As at 31 December 2006, the outstanding loan balance from this facility was Rp 123 and was fully repaid in May 2007.

**o. PT Bank Muamalat Indonesia Tbk**

On 12 April 2004, Dianlia entered into a working capital loan facility with PT Bank Muamalat Indonesia Tbk with maximum aggregate amounts of Rp 25,500 for a financing facility Al Murabahah, Rp 34,000 for a financing facility Waad Al Murabahah I, and Rp 17,000 for a working capital facility Waad Al Murabahah II. The loan will mature within 60 months with a grace period of four months.

As at 31 December 2005, the outstanding loan balance was Rp 60,691. On 17 July 2006, the loan was fully repaid.

**24. OTHER LONG-TERM LOANS**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Rupiah</b>				
Star Invest Corp	12,000	12,000	-	-
	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>-</u>
<b>US Dollars</b>				
Star Invest Corp	11,423	11,753	353,649	312,709
PT Paiton Energy	6,504	6,594	12,628	20,643
PT Astra Sedaya Finance	-	-	26,983	35,393
Morgan Creek Capital Ltd	-	-	-	98,440
	<u>17,927</u>	<u>18,347</u>	<u>393,260</u>	<u>467,185</u>
Total other long-term loans	<u>29,927</u>	<u>30,347</u>	<u>393,260</u>	<u>467,185</u>
Less:				
Portion due within one year	(6,504)	(6,594)	(366,262)	(193,044)
Non-current portion	<u>23,423</u>	<u>23,753</u>	<u>26,998</u>	<u>274,141</u>

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**24. OTHER LONG-TERM LOANS (continued)**

The interest rates on other long-term loans are as follows:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
US Dollars	6.4%	6.4%-13.5%	5.4%-12%	4.1%-12%
Rupiah	15%	15%	-	12%-14.4%

**a. Star Invest Corp**

**The Company**

On 15 December 2004, the Company and Star Invest Corp ("SIC"), entered into a convertible loan agreement amounting to Rp 50,000 with an annual fixed interest rate and US\$10,000,000 with an interest rate at three months SIBOR plus a certain percentage. The loan will mature within 24 months commencing on the agreement date. On 31 January 2005, the Company and SIC amended the agreement to change the loan amount to US\$20,000,000 and Rp 50,000. On 30 June 2005, the Company and SIC also amended the agreement to change the loan facility from Rp 50,000 to US\$5,147,740 and the outstanding loan balance from Rp 14,050 to US\$1,446,515.

On 1 January 2007 subsequent to the loan assignment from SIC by BAT to the Company, the Company and SIC made an amendment to the loan to change the total amount of the loan facility to US\$40,000,000 and extend the maturity date to 48 months commencing on the agreement date. On 3 January 2007, the Company and SIC amended the agreement to annul the loan facility agreement of Rp 50,000.

On 22 April 2008, the Company and SIC entered into an amendment agreement to change the maximum loan facility to US\$1,247,823.47 and Rp 12,000.

As at 31 January 2008, the outstanding balance of the loan was US\$1,247,824 and Rp 12,000 (31 December 2007: US\$1,247,824 and Rp 12,000, 2006: US\$19,636,401 and 2005: US\$13,768,312).

**PT Bahtera Alam Tamiang**

On 23 August 2004 and 15 December 2004, BAT entered into a convertible loan agreement in US Dollars and Rupiah with SIC, for a maximum amount of US\$15,000,000 and Rp 25,000, respectively. The loan in US Dollars was due on 23 August 2006 and bears an interest rate at three months SIBOR plus a certain percentage. The loan in Rupiah was converted into a loan in US Dollars and was due on 30 June 2006 and bears a fixed interest rate.

As at 31 December 2006 and 2005, the outstanding balance of this loan was US\$16,041,954 and US\$15,269,676, respectively. Commencing on 31 December 2007, this loan was no longer consolidated to the Group's consolidated financial statements as BAT was disposed of by the Company (refer to Note 3k).

On 1 January 2007, the Company, BAT and SIC entered into a novation agreement, whereby BAT transferred its rights and obligations on the loan from SIC to the Company. The outstanding transferred loan balance was US\$14,180,556 and Rp 5,000 (equivalent to US\$514,774) for the outstanding loan principal and US\$1,318,828 and Rp 270 (equivalent to US\$27,796) for outstanding interest payable.

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**24. OTHER LONG-TERM LOANS (continued)**

**a. Star Invest Corp (continued)**

**PT Alhasanie**

On 3 December 2004, ALH entered into a loan agreement with SIC for a loan facility amounting to US\$5,000,000 to finance the Company's operations. The loan term was two years commencing on the date of the agreement until 2 December 2006. The interest rate for this facility is three months SIBOR plus a certain percentage.

As at 31 December 2006 and 2005, the outstanding balance of the loan was US\$3,051,947 and US\$2,773,368, respectively. Commencing on 31 December 2007, this loan was no longer consolidated into the Company's financial statement as TB, the ALH's parent entity, was disposed of by the Company (refer to Note 3h).

**PT Anugerah Buminusantara Abadi**

On 1 February 2006, ABA entered into a convertible loan agreement with SIC amounting to US\$500,000. The loan has a term payment of 24 months with the interest rate at SIBOR plus a certain percentage. This loan can be converted into shares, whose value is to be determined by independent appraiser appointed by the lender before the conversion period. As at 31 December 2006, the outstanding loan was US\$476,947. In March 2007, the loan was fully repaid by ABA.

**b. PT Paiton Energy**

A US\$7,000,000 non-interest bearing loan was granted by PT Paiton Energy ("PE") to defray the construction costs associated with the Kelanis facility. The loan is repayable by Adaro in ten equal annual instalments commencing on 30 September 1999 which will be offset against service fees payable by PE to Adaro for exclusive use of the Kelanis facility under the Use of Kelanis Facility Agreement. As at 31 January 2008, the outstanding balance under this facility was US\$700,000 (31 December 2007: US\$700,000, 2006: US\$1,400,000 and 2005: US\$2,100,000).

**c. PT Astra Sedaya Finance**

In 2005 and 2004, ABA entered into a number of Customer Finance Loan Agreements with PT Astra Sedaya Finance ("ASF") for the purpose of purchasing heavy equipment. The loan has a payment term of 48 months. The loan was collateralised by fiduciary transfer to ASF of ABA's heavy equipment which was financed under the facility. As at 31 December 2006, the outstanding loan was US\$2,991,437 (2005: US\$3,595,342).

Commencing on 31 December 2007, the loan was no longer consolidated to the Group's consolidated financial statement as ABA had been disposed of by SIS on 30 April 2007 (refer to Note 3).

**d. Morgan Creek Capital Ltd and Great Oasis Equities Ltd**

On 22 July 2005, SIS entered into an unsecured loan agreement with Morgan to provide a US\$18,000,000 loan facility for the purposes of funding its working capital requirements. The loan has a term of 24 months from the date of the first drawdown and shall be repaid in full at the maturity date. The interest rate will be reviewed from time to time by mutual agreement of both parties. On 22 July 2005, SIS made full drawdown of the loan amounting to US\$18,000,000 and was partially repaid in the amount of US\$8,000,000.

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**24. OTHER LONG-TERM LOANS (continued)**

**d. Morgan Creek Capital Ltd and Great Oasis Equities Ltd (continued)**

On 31 August 2006, SIS, Morgan and GOE entered into a novation agreement, whereby Morgan assigned its right and obligation on this outstanding loan amounting to US\$10,000,000 to GOE (refer to Note 27).

**25. NOTES**

	<u>31 January</u> <u>2008</u>	<u>31 December</u> <u>2007</u>	<u>2006</u>	<u>2005</u>
Notes	-	3,767,600	3,608,000	3,932,000
Discount	-	(37,488)	(35,900)	(39,123)
Accumulated amortisation of discount	-	36,415	7,784	487
Repayment of notes	-	(3,767,600)	-	-
Exchange difference due to financial statement translation	-	1,073	(151)	6
	<u>-</u>	<u>-</u>	<u>3,579,733</u>	<u>3,893,370</u>

On 8 December 2005, Adaro Finance issued Notes amounting to US\$400 million, for which Adaro acts as one of the guarantors, with a selling price of 99.005% and an annual interest rate of 8.5% payable every 8 June and 8 December. The Notes will mature on 8 December 2010. Adaro Finance received proceeds of US\$396,020,000 on 9 December 2005. The Notes are listed on the Stock Exchange of Singapore. The trustee of the Notes is HSBC Bank, USA, N.A., replacing JPMorgan Chase Bank, N.A. Refer to Note 38a for the interest expense incurred during 2007, 2006 and 2005.

Adaro and Adaro Finance's assets, together with certain assets of related parties, are secured for the benefit of the noteholders.

The Notes, New Mezzanine facility and New Senior facility have been fully repaid at 10 December 2007. For this early settlement, Adaro and Adaro Finance bore finance charges of Rp 548,211 (US\$60,005,572).

**26. CONVERTIBLE BONDS**

	<u>31 January</u> <u>2008</u>	<u>31 December</u> <u>2007</u>	<u>2006</u>	<u>2005</u>
<b>US Dollars</b>				
Third party:				
Joyce Corner International Ltd	<u>92,910</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 14 January 2008, Joyce, Hurtado and Lawnfield entered into a novation agreement whereby Hurtado and Lawnfields assigned their loan to SIS in the total amount of US\$10,000,000 to Joyce (refer to Note 20).

On 31 January 2008, SIS and Joyce entered into a Mandatory Convertible Bond Subscription Agreement, whereby SIS issued a convertible bond amounting to US\$10,000,000 with a maturity date on 30 June 2008. This bond bears an interest rate of 9% per annum.



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**26. CONVERTIBLE BONDS (continued)**

Conversion can be executed at any time, except if SIS has paid or repurchased the bond. All bonds can be converted with 56,679 new shares that will be issued by SIS.

If all bonds are converted into shares, the existing shareholders' of SIS will be diluted by 14.08%.

Differences between the nominal value of the shares amounting to Rp 56,679 and nominal value of the bond amounting to US\$10,000,000 will be credited to the "additional paid-in capital" account in SIS' consolidated financial statements.

On 31 March 2008, the convertible bond had been converted into 56,679 new shares that were issued by SIS.

**27. SUBORDINATED LOAN**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>US Dollars</b>				
Third party:				
Great Oasis Equities Ltd	<u>92,910</u>	<u>94,190</u>	<u>90,200</u>	<u>-</u>

On 20 November 2006, SIS and GOE entered into subordinated loan agreements, whereby GOE agreed to subordinate its loan amounting to US\$8,000,000 and US\$2,000,000 to any of SIS' debt to any other party. The loan bears an interest rate at 12% per annum. As at 31 January 2008, the loan amounting to US\$8,000,000 was subordinated to senior loan facilities from NISP, Permata and BEI. As at 31 January 2008, the remaining loan that was not subordinated to other loans amounted to US\$2,000,000.

**28. ACCRUED STRIPPING COSTS**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Carrying amount - beginning balance	(421,522)	(4,273)	(11,661)	17,645
Amortisation	24	275	649	(1,042)
Exchange difference due to financial statement translation	<u>5,728</u>	<u>(181)</u>	<u>950</u>	<u>1,061</u>
	<u>(415,770)</u>	<u>(4,179)</u>	<u>(10,062)</u>	<u>17,664</u>
Movement of deferred/(accrued) stripping costs				
Movement	(6,704)	(404,803)	5,883	(28,971)
Exchange difference due to financial statement translation	<u>82</u>	<u>(12,540)</u>	<u>(94)</u>	<u>(354)</u>
	<u>(6,622)</u>	<u>(417,343)</u>	<u>5,789</u>	<u>(29,325)</u>
	<u>(422,392)</u>	<u>(421,522)</u>	<u>(4,273)</u>	<u>(11,661)</u>

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**28. ACCRUED STRIPPING COSTS (continued)**

The actual average stripping ratio for the Tutupan area for the one month period ended 31 January 2008 was 4.08:1 (31 December 2007: 3.3:1, 2006: 3.57:1 and 2005: 3.2:1), and for the South Paringin area is nil (31 December 2007, 2006 and 2005: nil). The planned stripping ratio as at 31 January 2008 was 4.25:1 (31 December 2007: 4.25:1, 2006: 3.57:1 and 2005: 3.3:1).

**29. MINORITY INTEREST**

**a. Minority interest in equity of subsidiaries**

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Adaro</b>				
Percentage of minority interest	33.93%	33.93%	33.93%	33.93%
Carrying amount - beginning balance	632,535	465,720	345,609	74,865
Share in net income of subsidiaries	27,099	141,820	151,011	157,575
Decrease due to dilution of minority interest	-	-	-	(23,016)
Increase due to issuance of new shares	-	-	-	129,538
Exchange difference due to financial statement translation	(8,928)	24,995	(30,900)	6,647
	<u>650,706</u>	<u>632,535</u>	<u>465,720</u>	<u>345,609</u>
<b>ATA</b>				
Percentage of minority interest	7.98%	7.98%	7.98%	7.98%
Carrying amount - beginning balance	180,523	36,962	30,934	748
Share in net income of subsidiaries	4,472	14,521	11,375	14,039
(Decrease)/increase due to change in equity of subsidiaries	(9,529)	129,040	(5,347)	16,147
	<u>175,466</u>	<u>180,523</u>	<u>36,962</u>	<u>30,934</u>
<b>SIS</b>				
Percentage of minority interest	28.21%	28.21%	28.21%	28.21%
Carrying amount - beginning balance	138,712	80,592	61,084	23,731
Share in net income of subsidiaries	2,713	670	19,794	14,500
Increase/(decrease) due to change in equity of subsidiaries	467	57,450	(286)	22,853
	<u>141,892</u>	<u>138,712</u>	<u>80,592</u>	<u>61,084</u>

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29. MINORITY INTEREST (continued)

a. Minority interest in equity of subsidiaries (continued)

	31 January 2008	2007	31 December	
			2006	2005
<b>Biscayne</b>				
Percentage of minority interest	36.06%	36.06%	-	-
Carrying amount - beginning balance	122,457	-	-	-
Minority interest at acquisition	-	66,640	-	-
Share in net income of subsidiary	7,383	51,604	-	-
Exchange difference due to financial statement translation	(5,983)	4,213	-	-
	<u>123,857</u>	<u>122,457</u>	<u>-</u>	<u>-</u>
<b>NPE</b>				
Percentage of minority interest	30.00%	30.00%	-	-
Carrying amount - beginning balance	1,500	-	-	-
Minority interest at acquisition	-	1,500	-	-
	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
<b>MSW</b>				
Percentage of minority interest	0.41%	0.41%	0.41%	0.41%
Carrying amount - beginning balance	177	16	-	-
Share in net loss of subsidiary	(1)	(9)	(4)	-
Increase due to change in equity of subsidiary	-	170	20	-
	<u>176</u>	<u>177</u>	<u>16</u>	<u>-</u>
<b>SMP</b>				
Percentage of minority interest	0.01%	0.01%	0.01%	-
Carrying amount - beginning balance	2	2	-	-
Minority interest at acquisition	-	-	2	-
Share in net loss of subsidiary	-	-	(1)	-
Increase due to issuance of new shares	-	-	1	-
	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
<b>Arindo Holdings</b>				
Percentage of minority interest	36.00%	-	-	-
Carrying amount - beginning balance	-	-	-	-
Minority interest at acquisition	(45,842)	-	-	-
Share in net loss of subsidiary	(6,980)	-	-	-
Exchange difference due to financial statement translation	708	-	-	-
Share in net loss of subsidiary recognised by the Company	<u>52,114</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**29. MINORITY INTEREST (continued)**

**a. Minority interest in equity of subsidiaries (continued)**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>TB</b>				
Percentage of minority interest	-	-	30.00%	30.00%
Carrying amount - beginning balance	-	-	-	-
Share in net loss of subsidiary	-	(637)	(7,746)	(5,952)
Share in net loss of subsidiary recognised by the Company	-	637	7,746	5,952
	-	-	-	-
<b>PA</b>				
Percentage of minority interest	-	-	10.00%	10.00%
Carrying amount - beginning balance	-	123	124	125
Share in net loss of subsidiary	-	-	(1)	(1)
Reversal due to disposal of subsidiary	-	(123)	-	-
	-	-	123	124
<b>PS</b>				
Percentage of minority interest	-	-	33.00%	33.00%
Carrying amount - beginning balance	-	407	124	125
Share in net loss of subsidiary	-	(9)	-	(1)
Increase due to dilution of the percentage of the Company's interest	-	-	283	-
Reversal due to disposal of subsidiary	-	(398)	-	-
	-	-	407	124
<b>PB</b>				
Percentage of minority interest	-	-	10.00%	10.00%
Carrying amount - beginning balance	-	123	124	125
Share in net loss of subsidiary	-	-	(1)	(1)
Reversal due to disposal of subsidiary	-	(123)	-	-
	-	-	123	124
<b>PM</b>				
Percentage of minority interest	-	-	10.00%	10.00%
Carrying amount - beginning balance	-	79	95	125
Share in net loss of subsidiary	-	(2)	(16)	(30)
Reversal due to disposal of subsidiary	-	(77)	-	-
	-	-	79	95

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29. MINORITY INTEREST (continued)

a. Minority interest in equity of subsidiaries (continued)

	31 January 2008	31 December 2007	31 December 2006	2005
<b>AK</b>				
Percentage of minority interest	-	-	1.00%	1.00%
Carrying amount - beginning balance	-	10	10	10
Reversal due to disposal of subsidiary	-	(10)	-	-
	-	-	10	10
<b>KBS</b>				
Percentage of minority interest	-	-	0.80%	0.80%
Carrying amount - beginning balance	-	2	2	2
Reversal due to disposal of subsidiary	-	(2)	-	-
	-	-	2	2
<b>BAT</b>				
Percentage of minority interest	-	-	1.00%	1.00%
Carrying amount - beginning balance	-	-	-	138
Share in net loss of subsidiary	-	-	(2)	(189)
Decrease due to minority dilution	-	-	-	(30)
Share in net loss of subsidiary recognised by the Company	-	-	2	81
	-	-	-	-
<b>PT</b>				
Percentage of minority interest	-	-	-	10.00%
Carrying amount - beginning balance	-	-	124	125
Share in net loss of subsidiary	-	-	-	(1)
Reversal due to disposal of subsidiary	-	-	(124)	-
	-	-	-	124
<b>PST</b>				
Percentage of minority interest	-	-	-	10.00%
Carrying amount - beginning balance	-	-	124	125
Share in net loss of subsidiary	-	-	-	(1)
Reversal due to disposal of subsidiary	-	-	(124)	-
	-	-	-	124
Total	<u>1,093,599</u>	<u>1,075,906</u>	<u>584,036</u>	<u>438,354</u>

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**29. MINORITY INTEREST (continued)**

**b. Minority interest in net income/(loss) of subsidiaries**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Adaro	27,099	141,820	151,011	157,575
ATA	4,472	14,521	11,375	14,039
SIS	2,713	670	19,794	14,500
Biscayne	7,382	51,604	-	-
MSW	(1)	(9)	(4)	-
SMP	-	-	(1)	-
PA	-	-	(1)	(1)
PS	-	(9)	-	(1)
PB	-	-	(1)	(1)
PM	-	(2)	(16)	(30)
BAT	-	-	-	(108)
PT	-	-	-	(1)
PST	-	-	-	(1)
	<u>41,665</u>	<u>208,595</u>	<u>182,157</u>	<u>185,971</u>

For the year ended 31 December 2006, the net loss of SMP represents the net loss for December 2006.

**30. SHARE CAPITAL**

Based on the Notarial Deed of public notary Sukawaty Sumadi, S.H., No. 2 dated 1 September 2005, all shareholders agreed to change the Company's Articles of Association by increasing the Company's authorised capital to Rp 300,000 and the Company's issued shares from Rp 1,250 to Rp 143,628. The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. C-27051 HT.01.04.TH.2005 dated 30 September 2005.

Based on Notarial Deed of public notary Humberg Lie, S.H., S.E., MKn., No. 42 dated 17 December 2007, all shareholders agreed to change the Company's Articles of Association by increasing its authorised capital from Rp 300,000 to Rp 8,000,000, changing the par value per share from Rp 1,000,000 (full amount) to Rp 100 (full amount) and increasing the Company's issued shares from Rp 143,628 to Rp 2,062,478. The amendment was approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. C-07154 HT.01.04.TH.2007 dated 18 December 2007. The increase of the Company's authorised capital and issued shares was to increase the Company's ownership interest in ATA in January 2008 (refer to Note 3b).

Based on Notarial Deed of public notary Humberg Lie, S.H., S.E., MKn., dated 31 January 2008, all shareholders in the Extraordinary General Meeting of Shareholders on 24 January 2008 agreed to issue 221,851,000 new shares with par value Rp 100 (full amount) per share, or a total nominal value amounting to Rp 22,185, registered on behalf of SSB and PCI with total nominal value amounting to Rp 11,092.55 each. This deed was approved by the Minister of Law and Human Rights of the Republic of Indonesia in Decree No. AHU-AH.01.10-2625 dated 31 January 2008. The new share issuance was to increase the Company's ownership interest in MSW in January 2008 (refer to Note 3c).

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30. SHARE CAPITAL (continued)

Shareholders	31 January 2008		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
PT Saratoga Investama Sedaya	4,775,524,806	22.91	477,552
PT Triputra Investindo Arya	4,268,347,697	20.48	426,834
PT Persada Capital Investama	3,520,995,975	16.89	352,100
Garibaldi Thohir	2,496,384,062	11.97	249,639
PT Trinugraha Thohir	2,496,384,062	11.97	249,639
Edwin Soeryadjaya	1,375,877,646	6.60	137,588
Theodore Permadi Rachmat	724,420,430	3.48	72,442
Sandiaga Salahuddin Uno	660,838,202	3.17	66,084
Ir. Subianto	416,932,620	2.00	41,693
PT Saratoga Sentra Business	110,925,500	0.53	11,092
	<u>20,846,631,000</u>	<u>100.00</u>	<u>2,084,663</u>
Shareholders	31 December 2007		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
PT Saratoga Investama Sedaya	4,775,524,806	23.15	477,552
PT Triputra Investindo Arya	4,268,347,697	20.70	426,834
PT Persada Capital Investama	3,410,070,475	16.53	341,007
Garibaldi Thohir	2,496,384,062	12.11	249,639
PT Trinugraha Thohir	2,496,384,062	12.11	249,639
Edwin Soeryadjaya	1,375,877,646	6.67	137,588
Theodore Permadi Rachmat	724,420,430	3.51	72,442
Sandiaga Salahuddin Uno	660,838,202	3.20	66,084
Ir. Subianto	416,932,620	2.02	41,693
	<u>20,624,780,000</u>	<u>100.00</u>	<u>2,062,478</u>
Shareholders	31 December 2006		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
Theodore Permadi Rachmat	71,814	50.00	71,814
Garibaldi Thohir	44,964	31.31	44,964
PT Trinugraha Thohir	26,850	18.69	26,850
	<u>143,628</u>	<u>100.00</u>	<u>143,628</u>
Shareholders	31 December 2005		
	Number of shares	Percentage of ownership (%)	Amount (Rp)
Theodore Permadi Rachmat	71,814	50.00	71,814
Garibaldi Thohir	71,814	50.00	71,814
	<u>143,628</u>	<u>100.00</u>	<u>143,628</u>

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**31. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Acquisition of SIS	62,984	62,984	123,434	93,556
Acquisition of ATA	200,598	200,619	194,660	162,917
Acquisition of MSW	(2,253)	20,907	1,684	(239)
Disposal of PA	16	16	-	-
Disposal of PS	31	31	-	-
Disposal of PB	16	16	-	-
Disposal of PM	1,272	1,272	-	-
Disposal of TB	56,367	56,367	-	-
Disposal of AK	(4,038)	(4,038)	(4,038)	(4,038)
Disposal of KBS	(1,009)	(1,009)	(1,009)	(1,009)
Disposal of BAT	(5,437)	(5,437)	(4,417)	(4,417)
Disposal of ABA	50,785	50,785	-	-
	<u>359,332</u>	<u>382,513</u>	<u>310,314</u>	<u>246,770</u>

The difference in value from restructuring transactions of entities under common control represents the difference between the acquisition cost and net book value of net assets acquired and the difference between sales price and book value of net asset disposed of that are incurred from the transactions among entities under common control (refer to Note 3).

**32. DIFFERENCE IN TRANSACTIONS OF CHANGES IN EQUITY OF SUBSIDIARIES AND ASSOCIATES**

This account represents the Company's share of the changes in equity of its subsidiaries and associates, which mainly arose from the unrealised gain of available-for-sale investments and the difference in value from restructuring transactions of entities under common control.

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>ATA</b>				
Carrying amount - beginning balance	(57,106)	(59,831)	(59,831)	-
Changes in equity related to difference in value from restructuring transactions of entities under common control	-	-	-	59,556
Changes in equity related to changes in equity of subsidiaries and associates	<u>(66,359)</u>	<u>2,725</u>	<u>-</u>	<u>(119,387)</u>
	<u>(123,465)</u>	<u>(57,106)</u>	<u>(59,831)</u>	<u>(59,831)</u>



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**32. DIFFERENCE IN TRANSACTIONS OF CHANGES IN EQUITY OF SUBSIDIARIES AND ASSOCIATES (continued)**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>SIS</b>				
Carrying amount - beginning balance	(1,610)	-	-	-
Changes in equity related to unrealised gain of available-for-sale investments	1,189	221	-	-
Changes in equity related to difference in value from restructuring transactions of entities under common control	-	(1,831)	-	-
	(421)	(1,610)	-	-
	(123,886)	(58,716)	(59,831)	(59,831)
Deficit of the difference in transactions of changes in equity of subsidiaries and associates charged to retained earnings	123,886	59,831	59,831	59,831
	-	1,115	-	-

**33. GENERAL RESERVE**

Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in March 1995, and amended by Law No. 40/2007 that was issued in August 2007, requires the establishment of a general reserve from net income amounting to at least 20% of a company's issued and paid up capital. There is no time limit on establishment of that reserve. As at 31 January 2008, the Company had not yet established the general reserve.

**34. REVENUE**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Coal mining and trading</b>				
Export				
- Third parties	674,654	5,553,050	5,042,022	3,304,957
- Related parties	-	1,938,119	1,318,856	1,212,785
	674,654	7,491,169	6,360,878	4,517,742
Domestic				
- Third parties	345,922	3,307,902	2,902,446	2,302,271
	1,020,576	10,799,071	9,263,324	6,820,013

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**34. REVENUE (continued)**

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
<b>Mining services</b>				
Domestic				
- Third parties	25,850	206,121	249,910	337,279
- Related parties	<u>49,796</u>	<u>466,494</u>	<u>234,052</u>	<u>17,359</u>
	<u>75,646</u>	<u>672,615</u>	<u>483,962</u>	<u>354,638</u>
<b>Others</b>				
Domestic				
- Third parties	18,858	113,241	782	-
- Related parties	<u>-</u>	<u>7,713</u>	<u>-</u>	<u>-</u>
	<u>18,858</u>	<u>120,954</u>	<u>782</u>	<u>-</u>
Total revenue	<u>1,115,080</u>	<u>11,592,640</u>	<u>9,748,068</u>	<u>7,174,651</u>

Details of customers having transactions of more than 10% of total consolidated net revenue:

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
PT Paiton Energy	113,656	1,121,878	934,588	885,989
Coaltrade Services International Pte Ltd	<u>-</u>	<u>1,945,832</u>	<u>1,318,856</u>	<u>1,212,785</u>
Total revenue	<u>113,656</u>	<u>3,067,710</u>	<u>2,253,444</u>	<u>2,098,774</u>

Since 2008, Coaltrade has been consolidated into the Group's consolidated financial statement, therefore balances and transactions between Coaltrade and Adaro have been eliminated.

Refer to Note 39 for details of related parties balances and transactions.

**35. COST OF REVENUE**

	<u>31 January 2008</u>	<u>2007</u>	<u>31 December 2006</u>	<u>2005</u>
<b>Coal mining and trading</b>				
Mining	363,037	4,074,075	3,638,565	2,806,483
Coal processing	<u>53,714</u>	<u>621,122</u>	<u>431,747</u>	<u>357,242</u>
Total production costs	<u>416,751</u>	<u>4,695,197</u>	<u>4,070,312</u>	<u>3,163,725</u>
Freight and handling costs	193,865	2,392,865	2,252,626	1,715,208
Royalties to government	79,281	871,287	885,728	659,068
Purchase of coal	61,075	312,650	35,132	-
Depreciation and amortisation	<u>44,897</u>	<u>242,765</u>	<u>174,411</u>	<u>111,214</u>

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**35. COST OF REVENUE (continued)**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Coal mining and trading (continued)</b>				
Coal inventory:				
Beginning balance	137,663	155,802	124,556	22,681
Ending balance	<u>125,488</u>	<u>137,663</u>	<u>155,802</u>	<u>124,556</u>
Decrease/(increase) in coal inventory	<u>12,175</u>	<u>18,139</u>	<u>(31,246)</u>	<u>(101,875)</u>
Total cost of revenue - coal mining and trading	<u>808,044</u>	<u>8,532,903</u>	<u>7,386,963</u>	<u>5,547,340</u>
<b>Mining services</b>				
Consumables	28,570	228,170	179,292	100,361
Depreciation and amortisation	11,736	90,442	73,179	61,292
Employee costs	9,605	72,728	50,166	30,988
Repair and maintenance	9,509	63,165	48,689	23,111
Subcontractors	5,154	37,379	21,233	15,145
Other costs (each below Rp 30,000)	<u>4,127</u>	<u>38,983</u>	<u>28,036</u>	<u>58,351</u>
Total cost of revenue - mining services	<u>68,701</u>	<u>530,867</u>	<u>400,595</u>	<u>289,248</u>
<b>Others</b>				
Consumables	8,103	6,226	-	-
Depreciation and amortisation	1,141	11,695	-	-
Others cost (each below Rp 30,000)	<u>5,686</u>	<u>39,509</u>	<u>-</u>	<u>-</u>
Total cost of revenue - others	<u>14,930</u>	<u>57,430</u>	<u>-</u>	<u>-</u>
Total cost of revenue	<u>891,675</u>	<u>9,121,200</u>	<u>7,787,558</u>	<u>5,836,588</u>

Details of suppliers having transactions of more than 10% of total consolidated purchase:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Third parties:				
PT Pamapersada Nusantara	124,863	1,826,237	2,184,040	2,020,039
PT Batuah Abadi Lines	95,016	725,657	809,973	622,083
PT Bukit Makmur Mandiri Utama	<u>54,199</u>	<u>679,632</u>	<u>848,090</u>	<u>490,235</u>
	<u>274,078</u>	<u>3,231,526</u>	<u>3,842,103</u>	<u>3,132,357</u>

Refer to Note 39 for details of related parties balances and transactions.

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36. OPERATING EXPENSES

a. Selling and marketing

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales commission	9,236	159,808	113,921	98,899
Others (each below Rp 30,000)	<u>1,130</u>	<u>13,365</u>	<u>16,296</u>	<u>12,694</u>
	<u>10,366</u>	<u>173,173</u>	<u>130,217</u>	<u>111,593</u>

b. General and administration

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Employee costs	4,223	43,996	31,326	21,705
Depreciation and amortisation	448	3,681	14,425	4,639
Others (each below Rp 30,000)	<u>3,797</u>	<u>30,098</u>	<u>43,328</u>	<u>25,625</u>
	<u>8,468</u>	<u>77,775</u>	<u>89,079</u>	<u>51,969</u>

37. TAXATION

a. Prepaid taxes

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>The Company</b>				
Corporate income tax - 2005	-	-	-	287
<b>Subsidiaries</b>				
Corporate income tax - 2002	-	-	-	7,334
Corporate income tax - 2004	-	-	-	9,757
Corporate income tax - 2005	4,295	4,295	4,864	7,666
Corporate income tax - 2006	18,862	18,862	19,154	-
Corporate income tax - 2007	58,969	58,969	-	-
Corporate income tax - 2008	3,336	-	-	-
Income tax article 21	-	-	-	50
Value Added Tax	81,580	71,871	111,113	44,746
Tax appeals	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,409</u>
	<u>167,042</u>	<u>153,997</u>	<u>135,131</u>	<u>76,962</u>
	<u>167,042</u>	<u>153,997</u>	<u>135,131</u>	<u>77,249</u>

b. Recoverable tax

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
VAT input receivable	<u>159,207</u>	<u>210,171</u>	<u>188,323</u>	<u>162,495</u>

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**37. TAXATION (continued)**

**b. Recoverable tax (continued)**

VAT input receivable represents the balance of VAT input not yet offset against the production sharing payment (government royalty) due to the Government of Indonesia.

Pursuant to Government Regulation No. 144/2000 which was effective from 1 January 2001, raw coal prior to processing to briquettes is no longer subject to VAT. Since that date, Adaro has been unable to seek restitution for VAT input. The Coordinating Minister for Economics has since requested the Minister of Finance to postpone the implementation of this regulation. The final decision regarding this matter cannot be estimated at present. For the one month period ended 31 January 2008, Adaro has offset the claim for VAT input amounting to US\$10.5 million (for the years ended 31 December 2007: US\$39.7 million, 2006: US\$36.4 million, 2005: US\$20.6 million, 2004: US\$22.4 million, 2003: US\$18.9 million, 2002: US\$25.5 million and 2001: US\$0.9 million) against royalty payments due to the Government of Indonesia. Until 31 January 2008, Adaro has offset the claim for VAT input against royalty payments totalling US\$174.8 million or equivalent to Rp 1,615,750 since the implementation of Government Regulation No. 144/2000.

In accordance with the CCA, management believes that Adaro can recover their VAT input in this manner and expects that the outstanding balance will be recovered in full. This consolidated financial statements do not include any adjustments that might result from an adverse decision from the Government regarding this matter.

On 31 December 2001, the Directorate General of Taxation ("DGT") issued a letter instructing Adaro to pay VAT at the rate of 5% on services rendered to 1st Generation Coal Contractors. Based on this letter, such tax cannot be refunded and is thus a production cost element.

On 17 June 2002, the DGT issued a letter stating the definition of "prevailing laws and regulation in Indonesia" as stipulated in the CCA should refer to the regulation prevailing at the time when services are rendered. However, given the *lex specialis* nature of the CCA, the DGT confirmed that the VAT rate for any service rendered to Adaro is 5%.

Adaro is of the opinion that the sales tax is different from VAT in both form and substance, and therefore VAT is a new tax. According to the provisions of the CCA, the government shall pay and assume and hold Adaro harmless from this new tax. However, based on the latest assessment as at 31 December 2005, a provision of US\$16.6 million (equivalent to Rp 163,336) has been recognised, in the event the Company is unable to recover the VAT input under the provisions of the CCA. The provision is reviewed periodically to reflect the development and potential risk arising relating to the matter.

**c. Taxes payable**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>The Company</b>				
Income tax articles 23 and 26	7,419	7,438	2,308	727
Income tax article 21	307	387	289	355
Final tax article 4 (2)	-	-	9	-
Income tax article 15	14	17	-	-
Value Added Tax	-	-	19	-
	<u>7,740</u>	<u>7,842</u>	<u>2,625</u>	<u>1,082</u>

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**37. TAXATION (continued)**

**c. Taxes payable (continued)**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Subsidiaries</b>				
Income tax articles 23 and 26	13,667	98,246	73,316	43,983
Income tax article 21	3,454	4,569	3,665	1,733
Final tax article 4 (2)	255	13	16	169
Income tax article 15	8	26	-	-
Value Added Tax	685	3,003	2,159	7,063
Corporate income tax	72,912	25,120	4,289	181,859
Land and building tax	107	-	139	150
	<u>91,088</u>	<u>130,977</u>	<u>83,584</u>	<u>234,957</u>
	<u>98,828</u>	<u>138,819</u>	<u>86,209</u>	<u>236,039</u>

**d. Income tax expense**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>The Company</b>				
Current	-	-	-	-
Deferred	791	(7,729)	(2,912)	(17,481)
	<u>791</u>	<u>(7,729)</u>	<u>(2,912)</u>	<u>(17,481)</u>
<b>Subsidiaries</b>				
Current	96,915	632,817	450,677	346,949
Deferred	3,636	(57,559)	80,207	23,910
	<u>100,551</u>	<u>575,258</u>	<u>530,884</u>	<u>370,859</u>
<b>Consolidated</b>				
Current	96,915	632,817	450,677	346,949
Deferred	4,427	(65,288)	77,295	6,429
	<u>101,342</u>	<u>567,529</u>	<u>527,972</u>	<u>353,378</u>

The reconciliation between profit before income tax and estimated taxable income is as follows:

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Consolidated profit before income tax	236,734	947,025	851,279	601,695
Profit before income tax - subsidiaries	(236,101)	(986,690)	(867,145)	(684,128)
Adjusted for consolidation elimination	<u>57,887</u>	<u>87,740</u>	<u>66,761</u>	<u>94,358</u>
Profit before income tax - the Company	<u>58,520</u>	<u>48,075</u>	<u>50,895</u>	<u>11,925</u>
<b>Temporary difference:</b>				
Provision for employee benefits	-	672	2,278	234

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37. TAXATION (continued)

d. Income tax expense (continued)

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
<b>Permanent difference:</b>				
Income subject to final tax	(69)	(221)	(81)	(178)
Income from investments in subsidiaries and associates	(58,057)	(84,666)	(60,559)	(71,249)
Non-deductible expenses	<u>503</u>	<u>9,607</u>	<u>40</u>	<u>1,234</u>
	<u>(57,623)</u>	<u>(75,280)</u>	<u>(60,600)</u>	<u>(70,193)</u>
Tax loss carried forward	897 <u>(897)</u>	(26,533) <u>-</u>	(7,427) <u>-</u>	(58,034) <u>-</u>
Taxable loss - the Company	<u>-</u>	<u>(26,533)</u>	<u>(7,427)</u>	<u>(58,034)</u>
Current income tax - the Company	-	-	-	-
Current income tax - subsidiaries	<u>96,915</u>	<u>632,817</u>	<u>450,677</u>	<u>346,949</u>
Consolidated current income tax	<u>96,915</u>	<u>632,817</u>	<u>450,677</u>	<u>346,949</u>

Current income tax of subsidiaries as at 31 January 2008, after accounted for the extraordinary item (refer to Note 44), was as follows:

	<u>31 January</u> <u>2008</u>
Current income tax from ordinary activity	96,915
Current income tax - extraordinary item	<u>(29,142)</u>
Current income tax	<u>67,773</u>

Current income tax computations are based on estimated taxable income. The amounts may be adjusted when annual tax returns are filed to the tax office.

The Company's tax losses carried forward which can be offset against future taxable income for periods of five years were incurred in the following fiscal periods:

<u>Year</u>	<u>Amount</u>
2004	985
2005	58,034
2006	7,427
2007	<u>26,533</u>
	<u>92,979</u>

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**37. TAXATION (continued)**

**d. Income tax expense (continued)**

The reconciliation between income tax expense and the theoretical tax amount on the Company's profit before income tax using currently enacted tax rates is as follows:

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
Consolidated profit before income tax	236,734	947,025	851,279	601,695
Profit before income tax - subsidiaries	(236,101)	(986,690)	(867,145)	(684,128)
Adjusted for consolidation elimination	<u>57,887</u>	<u>87,740</u>	<u>66,761</u>	<u>94,358</u>
Profit before income tax - the Company	<u>58,520</u>	<u>48,075</u>	<u>50,895</u>	<u>11,925</u>
Income tax calculated at 30%	17,556	14,422	15,268	3,578
Income subject to final tax	(21)	(66)	(24)	(54)
Non-deductible expenses	151	2,882	12	370
Income from investments in subsidiaries and associates	(17,417)	(25,400)	(18,168)	(21,375)
Unrecognised deferred tax assets	<u>522</u>	<u>433</u>	-	-
Income tax expense - the Company	791	(7,729)	(2,912)	(17,481)
Income tax expense - subsidiaries	<u>100,551</u>	<u>575,258</u>	<u>530,884</u>	<u>370,859</u>
Consolidated income tax expense	<u>101,342</u>	<u>567,529</u>	<u>527,972</u>	<u>353,378</u>

**e. Deferred tax assets**

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>The Company</b>				
Tax loss carried forward	27,894	28,163	20,203	18,045
Provision for employee benefits	-	<u>522</u>	<u>753</u>	-
Deferred tax assets at the end of the year	<u>27,894</u>	<u>28,685</u>	<u>20,956</u>	<u>18,045</u>
Deferred tax assets at the beginning of the year	28,685	20,956	18,045	564
Charged to consolidated statements of income	<u>(791)</u>	<u>7,729</u>	<u>2,911</u>	<u>17,481</u>
Deferred tax assets at the end of the year	<u>27,894</u>	<u>28,685</u>	<u>20,956</u>	<u>18,045</u>



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31 JANUARY 2008 AND 31 DECEMBER 2007, 2006 AND 2005

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37. TAXATION (continued)

e. Deferred tax assets (continued)

	31 January 2008	31 December 2007	31 December 2006	2005
<b>Subsidiaries</b>				
Tax loss carried forward	137,914	148,850	12,508	29,635
Provision for employee benefits	4,636	4,636	3,653	2,467
Deferred exploration and development expenditure	-	-	181	253
Difference between commercial and tax net book value of fixed assets	2,484	2,887	12,491	9,883
Trade receivables	-	-	1,573	2,631
Investment in subsidiaries	-	-	10,119	212
Difference in fixed assets under finance lease and lease instalments	<u>(27,298)</u>	<u>(23,520)</u>	<u>(10,367)</u>	<u>(8,408)</u>
	117,736	132,853	30,158	36,673
Unrecognised deferred tax assets	<u>(113,642)</u>	<u>(124,715)</u>	<u>(17,415)</u>	<u>(24,433)</u>
Deferred tax assets at the end of the year	<u>4,094</u>	<u>8,138</u>	<u>12,743</u>	<u>12,240</u>
Deferred tax assets at the beginning of the year	8,138	12,743	12,240	8,757
Charged to consolidated statements of income	(4,044)	6,970	503	3,483
Reversal of deferred tax assets due to disposal of subsidiary	-	(288)	-	-
Loss on investments in subsidiary which is charged to equity	<u>-</u>	<u>(11,287)</u>	<u>-</u>	<u>-</u>
Deferred tax assets at the end of the year	<u>4,094</u>	<u>8,138</u>	<u>12,743</u>	<u>12,240</u>
<b>Consolidated</b>				
Tax loss carried forward	165,808	177,013	32,711	47,680
Provision for employee benefits	4,636	5,158	4,406	2,467
Deferred exploration and development expenditure	-	-	181	253
Difference between commercial and tax net book value of fixed assets	2,484	2,887	12,491	9,883
Trade receivables	-	-	1,573	2,631
Investments in subsidiaries	-	-	10,119	212
Difference in fixed assets under finance lease and lease instalments	<u>(27,298)</u>	<u>(23,520)</u>	<u>(10,367)</u>	<u>(8,408)</u>
	145,630	161,538	51,114	54,718
Unrecognised deferred tax assets	<u>(113,642)</u>	<u>(124,715)</u>	<u>(17,415)</u>	<u>(24,433)</u>
Deferred tax assets at the end of the year	<u>31,988</u>	<u>36,823</u>	<u>33,699</u>	<u>30,285</u>

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**37. TAXATION (continued)**

**e. Deferred tax assets (continued)**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Consolidated (continued)</b>				
Deferred tax assets at the beginning of the year	36,823	33,699	30,285	9,321
Charged to consolidated statements of income	(4,835)	14,699	3,414	20,964
Reversal of deferred tax assets due to disposal of subsidiary	-	(288)	-	-
Loss on investments in subsidiary which is charged to equity	-	(11,287)	-	-
	<u>31,988</u>	<u>36,823</u>	<u>33,699</u>	<u>30,285</u>
Deferred tax assets at the end of the year	<u>31,988</u>	<u>36,823</u>	<u>33,699</u>	<u>30,285</u>

**f. Deferred tax liabilities**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Subsidiaries</b>				
Tax loss carried forward	-	-	66,288	25,687
Provision for employee benefits	2,252	2,283	-	-
Mining properties	(52,234)	(53,263)	(54,561)	(62,809)
Difference between commercial and tax net book value of fixed assets	(378,364)	(383,675)	(344,136)	(360,588)
Deferred exploration and development expenditure	(61,183)	(62,026)	(60,429)	(43,417)
Investments in subsidiaries	-	-	(128,440)	(37,974)
Difference in fixed assets under finance lease and lease instalments	-	-	(315)	(260)
	<u>(489,529)</u>	<u>(496,681)</u>	<u>(521,593)</u>	<u>(479,361)</u>
Deferred tax liabilities at the end of the year	<u>(489,529)</u>	<u>(496,681)</u>	<u>(521,593)</u>	<u>(479,361)</u>
Deferred tax liabilities at the beginning of the year	(496,681)	(521,593)	(479,361)	(412,881)
Charged to consolidated statements of income	408	50,589	(80,709)	(27,393)
Acquisition of subsidiaries	-	(4,788)	-	-
Exchange difference due to financial statements translation	6,744	(20,889)	38,477	(39,087)
	<u>6,744</u>	<u>(20,889)</u>	<u>38,477</u>	<u>(39,087)</u>
Deferred tax liabilities at the end of the year	<u>(489,529)</u>	<u>(496,681)</u>	<u>(521,593)</u>	<u>(479,361)</u>

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**37. TAXATION (continued)**

**g. Administration**

Under the taxation laws of Indonesia, the companies within the Group submit tax returns on the basis of self assessment. The DGT may assess or amend taxes within ten years of the time the tax becomes due, or until the end of 2013, whichever is earlier. There are new rules applicable to the fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years of the time the tax becomes due.

**h. Tax assessment letter**

In June 2004, Dianlia received tax assessment letter from the DGT claiming underpayment of taxes in respect of various taxes for the fiscal year of 2002. Dianlia's management disagreed with the tax assessment and therefore filed appeal letters to the DGT against tax assessment amounting to Rp 14,559.

As at 31 December 2005, Dianlia had paid 50% of the underpayment of tax for the tax appeals and recorded it as prepaid tax amounting to Rp 7,280 (refer to Note 37a).

In July 2006, the tax court ruled in favour of Dianlia. The underpayment has changed from an underpayment of Rp 14,559 to an underpayment of Rp 4,049. Therefore, Dianlia received a tax refund of Rp 3,231 through overbooking the tax refund with the other tax payable of Dianlia and Tax Underpayment Assessment Letter which is still in objection process.

On 28 March 2007, Dianlia received tax assessment letters for various taxes for the fiscal year 2005, which assessed Dianlia as having underpaid income tax articles 21, 23 and 26 including penalties, amounting to Rp 705, Rp 46 and Rp 84, respectively. Dianlia's management is in disagreement with the tax assessment and therefore filed objection letters to the DGT.

As at the date this report is issued, Dianlia is being audited by the DGT regarding company income taxes for the fiscal year 2005 and SIS is being audited for all taxes for the fiscal year 2006 and both have not yet received the audit result. Management is of the opinion that the audit result will not have a material impact on SIS' and Dianlia's financial position and cash flow.

**38. INTEREST INCOME AND EXPENSES**

**a. Interest expenses and finance charges**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Interest expenses:				
- Interest expense - DBS Bank Ltd (refer to Note 23a)	36,099	22,332	-	-
- Bank loans (refer to Note 23)	10,421	218,060	218,345	36,015
- Notes (refer to Note 25)	-	292,504	311,678	21,094
- New Mezzanine facility (refer to Note 23h)	-	290,482	2,595	-
- Arindo Global (Netherlands) B.V. (refer to Note 39h)	-	-	526,751	297,320
- Interest expense - other loans	7,162	73,935	66,494	44,608
	<u>53,682</u>	<u>897,313</u>	<u>1,125,863</u>	<u>399,037</u>

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**38. INTEREST INCOME AND EXPENSES (continued)**

**a. Interest expenses and finance charges (continued)**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
Finance charges:				
- Amortisation of deferred financing costs (refer to Note 11)	1,947	221,791	450,107	271,688
- Finance charges on early settlement of Notes redemption	-	548,211	-	-
- Other finance charges	<u>2,089</u>	<u>58,613</u>	<u>44,917</u>	<u>32,562</u>
	<u>4,036</u>	<u>828,615</u>	<u>495,024</u>	<u>304,250</u>
	<u>57,718</u>	<u>1,725,928</u>	<u>1,620,887</u>	<u>703,287</u>

Refer to Note 39 for details of related parties balances and transactions.

**b. Interest income**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
Interest income from loans to related parties	13,827	521,431	443,136	118,082
Other interest income	<u>4,111</u>	<u>89,291</u>	<u>69,146</u>	<u>32,853</u>
	<u>17,938</u>	<u>610,722</u>	<u>512,282</u>	<u>150,935</u>

Refer to Note 39 for details of related parties balances and transactions.

**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

The Group conducted transactions with related parties as at 31 January 2008 and 31 December 2007, 2006 and 2005, and for the one month period ended 31 January 2008 and the years ended 31 December 2007, 2006 and 2005 as described below.

The transactions with related parties are conducted on an arm's length basis.

Details of the balances and transactions with related parties are as follows:

**a. Trade receivables from related parties**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
PT Berau Coal	177,218	172,758	100,790	-
PT Interex Sacra Raya	80,127	75,507	12,918	16,585
Coaltrade Services International Pte Ltd	<u>-</u>	<u>148,306</u>	<u>70,742</u>	<u>233,279</u>
Total	<u>257,345</u>	<u>396,571</u>	<u>184,450</u>	<u>249,864</u>
As a percentage of total assets	<u>1.58%</u>	<u>2.70%</u>	<u>1.38%</u>	<u>1.80%</u>

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39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

b. Other receivables from related parties

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Rupiah</b>				
PT Karunia Barito Sejahtera	20,157	20,159	-	-
PT Interex Sacra Raya	1,500	1,500	-	909
PT Bumi Alam Sejahtera	-	-	391	765
Others	80	-	94	-
	<u>21,737</u>	<u>21,659</u>	<u>485</u>	<u>1,674</u>
<b>US Dollars</b>				
PT Persada Capital Investama	2,397	2,430	-	-
PT Viscaya Investments	971	984	942	1,027
PT Bahtera Alam Tamiang	929	942	-	-
Rachmalta Investments Ltd	112	113	-	-
PT Arindo Global (Netherlands) B.V.	-	-	15,041	-
	<u>4,409</u>	<u>4,469</u>	<u>15,983</u>	<u>1,027</u>
Total	<u>26,146</u>	<u>26,128</u>	<u>16,468</u>	<u>2,701</u>
As a percentage of total assets	<u>0.16%</u>	<u>0.18%</u>	<u>0.12%</u>	<u>0.02%</u>

Receivables from KBS represents receivables from the disposal of ABA (refer to Note 3).

Receivables from Arindo Global represents the overpayment from settlement of loan from Arindo Global by Adaro (refer to Note 39h).

Other receivables balance from related parties represents reimbursement of expenses incurred on behalf of related parties.

Based on the review of the status of the individual other receivable accounts at the end of the period, the Group's management believes that those receivables will be collected in full and therefore an allowance for doubtful accounts is not considered necessary.

c. Prepayment to related party

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>US Dollars</b>				
Prepayment to PT Indonesia Bulk Terminal	-	-	115,506	442,448
Less:				
Current portion	-	-	(115,506)	(316,569)
Non-current portion	-	-	-	125,879
As a percentage of total assets	-	-	0.87%	3.19%

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**39. TRANSACTIONS AND BALANCE WITH RELATED PARTIES (continued)**

**c. Prepayment to related party (continued)**

On 22 June 2005, Adaro entered into an agreement with IBT whereby Adaro agreed to prepay IBT an amount of US\$62,500,000. This prepayment represents Adaro's commitment to transport 15.6 million tonnes of coal through IBT's terminal from the date of the agreement until 31 May 2007. The expense was recognised on a monthly basis based on the committed volume stated in the agreement.

**d. Loans to related parties**

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Rupiah</b>				
PT Alhasanie	-	4,033	-	-
<b>US Dollars</b>				
PT Viscaya Investments	1,710,058	1,723,125	1,485,468	1,441,021
Rachmalta Investments Ltd	334,279	335,531	286,034	277,467
Arindo Holding (Mauritius) Ltd	-	2,394,241	4,045,203	4,501,819
PT Alhasanie	-	41,086	-	-
PT Indonesia Bulk Terminal:				
PT Adaro Indonesia loan	-	-	198,656	209,189
PT Adaro Indonesia operational loan	-	-	101,359	-
PT Dianlia Setyamukti	-	-	-	47,190
PT Saptaindra Sejati	-	-	44,963	-
Total	<u>2,044,337</u>	<u>4,498,016</u>	<u>6,161,683</u>	<u>6,476,686</u>
As a percentage of total assets	<u>12.54%</u>	<u>30.62%</u>	<u>46.18%</u>	<u>46.75%</u>

The interest rates on loans to related parties are as follow:

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Rupiah	-	12%	-	-
US Dollars	6.5%-11.6%	4.0%-11.6%	4.0%-11.6%	4.0%-11.6%

**PT Viscaya Investments**

An unsecured loan of US\$137,900,000 was granted by Adaro to Viscaya on 22 June 2005 as amended and restated on 30 September 2005. This loan was related to the Leveraged Buy-Out ("LBO") transactions. The loan is repayable by Viscaya in the 15<sup>th</sup> year from the date of the agreement. The loan bears a fixed interest rate per annum and is payable quarterly commencing on 22 September 2005. On 29 December 2006, Viscaya had paid a portion of the loan (principal and interest) amounting to US\$131,784,068. As at 31 December 2006, the outstanding loan was US\$32,121,966 (2005: US\$146,594,224) included accrued interest of US\$20,761 (2005: US\$8,694,224). On 23 March 2007, the loans and interest was fully repaid by Viscaya.

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**d. Loans to related parties (continued)**

**PT Viscaya Investments (continued)**

On 29 December 2006, Adaro Finance granted an unsecured loan amounting to US\$132,482,052 to Viscaya. The loan bears a fixed interest rate per annum which is payable quarterly. The loan must be repaid on 22 June 2020. As at 31 December 2006, the outstanding accrued interest was US\$81,983 (2005: nil).

On 23 March 2007, Adaro Finance amended the loan facility by increasing the loan amount to US\$168,910,642 with a maturity date on 22 June 2020. The loan bears a fixed interest rate that will be changed annually amounting to the interest of the facility plus a dutch margin. On 7 December 2007, all loan principals and interest was fully repaid.

On 2 November 2007, Adaro provided an unsecured loan facility of US\$182,181,957 to Viscaya as amended on 8 December 2007. The loan bears an interest rate at LIBOR plus a certain percentage per annum or other interest rate agreed by both parties. If there is no repayment during the loan period, the accrued interest is capitalised and added to the loan principal. As at 31 January 2008, the outstanding loan was US\$184,055,328 (31 December 2007: US\$182,941,428) including accrued interest of US\$1,873,371 (31 December 2007: US\$759,471). Viscaya will repay all the loan principal and accrued interest on Adaro's request or in the 15<sup>th</sup> year since the first time the facility was used.

**Rachmalta Investments Ltd**

An unsecured loan of US\$26,552,500 was granted by Adaro to Rachmalta on 22 June 2005 as amended on 30 September 2005. This loan was related to the LBO transactions. The loan will be repaid by Rachmalta on 21 June 2020. The loan bears a fixed interest rate per annum and is payable quarterly commencing on 22 September 2005.

As at 31 January 2008, the outstanding loan was US\$35,978,795 (31 December 2007: US\$35,622,742, 2006: US\$31,711,055 and 2005: US\$28,226,562) included accrued interest of US\$9,426,295 (31 December 2007: US\$9,070,242, 2006: US\$5,158,555 and 2005: US\$1,674,063).

**Arindo Holdings (Mauritius) Ltd**

An unsecured loan of US\$456,800,000 was granted by Adaro to Arindo Holdings on 8 December 2005 as amended on 25 July 2006. This loan was related to the LBO transactions. The loan is repayable on 8 December 2010. The loan bears a fixed interest rate per annum and is payable semi-annually commencing on 8 June 2006. Based on the amendment of the agreement, the interest rate changed commencing on 25 July 2006. As at 31 December 2007, the outstanding loan was US\$254,192,655 (2006: US\$448,470,373 and 2005: US\$457,967,378) included accrued interest of US\$1,292,600 (2006: US\$2,181,854 and 2005: US\$1,167,378).

Since 31 January 2008, Arindo Holdings has been consolidated into the Group, therefore balances and transactions between Arindo Holdings and Adaro have been eliminated (refer to Note 3o).

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**d. Loans to related parties (continued)**

**PT Alhasanie**

Based on a loan agreement on 1 March 2005, the Company agreed to provide a loan facility to ALH amounting to Rp 25,000 which is used for working capital purposes. The loan term was two years since the date of the agreement until 30 April 2007 with a fixed interest rate per annum.

The loan agreement has been amended from time to time. Based on the latest amendment of the loan agreement on 1 February 2007, the loan principal payment term was changed to 1 February 2011 and the loan facility was increased to Rp 25,000 and US\$5,000,000 with an interest rate of 0% per annum. As at 31 December 2007, the outstanding loan was Rp 4,033 and US\$4,362,092. On 30 January 2008, this loan was fully repaid.

**PT Indonesia Bulk Terminal**

Based on a loan agreement dated 22 June 2005, Adaro granted an unsecured loan of US\$20,900,000 to IBT as amended on 30 September 2005. This loan was related to the LBO transactions. The loan will be due on 21 June 2020. The loan bears a fixed interest rate per annum and is payable quarterly commencing on 22 September 2005. As at 31 December 2006, the outstanding loan was US\$22,023,992 (2005: US\$21,280,702) included accrued interest of US\$1,123,992 (2005: US\$380,702).

Based on a loan agreement dated 24 March 2006, IBT obtained an unsecured loan from Adaro with the maximum principal amount on each drawdown of US\$1,500,000 for operational purposes. The loan should be paid as soon as possible at the latest on 27 March 2016. The loan bears a fixed interest rate per annum and is payable quarterly commencing on 28 June 2006. As at 31 December 2006, the outstanding loan was US\$11,237,190 included accrued interest of US\$137,190.

In 2005, Dianlia entered into a loan agreement with IBT that bears a fixed interest rate per annum. As at 31 December 2005, the outstanding loan was US\$4,793,624. In July 2006, Dianlia transferred the loan to SIS. As at 31 December 2006, the outstanding loan was US\$4,984,741 and was fully repaid by IBT in August 2007.

Since 2007, IBT has been consolidated into the Group, therefore balances and transactions between IBT and Adaro have been eliminated (refer to Note 3).

**e. Trade payables to related parties**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Orchard Maritime Logictics Pte Ltd	110,861	108,023	62,755	-
PT Rahman Abdijaya	51,135	58,720	-	-
PT Pulau Seroja Jaya	22,026	-	-	-
PT Padangbara Sukses Makmur	7,478	6,749	693	-
PT Anugerah Buminusantara Abadi	6,846	6,290	-	-
PT Padang Sejahtera	-	2,540	-	-
PT Indonesia Bulk Terminal	-	-	17,481	-
Coaltrade Service International Pte Ltd	-	-	-	3,881
<b>Total</b>	<b>198,346</b>	<b>182,322</b>	<b>80,929</b>	<b>3,881</b>
As a percentage of total liabilities	1.55%	1.64%	0.65%	0.03%



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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**f. Amounts due to related parties**

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Rupiah</b>				
PT Persada Capital Investama	432	-	-	-
PT Saratoga Sentra Business	432	-	-	-
Others	185	194	17	544
	<u>1,049</u>	<u>194</u>	<u>17</u>	<u>544</u>
<b>US Dollars</b>				
PT Rachindo Investments	4,645	4,710	-	-
Arindo Global (Netherlands) B.V.	3,809	3,861	-	-
	<u>8,454</u>	<u>8,571</u>	<u>-</u>	<u>-</u>
Total	<u>9,503</u>	<u>8,765</u>	<u>17</u>	<u>544</u>
As a percentage of total liabilities	<u>0.07%</u>	<u>0.08%</u>	<u>0.00%</u>	<u>0.00%</u>

The amounts due to related parties represents the reimbursement of expenses incurred that were paid by Arindo Global and Rachindo on behalf of the Group and acquisition of MSW that has not been paid to SSB and PCI.

**g. Promissory Notes**

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
PT Sukses Indonesia	-	-	-	49,150
PT Saratoga Investama Sedaya	-	-	-	19,660
PT Unitras Pertama	-	-	-	5,898
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,708</u>
As a percentage of total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.57%</u>

**h. Loans from related parties**

	<b>31 January 2008</b>	<b>31 December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Rupiah</b>				
PT Padangbara Sukses Makmur	11,673	10,003	24,165	47,670
<b>US Dollars</b>				
PT Interex Sacra Raya	929	942	4,510	-
Arindo Global (Netherlands) B.V.	-	-	-	2,922,208
	<u>12,602</u>	<u>10,945</u>	<u>28,675</u>	<u>2,969,878</u>

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**h. Loans from related parties (continued)**

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
Total loan from related parties	<u>12,602</u>	<u>10,945</u>	<u>28,675</u>	<u>2,969,878</u>
Less:				
Portion due within one year	-	-	-	-
Non-current portion	<u>12,602</u>	<u>10,945</u>	<u>28,675</u>	<u>2,969,878</u>
As a percentage of total liabilities	<u>0.10%</u>	<u>0.10%</u>	<u>0.23%</u>	<u>22.66%</u>

The interest rates on loans from related parties are as follow:

	<u>31 January</u> <u>2008</u>	<u>2007</u>	<u>31 December</u> <u>2006</u>	<u>2005</u>
Rupiah	5.0%	5.0%	5.0%-12.0%	5.0%-17.0%
US Dollars	-	-	17.0%-17.3%	17.0%

**PT Padangbara Sukses Makmur**

On 29 October 2004, the Company entered into a loan agreement with PSM, for a loan facility amounting to Rp 50,000 and US\$5,000,000 which will be used for the Company's operations. The loan term was two years from the date of the agreement. The loan agreement has been amended from time to time with the most recent amendment dated 24 April 2007, related to the change of interest rate for the facility in Rupiah and US Dollars. The loan will be due on 1 February 2011. As at 31 January 2008, the outstanding loan was Rp 11,673 (31 December 2007: Rp 10,003, 2006: Rp 8,450 and 2005: Rp 31,917).

On 1 March 2004, BAT entered into a loan agreement with PSM, for a loan facility amounting to Rp 10,000 that will be used to fund BAT's operations. The loan term was two years from the date of the agreement until 28 February 2006. The facility bears a fixed interest rate per annum. The loan agreement has been amended from time to time with the most recent amendment dated 30 April 2005, which related to the change of interest rate for this facility. As at 31 December 2006 and 2005, the outstanding balance of this loan was Rp 2,937.

On 1 December 2004, PM entered into a loan agreement with PSM, for a loan facility amounting to Rp 1,000 that will be used to fund PM's operations. The loan term was three years from the date of the agreement until 30 November 2007. This facility bears a fixed interest rate per annum. As at 31 December 2006 and 2005, the outstanding balance of this loan was Rp 750 and Rp 1,366, respectively.

In March 2005, TB entered into a loan agreement with PSM, for a loan facility amounting to Rp 5,000. The loan term is four years from the date of the agreement until 10 March 2009. This loan is not subject to any interest. As at 31 December 2006 and 2005, the outstanding loan was Rp 4,449.

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**h. Loans from related parties (continued)**

**PT Padangbara Sukses Makmur (continued)**

On 28 May 2004, ALH entered into a loan agreement with PSM, for a loan facility amounting to Rp 7,500 that will be used to fund ALH's operations. The loan term is three years from the date of the agreement until 27 May 2007. This facility bears a fixed interest rate per annum. The loan agreement has been amended from time to time with the most recent amendment dated 1 April 2005 related to the change of the interest rate of the facility. As at 31 December 2006 and 2005, the outstanding balance of this loan was Rp 7,579 and Rp 7,001, respectively.

**PT Interex Sacra Raya**

On 20 March 2006 and 12 May 2006, SIS received loans from PT Interex Sacra Raya ("Interex") amounting to US\$5,000,000 and US\$2,000,000, respectively. During 2006 and 2007, SIS gradually repaid the loans in the amount of US\$6,500,000 and US\$400,000, respectively. As at 31 January 2008, the outstanding balance of these loans were US\$100,000.

**Arindo Global (Netherlands) B.V.**

A US\$461,800,000 unsecured loan was granted by Arindo Global to Adaro on 22 June 2005 as amended on 8 December 2005. The loan was repayable by Adaro in the 15<sup>th</sup> years from the date of the agreement, however, Arindo Global may extend the maturity date by an additional 10 years or to another date when deems appropriate. Interest was payable quarterly commencing on 22 September 2005. On 29 December 2006, the loan was fully repaid. Refer to Note 38a for interest expense incurred during 2006 and 2005.

**i. Revenue**

	<b>31 January</b>	<b>31 December</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
PT Berau Coal	44,756	411,337	194,234	-
PT Interex Sacra Raya	5,040	55,157	39,818	17,359
Coaltrade Services International Pte Ltd	-	1,945,832	1,318,856	1,212,785
<b>Total</b>	<b>49,796</b>	<b>2,412,326</b>	<b>1,552,908</b>	<b>1,230,144</b>
As a percentage of total revenue	4.47%	20.81%	15.93%	17.15%

**Coaltrade Services International Pte Ltd**

Since 2005, Adaro is required to supply to Coaltrade up to eight million tonnes of coal per annum and Coaltrade may purchase up to an additional two million tonnes per annum at its option. The agreement will terminate on 31 December 2010.

The price per tonne of coal purchased is determined by reference to an agreed pricing formula using the previous six months ACR Asian index, as presented in Australian Coal Report published by Barlow Jonker Pty Ltd.

In January 2007, IBT entered into an agreement with Coaltrade in respect of coal storage, loading and unloading services and other facilities related to those services. IBT provides a storage area with a capacity of 60,000 tonnes.

Since 2008, Coaltrade has been consolidated into the Group, therefore balances and transactions between Adaro and IBT have been eliminated (refer to Note 3).

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**i. Revenue (continued)**

**PT Interex Sacra Raya**

On 26 April 2004, SIS entered into a Coal Mining Contract Agreement with Interex. Under this contract, SIS provides all personnel, equipment and temporary facilities which are required to provide services to conduct mining operations in the area of operation located in Pasir District, East Kalimantan and Tabalong District, South Kalimantan. SIS is required to conduct pre-stripping of overburden, stripping of remaining overburden, mining of raw coal, loading and transportation of raw coal to stock piles, loading and transportation of clean coal to blending facilities or port facilities and construction and maintenance of the hauling roads. SIS is also required to meet certain minimum production requirements for these activities.

Under the agreement, Interex is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes coal mined and hauled and overburden removed. The agreement is for five years commencing on the date indicated on the agreement.

On 28 November 2007, SIS signed an amendment of the agreement for a revision in the price for the services.

**j. Cost of revenue**

	<b>31 January 2008</b>	<b>31 December</b>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	
Cost of coal mining and trading:				
Orchard Maritime Logistics Pte Ltd	27,396	371,999	181,575	-
PT Rahman Abdijaya	25,693	80,684	-	-
PT Pulau Seroja Jaya	12,600	-	-	-
PT Padangbara Sukses Makmur	7,478	133,212	-	-
PT Anugerah Buminusantara Abadi	1,863	19,162	-	-
Coaltrade Services International Pte Ltd	-	58,903	52,592	42,593
PT Padang Sejahtera	-	9,498	-	-
PT Indonesia Bulk Terminal	-	-	330,300	275,779
Purchase of spare parts:				
Multi Corporation Pte Ltd	-	-	-	29
Other services:				
Indonesia Coal Pty Ltd	-	-	-	5,029
MEC Indo Coal B.V.	-	-	-	2,182
<b>Total</b>	<u>75,030</u>	<u>673,458</u>	<u>564,467</u>	<u>325,612</u>
As a percentage of total cost of revenue	<u>8.41%</u>	<u>7.38%</u>	<u>7.25%</u>	<u>5.58%</u>

**PT Indonesia Bulk Terminal**

In 1997, Adaro entered into an agreement with IBT regarding the storage, blending, loading and unloading of coal. The agreement will expire on 3 July 2012.

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**j. Cost of revenue (continued)**

**Coaltrade Services International Pte Ltd**

The balance due to Coaltrade represents the agency fees in relation to Adaro's sales. On 1 January 2008, this agreement has expired.

**Indonesia Coal Pty Ltd and MEC Indo Coal B.V.**

Indonesia Coal Pty Ltd and MEC Indo Coal B.V. render management and technical services to Adaro.

**Orchard Maritime Logistics Pte Ltd**

On 1 May 2000 and 17 August 2000, Adaro entered into a coal handling and a coal barging agreement with Orchard Maritime Services Pte Ltd ("OMS") under which OMS agreed to provide floating crane services to provide coal transshipment services from Adaro's barge to customers' vessels and provide barging services to provide coal transport from Adaro's main area to certain port destinations. OMS would provide all equipment, crews, parts and other items necessary for performing the services.

On 8 June 2006, OMS entered into an Assignment Agreement with Orchard Maritime Logistics Pte Ltd ("OML") whereby OMS assigned to OML all of their present and future rights, title, interests and benefits in, under or arising out of the coal handling and coal barging agreements dated 1 May 2000 and 17 August 2000, respectively, with Adaro. These coal handling and coal barging agreements will be ended on 23 May 2017.

**PT Padangbara Sukses Makmur and PT Padang Sejahtera**

The balance due to PSM and PS represents coal purchasing cost of the Company.

**PT Rahman Abdijaya**

On 27 March 2002, Adaro entered into an operating agreement with PT Rahman Abdijaya ("RA") under which RA agreed to provide coal mining and transportation services in Adaro's mine area. RA will provide all equipment, machinery, appliances and other supplies necessary for performing the mining and transportation services. Under this agreement, RA is required to meet certain minimum production requirements.

Under the agreement, Adaro is required to pay RA a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal and overburden mined and transported. Adjustments to the service fee paid to RA per tonnes of coal and bank cubic metre of overburden are made for certain variations in coal amounts mined. The agreement will expire when RA reaches a certain accumulated level of production.

On 1 October 2007, PT Tanjung Anugerah, a related party, acquired majority interest in RA. Since that date, RA becomes related party of the Group.

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**j. Cost of Revenue (continued)**

**PT Pulau Seroja Jaya**

On 17 November 2005, Adaro entered into a coal transport agreement with PT Pulau Seroja Jaya ("PSJ") which on the latest amendment dated 3 January 2008, whereby PSJ agreed to provide coal transport from the Adaro's main area to certain port destination. Based on this agreement, Adaro is required to pay PSJ a service fee based on the coal transport destination. This agreement will expire in December 2010. Related to the restructuring done by one of the Group's shareholder, since 3 January 2008, PSJ becomes a related party of the Group.

**k. Interest income and expenses**

The interest income and expenses recognised by the Group for the loans received from related parties or the loans granted to related parties for the one month period ended 31 January 2008 and the years ended 31 December 2007, 2006 and 2005 were as follows:

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Interest income:				
PT Viscaya Investments	10,478	171,518	165,847	84,430
Rachmalta Investments Ltd	3,349	35,737	31,942	16,257
Arindo Holdings (Mauritius) Ltd	-	312,655	233,786	11,336
PT Bahtera Alam Tamiang	-	1,521	-	-
PT Indonesia Bulk Terminal:				
PT Adaro Indonesia loan	-	-	8,016	3,874
PT Adaro Indonesia operational loan	-	-	1,480	-
PT Saptaindra Sejati	-	-	1,035	-
PT Dianlia Setyamukti	-	-	1,030	2,185
Total	<u>13,827</u>	<u>521,431</u>	<u>443,136</u>	<u>118,082</u>
As a percentage of total interest income	<u>77.08%</u>	<u>85.38%</u>	<u>86.50%</u>	<u>78.23%</u>
	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Interest expenses:				
PT Padangbara Sukses Makmur	18	310	2,753	3,889
Arindo Global (Netherlands) B.V.	-	-	526,751	297,320
PT Interex Sacra Raya	-	-	4,765	-
PT Persada Capital	-	-	-	464
PT Pandu Alam Persada	-	-	-	72
	<u>18</u>	<u>310</u>	<u>534,269</u>	<u>301,745</u>
As a percentage of total interest expense and finance charges	<u>0.03%</u>	<u>0.02%</u>	<u>32.96%</u>	<u>42.90%</u>

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**I. The nature of relationships with related parties**

Related parties	Relationship with related parties	Transactions
Multi Corporation Pte Ltd	Affiliate	Purchase of spare parts
PT Alhasanie	Affiliate	Loan and interest income
PT Pandu Alam Persada	Affiliate	Loan and interest expense
PT Persada Capital	Affiliate	Interest expense
PT Pulau Seroja Jaya	Affiliate	Trade payables and cost of coal hauling service
PT Rahman Abdijaya	Affiliate	Trade payables and cost of mining service
PT Unitras Pertama	Affiliate	Promissory notes
Orchard Maritime Logistics Pte Ltd	Affiliate	Trade payables and cost of coal hauling service
Arindo Global (Netherlands) B.V.	Under common control*)	Loan, payable and interest expense
Indonesia Coal Pty Ltd	Under common control*)	Other mining service expenses
PT Bahtera Alam Tamiang	Under common control*)	Other receivables
PT Bumi Alam Sejahtera	Under common control*)	Loan
PT Padangbara Sukses Makmur	Under common control*)	Loan and interest expense
PT Viscaya Investments	Under common control*)	Loan and interest income
Rachmalta Investments Ltd	Under common control*)	Loan and interest income
PT Sukses Indonesia	Same key management personnel	Promissory notes
PT Berau Coal	Same key management personnel	Receivables and mining services revenue
PT Saratoga Investama Sedaya	Shareholder	Promissory notes
PT Saratoga Sentra Business	Shareholder	Other payables

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**39. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)**

**I. The nature of relationships with related parties (continued)**

Related parties	Relationship with related parties	Transactions
PT Persada Capital Investama	Shareholder	Receivables and other payable
PT Interex Sacra Raya	Same shareholder	Rendering of mining services, loan and interest expense
MEC Indo Coal B.V.	Associates	Other mining services cost
PT Anugerah Buminusantara Abadi	Associates	Trade payables and mining services cost
PT Karunia Barito Sejahtera	Associates	Loan
PT Rachindo Investments	Associates	Other payables

\*) An entity is considered as a related party under common control due to that entity and the Company having either the same governing committee, lenders or noteholders. The related party relationship is not due to the existence of similar shareholders or key management personnel.

**40. EARNINGS PER SHARE**

**a. Basic earnings per share**

Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>31 January 2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income attributable to shareholders	58,109	132,853	141,133	65,892
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u>20,624,780</u>	<u>1,436,280</u>	<u>1,436,280</u>	<u>482,927</u>
Basic earnings per share (full amount)	<u>3</u>	<u>92</u>	<u>98</u>	<u>136</u>



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**40. EARNINGS PER SHARE (continued)**

**b. Diluted earnings per share**

For the computation of diluted earnings per share, the weighted average number of ordinary shares outstanding have to be adjusted by assuming all effects of dilutive potential ordinary shares are converted. The Group has one category of diluted ordinary share potential investments, that is convertible bonds in SIS. The convertible bonds are assumed to have been converted into the Company's ordinary share. The effect of SIS' diluted shares does not affect the weighted average of the Company's ordinary shares and will only affect the consolidated net income recognised due to the Company's ownership of SIS having decreased as a result of the dilution effect. There is also no interest expense adjustment because the convertible bonds incurred on 31 January 2008. Consolidated net income was adjusted with SIS' diluted earnings per share as follows:

	<u>31 January</u> <u>2008</u>	<u>31 December</u>		
		<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income attributable to shareholders	58,109	132,853	141,133	65,892
Adjustment of share in SIS' net income recognised due to convertible bonds dilution effect in SIS	<u>(972)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income attributable to shareholders used to determine diluted earnings per share	57,137	132,853	141,133	65,892
Weighted average number of ordinary shares outstanding (in thousands of shares)	<u>20,624,780</u>	<u>1,436,280</u>	<u>1,436,280</u>	<u>482,927</u>
Diluted earnings per share (full amount)	<u>3</u>	<u>92</u>	<u>98</u>	<u>136</u>

**41. MONETARY ASSETS AND LIABILITIES**

As at 31 January 2008, the Group had monetary assets and liabilities denominated in foreign currencies as follows:

		<u>31 January 2008</u>	
		<u>Foreign</u> <u>currency</u> <u>(full amount)</u>	<u>Equivalent</u> <u>Rupiah</u>
<b>Monetary assets</b>			
Cash on hand	US\$	1,718	16
Cash in banks	US\$	78,252,994	727,048
	S\$	478,707	3,135
	€	350,141	4,828
Time deposits	US\$	2,659,395	24,708
Restricted cash and cash equivalents	US\$	5,644,284	52,441
Trade receivables	US\$	122,718,497	1,140,178
Other receivables:			
Third parties	US\$	4,421,560	41,081
Related parties	US\$	474,545	4,409
Loan to related parties	US\$	220,034,123	<u>2,044,337</u>
<b>Total monetary assets</b>			<u>4,042,181</u>

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**41. MONETARY ASSETS AND LIABILITIES (continued)**

		<u>31 January 2008</u>	
		<u>Foreign currency (full amount)</u>	<u>Equivalent Rupiah</u>
<b>Monetary liabilities</b>			
Trade payables	US\$	(147,402,657)	(1,369,518)
	S\$	(141,078)	(924)
	€	(310,362)	(4,280)
	¥	(19,647,983)	(1,709)
	A\$	(141,388)	(1,169)
Accrued expenses	US\$	(35,388,072)	(328,791)
Short-term bank loans	US\$	(48,000,000)	(445,968)
Other short-term loans:			
Third parties	US\$	(5,558,900)	(51,648)
Related parties	US\$	(100,000)	(929)
Long-term loans:			
Lease payables	US\$	(37,369,083)	(347,196)
Long-term bank loans	US\$	(866,535,621)	(8,050,982)
Subordinated loan	US\$	(10,000,000)	(92,910)
Convertible bonds	US\$	(10,000,000)	(92,910)
Other long-term loans:			
- Third parties	US\$	(1,929,534)	(17,927)
- Related parties	US\$	(909,892)	<u>(8,454)</u>
<b>Total monetary liabilities</b>			<u>(10,815,315)</u>
<b>Net monetary liabilities</b>			<u>(6,773,134)</u>

If assets and liabilities in foreign currencies as at 31 January 2008 are translated using the exchange rate as at 2 May 2008, the total net foreign currency liabilities will decrease by approximately Rp 43,034.

The Group is exposed to foreign exchange risks arising from exposure on various currencies, primarily with respect to the US Dollar. The Group does not hedge foreign currency exposure because this exposure is mitigated by its foreign currency denominated receivables and its majority sales denominated in foreign currency.

**42. SEGMENT REPORTING**

Based on the financial information used by management in evaluating the performance of segments and in the allocation of resources, management considers that the business segment is the primary segment, while the geographical segment is the secondary segment.

Information concerning the Group's business segment for the one month period ended 31 January 2008 and the years ended 31 December 2007, 2006 and 2005 is as follows:

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**42. SEGMENT REPORTING (continued)**

	<b>31 January 2008</b>				
	<b>Coal mining and trading</b>	<b>Mining services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue:					
Extern-segment revenue	1,020,576	75,646	18,858	-	1,115,080
Inter-segment revenue	<u>173,787</u>	<u>45,622</u>	<u>165,370</u>	<u>(384,779)</u>	<u>-</u>
Net revenue	1,194,363	121,268	184,228	(384,779)	1,115,080
Gross profit	181,103	11,333	37,242	(6,273)	223,405
Selling and marketing expense	(10,366)	-	-	-	(10,366)
General and administration expense	<u>(248)</u>	<u>(5,786)</u>	<u>(2,434)</u>	<u>-</u>	<u>(8,468)</u>
Operating income	170,489	5,547	34,808	(6,273)	204,571
Interest expenses and finance charges	(54,755)	(19,309)	(14,184)	30,530	(57,718)
Interest income	47,671	574	223	(30,530)	17,938
Other income, net	<u>9,912</u>	<u>26,984</u>	<u>61,947</u>	<u>(26,900)</u>	<u>71,943</u>
Profit before income tax	173,317	13,796	82,794	(33,173)	236,734
Income tax expense	(92,015)	(4,181)	(5,455)	309	(101,342)
Extraordinary item	(35,618)	-	-	-	(35,618)
Minority interest in net income of subsidiaries	<u>-</u>	<u>-</u>	<u>(1,159)</u>	<u>(40,506)</u>	<u>(41,665)</u>
Net income	45,684	9,615	76,180	(73,370)	58,109
Segment assets	17,092,023	2,888,516	6,990,062	(10,672,491)	16,298,110
Segment liabilities	12,995,339	2,385,618	2,620,682	(5,237,163)	12,764,476
Capital expenditure	7,734	3,152	3,034	-	13,920
Depreciation and amortisation	44,922	12,144	1,156	-	58,222
	<b>31 December 2007</b>				
	<b>Coal mining and trading</b>	<b>Mining services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue:					
Extern-segment revenue	10,799,071	672,615	120,954	-	11,592,640
Inter-segment revenue	<u>-</u>	<u>726,836</u>	<u>811,938</u>	<u>(1,538,774)</u>	<u>-</u>
Net revenue	10,799,071	1,399,451	932,892	(1,538,774)	11,592,640
Gross profit	1,873,674	302,425	301,993	(6,652)	2,471,440
Selling and marketing expense	(173,173)	-	-	-	(173,173)
General and administration expense	<u>(12,556)</u>	<u>(55,859)</u>	<u>(9,315)</u>	<u>(45)</u>	<u>(77,775)</u>
Operating income	1,687,945	246,566	292,678	(6,697)	2,220,492
Interest expenses and finance charges	(1,543,674)	(183,251)	(239,685)	240,682	(1,725,928)
Interest income	803,460	10,801	37,143	(240,682)	610,722
Other (expenses)/income, net	<u>(5,406)</u>	<u>(77,622)</u>	<u>263,758</u>	<u>(338,991)</u>	<u>(158,261)</u>
Profit/(loss) before income tax	942,325	(3,506)	353,894	(345,688)	947,025
Income tax (expense)/benefit	(555,546)	5,851	(21,434)	3,600	(567,529)
Minority interest in net income of subsidiaries before acquisition	-	-	-	(38,048)	(38,048)
Minority interest in net loss/(income) of subsidiaries	<u>-</u>	<u>31</u>	<u>(17,490)</u>	<u>(191,136)</u>	<u>(208,595)</u>
Net income	386,779	2,376	314,970	(571,272)	132,853

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42. SEGMENT REPORTING (continued)

	<b>31 December 2007</b>				
	<b>Coal mining and trading</b>	<b>Mining services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
Segment assets	16,073,838	2,964,865	7,173,498	(11,523,518)	14,688,683
Segment liabilities	8,770,785	2,473,239	2,641,416	(2,764,181)	11,121,259
Capital expenditure	166,702	742,269	5,341	-	914,312
Depreciation and amortisation	243,190	93,521	11,872	-	348,583
	<b>31 December 2006</b>				
	<b>Coal mining and trading</b>	<b>Mining service</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue:					
Extern-segment revenue	9,263,324	483,962	782	-	9,748,068
Inter-segment revenue	29,805	623,267	-	(653,072)	-
Net revenue	9,293,129	1,107,229	782	(653,072)	9,748,068
Gross profit	1,769,420	199,871	782	(9,563)	1,960,510
Selling and marketing expense	(130,217)	-	-	-	(130,217)
General and administration expense	(15,624)	(72,886)	(506)	(63)	(89,079)
Operating income	1,623,579	126,985	276	(9,626)	1,741,214
Interest expenses and finance charges	(1,693,285)	(145,931)	-	218,329	(1,620,887)
Interest income	719,550	15,812	49	(223,129)	512,282
Other income, net	75,431	143,072	-	167	218,670
Profit before income tax	725,275	139,938	325	(14,259)	851,279
Income tax (expense)/benefit	(499,056)	(32,923)	395	3,612	(527,972)
Minority interest in net income of subsidiaries before acquisition	-	(21)	-	4	(17)
Minority interest in net loss/(income) of subsidiaries	10,328	332	-	(192,817)	(182,157)
Net income	236,547	107,326	720	(203,460)	141,133
Segment assets	16,522,892	2,180,914	4,484	(5,364,897)	13,343,393
Segment liabilities	12,781,076	1,760,882	711	(2,170,333)	12,372,336
Capital expenditure	177,672	719,118	407	-	897,197
Depreciation and amortisation	176,367	85,615	33	-	262,015

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	<b>31 December 2005</b>				
	<b>Coal mining and trading</b>	<b>Mining services</b>	<b>Others</b>	<b>Eliminations</b>	<b>Consolidated</b>
Revenue:					
Extern-segment revenue	6,820,013	354,638	-	-	7,174,651
Inter-segment revenue	<u>50,108</u>	<u>289,816</u>	-	<u>(339,924)</u>	-
Net revenue	6,870,121	644,454	-	(339,924)	7,174,651
Gross profit	1,278,947	138,812	-	(79,696)	1,338,063
Selling and marketing expense	(111,593)	-	-	-	(111,593)
General and administration expense	<u>(17,809)</u>	<u>(34,139)</u>	-	<u>(21)</u>	<u>(51,969)</u>
Operating income	1,149,545	104,673	-	(79,717)	1,174,501
Interest expenses and finance charges	(727,479)	(97,204)	-	121,396	(703,287)
Interest income	260,873	3,154	-	(113,092)	150,935
Other income, net	<u>19,166</u>	<u>85,446</u>	-	<u>(125,066)</u>	<u>(20,454)</u>
Profit before income tax	702,105	96,069	-	(196,479)	601,695
Income tax expense	(340,020)	(17,185)	-	3,827	(353,378)
Minority interest in net loss of subsidiaries before acquisition	-	42,807	-	(39,261)	3,546
Minority interest in net income of subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,971)</u>	<u>(185,971)</u>
Net income	362,085	121,691	-	(417,884)	65,892
Segment assets	17,694,320	1,537,973	-	(5,379,049)	13,853,244
Segment liabilities	13,975,172	1,272,195	-	(2,138,314)	13,109,053
Capital expenditure	295,634	618,663	-	-	914,297
Depreciation and amortisation	114,046	63,099	-	-	177,145

Information concerning the Group's geographical segment for the one month period ended 31 January 2008 and the years ended 31 December 2007, 2006 and 2005 is as follows:

	<b>31 January 2008</b>				
	<b>Indonesia</b>	<b>Asia</b>	<b>Europe</b>	<b>United States</b>	<b>Total</b>
Revenue:					
Coal mining and trading	345,922	474,074	112,428	88,152	1,020,576
Mining services	75,646	-	-	-	75,646
Others	<u>18,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,858</u>
Net revenue	<u>440,426</u>	<u>474,074</u>	<u>112,428</u>	<u>88,152</u>	<u>1,115,080</u>
Segment assets	10,042,834	2,299,388	3,951,061	4,827	16,298,110
Capital expenditure	13,920	-	-	-	13,920
	<b>31 December 2007</b>				
	<b>Indonesia</b>	<b>Asia</b>	<b>Europe</b>	<b>United States</b>	<b>Total</b>
Revenue:					
Coal mining and trading	3,307,904	5,548,777	1,216,082	726,308	10,799,071
Mining services	672,615	-	-	-	672,615
Others	<u>120,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,954</u>
Net revenue	<u>4,101,473</u>	<u>5,548,777</u>	<u>1,216,082</u>	<u>726,308</u>	<u>11,592,640</u>
Segment assets	14,683,855	-	-	4,828	14,688,683
Capital expenditure	914,312	-	-	-	914,312

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**42. SEGMENT REPORTING (continued)**

	<b>31 December 2006</b>				
	<b>Indonesia</b>	<b>Asia</b>	<b>Europe</b>	<b>United States</b>	<b>Total</b>
Revenue:					
Coal mining and trading	2,902,446	4,980,962	1,031,132	348,784	9,263,324
Mining services	483,962	-	-	-	483,962
Others	782	-	-	-	782
Net revenue	<u>3,387,190</u>	<u>4,980,962</u>	<u>1,031,132</u>	<u>348,784</u>	<u>9,748,068</u>
Segment assets	13,343,393	-	-	-	13,343,393
Capital expenditure	897,197	-	-	-	897,197
	<b>31 December 2005</b>				
	<b>Indonesia</b>	<b>Asia</b>	<b>Europe</b>	<b>United States</b>	<b>Total</b>
Revenue:					
Coal mining and trading	2,302,271	3,344,421	835,843	337,478	6,820,013
Mining services	354,638	-	-	-	354,638
Net revenue	<u>2,656,909</u>	<u>3,344,421</u>	<u>835,843</u>	<u>337,478</u>	<u>7,174,651</u>
Segment assets	13,853,244	-	-	-	13,853,244
Capital expenditure	914,297	-	-	-	914,297

**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES**

**a. Coal Sales Agreement - Friendly Coals Co Ltd**

On 22 June 2007, the Company entered into a sales agreement with Friendly Coals Co Ltd ("Friendly Coals") for 750,000 tonnes of coal. The Company will provide coal for three years, for the period of 1 August 2007 to 31 July 2010 with a commitment of 250,000 tonnes of coal per year. This amount can increase up to 30% if there is a deal reached in the future. Annual shipment will be divided into four quarterly shipments. The Company is also required to meet a certain level of coal quality.

The sales of coal for the first contract period (1 August 2007 - 31 July 2008) was based on certain determined price with the selling point at the time coal is loaded onto the ship in Samarinda Port, Indonesia. The payment rate for the second and the third periods will be determined based on mutual agreement in each year. Price adjustment will be done if the provided coal quality is different from the agreed coal quality.

**b. Coal Sales Agreement - Holcim Trading Pte Ltd**

On 3 May 2007, the Company entered into a sales agreement with Holcim Trading Pte Ltd ("Holcim") for 228,000 tonnes of coal that will be divided into nine shipments. The selling point is when the coal is loaded on Holcim's ship using a Vessel, a Geared and Grabbed Fitted Vessel or a Gearless Vessel and barge. This agreement is effective from the date of agreement until the last coal shipment as stated in the terms that will mutually agreed in the future.

The schedule, amount and rate of each coal shipment conducted are as stated in the agreement. The Company is also required to meet a certain level of coal quality. Price adjustment will be done if the provided coal quality is different from the agreed coal quality.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**b. Coal Sales Agreement - Holcim Trading Pte Ltd (continued)**

This contract agreement has been amended from time to time, most recently on 1 January 2008 to change coal shipment terms from the period of December 2007 to February and March 2008 and the change of coal shipment rate. With the several amendments to the agreement, the Company's commitment of coal sales to Holcim has changed to 218,000 tonnes of coal.

**c. Coal Purchase Agreement - PT Indomining**

On 13 June 2007, the Company entered into a purchasing agreement with PT Indomining ("Indomining") for 300,000 tonnes of coal during the period of July 2007 to December 2007. This contract agreement was amended on 24 October 2007 to determine that the shipment quantity is changed to 228,000 tonnes of coal, divided into nine shipments. The Company is also required to meet a certain level of coal quality. The agreed port for shipment by vessel is in Samarinda Port and by barge is in Indomining's Jetty.

The determined rate varies with the selling point. Price adjustment will be done if the provided coal quality is different from the agreed coal quality.

This contract agreement have been amended from time to time, most recently on 15 January 2008 to change the coal shipment terms for the period of December 2007 as the Company's request commencing from February 2008. With several amendments of the agreement, the Company's commitment of coal purchasing to Indomining changed into 218,000 tonnes of coal.

On 31 July 2007, the Company also entered into a coal purchasing agreement with Indomining amounting to 750,000 tonnes coal for three years period from 1 August 2007 to 31 July 2010. Shipment is done by delivering 250,000 tonnes coal per year.

Payment rate will be determined based on mutual agreement on each year. Price adjustment will be done if the provided coal quality is different from the agreed coal quality.

**d. Mining and Transportation Contracts with PT Pamapersada Nusantara**

On 13 May 2002 as amended, Adaro entered into an operating agreement with PT Pamapersada Nusantara ("Pama") under which Pama agreed to provide coal mining and transportation services in Adaro's mine area. Pama will provide all equipment, machinery, appliances and other supplies necessary for performing the mining and transportation services. Under this agreement, Pama is required to meet certain minimum production requirements.

Under the agreement, Adaro is required to pay Pama a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal and overburden mined and transported. Adjustments to the service fee paid to Pama per tonnes of coal and bank cubic metre of overburden are made for certain variations in coal amounts. The agreement will expire when Pama reaches a certain accumulated level of production.

**e. Mining and Transportation Contracts with PT Bukit Makmur Mandiri Utama**

On 21 January 2002, Adaro entered into an operating agreement with PT Bukit Makmur Mandiri Utama ("BUMA") under which BUMA agreed to provide coal mining and transportation services in Adaro's mine area. BUMA will provide all equipment, machinery, appliances and other supplies necessary for performing the mining and transportation services. Under this agreement, BUMA is required to meet certain minimum production requirements.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**e. Mining and Transportation Contracts with PT Bukit Makmur Mandiri Utama (continued)**

Under the agreement, Adaro is required to pay BUMA a service fee, calculated on a monthly basis, based on a formula which includes the amount of raw coal and overburden mined and transported. Adjustments to the service fee paid to BUMA per tonnes of coal and bank cubic metre of overburden are made for certain variations in coal amounts mined. The agreement will expire when BUMA reaches a certain accumulated level of production.

**f. Barging Agreement with PT Batuah Abadi Lines**

On 18 February 2000, Adaro entered into a coal barging agreement with Guildford Marine Pte Ltd ("GM") under which GM agreed to provide coal transportation services from Adaro's main area to certain port destinations. GM would provide all equipment, crews, parts and other items necessary for performing the services.

Under the agreement, Adaro is required to pay GM a service fee, calculated on a monthly basis, based on a formula which includes the amount of coal transported. Adjustments to the service fee paid to GM per tonnes of coal are made for certain variations in coal transported. The agreement will expire on 30 June 2012.

On 1 September 2003, Adaro, GM and PT Batuah Abadi Lines ("BAL") entered into a Novation Agreement where GM transferred its rights and obligation to BAL. Under the Novation Agreement, BAL may request GM, from time to time, to negotiate and amend the terms of the contract on behalf of BAL.

**g. Coal Mining Contract - PT Berau Coal**

**Binungan H3N Coal Mining Project Contract Agreement**

On 22 November 2004, SIS entered into an agreement with Berau for mining operations and coal haulage at the Binungan H3N mine site. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling. SIS is also required to meet certain minimum production requirements for these activities.

Under the agreement, Berau is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and coal hauled from pit to crushing facilities or ROM stockyards plus fuel price adjustment. In addition, there is a stripping ratio adjustment which is calculated on an annual basis.

On 14 September 2005, SIS signed an amended agreement for a revision in the price for the services. This agreement is to be applied as an amendment to the contract and became fully effective from 1 January 2005 and will remain effective until 31 December 2009, unless terminated or amended earlier by both parties.

This contract agreement has been amended from time to time, most recently, on 27 January 2008 to extend the completion of contract to 31 December 2007 and revise the rental rates for SIS' equipment.

The receivables arising from this agreement were pledged under loan from Bukopin (refer to Note 23f).



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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**g. Coal Mining Contract - PT Berau Coal (continued)**

**Binungan H4 Coal Mining Project Contract Agreement**

On 27 December 2004, SIS entered into a Binungan H4 Coal Mining Project contract agreement with Berau. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling. SIS is also required to meet certain minimum production requirements for these activities.

Under the agreement, Berau is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and hauled from pit to crushing facilities or ROM stockyards plus fuel price adjustment.

In addition, there is a stripping ratio adjustment that is calculated on a yearly basis. The term of this contract is five years commencing on 1 January 2005 and expiring on 31 December 2009.

On 14 September 2005, SIS signed the amendment agreement for a revision in the price for the services. The agreement was to be applied as an amendment to the contract and became fully effective from 1 January 2005 and is to remain effective until 31 December 2009, unless terminated or amended earlier by both parties.

This contract agreement has been amended from time to time, most recently, on 27 January 2008 to revise the rental rates for SIS' equipment.

The receivables arising from this agreement were pledged under loan from Bukopin (refer to Note 23f).

**Binungan Blok 1-4 Coal Mining Project - PT Berau Coal**

On 1 March 2007, SIS entered into a Coal Mining Contract with Berau at the Binungan Blok 1-4 mine site and the term of the contract shall be five years commencing effectively on 1 January 2006. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling. SIS is also required to meet certain minimum production requirements for these activities.

Under this agreement, Berau is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and hauled from pit to crushing plant or ROM stockyard plus fuel price adjustment. In addition, there will be a stripping ratio adjustment that will be calculated on an annual basis.

This contract agreement have been amended from time to time, most recently, on 27 January 2008 to revise the rental rates for SIS' equipment.

The receivables arising from this agreement were pledged under loan from BEI (refer to Note 19a).

**Sambarata Coal Mine Project Contract Agreement**

On 25 February 2004, Dianlia entered into an agreement with Berau for mining coal operation services at the Sambarata mine site. Under this agreement, Dianlia was to provide all plant, equipment, machinery, appliances and the items necessary for coal mining and processing services required to meet certain minimum production requirements.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**g. Coal Mining Contract - PT Berau Coal (continued)**

**Sambarata Coal Mine Project Contract Agreement (continued)**

Under this agreement, Dianlia was to be paid a service fee by Berau on a monthly basis, based on a formula which was to include the amount of coal loaded into barge plus fuel price adjustment. In addition, there was to be a stripping ratio adjustment calculated on a yearly basis. The agreement was to expire in five years or when Dianlia reached a certain accumulated production level, whichever was sooner. In addition, Dianlia was to provide a Surety Bond for the amount of US\$1,000,000 to Berau.

On 1 May 2005, SIS, Dianlia and Berau entered into a transfer agreement to transfer the contract from Dianlia to SIS. Consequently, Dianlia was fully released and discharged from all its rights and obligations under the contract before and after the execution of this assignment agreement and SIS has since received and become responsible for all such rights and obligations.

This contract agreement has been amended from time to time, most recently, on 27 January 2008 to revise the rental rates for SIS' equipment.

The receivables arising from this agreement were pledged under loan from Niaga (refer to Note 23d).

**Sambarata Blok B-1 Coal Mining Contract Agreement**

On 21 January 2008, SIS entered into a Coal Mining Contract Agreement with Berau at the Sambarata Blok B-1 mine site and the term of contract shall be five years commencing effectively on 15 July 2007. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling.

Under this agreement, Berau is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and hauled from pit to crushing plant or ROM stockyard plus fuel price adjustment. In addition, there will be a stripping ratio adjustment that will be calculated on an annual basis.

The receivables arising from this agreement were pledged under loan from Niaga (refer to Note 23d).

**h. Coal Mining Contract - PT Sumber Kurnia Buana**

On 10 May 2005, SIS entered into a Coal Mining Contract Agreement with SKB. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling. In addition, SIS is responsible for preparing road access so that the area is ready for the mining operation. SIS is also required to meet certain minimum production requirements for these activities.

Under the agreement, SKB is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and hauled plus fuel price adjustment. In addition, there is a stripping ratio adjustment calculated on an annual basis. The agreement will expire when SIS reaches a certain level of accumulated production of coal.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**h. Coal Mining Contract - PT Sumber Kurnia Buana (continued)**

This contract agreement has been amended from time to time, most recently, on 14 February 2008 to revise the rental rates for SIS' equipment.

The receivables arising from this agreement were pledged under loan from NISP (refer to Note 23c).

**i. Coal Mining and Hauling Contract - PT Borneo Indobara**

On 17 October 2006, SIS entered into a Coal Mining and Hauling contract with Borneo. Under this contract, SIS provides labour, equipment and material for overburden removal, coal mining and coal and overburden hauling.

Under this agreement, Borneo is required to pay SIS a service fee, calculated on a monthly basis, based on a formula which includes the coal mined and hauled from pit to ROM hopper, or per ROM stockpile plus fuel price adjustment. The contract completion date is five years or when SIS has reached a certain accumulated production level of coal.

The receivables arising from this agreement were pledged under loan from Permata (refer to Note 23e).

**j. Coal Mining Contract - PT Indomining**

On 14 August 2007, SIS entered into a Coal Mining contract with Indomining. Under this contract, SIS provides labour, equipment and material for land clearing, overburden removal, coal mining, crushing and cleaning and coal and overburden hauling.

Under this agreement, Indomining is required to pay SIS a service fee calculated on a monthly basis, based on a formula which includes the amount of overburden stripped, coal mined, coal hauled, fuel price adjustment, hauling distance adjustment, quality of coal adjustment and production target achievement adjustment.

This contract completion date is five years or when SIS has reached a certain accumulated production level of coal.

**k. Land Compensation Agreement**

MSW entered into an agreement with the Local Government of Tabalong Regency on 10 December 2007 in relation to land compensation for "*Pembangkit Listrik Tenaga Uap*" titles ("Steam Power Electric Station" or "PLTU") of 100ha located in Mabu'un village, Murung Pundak Sub-District, Tabalong Regency. The Local Government of Tabalong Regency will give land rights for 30 years and this could be extended according to the prevailing law.

MSW should cover all costs for revegetation, a lodge, pond and social responsibility. As the compensation for land rights, the Company will supply the electricity of 717,000 Watt for a public road.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**I. Credit Facility Agreement**

On 15 September 2006, International Finance Corporation (“IFC”) agreed to provide a loan facility for developing, constructing, operating, and maintaining a PLTU. The maximum loan facility amounting to US\$16 million and US\$33 million, respectively, in a suitable form from IFC (“IFC A Loan”) and loan on behalf of another participating bank (“IFC B Loan”). The details of providing funds will be included in another agreement at the time the PLTU due diligence project is completed. For the approval, MSW has been charged a total of US\$125 thousand of which US\$80 thousand was paid at the time of the signing for approval between MSW and IFC. The rest of the amount will be paid at the time the loan agreement was signed. As at the date of these financial statements, the loan facility agreement has not been signed.

**m. Management services**

On 14 February 2007, MSW entered into an agreement for management services with Akraya. MSW shall pay a management fee and project manager fee of US\$168,000 and US\$84,000 per annum (excluding VAT), respectively, on a quarterly basis. The effective date of this agreement is from the time the agreement is signed until the expiration of the Electricity Supply Agreement between MSW and Adaro on 1 October 2022.

**n. Conditional Settlement Agreement for Mining-Plantation Overlapping Areas**

On 29 February 2008, Adaro entered into a Conditional Settlement Agreement for Mining-Plantation Overlapping Areas with PT Cakung Permata Nusa (“Cakung”), PT Cakradenta Agung Pertiwi (“Cakradenta”) and PT Astra Agro Lestari Tbk (“AAL”) to settle the status of overlapping between mining area owned by Adaro and plantation area owned by Cakung and Cakradenta. Under this agreement, Adaro will give compensation with total amounting to US\$60,000,000 for Cakung and Cakradenta. In March 2008, the Group has made a payment in an amount of US\$3,000,000 for this compensation.

**o. Litigation**

Dianlia is currently involved in litigation with Beckett Pte Ltd (“Beckett”) relating to a foreclosure sale of 40% of the shares in Adaro and IBT (the “Pledged Shares”) by Deutsche Bank AG, Singapore branch (“Deutsche Bank”) to Dianlia in 2002 following a default on a loan to a subsidiary of Beckett in 1998.

In 2001, Deutsche Bank obtained rulings from the South Jakarta District Court affirming the validity of it enforcing security over the Pledged Shares by selling the Pledged Shares to Dianlia. In 2005, Beckett obtained rulings from the Jakarta High Court to annul on procedural grounds the rulings obtained by Deutsche Bank from the South Jakarta District Court in 2001. The rulings from the Jakarta High Court did not contain any judgement on the validity of the enforced sale of the Pledged Shares. On March 3, 2006, the Indonesian Supreme Court issued a letter (the “Supreme Court Letter”) addressed to, among others, legal counsel(s) for the respective parties stipulating, among other things, that the Jakarta High Court rulings given in 2005 to annul the rulings of the South Jakarta District Court given in 2001 are upheld. However, the same Supreme Court Letter also expressly stipulates that this does not have any legal consequences with respect to the legal deeds, facts or actions arising from the South Jakarta District Court rulings given in 2001 that occurred prior to such annulment by the Jakarta High Court in 2005, because the Jakarta High Court did not (and is not authorised to) determine such legal consequences.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**o. Litigation (continued)**

Indonesian counsel to Adaro and IBT has confirmed that, until a final and binding Indonesian court decision is obtained on any and all legal actions or consequences relating to or arising from the South Jakarta District Court rulings given in 2001 (including among others the foreclosure sale mentioned above), those legal actions or consequences will continue to be legal, valid and effective.

In 2004, Beckett sued Deutsche Bank in Singapore for damages alleging, among other things, that Deutsche Bank failed to obtain the best price for the Pledged Shares pursuant to the foreclosure sale (the "Suit"). In early 2005, Beckett applied to the Singapore High Court to add Dianlia as an additional defendant to the Suit and sought restoration of the Pledged Shares or damages if the foreclosure sale was validated.

On 21 September 2007, the Singapore High Court rejected all Beckett's claims on Dianlia. Beckett submitted an appeal against the Singapore High Court and the case is still under examination by the Singapore Supreme Court.

Dianlia has been advised by their Singaporean counsel and their Indonesian counsel that the litigation discussed above should not materially and adversely affect the present security arrangements of their existing financiers nor prevent any dealings of their pledged shares. However, there is no assurance that existing claims by Beckett, or other claims of a similar or different nature, will not continue to be pursued, or new claims commenced at any time, against any party, which could, where a court was to find in favour of Beckett result in a change of control of Adaro and/or IBT.

**p. Royalty Claim**

In May 2006, the Department of Energy and Mineral Resources ("DEMR") alleged that Adaro had underpaid the royalties due from coal sales for the period from 2001 and demanded payment. Adaro strongly rejected the allegation because it had discharged its obligation to pay such royalties by way of an offset against the Government's obligation to reimburse Adaro for its VAT payment as prescribed under the CCA. In May 2006, Adaro filed an objection with the Jakarta Administrative Court against DEMR. Upon Adaro's application, in May 2006, the Jakarta Administrative Court granted an order restricting DEMR in taking any further administrative steps on the issue until a final and binding judgment is delivered. In September 2006, the Jakarta Administrative Court issued a decision in favour of Adaro. The High Administrative Court concurred with the Jakarta Administrative in February 2007. Proceedings are currently pending in the Indonesian Supreme Court.

In June 2006, DEMR granted authority to the Committee for State Claim Affairs (the "Committee") to pursue alleged underpayment on its behalf. In July 2007, the Committee issued a demand for payment to Adaro. As this is an industry-wide problem, similar demands have been made by the Committee to other first generation companies.

In September 2007, Adaro filed an objection with the Jakarta Administrative Court against the Committee. Upon Adaro's application, in September 2007 the Jakarta Administrative Court granted an order restricting the Committee from taking any further administrative steps on the issue until a final and binding judgment is delivered. On 15 February 2008, the Jakarta Administrative Court issued a decision in favour of Adaro. Proceedings are currently pending at the High Administrative Court.

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**p. Royalty Claim (continued)**

As management believes that Adaro has strong grounds supporting the case and there is the fact that the recent court decision is in favour of Adaro, no provision has been booked to the consolidated financial statements.

**q. Tax Notification Letter**

On 10 April 2008, Adaro received three letters from Foreign Capital Investment Tax Office, No. S-225/WPJ.07/KP.0408/2008, S-226/WPJ.07/KP.0408/2008 and S-227/WPJ.07/KP.0408/2008 regarding notification to amend the Annual Corporate Income Tax for fiscal years 2004, 2005 and 2006.

Under the General Tax Provisions and Procedures Law No. 6 in 1983 articles 37A and Law No. 8 in 2007 along with the implementation, Adaro intends to further review of the tax notification letter and possibly amend its Annual Corporate Income Tax for years 2004, 2005 and 2006. This amendment may result in tax payable amounting to US\$11,304,782 (fiscal year 2004), US\$33,233,919 (fiscal year 2005) and US\$39,234,348 (fiscal year 2006).

Adaro has paid amounting to US\$33,233,919 to the state treasury relating to the tax notification letter.

r. No significant commitments for capital expenditures exist that are not reflected in the accounts as at 31 January 2008, 31 December 2007, 2006 and 2005.

s. From time to time, the Group involved in various legal proceeding of a normal incident to the Group's business. The Group is of the opinion that adverse decision in any pending or threatened proceeding or that any amounts it may be required to pay by reason thereof will not have a material adverse effect on its financial condition or results of operations.

t. On 5 September 2007, Adaro entered a bank facility agreement with HSBC for issuing a bank guarantee with a total limit of US\$15,000,000 which includes issuing of standby documentary credit amounting to US\$15,000,000, a performance bond amounting to US\$5,000,000 and tender bond amounting to US\$5,000,000. This agreement will expire on 4 September 2008 and is not bound by any collateral.

As at 31 January 2008, the total bank facilities used by Adaro which obtained from DBS (refer to Note 19c) and HSBC and from other financial institutions (which obtained without any facility) was equal to US\$15,464,962 (31 December 2007: US\$16,211,716, 2006: US\$7,853,449 and 2005: US\$5,908,652). Those facility had been issued in relation to sales contracts and reclamation.

	<b>January 2008</b>	<b>December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
Malaysian Ringgit	RM9,857,688	RM9,857,687	RM11,452,688	RM1,000,000
US Dollars	US\$6,703,750	US\$6,671,750	US\$1,031,750	US\$1,106,750
Indonesian Rupiah	Rp 53,075	Rp 61,975	Rp 31,975	Rp 44,665

u. As at 31 January 2008, Adaro has commitments to deliver coal at fixed prices to certain customers. The total quantity to be delivered up to 2011 is 69,572,034 tonnes (31 December 2007: 70,834,000 tonnes, 2006: 40,707,333 tonnes and 2005: 8,037,333 tonnes).

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**43. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)**

**v. Forestry Expenses**

Based on Government Regulation No. 2 dated 4 February 2008, all companies that carry out activity in the area of producing and protected forest but which is not related to forestry activity will have the liability to pay forestry expense ranging from Rp 1,200,000 (full amount) to Rp 3,000,000 (full amount) per acre. This levy is effective from 2008.

**w. Interest Rate Swap Contract**

On 19 March 2008, Adaro entered into an interest rate swap contract with DBS Bank Ltd, with notional amounts of US\$600,000,000. The transaction underlying this contract is the syndicated credit facility agreement amounting to US\$750,000,000 (refer to Note 23a). Based on this transaction, DBS Bank Ltd receives payment in quarterly fixed interest rate of 2.945% per annum and pay to Adaro in floating interest rate of US\$-LIBOR. This contract will due on 7 December 2012. The notional amounts of US\$600,000,000 will be reduced gradually to US\$70,588,235 on 7 December 2012.

**44. EXTRAORDINARY ITEM**

	<b>January 2008</b>	<b>December</b>		
		<b>2007</b>	<b>2006</b>	<b>2005</b>
Demurrage	64,760	-	-	-
Income tax expense	(29,142)	-	-	-
Net loss after tax	<u>35,618</u>	<u>-</u>	<u>-</u>	<u>-</u>

The amounts represent the demurrage occurred other than normal activity of Adaro due to the bad weather in January 2008, which cause the delay on coal loading and shipment.

**45. RECLAMATION GUARANTEE**

A financial surety or reclamation guarantee is required under the regulations issued by the Directorate General of Mineral, Coal and Geothermal. The regulations require an annual study to be undertaken by a mining company operating in Indonesia to estimate its reclamation costs and a plan to be submitted to the Government. The plan includes an estimate of the cost of performing restoration work by a third party contractor. For any work Adaro does not carry out in the period pursuant to the plan, the Government can require payment of outstanding work to be carried out by the third party contractor. The surety can be in the form of cash, letter of credit or a financial reserve recorded in the account of the company. In accordance with Decree of the Director General of Geology and Mineral Resources No. 3944/84.02/DJG/2002 dated 22 October 2002, Adaro is required to provide a Reclamation Guarantee in the form of performance bonds. The balance of the reclamation guarantee provided by Adaro for the period ended 31 January 2008 was US\$0.5 million (31 December 2007: US\$0.5 million, 2006: US\$0.5 million and 2005: US\$0.4 million).

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**46. RISK MANAGEMENT**

Group has conducted the risk management to identify, measure, monitor and manage the basic risks in the Group. In order to overcome the risk of operational revenue continuity of the Group in the future, the Group has long-term sales contracts with its customers. In addition, the Group also has long-term contract with its mining contractor to ensure that the Group is able to meet the commitment of its long-term sales contracts.

Group has carried out most of its sales contract in US Dollars currency, which indirectly, represents the natural hedge on the risk of fluctuation in exchange rate of Rupiah to US Dollars and on the Group's loan in US Dollars currency.

In order to reduce the risk of fluctuation in interest rate which increase the uncertainty of the cash flow for the interest payment in the future, Group entered into a interest rate swap contract, which the Group will pay in fixed interest rate and receive payment in floating interest rate.

**47. INDONESIAN ECONOMIC CONDITIONS**

The Indonesian economy continued to improve during 2007. The Government's commitment to the set of conservative macro-economic policy guidelines, reprofiling of domestic debt and fiscal discipline, introduced during the second half of 2005, has further stabilised the Indonesian economy and this has resulted in improved country risk ratings and a stable exchange rate. Indonesia's sustainable return to economic stability depends on the effectiveness of measures taken by the Government, decisions of international lending organisations, changes in global economic conditions and other factors including regulatory and political developments, which are beyond the Group's control.

In the mining sector, companies are facing the following additional challenges:

- uncertainty due to delays in finalising the implementing regulations for the Regional Autonomy Laws as well as recent calls to revise these Laws;
- uncertainty due to the pending new Mining Law and the form and content of the next generation of mining contracts;
- confusion regarding recent changes to Taxation and Hazardous Waste Management regulation and the impact of the Forestry Law;
- continued disputes with local communities and the government who are requesting additional compensation and employment from companies which are operating in their areas; and
- rising security concerns in the industry caused by illegal mining activities.

Collectively, these challenges are adversely affecting companies in the following manner:

- local governments trying to apply local levies on companies in order to fund their budgets;
- problems in seeking additional finance both in terms of cost and/or the amounts of funding provided;
- new investment is either being postponed or cancelled;
- local governments applying pressure on companies to contribute additional funds to development programmes;
- delays in restitution of VAT and other taxes;
- reduced profitability through production disruptions and in some sectors oversupply of mining product; and
- difficulties in ensuring compliance with environmental obligations as a result of illegal mining activities.

Although currently not all of the challenges mentioned above are applicable for the Group, these challenges may in time, affect the Group's operations and related results and have been carefully considered by management when evaluating the level of current and future activity in Indonesia as well as the impact on or impairment of its existing operations.



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**47. INDONESIAN ECONOMIC CONDITIONS (continued)**

These circumstances give rise to continued economic and political uncertainties which may ultimately have an impact on the Group. No adjustments relating to these uncertainties have been included in the consolidated financial statements as at 31 January 2008.

**48. SUBSEQUENT EVENTS**

**Syndicated Loan Facility**

On 29 February 2008, Adaro entered into a syndicated loan facility with several banks ("the Lenders") which consist of DBS Bank Ltd and United Overseas Bank Ltd ("WHT Lender"), and PT ANZ Panin Bank and SCB (Jakarta branch) ("WHT Neutral Lender") whereby DBS Bank Ltd acts as facility agent. Under this agreement, the Lenders agreed to provide a revolving loan facility amounting to US\$80 million which will expire on 29 February 2009 with interest rates of LIBOR plus a certain percentage. Adaro, together with its related parties, including the borrowers, act as the guarantors of this syndicated loan facility. In accordance with the terms of the agreement, Adaro is required to comply with certain restricted covenants as stated in the agreement.

As at 31 March 2008, Adaro has made drawdown of US\$30 million from the facility.

**Increase of Interest in PT Saptaindra Sejati**

On 13 March 2008, the Company increased its ownership in SIS through the acquisition of CSP's, Saratoga's and PSC's shares in SIS, amounting to 19,517 shares, 39,035 shares and 39,036 shares, respectively, with the total acquisition amount of Rp 158,776. The share acquisition must be fully paid at the latest in six months after acquisition date. In addition, on 31 March 2008, SIS issued 56,679 new shares for Joyce in relation to convertible bonds. Due to these transactions, the Company's interest in SIS increased from 71.78% to 85.92%.

**Disposal of PT Nusantara Power Energy by PT Jasapower Indonesia**

On 30 April 2008, JPI disposed all its ownership in NPE to individual third party for Rp 700.

**Conditional Sale and Purchase Agreements**

On 2 May 2008, the Company entered in several Conditional Sale and Purchase Agreements ("CSPA") with PCI and Saratoga for the purchase of shares in ATA, with the total amounts of Rp 356,000.

On 5 and 13 May 2008, ATA entered into several CSPA with Gold Pilot International Ltd, Arindo FCM (Mauritius) Ltd, Citigroup Financial Products Inc, Goldman Sachs (Asia) Finance, Vencap Holdings (1987) Pte Ltd and Agalia Capital Ltd, for the purchase of shares in Kerry Coal (Singapore) Pte Ltd, Ariane Investments Mezzanine Pte Ltd and Agalia Energy Investments Pte Ltd with the total amounts of US\$1,078,719,958 or Rp 9,938,438.

On 5 June 2008, ATA entered into a CSPA with RA for the purchase of shares in PT Sarana Daya Mandiri amounting to Rp 128.

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**49. PROSPECTIVE ACCOUNTING PRONOUNCEMENTS**

The Indonesian Institute of Accountants has issued revisions of the following accounting standards:

- PSAK 50 (Revised 2006) - Financial Instruments: Presentation and Disclosures (applicable as at 1 January 2009); and
- PSAK 55 (Revised 2006) - Financial Instruments: Recognition and Measurement (applicable as at 1 January 2009).

The Group has not been able to determine the impact of these revised standards on the consolidated financial statements.

**50. REISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS**

- a. For the purposes of its IPO, the Company has reissued the consolidated financial statements for the years ended 31 December 2006 and 2005, in order to conform with the relevant disclosure requirements of the capital market regulator. The amendments are as follows:
- earnings per share as disclosed in Note 40;
  - monetary assets and liabilities denominated in foreign currencies as disclosed in Note 41;
  - segment reporting as disclosed in Note 42; and
  - statements of cash flows are prepared based on the direct method by classifying cash flows on the basis of operating, investing and financing activities as disclosed in Note 2a.

The Company's Board of Directors has approved to reissue the consolidated financial statements of the Group for the years then ended 31 December 2006 and 2005 on 5 May 2008. There were material changes between the prior consolidated financial statements and the reissued consolidated financial statements for the years then ended 31 December 2006 and 2005, as the previous financial statements having been restated due to the implementation of PSAK No. 38 (Revised 2004) on restructuring transactions with entities under common control (refer to Note 4).

- b. In addition, the Company has reissued the consolidated financial statements for the one month period ended 31 January 2008 and for the years ended 31 December 2007, 2006 and 2005, in order to conform with the relevant disclosure requirements of the capital market regulator. The amendments are as follows:
- presentation of loan to related parties as non-current assets in the consolidated balance sheets and has been adjusted in Note 39d;
  - disclosure of exploration and exploitation/development area in Note 1f;
  - disclosure of conformity with the regulation of BAPEPAM & LK in relation to the presentation of financial statements in Note 2;
  - disclosure of accounting policy for deferred expenses in Note 2o;
  - disclosure of goodwill from acquisition of Vindoor by Arindo Holdings in Note 3o;
  - disclosure of use of loan from DBS Bank Ltd in Note 23a;
  - disclosure of chronological of offset the claim for VAT input against royalty payment in Note 37b;
  - disclosure of interest rate swap contract in Note 43w;
  - disclosure of risk management in Note 46; and
  - disclosure of subsequent events in Note 48.

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**XX. REPORT OF EXPERT**

Below is presented the translation from English of the Expert's Report on any main activities of the Company conducted by Terence Willsted & Associates issued on 29<sup>th</sup> February 2008 as presented in the report of Independent Mineral Expert on the Coal Resources, Reserves and Mining Operation on the Company's Coal Assets in Indonesia.

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***INDEPENDENT TECHNICAL REPORT***

***ON THE***

***COAL ASSETS OF***

***PT ADARO INDONESIA***

31 JANUARY 2008

TERENCE WILLSTEED & ASSOCIATES  
SYDNEY, AUSTRALIA  
ABN: 44 001 859 712

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# **INDEPENDENT TECHNICAL REPORT ON THE COAL ASSETS OF PT ADARO INDONESIA**

## **INTRODUCTION**

Terence Willsted & Associates [TWA] have been requested by PT Adaro Energi Tbk [Adaro] to provide an Independent Technical Report [Report] on the Coal Assets and coal operations owned by Adaro, which will be used as a reference for the Initial Public Offering of Adaro in the Indonesian Stock Exchange (IPO)..

The Report has been prepared to provide an overview statement and opinion on the key technical areas of Adaro's operations in Kalimantan.

The Report has been requested to confirm that the assumptions and forecasts presented by Adaro are reasonable and achievable, based on our independent technical assessment of the coal assets provided in the Report. TWA has not carried out a technical audit but has reviewed operating databases and the bases of estimation have been confirmed. In particular, it is necessary to confirm that there are adequate coal reserves to support the production forecast, that production targets are achievable that operating forecasts are reasonable and that the capital cost schedules are consistent with the requirements of the Adaro projects.

## **SCOPE OF THE REPORT**

The scope of work of the Report includes the following matters:

- A review of current mining, coal preparation and product handling operations, and of the production schedules up until January 2008 at Adaro operations.
- A review of advanced development projects.
- A review of recently estimated coal resources and reserves.
- Consideration of the potential for exploration to add to coal resources.

The Report has been prepared independently and in accordance with the VALMIN Code of the Australasian Institute of Mining and Metallurgy [AusIMM] and the Code for Reporting Mineral Resources and Ore Reserves [JORC Code]. These Codes set out the principles and guidelines, which should be followed in the preparation of an expert report concerning mining assets. We believe all material facts are presented and that our analysis is sufficient to meet the transparency requirements of the Codes.

This Report covers the following areas for the coal production and resource interests of Adaro.

**Resources and Reserves** – To assess that sufficient Reserves exist to meet the production profile to confirm the overall resource estimates by Adaro and determine that the mines have geological and structural conditions which can be operated successfully.

**Mining** – To review the mine operating layouts and design proposals, equipment quality and performance, operating and maintenance standards. Review mine development and ongoing production in terms of production schedule and product specifications and confirm that production rates are reasonable and achievable.

**Coal Processing, Blending and Handling** - Review and confirm that coal handling facilities and transport operations are capable of supporting stated production rates.

**Environmental** - Review and confirm that documented and effective environmental management systems as required by legislation are in place to ensure that operations are well controlled and responsive to any environmental issues that may arise. Confirm that budgeted costs associated with environmental remediation represent reasonable estimates to ensure future environmental compliance

**Occupational Health and Safety** - Review and confirm that Adaro operates its mines in accordance with applicable legislation under a Safety Management System with a number of components, including a safety policy and Safety Management System as required under relevant legislation.

**Financial** – Review the operations' performance and forecasts and confirm that estimates for production performance, product coal quantities and coal quality, and capital cost estimates are reasonable and achievable.

**Risk Assessment** – Confirm that a risk assessment has been carried out generally using appropriate guidelines.



**Tenement Status and Agreements** - The Report does not confirm project ownership, contract agreements and tenement matters other than to record the status of these issues for each project.

**Coal Markets** – A review of the current and future market for coal and the Indonesian coal industry is not included in this Report. Current coal sales agreements are outlined in this Report.

## DECLARATION

This Report has been commissioned in writing by Adaro. This Report has been prepared to assist the IPO to assess the Adaro coal mining interests, and was not prepared for any other purpose.

The statements and opinions contained in this Report are given in good faith but, in the preparation of this Report, TWA has relied substantially on information provided by the Directors and Consultants of Adaro. We do not have reason to doubt the information so provided.

To conform with the VALMIN Code of the AusIMM, Adaro has agreed to indemnify TWA for liability arising from its reliance on the information provided or for available information not provided, and for any further activities relating to enquiries arising from our reports.

## PROJECT TEAM

The Report has been carried out by consultants who have wide experience in the industry and in project assessment for corporate documentation. The team includes:

<b>T V Willsteed</b>	Consulting Mining Engineer, BE [Min]Hons, BA FAusIMM, MMICA, MSME –Project leader, operations and data review, report and review preparation.
<b>Dr Ian Blayden</b>	Consulting Geologist, BSc [Hons], PhD, MBA, FAusIMM [CP], MGSA, MPESA – Project geology and coal resources and report documentation.
<b>Gary Cochrane</b>	Consulting Mining Engineer, BE [Hons], MBA, FAusIMM (CP), GAICD -Mining and material handling operations data review and report documentation.

Members of the team visited the Adaro operations [15 to 19 October 2007] to review Adaro coal mine and head office in Jakarta to access the information sources. Insufficient time was available to inspect the IBT and offshore crane loading facilities but discussions were held with senior Adaro management at Kelanis and Jakarta regarding relevant issues at these sites. Project and operations information was compiled for data review and Report preparation.

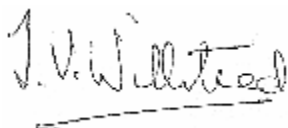
## DISCLAIMER OF INTERESTS

At the date of this report, TWA does not have, nor has had, any relationship with Adaro or its associated companies other than has occurred as a result of providing independent consultancy services in the ordinary course of business.

TWA has no relevant interest in, nor any interest in the acquisition or disposal of any securities of Adaro or its associated companies. TWA has no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the interest in Adaro.

Neither TWA nor T V Willsteed, Dr I D Blayden nor G Cochrane has received or will receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than fees based on time fees at normal professional rates, plus out-of-pocket expenses.

## Signed on behalf of TWA:



TV Willsteed , Principal

## OUTLINE OF PT ADARO COAL INTERESTS

### OPERATING ENTITIES

Adaro is an unlisted company, which has coal mining and exploration, port and resource based interests in Indonesia. The registered office of the Company is in Jakarta. The shareholders are:

PT Alam Tri Abadi	60.23%
PT Viscaya Investments	28.33%
PT Dianleia Setyamukti	5.84%
Indonesia Coal Pty Ltd	4.67%
MEC Indo Coal BV	0.93%

Adaro has a 100% interest in the coal mining concession areas, and through its shareholders, a long term agreement to utilize the Pulau Laut coal terminal. The Pulau Laut coal terminal provides a deepwater coal receive and ship-loading facility that serves the need of coal mines in the South Kalimantan region.

Adaro's management scope spans the whole coal chain, from open cut coal mining, through to ship-loading at Taboneo and IBT.

### SUMMARY STATEMENT

Based on the technical review of the operations of the Adaro mining interests and the associated IBT facilities, TWA confirms the production and economic projections relating to these operations contained in the mine site and head office, forecasts and operating plans as follows:

- the operations have records of performance that indicate that the projections are reasonable and achievable;
- the Coal Resources available to the operating projects are adequate;
- the project capital cost projections are in line with proven performance, the company is currently finalising detailed designs and capital estimates for key expansion and cost reduction infrastructure using reputable international consultants;
- the project coal sales are substantiated by adequate sales;
- the technical risks and safeguards appear to currently meet acceptable industry standards.

### RESOURCES AND RESERVES

The resource and reserve estimates for each mining operation have been examined by TWA. These are summarised in the following table:

#### Current Reserves Estimates as at 31 December 2007 (Mt)

Project	Proven	Probable	Total	Recoverable (ROM)
Tutupan	622	37	659	619
Wara 1	254	74	328	309
Total	876	111	987	928

TWA confirms that there are sufficient coal reserves to meet the Adaro production forecasts outlined in the long term business plans. The geological and structural conditions at each of the Tutupan and Wara deposits are such that they can be operated successfully. The significantly increasing pit depths for the long term development of the Tutupan mine will require close attention to ensure geotechnical stability of both low and high walls. However, Adaro is closely monitoring pit wall performance and is also using a number of

internationally recognised consultants to continuously monitor and mitigate any potential pit wall stability issues through conservative pit design limits.

## OPERATIONS

The mining operations of Adaro are well run and managed. Currently, there is sufficient capacity both at the mine and the crushing/barge loading facility for an annual rate of 42 Mtpa. Addition of a tertiary crusher to the Kelanis #2 circuit will lift this capacity to 45 Mtpa for a modest investment. Development of Wara 1 to 25 Mtpa will require expansion of the Kelanis facility. TWA confirms the development and production performance outlined by Adaro in the business plan and believes that the production forecasts are reasonable and achievable.

## MARKETING

Adaro has an experienced and capable marketing team and the “envirocoal” brand is now well received in a wide range of domestic and export markets. The company has implemented a market strategy to spread demand risk by mostly focusing on long term contracts and also selling to “blue ribbon” customers where possible in Europe, Americas, Asia and Indonesia. The company has a strong portfolio of forward coal sales. The Wara coal is a new product and is forecast to commence production in the second half of 2009. Adaro has received significant interest both domestically and internationally for this product and already has forward contracted sales in place for this product. TWA confirms that market forecasts for both brands match production forecasts and are reasonable and achievable.

## ENVIRONMENTAL

There are no incidents of significant pollution or outstanding problems reported to the local government from the most recent environmental compliance reports. The company has also completed a significant area of dump rehabilitation. TWA believe that Adaro is operating in an effective and responsible manner in relation to their environmental obligations. The systems in place will ensure that a good standard of environmental management should continue at the Adaro, Kelanis and the IBT operations.

## OCCUPATIONAL HEALTH AND SAFETY

The company has implemented a comprehensive site management safety plan. A modern management structure has been established at Adaro in accordance with Mining Regulations to provide a competent mine manager, supervisors and site safety and health representatives to establish and administer a safety management plan and to conduct safety and health investigations.

TWA believes that the continuing establishment, development and supervision of the compliance requirements by Adaro operations will ensure the continuance of the necessary safety standards.

## EXPLORATION AND DEVELOPMENT POTENTIAL

The company is in the process of identifying further substantial resources in addition to those at Tutupan and Wara 1. These occur at North Tutupan, Wara 2 and Wara 3. The areas of North Paringin and South Paringin have yet to be fully evaluated but may also contain potentially economic coal. Preliminary modelling at North Tutupan indicates the resource in this area may be in the order of 515 million tonnes and the resources at Wara 2 are likely to be increased substantially once the results of recent exploration are fully compiled. It is likely substantial additional resources will also be identified at Wara 3.

Deposit	Resources (Mt) as at 31 December, 2007			
	Measured <250m	Indicated >250m <500m	Inferred >500m <1000m	Total
Tutupan Mine	920	352	181	1453
North Paringin	90	60	66	216
South Paringin	17	20	11	48
Wara 1	254	280	316	850
Wara 2	59	73	104	236
<b>Total</b>	<b>1340</b>	<b>785</b>	<b>678</b>	<b>2803</b>

**ECONOMIC ESTIMATES**

TWA has reviewed the Tutupan production forecasts and cost estimates and confirmed they are reasonable and achievable. All of the forecast estimates are based on recent and continuing performance criteria. TWA believes there are no significant changes indicated in mining conditions and coal quality for the Tutupan deposit. Ongoing coal handling and sales agreements provide a measure of protection against adverse changes. The company is currently in negotiation for pricing of the Wara 1 which has a new coal product and mining area. However, TWA believes that the current interest and expected pricing of this product will provide a suitable economic return for development of this resource.

**RISK ASSESSMENT**

Risk assessments of key specific technical risks considered to affect the PT Adaro operations will be carried out as risk assessment procedures and guidelines are established. The technical risks and safeguards appear to be within acceptable industry standards.

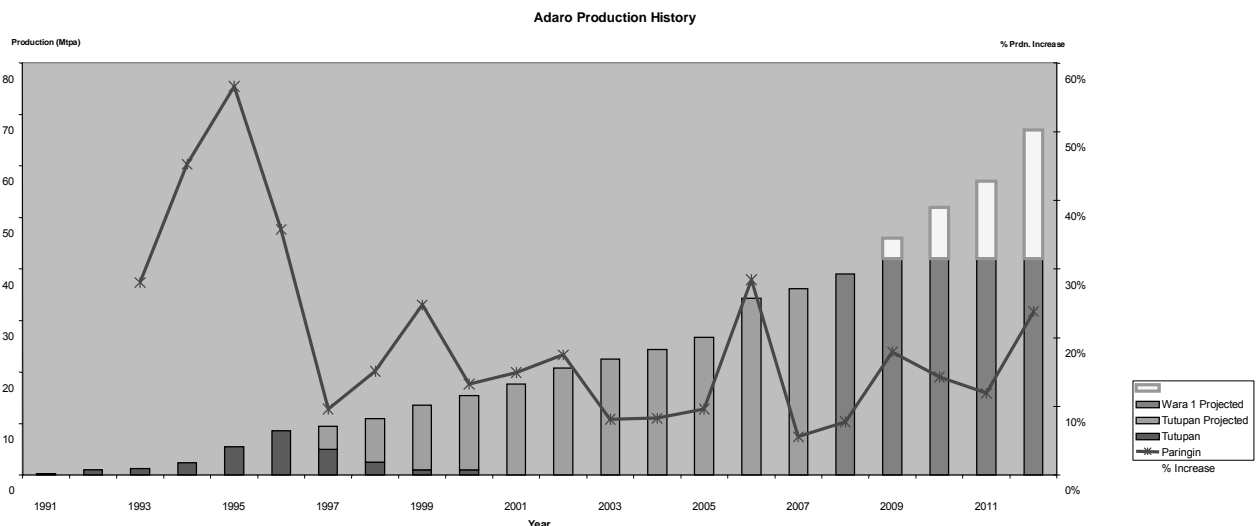
**POTENTIAL OPPORTUNITIES**

There is further potential to develop the Wara 2 coal deposit and expand production at the Adaro operation. This is a significant resource that is currently undergoing resource delineation. TWA believes that the current market interest in this type of coal and its abundance of low stripping ratio resources will provide a potential future economic benefit to the company and allow ongoing expansion of the mining operations.

**HISTORY**

Exploration of the Adaro Project CCA area commenced in 1982, initially by the Spanish company ENADIMSA. Three areas with coal resource potential were identified: Paringin, Tutupan and Wara. Mining commenced in the Paringin area in 1991 and continued until 2000 peaking at 8.5 Mtpa in 1996. Production from the Tutupan area commenced in 1997 at 4.4 Mtpa, and built up rapidly to 36 Mtpa in 2007. By 2008 production is expected to be 38 Mtpa. At Wara trial mining extracted 500,000 t between 1995 and 1998. A further 30,000 trial production was carried out in 2007 to assess handling and stockpiling characteristics. This evaluation is continuing.

A total of 28.5 million t of coal was produced from the Paringin Mine at an average strip ratio of 1.6 bcm/t over the 10-year mine operating life. The following figure shows the history of production in the Adaro Project CCA:



## GEOLOGY AND RESOURCES

### GEOLOGY

#### Geological Setting

The Adaro coal deposit is located on the north-eastern margin of the Barito Basin, a broad cratonic depression up to 250 km wide, of Eocene to Pliocene age in the Tertiary period. The basin occupies much of the Province of Central Kalimantan and the western part of South Kalimantan. It is bounded to the west by the Sunda Shield and to the east by an up-thrust belt of basement rocks which form the Meratus Range.

The geological sequence in the Barito Basin comprises mostly shallow shelf marine deposits although terrestrial sequences containing coal occur at the base and top. Unconformably overlying the uppermost coal sequence are 800m of sediments of Upper Miocene to Pliocene age. Over 4,000m of sediments are contained within the basin as shown in the following table:

**Adaro - Stratigraphy of the Barito Basin**

Period	Epoch	Stratigraphy	Lithology	Thickness [m]	
Quaternary	Recent		Alluvium		
Tertiary	Pliocene	Dahor Fm	Conglomerate, sandstone, siltstone and claystone	Up to 840	
			Upper	Coal, claystone fine sandstone	850
	Miocene	Warukin Fm	Middle	Sandstone, siltstone, claystone, <u>thin coal</u>	500
			Lower	Fine sandstone, shale marl	1050
			Berai Fm.	Limestone and marl	1075
	Oligocene				
	Eocene	Hayup Fm.	Claystone		
Tanjung Fm.		Sandstone, shale <u>thin coal</u>	900		
Pre-Tertiary		Basement	Quartzite, shale, igneous rocks		

The **Warukin Formation** is the principal coal bearing sequence in the Adaro Project CCA area with a total thickness of about 2,300m. It is divided into three sub-units with the principal coal horizons occurring in the uppermost sub-unit. This sub-unit is up to 850m thick with the basal 400m comprising sandstone and shale and the upper 200m consisting primarily of sandy siltstone with interbedded coal seams.

The Barito Basin, including the coal sequences, was subject to an episode of compression and thrust faulting during the upper Middle Miocene. Within the Adaro Project CCA area this tectonic episode resulted in the development of a series of north north-easterly trending fold structures and superimposed thrust faults.

#### Geology of the Adaro Concession Area

Within the concession area the Warukin Formation strata crop out in the crests of two principal north to north easterly trending anticlinal structures referred to as the Warukin Anticline and the Paringin Anticline. A number of minor folds are associated with these structures.

The folds commonly occur in the form of overthrust anticlines characterised by a steep western limb and a more gently dipping eastern. To date all exploration and mining has focussed on the more gently dipping eastern limbs. A recently identified significant exception to this pattern occurs down dip at NE Tutupan. Here the strata are affected by an anticlinal structure with gentle dips on both limbs. As a result the coal is accessible over a much broader area overall and providing two additional areas where mining may occur.

Eight separate coal deposits are recognised in the Adaro Project CCA area referred to as Tutupan, North Tutupan, East Tutupan, North Paringin, South Paringin, Wara 1, Wara 2 and Wara 3 (formerly Warukin). Up to 13 seams may be recognised within a single deposit but correlation of seams between deposits is generally not possible. The seams are lenticular in development but also vary greatly in thickness due to converging and splitting. Individual seams may be up to 60m thick.

Although the coals are characteristically low in ash (generally <2%) there is regional and stratigraphic variation in rank and therefore in calorific value. The coals with the higher CV ( $\pm 5000$  Kcal as received) occur in the Tutupan area with highest values occurring in the lower seams in the sequence. The coals in the Wara deposits to the west and south west have higher moisture ( $\pm 35\%$  adb) and consequently lower calorific values.

Generally the coal is dull and massive in appearance with a sub-conchoidal fracture. Non-coal bands are very rare and where observed are lenticular and localised in development. Where exposed in the Tutupan Pit the coal also exhibits a complex and close spaced cleat pattern.

## TUTUPAN

The Tutupan coal deposit is developed over a strike length of 16 km along a prominent topographic ridge and occurs between the Dahai thrust and the Tanah Abang – Tepian Timur thrust fault in the northeastern part of the Adaro Project CCA area. Strata generally dip to the southeast at between  $45^{\circ}$  and  $55^{\circ}$  except at one location where the dip is reduced to  $15^{\circ}$  due to the influence of a local cross-fold. No major faults are known to disrupt the coal. In the north at North East Tutupan the down dip strata are affected by a subsidiary anticline the area of shallow is much wider than to the south.

Thirteen individual seams are recognised with the bulk of the coal occurring in the T100, T200 and T300 seam groups. As shown in the following table the thickest coal (60m) occurs in the T100 seam in the southern part of the deposit. This seam thins northwards and is absent in the northern part of the deposit. The T220 seam is the principal seam in the north where it is up to 50m thick.

**Tutupan Deposit - Seam Thickness and Quality [ASMINCO, 1999]**

Seam/Parameter	Portion of Deposit		
	South	Central	North
<b>T300</b>			
Thickness [m]	10 – 35		
Moisture [%]	33.8		
CV [ar] [Kcal/kg]	4542		
<b>T310</b>			
Thickness [m]	2.08		
Moisture [%]	32.85		
CV [ar] [Kcal/kg]	4515		
<b>T220</b>			
Thickness [m]	10 – 15		Up to 45
Moisture [%]	29.5	26.4	30.5
CV [ar] [Kcal/kg]	4813	4985	4620
<b>T221</b>			
Thickness [M]	4.62 [Overall ave for nth and sth portions]		
Moisture [%]	26.6		26.3
CV [ar] [Kcal/kg]	4994		4954
<b>T210</b>			
Thickness [m]	10 – 20		Up to 50
Moisture [%]	27.2	25.5	27.9
CV [ar] [Kcal/kg]	4989	5120	4843
<b>T211</b>			
Thickness [m]	3.15		
Moisture [%]	26.6	-	-
CV [ar] [Kcal/kg]	4899	-	-
<b>T120</b>			
Thickness [m]	15.81		

Seam/Parameter	Portion of Deposit		
	South	Central	North
Moisture [%]	26.0	24.2	27.2
CV [ar] [Kcal/kg]]	5183	5326	4957
<b>T110</b>			
Thickness [m]	23.83		
Moisture [%]	26.7	22.7	
CV [ar] [Kcal/kg]]	5159	5495	
<b>T100</b>			
Thickness [m]	60.0	Thins	Absent
Moisture [%]	25.0	-	-
CV [ar] [Kcal/kg]]	5260	-	-
<b>T111</b>			
Thickness [m]	4.93		
Moisture [%]	26.9	19.6	
CV [ar] [Kcal/kg]]	5110	5743	

Ash is lowest for the T-100 Seam in South Tutupan [0.7%] and highest for the T-310 Seam [3.3%]. Total moisture is lowest for the T-110 in Central Tutupan [22.7%] and highest for the T-310 Seam in South Tutupan [34.2%] whilst the calorific value is highest for the T-110 Seam in Central Tutupan [5,498 kcal/kg] and lowest for the T-310 Seam in South Tutupan [4,370 kcal/kg]. The Tutupan coal is classified as sub-bituminous.

#### Weighted Average Proximate Analysis

Basis	RD	TM(%)	Ash(%)	VM(%)	FC(%)	TS(%)	CV(kcal/kg)	HGI
ad	1.30	17.78	1.31	40.98	39.99	0.10	5,682	47
ar	1.30	26.31	1.17	36.73	35.85	0.09	5095	

#### Weighted Average Ultimate Analysis (%daf)

Carbon	Hydrogen	Nitrogen	Oxygen	Sulphur
73.30	4.89	0.96	20.71	0.15

#### Exploration

Exploration of the Tutupan area has been virtually continuous since 1983 and presently is directed toward to main objectives:

- Infill the drill grid on the main deposit to complete coverage at 200m by 100 TO 150m spacing
- Complete exploration of the Northeast Tutupan Deposit

**Tutupan Mine Area** - The Tutupan exploration comprises a series of open holes and part cored holes to a maximum depth of 300m. Fully cored holes are also drilled geotechnical data collection. Velseis, a contract geophysical logging company, is used to run normal suite geophysical logs in all holes to confirm seam depth and thickness intervals and core recovery in the case of the cored holes. Down hole surveys are not run as all tools are run through the drill rods and the survey tool does not operate in this situation.

The part cored holes are usually drilled on lines about 400m apart with coring starting about 2m above each seam. Samples are collected of the roof, floor, the top and basal 0.35m of each seam. Within the seam proper samples are collected over each 3.0m interval. All partings less than 0.03m are included in the seam sample and all partings >0.03m are sampled separately

All borehole header information, lithological data and sampling details are recorded directly on computer encoding sheets for later transfer into the computer database. Core is place in PVC splits for logging and transferred to core boxes for photography. Individual samples are then placed into sealed plastic bags for transport to the laboratory. In-pit quality control is by means of channel samples across each seam at intervals of 200m along strike and every 12m vertically.

**ECONOMIC ESTIMATES**

TWA has reviewed the Tutupan production forecasts and cost estimates and confirmed they are reasonable and achievable. All of the forecast estimates are based on recent and continuing performance criteria. TWA believes there are no significant changes indicated in mining conditions and coal quality for the Tutupan deposit. Ongoing coal handling and sales agreements provide a measure of protection against adverse changes. The company is currently in negotiation for pricing of the Wara 1 which has a new coal product and mining area. However, TWA believes that the current interest and expected pricing of this product will provide a suitable economic return for development of this resource.

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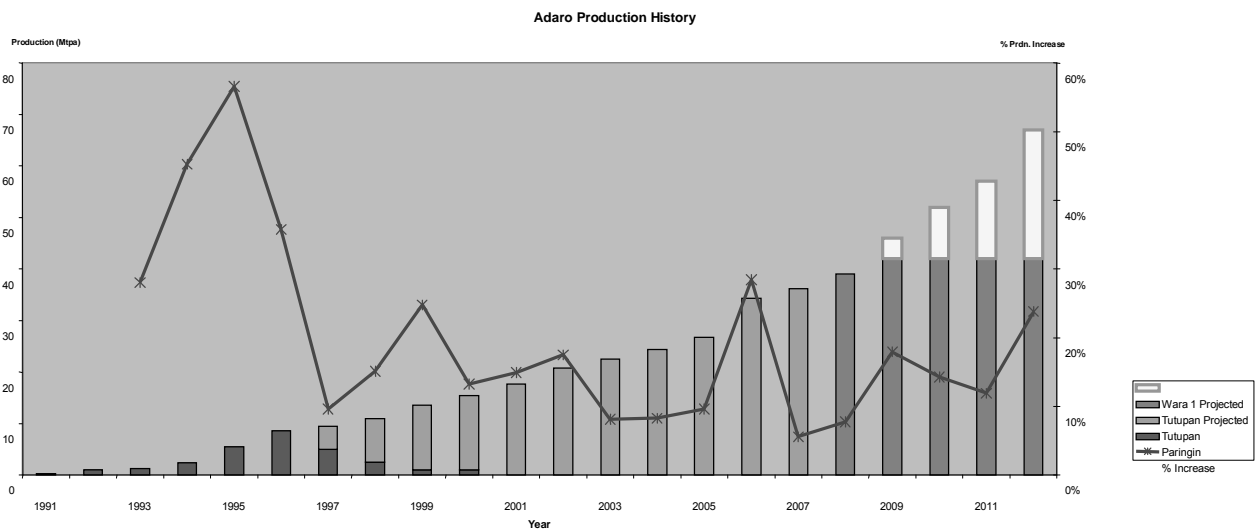
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A total of 28.5 million t of coal was produced from the Paringin Mine at an average strip ratio of 1.6 bcm/t over the 10-year mine operating life. The following figure shows the history of production in the Adaro Project CCA:





## Exploration and Development

Initial drilling of the Wara deposit took place over the period 1982-1986 (ENADIMSA) and 1996-1999 (Asminco/Adaro). A total of 102 developmental open holes and 10 core holes were drilled for a total of 9,561m. Drillhole spacing was on average at 500m sections. The average depth of drillholes was approximately 85m.

In 2006, 9 core holes were drilled for a total of 544m to augment the coal quality data in Wara 1 for the planned power plant fuel specifications.

Production from the Wara 1 pit began in 1995. During this time, W100, W210 and W220 were exposed, mapped and sampled. Production ceased in 1998 due to low market demand for the higher moisture coal.

A further drilling programme commenced in 2007 with the aim of upgrading the current geologic model sufficient to allow for detailed mine planning. The programme comprises an in-fill open hole and core drilling program to provide control on 250m sections with holes on each section at 100-150m spacing. The programme comprises will eventually cover around 10 km of strike with holes at depths of up to 300m. In total, it is planned to drill 205 open holes and 46 core holes for a total of 31,005m.

## WARA 2 COAL DEPOSIT

### Geology

The Wara 2 coal deposit is located 1 km to the west of the Wara 1 coal deposit and is separated from it by the Maridu thrust fault. The strata have been traced in a north-easterly direction for 10 km and for the most part maintain a south-easterly dip of about 6° although a minor synclinal structure is developed in the northern part of the area.

Six individual seams and 2 composite seams are recognised ranging in thickness from 3 to 25m. The stratigraphic sequence is similar to Wara 1 with the basal W100 seam consisting of the W110 and W120, splits which are in turn overlain by the W200 seam. Several minor seams are also found in between the major seams. The W300 is believed to have been eroded in this area. The accompanying sediments are mostly mudstones and siltstones. At Wara 2 the coal is underlain by the Berai Formation which consists mainly of marine bioclastic limestone. The base of Wara 2 thus forms the boundary between the Oligocene Berai Formation and the Miocene Warukin Formation.

As at Wara 1 the coal in the Wara 2 deposit is classified as a lignite. The calorific value ranges between 3,440 to 3,870 kcal/kg on as received basis averaging 3,580 kcal/kg. Total Moisture values are between 39.5 % to 46.0 %, the average ash content is around 3.25 % and the average Total Sulphur is around 0.23 %. The Relative Density of Wara 2 coal is 1.20 gm/cc on as received basis.

**Wara 2 In-situ Coal Qualities by Seam**

Seam	TM %ar	IM* %adb	ASH %adb	VM %adb	FC %adb	TS %adb	CV kcal adb	CV kcal daf	CV kcal ar
W200	45.73	30.00	3.66	34.41	31.93	0.17	4,436	6,686	3,439
W100	45.30	30.00	1.84	36.88	31.27	0.16	4,617	6,774	3,607
W120	45.53	30.00	3.09	35.29	31.62	0.23	4,510	6,741	3,510
W110	46.14	30.00	2.80	36.43	30.78	0.27	4,614	6,866	3,550
W111	44.63	30.00	4.07	35.82	30.11	0.15	4,546	6,895	3,596
W112	39.58	30.00	4.82	36.25	28.93	0.15	4,479	6,872	3,866
<b>Average</b>	<b>44.99</b>	<b>30.00</b>	<b>3.25</b>	<b>35.96</b>	<b>30.78</b>	<b>0.23</b>	<b>4,555</b>	<b>6,825</b>	<b>3,578</b>

### Exploration

Asminco/Adaro started the initial exploration at Wara 2 started in 1997. Three sections 1 km and 2 km apart were drilled with holes on each section at spacings of 150 to 300m. A total of 61 open holes and 8 core holes were drilled for a total of 4,535m. Due to the shallow nature of the coal (often <20m) the average depth of the drillholes was only 65m and the drilling was carried out using a portable rig and core samples

obtained were of NQ size. Access to the area restricted in part due to the presence of rubber and palm oil plantations

### **WARA 3 (WARUKIN )**

#### **Geology**

The structure of the area is in the form of a north western trending asymmetrical anticline similar in form to many of the other deposits in the area with steeply dipping western limb and less steep eastern limb. The anticline plunges to the south and is bounded by a thrust fault, the Warukin Thrust, to the west. A north westerly trending cross fault separates the deposit from the Wara 1 deposit to the north.

The stratigraphy of Wara 3 deposit is similar to that of the Wara 1. The limited drillhole data available indicate multiple seams with thicknesses ranging from <5 m up to >30m. As with the other deposits, it is likely that there is seam splitting. Mudstones and siltstones comprise the major interburden units while a massive quartzose sand unit is believed to underlie the coal bearing horizon similar to that at Tutupan. The coal quality is believed to be similar to Wara 1.

#### **Exploration**

Initial drilling was carried out between 1996-1999 (Adaro/Asminco). A total of 29 open holes and 6 core holes with an average depth of 98m were drilled for a total of 3,486m. Holes were drilled on traverse lines 500m apart over a strike length of 3 km. The drillholes were mostly HQ size augmented by some NQ size holes using a portable rig.

Adaro has planned further exploration in 2007. A multiphase programme includes a laser topographic survey, a resistivity survey and drilling. The drilling programme comprises 200m deep holes spaced at 400m along sections 400m apart. This depth and spacing provides sufficient overlap of the intersected sequence for stratigraphic correlation.

### **NORTH PARINGIN**

#### **Geology**

The North Paringin coal deposit lies immediately to the north of the Paringin Mine butt separated from it by a major normal fault downthrown to the north at up to 200m. The strata occur in the crest of the north easterly trending asymmetric Paringin Anticline. On the north east limb yme strata at between 15° and 50° to the south east and on the north western limb the strata dip at up to 70° to the north west. The seams have been traced for about 4 km from the northern end of Paringin Mine to the eastern flank of South Tutupan. To the north, the coal seams are believed to be bounded by a major fault separating the North Paringin deposit from the eastern part of South Tutupan.

Ten individual seams and 3 combined seams are recognised in the deposit ranging between 3 and 30m in thickness. The thickest seam is P500 comprising of P510 and P520 splits overlain successively by the P600, P700, P800 and P900 seams. Additional seams, the P1000 and P2000 are found in the western and eastern margins of the deposit but there are too few data on these to fully define their thickness and extent. Sediments interbedded with the seams consist mostly of mudstones and claystone. It is likely that the Paringin coal seams form an eastern extension of the Tutupan deposit but no direct correlation has been established as yet.

In terms of quality the coal is similar to Tutupan. Calorific values range between 4970 to 5440 kcal/kg and average of 5235 kcal/kg on as received basis. Total Moisture is around 25.5 %. and the average ash content is around 2.0 % and Total Sulphur is around 0.2 % on air dried basis. The average Relative Density of North Paringin coal is 1.30 gm/cc on air dried basis.

### North Paringin In-situ Coal Qualities by Seam

Seam	TM% ar	IM% adb	ASH% adb	VM% adb	FC% adb	TS% adb	CV kcal adb	CV kcal daf	CV kcal ar
P820	28.00	18.63	1.77	40.18	39.42	0.16	5,618	7,058	4,971
P810	28.00	18.63	1.77	40.18	39.42	0.16	5,618	7,058	4,971
P700	26.54	18.63	1.77	40.18	39.42	0.16	5,618	7,058	5,071
P711	25.41	18.92	1.96	41.79	37.95	0.25	5,778	7,246	5,315
P600	25.13	17.92	1.80	40.70	39.97	0.14	5,756	7,214	5,251
P611	25.13	17.92	1.80	40.70	39.97	0.14	5,756	7,214	5,251
P500	23.50	15.27	1.24	39.59	43.89	0.10	6,023	7,214	5,438
P520	23.50	15.27	1.24	39.59	43.89	0.10	6,023	7,214	5,438
P510	23.50	15.27	1.24	39.59	43.89	0.10	6,023	7,214	5,438
P511	23.50	15.27	1.24	39.59	43.89	0.10	6,023	7,214	5,438
<b>Average</b>	<b>25.45</b>	<b>18.21</b>	<b>1.80</b>	<b>40.80</b>	<b>39.52</b>	<b>0.17</b>	<b>5,743</b>	<b>7,185</b>	<b>5,235</b>

#### Exploration

Adaro/Asminco carried out an initial drilling programme in the area over the period 1996-1999 and Adaro carried out a second programme in 2005. A total of 117 open holes and core holes were drilled to an average depth of 98m a total of 11,478m. Drilling was carried out on sections 500m apart using a portable rig with bot HQ and NQ core samples collected.

A further drilling programme was carried out over North Paringin in late 2005 up to early 2006. The principal object of the programme was to establish the northerly extent of the P500 seam. Drillholes were located to follow the trend along the axial area as well as along the eastern and western flanks. A total of 72 open holes were drilled for 9,455m and the holes averaged 130m in depth. All drillholes were geophysically logged for gamma and density. Towards the end of the program, 317m of core was obtained in 7 holes were cored for analysis.

The drilling identified a series of north westerly trending faults with throws of up to 200m. The P500 seam was intercepted at a depth of 115m at a distance of 1.4 km from Paringin Mine plunging north at around 10 to 15°. The limbs of the asymmetrical anticline dip at 40-70° west and 15-25° east. Some seam intersections are as follows:

Seam	Thickness (m)
P600	9
P700	11
P712	8
P713	12
P800	9
P900	9

As the anticlinal axis plunges north, progressively higher seams subcrop over a strike length of approximately 3 km. And the quality of these seams is comparable to that of the T200 seams in the Tutupan Mine.

Further limited in-fill drilling is being considered to augment the current data including additional core holes for coal quality analyses.

#### SOUTH PARINGIN

##### Geology

The South Paringin deposit lies approximately 5 km. south of the Paringin Mine near the village of Gampa in the Balangan Regency. The coal seams strike in a northeast direction and dip at between 15° to 40°. In the

form of a doubly plunging asymmetrical anticline with steeper dips on the western limb. The seams have been traced over 1.5 km along strike.

There are four principal seams in the South Paringin deposit with thicknesses ranging between 3 and 10m. The basal seam is SP10 and this overlain progressively by the SP20 and SP30. The SP20 seam is the thickest and is a combination of the of SP21 and SP22 plies. Shallow drilling only has been undertaken so far but it is believed the seams intersected are equivalent to the P600 and above at the Paringin mine however the seam equivalent to P500 may still be present. The accompanying sediments are mostly mudstones and claystones.

The calorific value of the seams range between 5,030 to 5,280 kcal/kg on as received basis with the Total Moisture ranging between 25.5 % to 27 %. Ash is between 2.0 % to 3.0 % on air dried basis while the Total Sulphur is consistent at 0.15 %. The average Relative Density of South Paringin coal is 1.30 gm/cc on air dried basis.

### Exploration

Adaro/Asminco carried out a drilling programmes of the area between 1998-1999 and 2000-2001 (Adaro). A total of 93 open holes and core holes were drilled with an average depth of 32m for a total of 2,985m. Drillhole were located on sections 100m apart. NQ cores were taken using a portable rig. Drilling was limited due to the proximity of villages, rubber plantations and the main highway.

In 2007 a two phase exploration programme was initiated. The first phase comprised an airborne laser topographic survey of the area south of the Balangan River, east and west of the trans Kalimantan highway and covering an area of around 5,500 ha. This is being followed by a resistivity survey and finally by a programme of drilling. The extent of the drilling is to be determined by the outcomes of the earlier surveys. The target area for the drilling is the eastern limb of the Paringin anticline which typically dips in low angles.

### GEOTECHNICAL ISSUES

As the Tutupan mine continues at depth with future mining operations there are increasing geotechnical considerations associated with stability of the highwall and low wall and also ground water aquifers below the expected pit floor. There have been some minor low wall failures but these have had little impact on mining operations and have been the result of localised unfavourable geotechnical conditions. However, as the Tutupan pit increases from the current depth of approximately 125m to the long term forecast depth of over 320m there will need to be an increasing focus on managing the pit to strict geotechnical designs with appropriate factors of safety.

As well as building up a strong team of geotechnical staff at the mine the company is using several well known international consultants to assist with establishing sound designs to ensure long term pit stability. This has recently resulted in flattening both highwall and low wall angles for the new long term pit shells. The original pit designs used up until late 2005 had a highwall angle of 30°. The low wall angle was limited by the dip of the coal seams and ranged between 18° and 30°. The later pit wall designs are based on specific geotechnical assessments at each points along the pit. A table of pit angles has now been developed for each area. The new pit stability limits were determined by Golders using a "Galena" analysis and used in the 2007 pit optimisation. These are the basis for the current pit reserve and are shown below.

**Summary Slope Table for January 2007 Optimisation [degrees]**

Depth (m)									
150		200		250		300		350	
LW	HW	LW	HW	LW	HW	LW	HW	LW	HW
16-27	30	16-26	27	16-26	19	16-26	14	15-26	12

Golders has now upgrading it's geotechnical pit limits based on a Galena analysis but also has now considered pit wall deformation of the rock mass with a UDEC analysis. Some interim values have been derived but the work is continuing. This is expected to lead to a further flattening of the pit walls and is currently the basis of a new pit optimisation being undertaken by Whittle. This latest pit shell was not completed at the time of this report. The new geotechnical limits are shown below. These limits reflect a change in batter angle on the highwall for a flatter upper slope with up to a 100 m wide berm and then a steeper lower slope.

### Summary Slope Table for New Optimisation [degrees]

Chainage along pit		Depth (m)							
		200		250		300		350	
from	to	LW	HW	LW	HW	LW	HW	LW	HW
3000	9000	23-25	Lower 40 Upper 20	22-23	Lower 38 Upper 17	20-22	Lower 36 Upper 15	18-20	Lower 34 Upper 15
9000*	14000	23-27	20	22-25	15	20-23	12	18-21	10

\*Note that from chainage 9000 the pit bottom is to the T200 seams, which have weaker geotechnical properties.

As can be seen the deeper pit will have significantly flatter pit wall angles than the earlier shallower pit. The decreased depth of the pit is driven by using optimisations with higher revenues based on an FOB barge sales price of US\$25 per tonne compared to all earlier estimates pre 2007 of US\$18 per tonne.

Another issue impacting low wall stability is high pressure levels in the aquifers beneath the T100 coal seams under the bottom of the pit. To alleviate these pressures Adaro has implemented a dewatering program and is installing a series of large diameter dewatering wells on the pit floor. Several horizontal holes to also assist in self drainage of the aquifers have been implemented.

Golders, and the Adaro geotechnical team are using up to date methods of pit stability assessment programmes. They are also closely monitoring existing pit performance with extension and also 3D survey. The company is currently reviewing a radar imaging package to further improve pit monitoring. The data derived from this monitoring is also used as feed back into the future design of the wall angles.

Adaro has taken a professional engineering approach to pit stability and is implementing programmes to alleviate any potential longer term issues as the Tutupan pit continues to deepen to depths in excess of 300 m over the mine life.

## MODELLING

Department Head for Geology, Mr Joseph Crisostomo, undertakes the geological modelling using Mincom software.

Resource parameters applied to the modelling are as follows:

Measured Resource - Coal within 250m of reliable data;

Indicated Resource - Coal between 250m and 500m of a reliable data point;

Inferred Resource - Coal between 500m and 1,000m of a reliable data point.

All resources are estimated to a depth of -200m RL

The corresponding criteria in the JORC Code are 250m, 500m and 2,000m respectively. The criteria used at Adaro are therefore in accordance with the JORC Code.

The depth of weathering surface is determined by borehole data and where borehole data is sparse it is assumed to be 3m below the topographic surface. Relative density values used in the model are those values determined from individual core drillholes. When no density data are available an average value of 1.31 is used. The latest full pit resource model was carried out at the end of 2006 encompassing the entire strike length of the Tutupan deposit. Minimum thickness parameters are as follows:

Minimum parting thickness modelled 0.1m

Minimum seam thickness modelled 0.3m

## RESOURCES

Modelled resources as at 31 December, 2007 are as follows:

Deposit	Resources (Mt)			
	Measured <250m	Indicated >250m <500m	Inferred >500m <1000m	Total
Tutupan Mine	920	352	181	1453
North Paringin	90	60	66	216
South Paringin	17	20	11	48
Wara 1	254	280	316	850
Wara 2	59	73	104	236
<b>Total</b>	<b>1340</b>	<b>785</b>	<b>678</b>	<b>2803</b>

Exploration is continuing in the area east of north Tutupan as well as at Wara 1 and Wara 2. The exploration at North Tutupan has identified a substantial additional shallow resource resulting from the development of an anticline in the sequence. The anticline brings the coal back to the near surface over a broad area. At Wara 2 preliminary drilling data indicate that shallow coal extends for about 5 km further to the south west than previously indicated.

The data from these programmes has yet to be integrated into the deposit models but when this work is complete a substantial upgrade of the resources is anticipated.

## RESERVES

Reserves have been estimated for Tutupan and to Wara 1 as at December 2007. Essentially the same process was adopted for the Reserve Estimate in both areas. Pit design characteristics were based on preliminary geotechnical parameters provided by Golders and these were superimposed on the resource model developed from the exploration data. Optimised reserves were estimated by superimposing a series of nested shells over the main seams. The resource blocks within the shells are divided at regular intervals along strike with mining and dumping schedules modelled in XPAC.

Mining recovery parameters as follows:

Minimum Seam Thickness mined	1.0m
Minimum Interburden thickness mined	0.3m

To estimate Recoverable Reserves there is an assumed global loss of 6%

For Tutupan the development was designed around three pits referred to as the South, Central and North Pits with a steady state production of 38 Mtpa. For the South and Central Pits coal will be extracted to the -200m level but in the north extraction is to be limited to the -84m level because of constraints related to the proximity of the Tutupan River and the presence of producing oil wells.

The Wara 1 reserve estimate is based on a single pit to a depth of around 180m or RL -96m.

### Current Reserves Estimates

Project	Proven	Probable	Total	Recoverable (Mt) (94%)
Tutupan	622	37	659	626
Wara 1	254	74	328	312
<b>Total</b>				<b>938</b>

## RECONCILIATION

Reconciliation of product quantities relative to modelled quantities is undertaken on an annual basis. The reconciliation is between the quantities predicted by the geological model against the actual quantities derived from detailed pit surveys as well as between these quantities and recorded production data. For 2007 the actual quantity of coal extracted was 30.74 Mbcm (39.34 Mt) as against a projected volume of 30.49 Mbcm (39.01 Mt), a difference of 0.8%. These data suggest that the model is strongly reflecting the in situ geology.

Actual production for 2007 is recorded as 36.19 Mt, which in direct comparison with the surveyed production amounts to a coal recovery of 92.79%. However in terms of total production (waste + coal) the modelled volume exceeds actual production by 0.3% (0.44 Mbcm). If it is assumed that the overestimate of this volume by the model is for coal and reduce the modelled coal quantity accordingly (forced balance) then the actual coal recovery is estimated to be 94.14%.

Reconciliation of in-situ volumes over the area mined from 1997 to date against actual production figures for the same period indicate that the long term recovery has been 94.56%. The total volume of material mined is 1.04% less than that estimated by the model. For mining planning purposes and Recoverable Reserve estimates coal loss is assumed to be 6%. Given the inherent errors in the modelling process in relation to density and geometry it is believed on these results this parameter is soundly based.

### 2007 Coal Quality Reconciliation

	Coal (MT)	Qualities								
		TM (%)	M (adb) (%)	ASH (adb) (%)	VM (adb) (%)	FC (adb) (%)	TS (adb) (%)	CV (kcal/kg)		
								(adb)	(daf)	(ar)
Model (as calculated)	39.03	26.87	17.40	1.72	40.85	40.09	0.10	5,675	7,012	5,033
Model at 14.5 % M (adb)	39.03	26.76	14.50	1.78	42.28	41.49	0.10	5,874	7,036	5,024
Actual Barging	36.26	26.43	14.50	1.90	42.86	40.74	0.10	5,924	7,012	5,097
Diff.	2.78	0.4	0.0	-0.1	-0.6	0.8	0.0	-49	-70	-73
% Diff.	7.1	1.6	0.0	-6.9	-1.4	1.8	0.0	-0.8	-1.0	-1.5
Repeatability limit (ISO)	-	1.5	-	0.3	0.5	-	0.1	72	72	72

In terms of coal quality the actual Total Moisture is lower than predicted due to the slightly higher ash. The increase in ash is possibly due to contamination caused by the occurrence of mudstone intrusions encountered in the T210, T220, and T200 seams of the Central Pit. The lower TM also resulted in a slightly higher CV. All other parameters are within reproducibility limits. Overall the results indicate that the model is a good predictor of coal quality.

### 2007 Total Materials Volume

Basis	Coal (Mbcm)	Waste (Mbcm)	Total Material (Mbcm)
In-situ	30.737	115.915	146.652
Actual (RD ar)	28.520	117.691	146.211
Diff.	(2.217)	-1.776	0.442
% Diff.	7.21	-0.153	0.30
% Recovery	92.79	100.53	99.7

### 2007 Total Materials Volume - Forced Balance

Basis	Coal (Mbcm)	Waste (Mbcm)	Total Material (Mbcm)
In-situ	30.296	115.915	146,211
Actual (RD ar)	28.520	117.691	146.211
Diff.	1.776	-1,776	0
% Diff.	5.86	--1.53	0.00
% Recovery	94.14	101.53	100.00

### PRODUCT QUALITY CONTROL

In-pit quality control is by means of strip samples of all seams collected every 200 m along strike and every 12m vertical elevation change down dip. Each of the four contractors submits a weekly production schedule which is vetted by Adaro to ensure that the coal to be produced from each pit is in the right proportions to maintain continuous flow of in-specification coal. Each seam is mined and stockpiled separately from each pit on one of four ROM stockpile areas. The coal from the individual seams is then loaded onto road haulage trucks and despatched to Kelanis. Adaro personnel supervise the truck unloading and loading at the ROM pads and when the trucks are despatched the personnel at the barge loader are advised about which trucks are carrying which coal seam.

At the Barge loading facility the trucks are directed to either one of the two active stockpiles or the static stockpile. The coal is effectively blended during barge loading to the appropriate specifications. Sucofindo maintain a Superintending Laboratory at the site to monitor quality of the coal being loaded.

## **MINE PLANNING**

Adaro is a large scale, multi steeply dipping seam open cut mining operation. It uses a number of contractors to remove coal and overburden using truck and hydraulic shovel mining methods. Overburden and interburden are blasted to assist in the mining operation. Due to the steeply dipping coal seams most of the overburden is placed externally to the pit on the both the highwall and low wall sides of the mine. In the southern area of the Tutupan pit some overburden has been placed inside the pit to back fill previously mined areas. Truck and shovel mining methods provide for a flexible mine design and mining operation which fully matches the requirement for multi seam coal mining and dumping externally on highwall and low-wall and also internally in the pit.

## **MEDIUM AND LONG TERM PLANNING**

All medium to long term planning is undertaken at the mine site by experienced and competent mining engineers and geologists. Many of the technical services team have been at the mine for over 10 years and have a very good working knowledge of mine issues including coal blending, contractor management, pit stability and impacts of seasonal conditions with the wet season. The team have experienced continued growth in mining operations and have also provided regular updates of the geological model and mining reserve.

Short term planning is undertaken by each of the four contractors who have to submit plans which have to fit in with the medium and long term mine plans established by the technical services group.

The company uses Mincom software to generate geological models and mine plans. They also use XPAC software to assist with medium to long term scheduling. These are industry benchmark software systems and there are a number of trained and experienced staff to fully utilise the functions within these models to produce meaningful mine designs.

In addition to on-site staff Adaro also uses a number of reputable international consultants to assist in pit optimisation and mine planning studies. The company has upgraded the reserve model on a regular basis to reflect changes in the geological model through additional drilling and geotechnical studies but also to reflect long term changes in mine economics and product pricing. Some of the initial mine models were based on a long term average coal price of US\$18 per FOB barge tonne at Kelanis. More recent mine models and reserves are now based on a higher long term average coal price of US\$25 per FOB barge tonne at Kelanis. The latest price base for the model is considered a conservative and valid price assumption to drive the long term pit shell and therefore mineable reserve. In the future it may be considered prudent to produce a new pit shell based on higher price assumptions to determine the sensitivity of the pit to increases in long term coal price movements. The model also assumes that there is no dilution, as the coal is mined very clean, and that there is a 6% overall loss.

A critical issue with the current model and price assumptions is that the new final pit limit impinges on the older low wall and highwall dumps which will therefore have to be partly relocated and it also introduces the possibility of relocation of the low wall haul road. A further sensitivity analysis may be warranted to determine how sensitive the location of any new haul road may be to a potential further cut back of the low wall final limit at higher prices than US\$25 per FOB barge tonne.

To assist in planning the pit is divided into three areas which are the Northern, Central and Southern Tutupan. In the southern area the mine contains the T100, T200 and T300 coal seams. In the Central and Northern areas only the T100 and T200 seams are included in the pit limits. To maintain long term product coal quality the mine needs to have a minimum of 35% of the T100 coal which is blended with either of the T200 and T300 seams available for mining at any given time.

The current mine model which was completed in January 2007 has a pit depth increasing to RL-204 in the Central area which is a depth from the surface of over 320m. The total reserves for the Tutupan mine are 619 million t. The average stripping ratio for this pit is 4.83 bcm:t(ROM). Strip Ratio over the period 2009-2012 is expected to average 4.5 bcm:t(ROM). The geotechnical assumptions used for the derivation of these



reserves are considered to be conservative, leaving potential for an upwards revision at a later date. The reserve table for this pit is shown above

Further mineable reserves have now also been modelled for the Wara 1 pit. Similar geotechnical and operating constraints have been applied to this pit although the economics are limited to a lower energy adjusted price based on the as received energy of the Wara coal. The total reserves for this pit are 235 million t. The average stripping ratio for this pit is 2.4 bcm/t (ROM), but early development of this deposit will be centred on lower strip ratio areas, at less than 1.5 bcm/t(ROM) for the initial 50 million t. Adaro is also investigating other potential reserves in Wara 2 and also North Paringin areas.

### **ENHANCED COAL RECOVERY**

In order to minimise ROM contamination the current mining practice is to include the top and basal 0.3m of each coal seam in the waste removal. As part of an enhanced coal recovery process an associated company is currently investigating the feasibility of introducing a coal process plant to recover this coal. An additional 300,000- 500,000 t per annum of coal may potentially be recovered in such a plant. Preliminary cost estimates indicate that this additional coal can be recovered at a robust margin and would also reduce the current 6% coal loss budgeted in the model.

### **OTHER CONSTRAINTS TO MINE DEVELOPMENT**

Several constraints are currently impacting on mine development in the North Tutupan area. These include:

- the locality of villages on the eastern and down dip side of the pit;
- the Tutupan River on the eastern side of the pit;
- Pertamina oil wells;

There is restricted access to parts of the Wara 1 and Wara 2 areas at the present time as there are access agreements are currently under negotiation. This is limiting areas available for drilling and therefore geological modelling. Negotiations with the landowners are well advanced, and it is expected that the issues of access will be resolved without affecting the overall development program.

## **MINE OPERATIONS AND COAL HAULAGE**

### **MINE MANAGEMENT**

Adaro employs a total of 8,860 employees which includes 400 of its own staff and 8,460 contractors.

The mine operates on a 3 shift, 24 hour roster for mining, coal hauling and barging. Adaro employs a small management and technical team with all major mining and coal transport operations undertaken by contractors including:

- Exploration drilling and resource delineation;
- Geotechnical installations;
- Bulk overburden removal;
- Production drilling and blasting;
- Coal mining;
- Coal transportation;
- Civil works including construction of dams, and buildings and infrastructure;
- Remedial maintenance and cleaning of sediment dams and silt traps;
- Haul road maintenance;
- Rehabilitation.

Adaro has a small core of very experienced site management, supervisors and technical staff to manage the contractors and provide all technical services for the mine including:

- Contract management and supervision:

Design and supervision of exploration and geotechnical programs;  
 Long and medium term mine planning and pit design;  
 Product coal quality control;  
 Operation and maintenance of the Kelanis and IBT terminals;  
 Community relations  
 Health and safety supervision and training

TWA considers this to be an appropriate method of management of the mine which minimises capital expenditure and provides flexibility to expand mining operations and diversify risk using the four contractors.

### CONTRACTORS

There four main mining contractors used in the mine and coal haulage to Kelanis. Each contractor is allocated a separate area of the Tutupan pit and is responsible for all overburden removal, coal mining and haulage to the Kelanis barge terminal. The use of four contractors is to provide diversity and also to maximise competition for the mining and haulage contracts. The four mining contractors are:

<b>PT Pamapersada Nusantara (PAMA),</b>	17.1 Mt of coal in 2007,	3179 employees;
<b>PT Bukit Makmur Mandiri Utama (BUMA),</b>	6.8 Mt of coal in 2007,	1266 employees
<b>PT Saptaindra Sejati (SIS),</b>	7.5 Mt of coal in 2007,	1,224 employees;
<b>PT Rahman Abdijaya (RA),</b>	4.8 Mt of coal in 2007,	619 employees;

Employee numbers include sub-contractors.

Each is allocated an area of the Tutupan pit which is named after the contractor. The total coal production by these contractors in 2007 was 36 Mt. Each contractor is responsible for supply of all mining and service of equipment and for their area safety, drilling and blasting, pit dewatering, coal stockpiling, haul truck loading and despatch and haul road maintenance and dust suppression.

All of the companies are moderate to large Indonesian mining companies with large scale mining equipment which appears to be maintained in good condition. Each of the companies provides detailed monthly reports to Adaro mine management. In the last 12 months although each of these companies have had good levels of safety management demonstrated by low Lost Time Injury Rates, PT PAMA experienced two fatalities in early 2007 due to a blasting incident. This incident was investigated by mine site management and also Mines Department staff and new procedures have been implemented to prevent a recurrence of the situation leading to the incident.

Equipment availability has been reasonable although utilisation for each of the contractors has slightly decreased. Previous excess trucking capacity has now been absorbed by significantly increased planned overburden removal for 2008 from 120 Mbcm to 185 Mbcm, as well as a substantial increase in hauling distance. These changes have resulted from the application of a higher Break Even coal price.

A detailed list of all major mining equipment per contractor is shown in the Table below. It can be seen from the list that the contractors are using a fleet of medium to large excavators and mine haulage equipment that is deemed by TWA to be suitable for the purpose of multi seam mining in steeply dipping terrain. The equipment provides flexibility to be able to mine in a number of areas at the same time and to also mine the coal seam and interburden horizons with minimum dilution and coal losses while still maintain reasonable levels of productivity.

### Major Mining Equipment

Contractor	Work Area	Equipment Type	Model	No
PAMA	Overburden Excavation	Hydraulic Excavator	RH 120	8
		Hydraulic Excavator	R994	1

Contractor	Work Area	Equipment Type	Model	No
	Overburden Haulage Coal Haulage to Kelanis	Hydraulic Excavator	PC 4000	5
		Hydraulic Excavator	PC 3000	5
		Hydraulic Excavator	Hitachi 2500	3
		Dump Truck	HD 785-5	90
		Dump Truck	HD 1500-5	17
	Coal Haulage to Kelanis	Double Side Dump	PN-120T	71
<b>SIS</b>	Overburden Excavation	Hydraulic Excavator	PC 3000	3
		Hydraulic Excavator	PC 2000	2
	Overburden Haulage	Dump Truck	EH 1700	10
		Dump Truck	HD 785	32
	Coal Haulage to Kelanis	Prime Mover	FH 16	42
<b>BUMA</b>	Overburden Excavation	Hydraulic Excavator	Ex2500	3
		Hydraulic Excavator	PC 2000	2
	Overburden Haulage	Dump Truck	CAT 777D	31
		Dump Truck	Komatsu 785	22
	Coal Haulage Kelanis	Prime Mover	Volvo FH16	20
<b>RA</b>	Overburden Excavation	Hydraulic Excavator	Liebherr 994	2
	Overburden Haulage	Dump Truck	CAT 773E	13
		Dump Truck	CAT 777D	12
	Coal Haulage to Kelanis	Prime Mover	Kentworth	18
		Westernstar	9	

A key part of the operation is the haulage of coal from the minesite, 75 km to the Kelanis port. At present there is sufficient capacity on this haul road to satisfy mine production levels of at least 42 Mtpa. Some constraints to further expansion include occasional disruption by land owners although this is generally well managed by the Company's community relations staff and also the mixed capacity and power of trucks utilising the haul road. Generally the main haulage units consist of a prime mover and two trailers, with a payload of 125t to 138t, however some of the contractors are still using smaller trucks with capacities as small as 40 tonnes. These smaller and lower powered trucks still present some problems with bunching on the long haul. The trucking costs have also more recently suffered from significant increases in fuel costs due to the removal of fuel subsidies by the Indonesian government. Further improvements in trucking efficiency and Kelanis dump hopper capacity could potentially increase haulage capacity to at least to 50 Mtpa. To increase capacity of haulage and also to reduce costs the company has improved the surface of the haul road by introducing a bitumen chip seal. This has also alleviated and reduced some of the dust problems which have been a concern to some of the local villagers living along the edges of the haul route.

In order to maintain a good running surface the maintenance regime needs to be constant, particularly during the wet season, and therefore maintenance costs for the haul road are high but warranted.

To meet the proposed increase in productive capacity due to development of mining from the Wara deposit, as well as to reduce exposure to increase fuel cost, Adaro has invited an associated company to evaluate the introduction of a mine site crushing station and a 6000 tph overland conveyor. Planning for this system, which will have a capacity of 42 Mtpa, is at an advanced stage, with a construction tender closing date in Q2 2008.

The company will still require the haulroad for all production in excess of 42 Mtpa. The haulage of a large percentage of coal product by conveyor will significantly reduce the cost of total coal haulage and also minimise the cost exposure to potentially increasing diesel fuel costs.

## **PORTS, BARGING AND SHIP LOADING**

Adaro transports all of its coal to market via the Kelanis coal barging terminal on the Barito River. From Kelanis the coal can either be barged directly to domestic or nearby international customers or to transshipment facilities at Taboneo or the IBT terminal.

The Taboneo terminal is an offshore floating crane facility which is 250 km by barge from the Kelanis terminal. The IBT terminal is located over 350 km by barge from the Kelanis terminal.

### **KELANIS TERMINAL**

The Kelanis terminal is an integral part of the coal logistics chain and coal. The delivered raw coal from the mine is crushed and sized and blended if necessary and then stockpiled for loading onto barges on the Barito River. The barges can cater for direct loading to customers or sent to the Taboneo offshore floating crane shiploading facility or the IBT terminal.

The terminal is operated and maintained by Adaro staff and there are a smaller number of contractors operating at the terminal. The major contractors are Sucufindo which operates a coal quality laboratory and superintendent's facility. Also all major maintenance is undertaken by Adaro Maintenance Section.

The major equipment at Kelanis includes:

- ROM dump hopper 1 and 2 - 900 t/hr hopper and primary crusher;
- ROM dump hopper 3 and 4 – 1,100 t/hr hopper and primary crusher;
- Rom dump hopper 5 – 2,000 t/hr hopper and primary crusher.
- Secondary crushers – 2 x Abon 49/180 and 5 x Abon 6/250 crusher and sizer;
- Inloading conveyors – 7 x 1,000 mm fabric, 2 x 14 mm fabric
- Outloading conveyors – 4 x 1,200 mm fabric;
- Two barge loading berths with a capacity of 4,000 t/hr each;
- Totalling stock pile capacity of 500,000 tonnes;
- River channel depth of 18 m.

Coal is crushed through a multiple two stage crushing system and is conveyed directly to barge loading or stacked on product stockpiles. Coal is reclaimed from stockpiles using dozers to push coal onto underground reclaim conveyors. This is a simple but effective coal handling facility and suitable for the blending requirements of the mine and product specifications.

There is potential to increase capacity at the mine and by adding a sixth ROM hopper as an addition to the Kelanis 2 production line an additional 10 Mtpa can be achieved. This will increase the total Kelanis throughput capacity to 50 Mtpa.

With the addition of the overland conveyor to Kelanis, it is planned to construct a second coal crushing, stockpiling and barge loading facility, immediately south of current Kelanis facilities. GHD Consulting Engineers, have been engaged as Owner's Engineer for the design and construction of the new infrastructure. Formal approval of the new facility is expected in Q1 2008.

### **IBT BARGE UNLOADING AND SHIP LOADING FACILITY**

The IBT terminal is a common user coal handling facility located on the island of Pulau Laut. More recently the company has pursued a new business policy of increasing the number of users through the port additional to the long term relationship with Adaro.

The terminal is operated and maintained by IBT staff and there are a smaller number of contractors operating at the terminal. The terminal has an outloading capacity of 12 Mtpa.

The major equipment includes:

- In loading rate                      4 x 750 t/hr;

Outloading rate	3,000 t/hr or up to 35,000 t/day;
Stockpile capacity	800,000 tonnes
Barge berth	2 x 15,000 tonne barge capacity;
Ship berth –	1 x 80,000 dwt capacity

The in loading cranes have now been in operation for almost 12 years and they are close the end of their design life. IBT is planning to upgrade these cranes with new cranes which will better service the longer term needs of the terminal.

### **Taboneo Offshore Floating Crane Transshipment Facility**

The facility is located 15 nautical miles of the mouth of the Barito River and is managed by IBT personnel. It is a fully contracted facility with 4 floating cranes each with the capacity of 15,000 tonnes of loading capacity per day. This provides an annual ship loading capacity of 20 Mtpa. The facility can also support loading from barges with self geared vessels.

The facility is planned to be expanded with the introduction of a new floating loading ship loader being supplied under contract by IMC, an international shipping and infrastructure company. The facility will replace one of the existing cranes which is on temporary service with a larger 30,000 tonne per day floating and loading facility. This will increase the loading capacity at the facility to 25 Mtpa.

### **Overview of Coal Loading Capability**

In 2007 the combined current capacity of IBT and Taboneo is 32 Mtpa with up to 14 million tonnes of direct loading barging to domestic and local customers. The new Taboneo floating crane facility will add an additional 5 Mtpa to this capacity in 2008 which will cater for mine expansion to 38 Mtpa.

To achieve an increase in third party loading at IBT and development of the Wara deposit the company will need to secure further ship loading capacity. The additional capacity will be offset by an expected increase of direct loading barges at Kelanis for the expected increased domestic and local sales of the Wara coal. The strategy being considered is to contract new floating cranes at Taboneo to cater for future shipping expansion needs. Each of these cranes has a capacity of 15,000 tonnes per day or up to 5 Mtpa.

TWA considers that the total port capacity with the additional direct barging and contracting of floating crane facilities at Taboneo will be sufficient to support future mine development.

## **SAFETY AND ENVIRONMENT**

### **SAFETY**

Adaro has implemented a fully integrated mine site safety management system called "a-sep". This is Adaro's own system which integrates planning, safety training, establishment of safety operating procedures and safety reporting. The system is designed to comply with the requirements of the Government of Indonesia and other recognized safety and health legal requirements or standards. It is a comprehensive development, implementation and monitoring safety and health management system.

The company requires that all contractors conform with and implement the safety management system. It includes a pre-emptive program of regular tool box talks and identification of work hazards through defined and registered standard operating procedures (SOP's) for all key operating tasks. All contractors are required to record detailed safety statistics including reporting of training and frequency of tool box talks in their monthly reports to Adaro management.

Most of the contractors have a satisfactory year with regard to general safety incidents and lost time injuries. However, PT PAMA, did experience two fatalities due to a blasting incident earlier in 2007. This was a serious breach of safety and was fully investigated by mine site personnel and also Indonesian Mines Department officials. Adaro has implemented all recommendations of the investigation so as to prevent any further similar occurrences. In total the company, including the contractors, have had 13 lost time injuries and 2 fatalities in 2007. The lost time injury frequency rate is moderate compared to industry standards. As at the end February, 2008 there were 3 LTI for the year.

TWA considers that the safety and health management systems implemented by Adaro are in accordance with the mine department requirements and consistent with international mining industry standards.

## **ENVIRONMENT**

Adaro maintains continuous monitoring of noise, dust, vibration and water quality at the Adaro Minesite as well as at Kelanis and the IBT site and consistently maintains regulatory requirements at each site. Reports of environmental monitoring data are submitted to the Central and Provincial Authorities quarterly and Inspectors from each Authority visit the mine twice each year on an alternate quarter basis.

By far the major concern is with water quality. There are currently 22 discharge points from the mine and additional points are to be added with the increased production. There are collection ponds, a battery of settling points and a water treatment plant at each discharge point. Turbidity levels and pH are monitored on a daily basis prior to any discharge and no breaches of discharge limits have been reported over the last 12 months.

There is substantial surface disturbance at the mine because of the size of the mining operation and the operational requirement to maintain a series of substantial out of pit dumps. Rehabilitation of these areas is an integral part of mining and at the present time a total 2678 hectares [ha] of land is classified as having been disturbed, including the out of pit dump sites. Of this some 1247 ha has been rehabilitated.

There is a government approved long term plan for the site and although there is no regulatory minimum rehabilitation requirement Adaro has a policy of rehabilitation as soon as technically feasible after an area becomes inactive. After landscaping the area to be rehabilitated it is covered with topsoil from a newly cleared area and seeded with King Grass for initial stabilisation. Some areas are left with grass to provide grazing areas for cattle whilst others are planted with a range of trees species. Areas inspected whilst onsite which had been rehabilitated four years previously were seen to be heavily vegetated.

## **HUMAN RESOURCES AND COMMUNITY RELATIONS**

### **HUMAN RESOURCES**

Adaro and IBT have now been operating successfully for over 15 years and have built up a team of very experienced and qualified staff. Many of the senior positions are now filled by Indonesians and this has a stabilising impact on staff turnover.

TWA believes that the current organisational structure provides an experienced team operating with a proven track record as a satisfactory basis for future mine development and expansion with the human resources skill base continuously improving over time.

### **COMMUNITY RELATIONS**

The company has demonstrated a strategic intent to work in closely with the local and regional community. It has established a department dedicated to implementing community relations policies and procedures to support local industry and community programs including:

- support to local schools and hospitals;
- local business development;
- community health programs including an extensive eye cataract treatment program;
- research into new farming and agricultural Technology which will also assist local farmers
- regular liaison with community leaders and land owners.

These programs have placed Adaro in a strong position in the community and have assisted in maintaining stable relationships with the local government, the local communities and landowners.

### **COAL MARKETS AND NEW PRODUCTS**

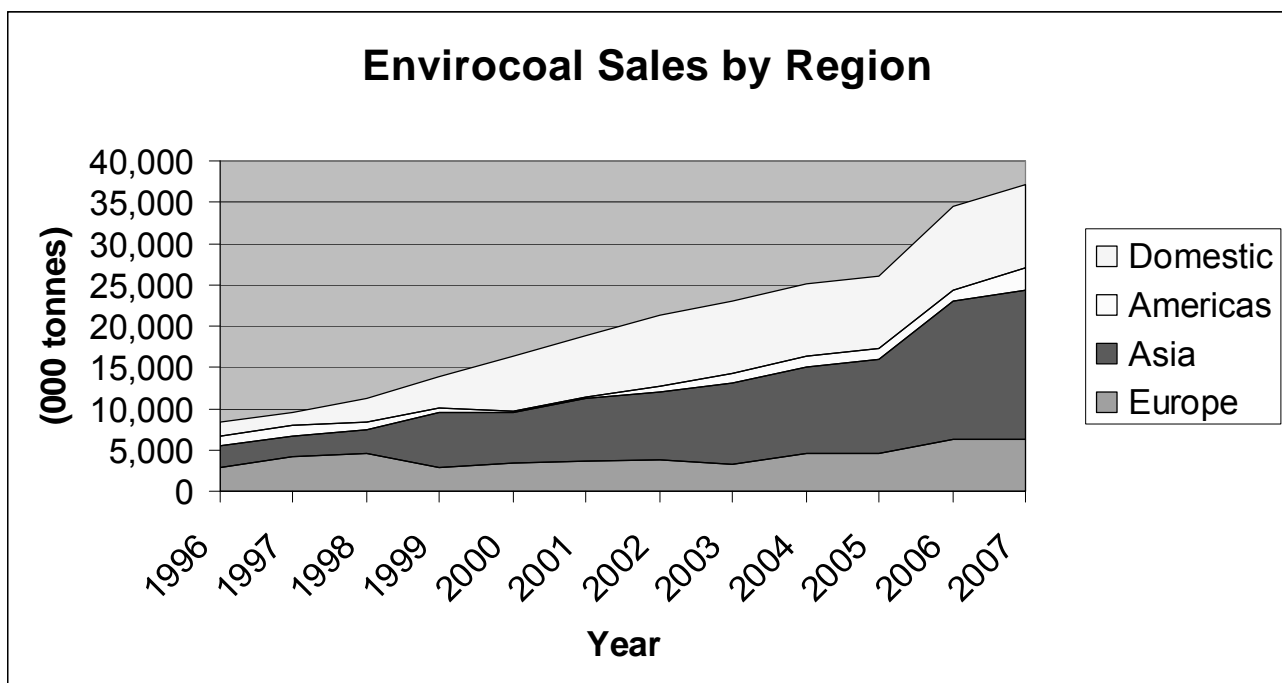
Adaro has a strong marketing base for the "Envirocoal" brand with over 44 customers spread over 18 countries in both international and domestic coal markets. The "Envirocoal" brand is the only coal produced at the mine at present and this is a blend of the seams in the Tutupan pit. The company is proposing to expand

production into the Wara area which is planned to commence in 2009. The coal from this deposit has a higher moisture content and will be a different coal brand.

### SALES HISTORY

The company started exporting coal in 1992 and has steadily increased exports of “Envirocoal” to 36 million tonnes in 2007. This was a very different brand in the market place when it was first introduced to customers and there was scepticism about its acceptance at that time. However, due to innovative and strong marketing strategies the company has built an excellent reputation of reliability and benefits for this environmentally friendly coal with low ash, low sulphur and low NOX. The company now sells to Europe, Asia, the Americas and domestically. A historical split of these sales is shown below.

#### Historical Coal Sales by Region



#### Sales by Customer

Adaro sells all of their coal under term contracts with prices that are generally adjusted annually in accordance with the Japanese benchmark or other indices such as the BJ ACR indices. The company has also a strong forward sales profile with all tonnage fully sold under contract for 2008 and 90% of sales contracted for 2009. Most of these customers are blue ribbon buyers and long term users of the coal. Contracts are mostly with power utilities or cement plants with very little coal handled by trading companies. This places Adaro in a strong position with “Envirocoal” brand sales and therefore minimum market risk for future product placement.

#### Wara Coal

The Wara coal is a new brand that is planned for sale in 2009 and production is forecast to grow to 10 Mtpa by 2012. This is a high moisture coal with as received moisture content of 38% compared to an as received moisture of the “Envirocoal” brand of 24%. There is very little of this high moisture coal currently sold in the export market and currently little domestic demand within Indonesia. The marketing team have been establishing market contacts with a number of customers to assess the market interest in this brand. The company had initially considered the product to be suited more to the domestic market but strong interest from Asian countries has now resulted in either Heads of Agreement or contracts for up to 2 million tonnes per annum to the following countries:

India	12 million tonnes;
China	8 million tonnes;

Philippines	2 million tonnes;
Thailand	2 million tonnes.

Adaro has now limited the sale of this coal to the export market and will focus on marketing to the domestic customers as it is expecting strong demand for this type of product from 2010. The pricing of the coal has also been related to benchmark coal pricing with adjustment for as received energy.

An affiliate of Adaro is planning to construct a mine mouth power station which will have a capacity of 60 MW. The plant is forecast to be in operation from the first half of 2010. Adaro is planning to service the coal requirements for this power station from the Wara 2 coal project.

## OVERVIEW

It can be seen from above the Adaro has a strong market diversification for its "Envirocoal" brand coal and is receiving benchmark related pricing. The new Wara brand coal is also receiving strong market interest with agreements and Heads of Agreements already in place.

The company has an experienced and stable marketing team and a good industry reputation.

TWA therefore concludes that Adaro is in a strong position with regards to marketing its coal and sees no major risk associated with placing its coal in the domestic or international coal markets at premium benchmark related pricing.

## OPERATING AND CAPITAL COSTS

### Operating Costs

Adaro has traditionally been a low cost producer. However, more recently the company has experienced increases in operating costs due to:

- Labour cost increases in excess of 9% since 2006;

- Reduction in fuel subsidies;

- Increasing stripping ratios as the pit increases with depth;

- Increases in international oil prices directly impacting on coal mining, coal hauling and barging operations.

- Barging restrictions on the Barito River due to channel limitations at the river mouth.

These changes in cost trends have been a feature of all of the Indonesian coal producers over the last two years and therefore not unique to the Adaro operation. Most of the lower cost mines have also now moved up the cost curve and this in time will also impact on the final pricing regimes of Indonesian coal. The company has some recourse in reducing these costs through improved training and productivity but due to the community expectation of ongoing employment at the mine this may be difficult to fully implement.

Currently the channel at the mouth of the Barito River is only traversable by barges on the high tide once a day. Towards the end of each dry season, the river flow drops to a level where higher draught barges have difficulty in navigating the channel. In order to increase barging efficiency and capability the channel is planned to be dredged in 2008. An agreement for the implementation of this project has now been signed by the Indonesian government and user companies..

The company is now planning an expansion of future capacity with the development of the Wara coal deposit.. The planned overland conveyor is expected to reduce the cost of coal haulage to Kelanis by some USD 2.00 per tonne. Other change that will reduce costs is the decision to reduce the barging of coal to the IBT terminal and load more coal at the Taboneo offshore facility. The advantage of IBT is that it provides a faster loading rate of up to 35,000 tonnes per day which is more suitable for the larger vessels but at the cost of an additional US\$1/tonne for barging costs compared to Taboneo.

Power for the overland conveyor will be provided by a new mine mouth power station that will have a capacity of 60 MW. This will be built by an associated company. Although not part of the Adaro operation this will have the benefit of reducing operating costs due to cheaper electricity supply. The electricity cost is currently not a major contributor to mine site cost but will be more significant with the construction of the overland conveyor.



## CAPITAL COSTS

The major capital items associated with Adaro's planned expansion of capacity are as follows:

### Forecast Major Capital Expenditure US\$million

Second Kelanis stockpiling and barge loadout facility	20
Land Acquisition	30

The above figures are budget estimates and will be finalised once the detailed engineering and feasibility studies are completed.

In general Adaro has a strategy of minimum capital expenditure and where possible major equipment like mining and coal haulage for example is provided by contractors. Other smaller items like light vehicles are hired under leasing arrangements.

TWA cannot provide detailed support for the estimates in the capital schedule but the forecasts provided by Adaro are reasonable with general industry standards. These forecasts will need to be supported by detailed engineering designs and estimates which are currently in progress.

## RISK ASSESSMENT

Risk Area	Likelihood	Consequence	Risk Rating	Comment
Loss of right to mine or explore	Unlikely	Major	Low	Production areas granted and company conforms with lease requirements
Lack of coal resources and reserves	Unlikely	Minor	Low	Production forecasts covered by proven reserves, minor geotechnical problems.
Failure to secure land access areas with landowners	Minor	Major	Low	Ongoing land acquisition programme and procedures but some potential delays to North Tutupan (oil wells) and Wara (palm oil company)
Loss of production capacity	Unlikely	Minor	Low	Proven technology, equipment methods, multiple contractors and production flexibility.
Loss of current transportation capacity	Unlikely	Minor	Low	Proven haulage equipment and multiple contractor.
Transport limitation for future expansion and overland conveyor	Unlikely	Major	Low	Conveyor technology is not new although final designs and feasibility studies still to be completed. Designs by reputable engineering consultant.
Environmental impacts	Unlikely	Minor	Low	All operations have approved practices and compliance procedures; sound record of environmental practice.

Risk Area	Likelihood	Consequence	Risk Rating	Comment
Water supply and flooding	Unlikely	Mine site (minor) Haul road (moderate)	Low Low	Mine site and Kelanis abundant water and flood protection; Haul road may be impacted for short duration during abnormal wet season flooding event.
Safety and health hazard	Unlikely	Minor	Low	Fully integrated and compliant safety management system
Operating costs exceed budget	Minor	Minor	Low	Production under established contractor pricing arrangements; risk of fuel price increases
Capital costs exceed budget	Moderate	Minor	Low	Capital forecasts only based on estimates with no detailed engineering designs or feasibility study completed for the overland conveyor and river dredging program.
Lack of expansion and development	Unlikely	Minor	Low	Adaro has a major expansion program based around the development of the Wara deposit.

## POTENTIAL OPPORTUNITIES

The company is in the process of identifying further substantial resources additional to those at Tutupan and Wara 1, as modelled in the Resource statement in the report. These occur at North Tutupan, Wara 2 and Wara 3. The areas of North Paringin and South Paringin have yet to be fully evaluated but may also contain potentially economic coal. Preliminary modelling at North Tutupan indicates the resource in this area may be in the order of 515 million tonnes and the resources at Wara 2 are likely to be increased substantially once the results of recent exploration are fully compiled. It is likely substantial additional resources will also be identified at Wara 3.

Deposit	Resources (Mt) as at 31 December, 2006			
	Measured <250m	Indicated >250m <500m	Inferred >500m <1000m	Total
Tutupan Mine	912	304	84	1300
North Tutupan	45	47	97	190
North Paringin	90	60	66	216
South Paringin	17	20	11	48
Wara 1	254	280	316	850
Wara 2	59	73	104	235
<b>Total</b>	<b>1378</b>	<b>785</b>	<b>678</b>	<b>2841</b>

## REFERENCES

Golder Associates Memorandum from Anthony Dutton to Joseph Crisostomo re Tutupan Mine Slope Angles for Pit Optimisation [2007]

PT Adaro Indonesia August and September 2007 Monthly Operation Reports

PT Adaro Indonesia Exploration and Development Plan, Tutupan Minesite January 2007

Pt Adaro Indonesia Reserve statement as at 31 December 2007

PT Adaro Indonesia Sales Summary (1996-2007)

Tutupan Mine Schedule (Excel spreadsheet), April 2007

Wara 1 Mine Schedule (Excel spreadsheet), June 2007

Internal Memorandum PT Adaro Indonesia from Department Head Geology, Mr Joseph Crisostomo, to Andris Svilans February 14, 2006 Tutupan Production Reconciliation Report

Risk Management AS/NZS 4360:1999.

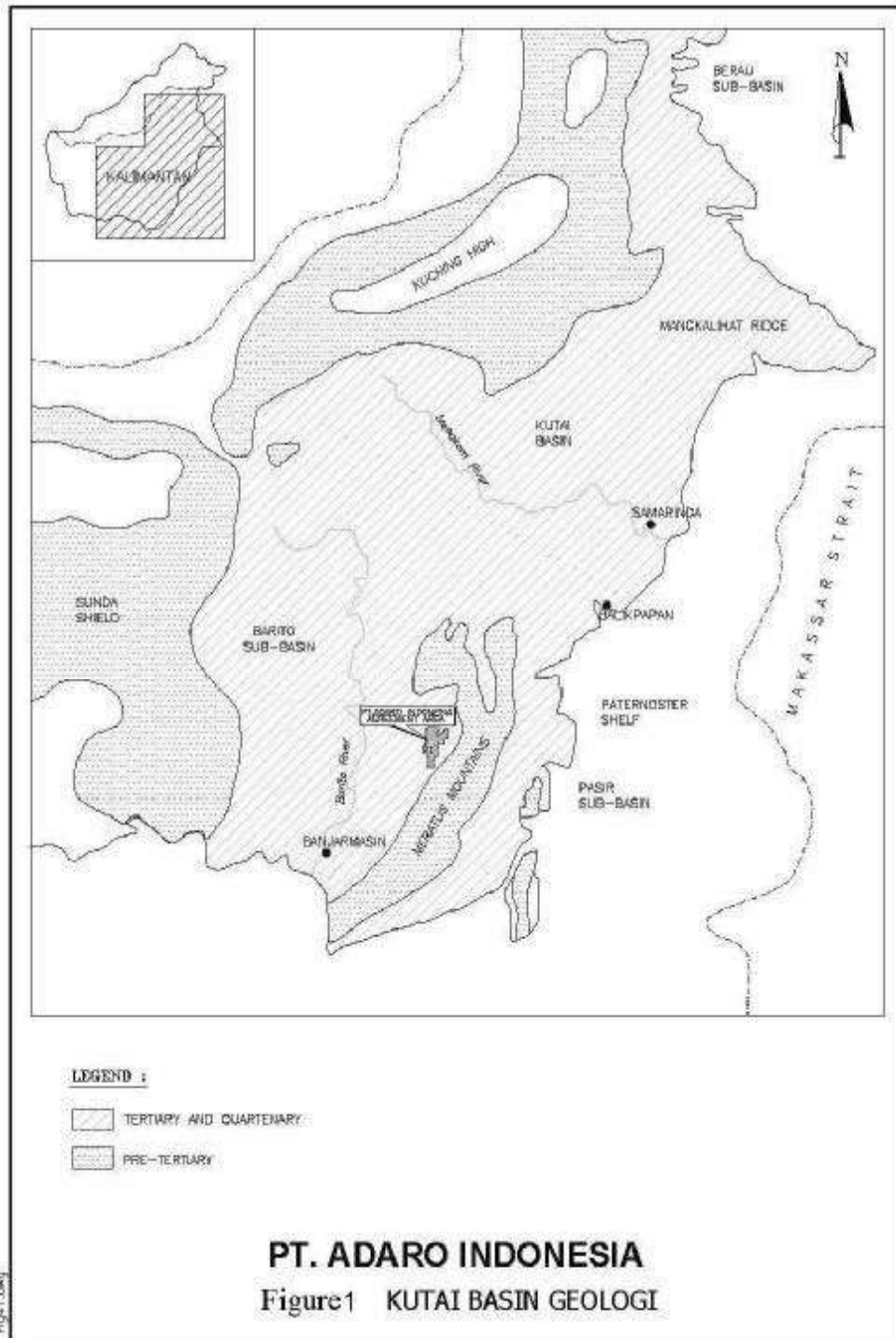
## GLOSSARY OF TERMS

adb	Air Dried Basis
ar	as Received
ash	The residue remaining after a pulverised sample of the coal is incinerated under standard laboratory conditions.
BCM or bcm	Bank Cubic M
borehole	A hole drilled [drillhole] through the strata to obtain geological specimens or to provide access for geophysical devices.
Block	A mining or structural unit of the area.
Centimetre	cm
Code	JORC Code for Reporting Reserves
Competent Person	A competent person as defined by the JORC Code for the reporting of Identified Mineral Resources and Ore Reserves
Cross section	A diagram or drawing that shows features transected by a selected plane. Typically a vertical section drawn at right angles to the long axis of a geological feature.
CSN	Crucible Swelling Number
CV	Calorific value.
daf	Dry Ash Free
db	Dry Basis
dmmf	dry mineral matter free
Dilution	Material contamination which is mined with the coal.
Down Dip	In the direction of increasing depth – as for an incline coal seam
DWT	Dead Weight Tons
Dyke	Igneous intrusion across the bedding planes of a coal seam.
Envirocoal	Coal marketed under the envirocoal brand].
Fault	A fracture or zone of fractures in the earth's crust along which there has been relative displacement
Formation	A litho-stratigraphic term used for subdividing the stratigraphic column into named units

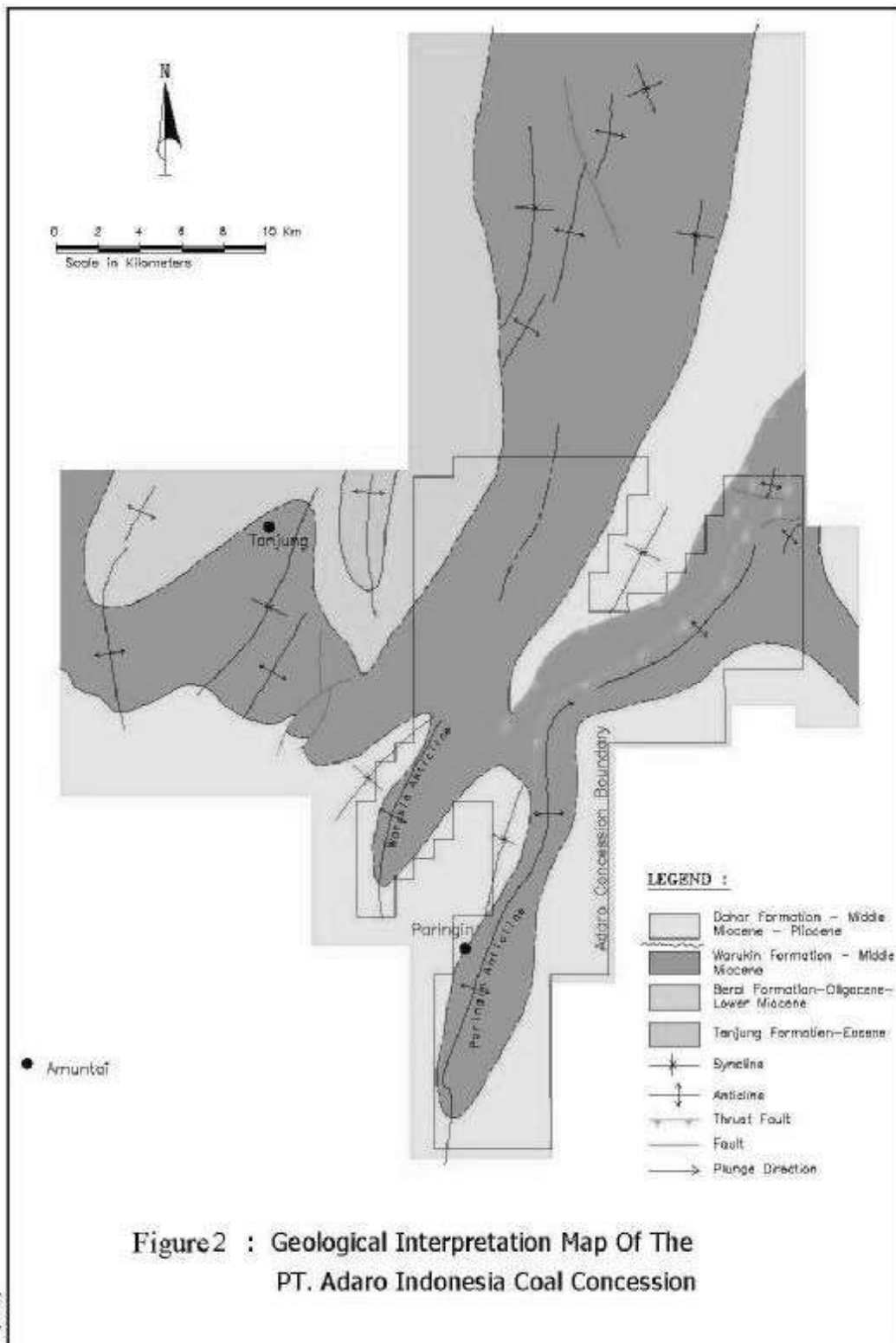
F.C.	Fixed carbon
FEL	Front-End-Loader
FOB	Free on Board
Fully Cored	A borehole from which a core sample is taken from full length of thole.
gad	Gross air dried basis
gar	Gross as received basis
GJ/t	Giga Joule per tonne [Units of Specific Energy].
ha	ha [10,000 square m]
HGI	Hardgrove Grindability Index
Highway	The last exposed face of unmined strata in an opencut mine.
High volatile	>31% volatile matter [dmmf].
IBT	PT Indonesia Bulk Terminal
Indicated Resource	That part of a coal deposit for which quality and quantity can be estimated with a reasonable level of confidence, as defined in JORC Code
Inferred Resource	That part of a coal deposit for which quality and quantity can only be estimated with a low level of confidence, as defined in JORC Code
In-situ	In its natural position.
JORC Code	The Code for reporting Mineral Resources and Ore Reserves of the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
kcal	Kilocalories per kilogram [Units of Specific Energy]
km	kilometre.
lcm	Loose Cubic M
LOX	limit of Oxidation
LV	Low Volatile.
Measured Resource	That part of a coal deposit for which quality and quantity can be estimated with a high level of confidence, as defined in JORC Code
Marketable coal	ROM coal that has been (or can be) prepared to a marketable specification
m	Metre
M	Million
Mlpa	Megalitres per annum
million bcm or Mbcm	Million Bank Cubic Metres
million t/ Mt	Million t
million tpa or Mtpa	Million t per annum
Mining Loss	Coal lost from the seam during the mining operation
MJ/kg	Mega Joule per Kilogram [Units of Specific Energy].
Nox	Nitrogen oxide
Open Cut	A mine worked at and from the surface
Overburden	Barren rock material, either loose or consolidated that overlies a mineral deposit (orebody) that must be removed during open cut mining
Oxidation Drilling	Exploration drilling to define the limits of weathered coal
Oversize	Screened particles of material that do not pass through the screen size commonly requiring comminution and re-screening.
P	Phosphorus
PCI	Pulverised coal injection
Phos	Phosphorus content of coal
Pit	An excavation from which coal is extracted.
Reserves	The economically mineable part of Measured or Indicated coal Resource at the time of reporting, as defined in JORC Code
Resource/s	That part of a coal deposit for which there is a reasonable prospect for eventual economic extraction, as defined in JORC Code
ROM	Run of Mine.

S	Sulphur
SE	Specific Energy
Specific Energy	Heat content of coal
Strip(ping) Ratio	Ratio of waste [bcm] to mined coal [t] as used at Adaro operations
Sterilised	That part of a coal seam that, for various reasons, is not mined
Syncline	A line or axis towards which strata dip or slope down in opposite directions
Tertiary period	Time span from 65 to 2 million years ago
Theoretical Yield	The laboratory yield of coal from washability testing
Thermal coal	Coal which is combusted to provide heat for steam generation and subsequent power generation
TM	Total Moisture
t per day	tpd
Total Moisture	The total moisture content of the coal as sampled
Tailings or Waste	Discarded [mined and processed] rock materials after extraction of economic mineralisation [coal]
Topography	The general configuration of the land surface
TS	Total Sulphur content of coal.
VM	Volatile Matter
Vitrinite	A reactive coal component found in bituminous coal
Volatile Matter	The loss in mass of a coal sample, less that due to moisture, when the coal is heated under standard laboratory condition
Working Section	The part of the coal seam recovered during mining.

MAPS AND ILLUSTRATIONS



Regional Location and Geology Plan



**Geology of the Adaro Area**

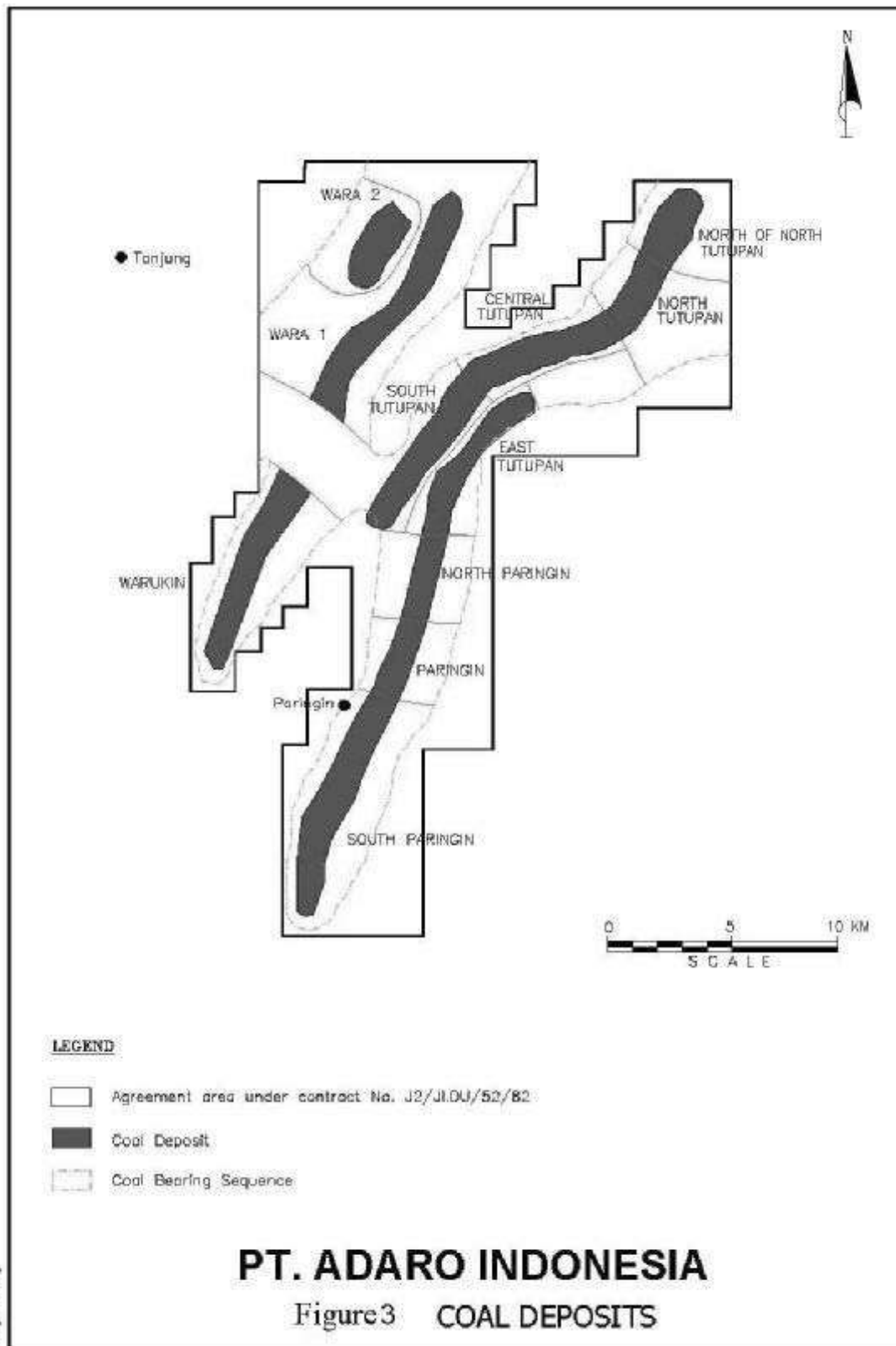


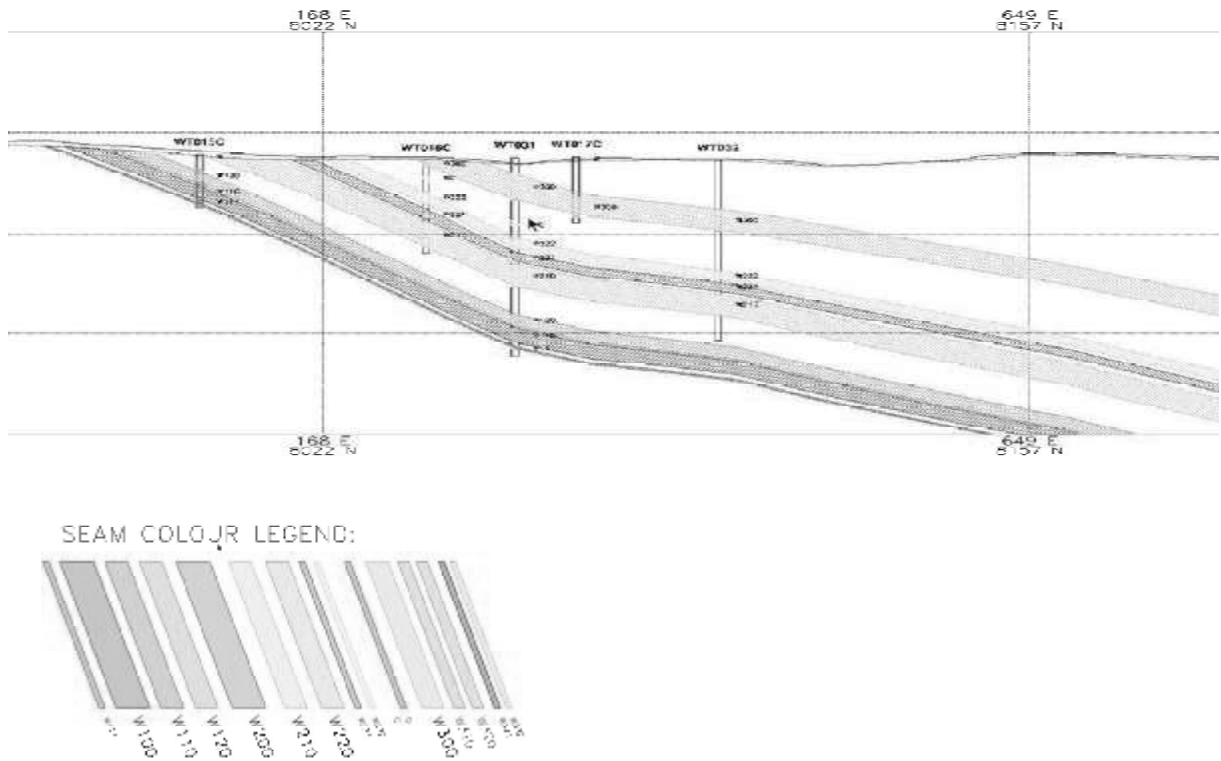
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Distribution of the Principal Coal Deposits



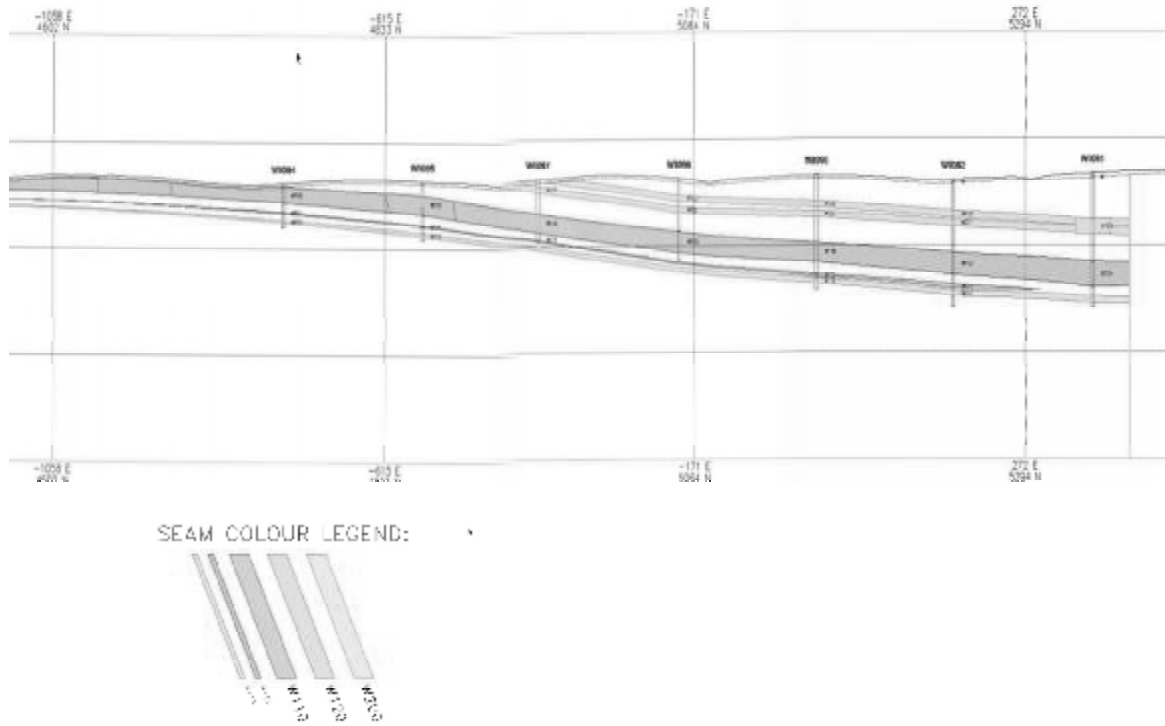


# WARA 1

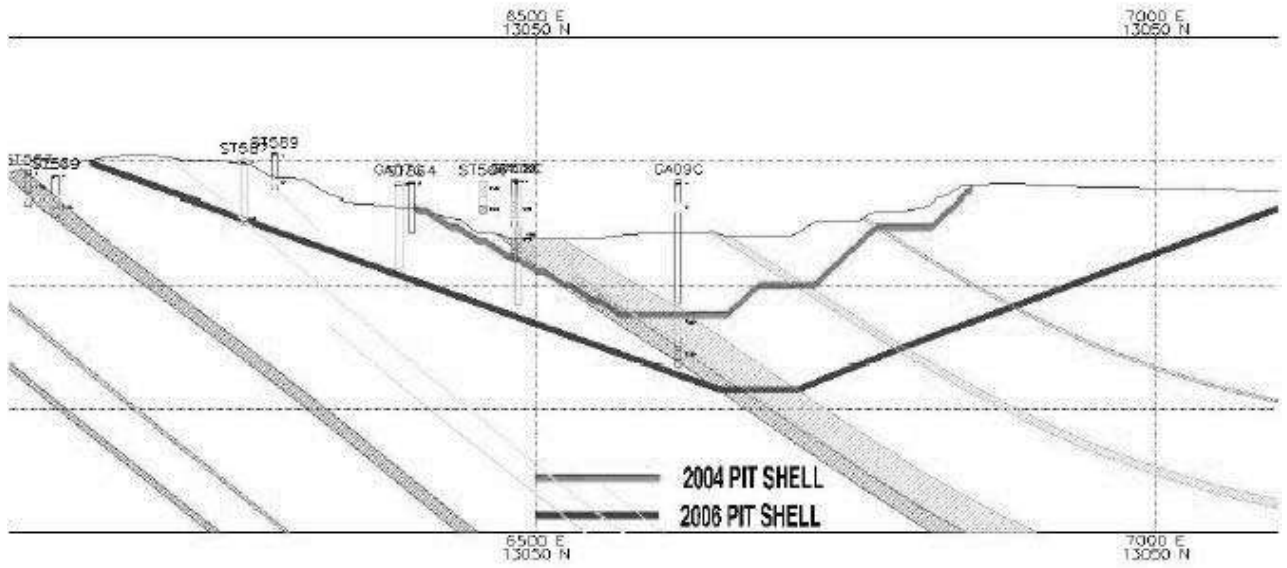


Wara 1 – Geological Cross Section

# WARA 2

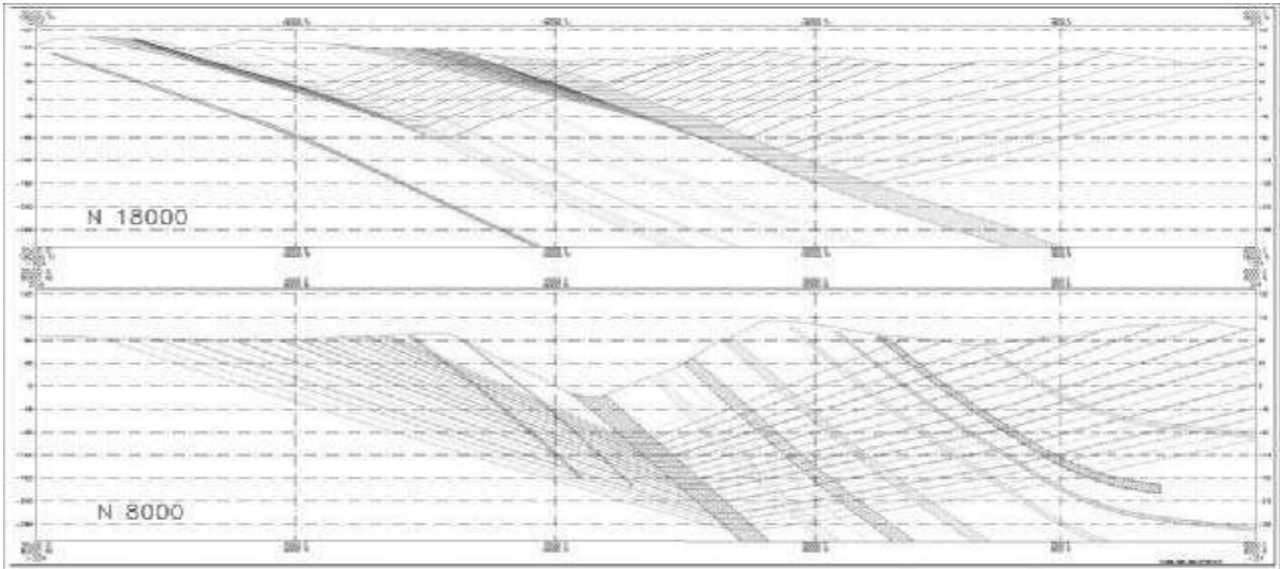


Wara 2 – Geological Cross Section



# CENTRAL TUTUPAN

Central Tutupan -Previous and Current Pit shell Designs



**Tutupan - Nested Pit Shells for Reserve Estimation**

**XXI. REPORT ON SHARES APPRAISAL**

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**FAIRNESS OPINION REPORT ON SHARES ACQUISITION**



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**TRUSCELCAPITAL**  
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**adaro**

**Fairness Opinion of  
Share Acquisition Transaction Plan**

**June 2008**

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Jakarta, June 13<sup>th</sup> 2008

No. : TC/CF/1906/08

**Board of Directors**

**PT Adaro Energy Tbk**

Menara Karya, 23<sup>rd</sup> Floor

Jl. H.R. Rasuna Said, Block X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Fairness Opinion of Share Acquisition Transaction Plan**

Dear Sir and/or Madam,

**INTRODUCTION**

PT Adaro Energy Tbk (“The Company”) was established under the name of PT Padang Karunia, a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on the Company’s Deed of Establishment No.25 dated July 28<sup>th</sup> 2004, drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta. The deed was published in BNRI No.59 dated July 25<sup>th</sup> 2006, Supplement No. 8036. The Company’s Articles of Association have been amended several times. The last amendment in the framework of the Public Offering pursuant to Deed No. 62 dated April 18<sup>th</sup> 2008 drawn up before Robert Purba, S.H., Notary in Jakarta. The Company has changed its name becoming PT Adaro Energy Tbk, amendment to the Company’s whole Articles of Association and alteration to the Company’s status from a private to a public company. The deed has obtained the approval of the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.AHU-20330.AH.01.02.Tahun 2008 dated April 23<sup>rd</sup> 2008 and No.AHU-21258 AH.01.02-Tahun 2008 dated April 25<sup>th</sup> 2008.

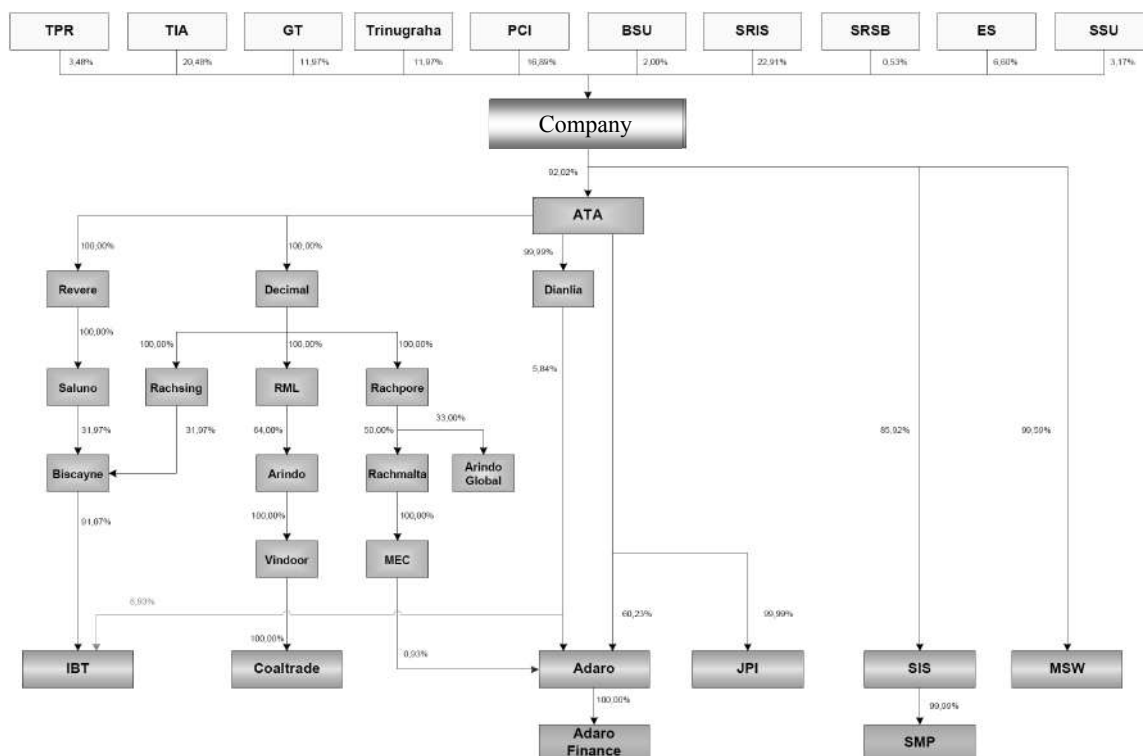
The Company’s head office is located in Menara Karya, 23<sup>rd</sup> floor, Jl. H.R. Rasuna Said, Blok X-5, Kav. 1-2, Jakarta 12950, Indonesia.

The Company’s vision is to become an integrated coal-based mining and energy company that is the biggest and most efficient in South East Asia. The Company and Subsidiaries currently deal in the coal mining through PT Adaro Indonesia (“Adaro”), coal trading through Coaltrade Services International Pte Ltd (“Coaltrade”), coal infrastructures and logistics through PT Indonesia Bulk Terminal (“IBT”), and mining contractor service through PT Saptaindra Sejati (“SIS”). Each strategic business unit above is positioned as an independent and integrated profit centre so that the Company has the coal production and supply chain that is competitive and reliable and gives optimum value added to all stakeholders of the Company and Subsidiaries.

Nowadays the Company through its Subsidiaries has minable coal reserves of 928 million tons with the total resources estimated of 2,803 million tons as per December 31<sup>st</sup> 2007. In addition to the large coal reserves, the Company through its Subsidiaries also have the main assets to support the operation such as the highway connecting the mine location to the Crushing Facility in Kelanis and Coal Terminal in Pulau Laut, besides the mining fleet it possesses through SIS, such as Drilling Machine, Bulldozer, Wheel dozer, Excavator, Grader, Articulate Truck, Dump Truck, Wheel Loader, Head Truck, Vessel, Dolly, Crusher, etc.

Currently, the Company’s effective indirect shares ownership on Adaro, IBT and Coaltrade, is amounting to, respectively and consecutively 61.23%, 61.80% and 58.89%, as follows:

The Company’s structure and subsidiaries before the Transaction Plan:



**THE PUBLIC OFFERING PLAN**

The Company plans an Initial Public Offering where the number of shares to be offered is amounting to 11,139,331,000 (eleven billion one hundred and thirty nine million three hundred and thirty one thousand) Registered Common Shares at a par value of one hundred Rupiah (Rp 100.-) each share.

Background

A large portion or proceeds earned from this Public Offering will be used for increasing the Company’s investment in PT Alam Tri Abadi (“ATA”), further more the funds will be used to buy 100% shares of Ariane Investment Mezzanine Pte. Ltd. (“AIM”) and Agalia Energy Investments Pte Ltd (“Agalia”), either directly or indirectly. AIM and Agalia are indirect shareholders of Adaro, IBT and Coaltrade in which the effective ownership of AIM and Agalia in the companies is respectively and consecutively 32.99%, 32.79% and 36.00%.

Currently, the Company’s effective indirect shares ownership on Adaro, IBT and Coaltrade, is amounting to, respectively and consecutively 61.23%, 61.80% and 58.89%. So far Adaro, IBT, Coaltrade and SIS have jointly shown good and sustainable operational and financial performance.

Thanks to the bright prospect of coal mining industry, particularly the ecofriendly coal mining industry, the Company intends to increase it’s shares ownership effectively in Adaro, IBT and Coaltrade. The increase of control on the subsidiaries will enable the Company to optimize the synergy produced by the integration of its strategic business units.

Planned Appropriation of Fund Earned from Public Offering

As explained above, the funds or proceeds earned from this Public Offering will be used directly or indirectly for increasing the Company’s investment in Adaro, Coaltrade and IBT. Some funds earned from Public Offering also will be used to buy 1.1261% shares owned by PT Persada Capital Investama (“PCI”) and PT Saratoga Investama Sedaya (“SRIS”) in ATA, after the acquisition of 100% AIM shares by ATA and the payment of ATA’s debt amount to USD 100,000,000 and also for settlement deal of 24.24% SIS share owned by PCI, SRIS and PT Cipta Sejahtera Persada (“CSP”).

Below are Appropriation Plan of Fund earned from Public Offering related with Share Acquisition Plan by the Company:

1. Increasing the Company’s investment in ATA, further the funds will be used as follows:
  - Purchase 100% shares of Ariane Investments Mezzanine Pte. Ltd. (“AIM”), either directly or indirectly, as follows:
    - i. Buy 71.15% of AIM shares owned by Arindo FCM (Mauritius) Limited (“Arindo”), Vencap Holdings Pte Ltd (“Vencap”), Citigroup Financial Products Inc (“Citigroup”) and Goldman Sachs (Asia) Finance (“Goldman Sachs”);
    - ii. Buy 100.00% of shares Kerry Coal (Singapore) Pte Ltd (“KC”), owner of 28.85% AIM shares which owned by Gold Pilot International Limited (“Gold Pilot”).
  - Direct purchase 100% shares of Agalia Energy Investments Pte Ltd (“Agalia”) from Agalia Capital (“Agalia”) of which the controlling owner of Agalia are Goldman Sachs and Citigroup;

AIM and Agalia indirectly own 32.99% of Adaro shares, 32.79% of IBT shares, and 36.00% of Coaltrade shares.

2. Purchase 1.1261% of ATA shares owned by PT Persada Capital Investama (“PCI”) and PT Saratoga Investama Sedaya (“SRIS”), with the condition that the plan on point (1) has been done and the payment of ATA debt amount to USD 100,000,000 by additional paid capital in ATA by the Company.
3. Settlement of 24.24% SIS share acquisition owned by PCI, SRIS and PT Cipta Sejahtera Persada (“CSP”).

The Share Acquisition Transaction Plan above shall be hereinafter referred to as “Transaction Plan”

The relationship of the management and supervision of the Company, shareholders, and subsidiary companies in the form of Indonesian legal entity is shown in the following table.

Name	Company		ATA		ADARO		IBT		JPI		SIS		SMP		Biscayne		MSW		Dianlia	
	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir	Com	Dir
Edwin Soeryadjaya	PK	-	PK	-	PK	-	PK	-	PK	-	PK	-	PK	-	-	-	PK	-	PK	-
Theodore Permadi Rachmat	WPK	-	K	-	K	-	K	-	K	-	-	-	-	-	-	-	-	-	K	-
Ir. Subianto	K	-	K	-	K	-	K	-	K	-	K	-	K	-	-	-	-	-	K	-
Djoko Suyanto	KI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Palgunadi Tatit Setyawan	KI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Garibaldi thobir	-	PD	-	PD	-	PD	-	D	-	PD	-	-	-	-	-	-	K	-	-	PD
Christian Ariano Rachmat	-	WPD	-	D	-	D	-	D	-	D	K	-	-	-	-	-	-	D	-	D
Sandiaga Salahuddin Uno	-	D	-	D	-	D	-	PD	-	D	K	-	D	-	-	-	K	-	-	D
Andre J. Mamuaya	-	D	-	D	-	-	-	-	-	D	-	D	-	D	-	-	-	D	-	D
A.H. Chia	-	DIT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-
David Tendian	-	DIT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-
Alastair Bruce Grant	-	DIT	-	-	-	D	-	D	-	-	-	-	-	-	-	-	-	-	-	-

Name	TIA		SRIS		TNT		PCI	
	Com	Dir	Com	Dir	Com	Dir	Com	Dir
Edwin Socryadjaya	-	-	PK	-	-	-	-	-
Theodore Permadi Rachmat	-	-	-	-	-	-	-	-
Ir. Subianto	-	-	-	-	-	-	-	PD
Djoko Suyanto	-	-	-	-	-	-	-	-
Palgunadi Tatit Setyawan	-	-	-	-	-	-	-	-
Garibaldi thohir	-	-	-	-	-	PD	-	-
Christian Ariano Rachmat	-	D	-	-	-	-	-	-
Sandiaga Salahuddin Uno	-	-	-	PD	-	-	-	-
Andre J. Marnuaya	-	-	-	-	-	-	-	D
A.H. Chia	-	-	-	-	-	-	-	-
David Tendian	-	-	-	-	-	-	-	-
Alastair Bruce Grant	-	-	-	-	-	-	-	-

Note:

PK	: President Commissioner
WPK	: Vice President Commissioner
K	: Commissioner
KI	: Independent Commissioner
PD	: President Director
WPD	: Vice President Director
D	: Director
DTT	: Non-Affiliated Director

### Objective and Benefits of Transaction Implementation

As specified earlier, the objective to be achieved by the Company in the Transaction implementation is to increase the Company's control on mining strategic business unit, Adaro, infrastructures and logistics strategic business unit, IBT and trading strategic business unit of Coaltrade, and also mining contractor service strategic business unit of SIS, expecting that it will give the benefits among others as follows:

1. To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
2. To give more flexible financial capability to the Company in giving solid support for the Company's business development strategy in the future.
3. To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.
4. To enlarge the Company's economic scale significantly, as this Company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.
5. To give more confidence to the customers as well as prospective customers in the Company's ecofriendly coal for more certain and sustainable coal supply, because of the Company's greater scale.





We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the Transaction Plan.

## SOURCE OF DATA

As an Independent Financial Advisor in preparing a Fairness Opinion for the Transaction Plan, we have studied, compiled and considered the references as follows:

1. Draft Prospectus of PT Adaro Energy Tbk,
2. Conditional Sale and Purchase Agreement as follows:
  - Conditional Sale and Purchase Agreement of 42.31% AIM's shares dated May 5<sup>th</sup> 2008, changed in May 13<sup>th</sup> 2008 between ATA and Arindo FCM (Mauritius) Limited ("Arindo FCM"), shall be hereinafter referred to as "PJB Arindo FCM";
  - Conditional Sale and Purchase Agreement of 13.46% AIM's shares dated May 5<sup>th</sup> 2008, changed in May 13<sup>th</sup> 2008 between ATA and Vencap Holdings (1987) Pte Ltd ("Vencap"), shall be hereinafter referred to as "PJB Vencap";
  - Conditional Sale and Purchase Agreement of 7.69% AIM's shares dated May 5<sup>th</sup> 2008, changed in May 13<sup>th</sup> 2008 between ATA and Citigroup Financial Products Inc ("Citigroup"), shall be hereinafter referred to as "PJB Citigroup";
  - Conditional Sale and Purchase Agreement of 7.69% AIM's shares dated May 5<sup>th</sup> 2008, changed in May 13<sup>th</sup> 2008 between ATA and Goldman Sachs (Asia) Finance ("Goldman Sachs"), shall be hereinafter referred to as "PJB Goldman Sachs";
  - Conditional Sale and Purchase Agreement of 100% KC's shares dated May 5<sup>th</sup> 2008, changed in May 13<sup>th</sup> 2008 between ATA and Gold Pilot International Limited ("Gold Pilot"), shall be hereinafter referred to as "PJB Gold Pilot";
  - Conditional Sale and Purchase Agreement of 100% Agalia's shares dated May 13<sup>th</sup> 2008, between ATA and Agalia Capital Ltd ("Agalia Capital") as seller, Citigroup and Goldman Sachs Strategic Investments (Asia), L.L.C. as controlling owners of Agalia Capital, shall be hereinafter referred to as "PJB Agalia";
  - Conditional Sale and Purchase Agreement of 47,477 ATA's shares between the Company and PT Persada Capital Indonesia ("PCI") shall be hereinafter referred to as "PJB ATA-PCI"
  - Conditional Sale and Purchase Agreement of 94,951 ATA's shares between the Company and PT Saratoga Investama Sedaya ("SRIS") shall be hereinafter referred to as "PJB ATA-SRIS"
  - Sale and Purchase Agreement of 9.70 % SIS' shares dated March 13<sup>th</sup> 2008 between the Company and PT Persada Capital Indonesia ("PCI") shall be hereinafter referred to as "PJB SIS-PCI"
  - Sale and Purchase Agreement of 9.70% SIS' shares dated March 13<sup>th</sup> 2008 between the Company and PT Saratoga Investama Sedaya ("SRIS") shall be hereinafter referred to as "PJB SIS-SRIS"
  - Sale and Purchase Agreement of 4.85 % SIS' shares dated March 13<sup>th</sup> 2008 between the Company and PT Cipta Sejahtera Persada ("CSP") shall be hereinafter referred to as "PJB SIS-CSP"
3. Consolidated Financial Statements of ATA for one month period for the month ended January 31<sup>st</sup> 2008, and for the years ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Publik Haryanto Sahari & Partners (member of PricewaterhouseCoopers);
4. Intern Financial Statements of Decimal Investment for one month period, for the month ended January 31<sup>st</sup> 2008;
5. Intern Financial statements of Revere Group Ltd for the one month period ended on January 31<sup>st</sup> 2008;

6. Financial statements of PT Dianlia Setyamukti for one month period, ended on January 31<sup>st</sup> 2008, and for the years ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers);
7. Intern Financial statements of PT Dianlia Setyamukti for one month period, for the month ended January 31<sup>st</sup> 2008;
8. Consolidated Financial Statements of AIM for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
9. Intern Individual Financial statements of AIM for one month period ended on January 31<sup>st</sup> 2008;
10. Consolidated Financial Statements of PT Viscaya Investments for one month period, for the month ended January 31<sup>st</sup> 2008, and for the years ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
11. Intern Individual Financial statements of PT Viscaya Investments for one month period ended on January 31<sup>st</sup> 2008;
12. Consolidated Financial Statements of PT Biscayne Investment for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers),
13. Intern Individual Financial statements of PT Biscayne Investments for one month period ended on January 31<sup>st</sup> 2008;
14. Intern Individual Financial statements of Arindo Global BV for one month period ended on January 31<sup>st</sup>, 2008 and December 31<sup>st</sup>, 2007,
15. Intern Individual Financial statements of Arindo Holdings Ltd for one month period ended on January 31<sup>st</sup>, 2008
16. Consolidated Financial Statements of PT Adaro Indonesia for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
17. Consolidated Financial Statements of Coaltrade Services International Pte Ltd for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
18. Consolidated Financial Statements of PT Indonesia Bulk Terminal for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
19. Financial Projection and Assumption of PT Adaro Indonesia, Coaltrade Services International, PT Indonesia Bulk Terminal, prepared by the Company's management;
20. Consolidated Financial Statements of SIS for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
21. Financial Projection of SIS for period 2008-2013 prepared by management of SIS;
22. Fixed Assets Appraisal Report of SIS as of February 6<sup>th</sup> 2008 published by Kusuma Real Sakti with letter No: KRS-064/BLP/II/2008.
23. Consolidated Financial Statements of Agalia for a month period, ended January 31<sup>st</sup> 2008, and for the years ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);
24. Consolidated Financial Statements of KC for a month period, ended January 31<sup>st</sup> 2008, and for the years ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers);

25. Report of Expert Market published by Barlow Jonker as of October 12<sup>th</sup> 2007 for PT Adaro Indonesia;
26. Report of Independent Technical Report The Coal Assets of PT Adaro Indonesia published by Terence Willsted & Associates as of January 31<sup>st</sup> 2008;
27. Fixed Assets Appraisal Report of IBT with letter No. AAI/2008-0966/B as of April 21<sup>st</sup> 2008 published by PT Asian Appraisal Indonesia.
28. Valuation Report of Fair Market Value of shares included in the Transaction Plan as follows:
  - Share Valuation Report of AIM No. TC/CF/0605/08, dated May 5<sup>th</sup> 2008 published by Truscel Capital
  - Share Valuation Report of KC No.TC/CF/0305/08, dated May 5<sup>th</sup> 2008 published by Truscel Capital
  - Share Valuation Report of Agalia No. TC/CF/1205/08 dated May 12<sup>th</sup> 2008 published by Truscel Capital
  - Share Valuation Report of SIS No. TC/CF/0405/08, dated May 5<sup>th</sup> 2008 published by Truscel Capital
  - Share Valuation Report of ATA No.:TC/CF/1305/08, dated May 12<sup>th</sup> 2008 published by Truscel Capital
29. Information gathered from interview with management of the Company and AIM with regard to the proposed transaction plan;
30. Other information obtained from published documents and other analysis that we deem relevant.

#### **DISCLAIMER AND LIMITATIONS**

Our assignment to release Fairness Opinion of Value has been done based on our scope of work. Our scope of work includes the fairness of the value of the transaction that would be done by the Company according to the Bapepam Regulation No. IX.E.1, on Conflicts of Interest in Certain Transactions and also including material transaction as mentioned on Bapepam Regulation No. IX.E.2 on Material Transactions and Changes in Main Business Activities.

This fairness opinion is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We do not perform any audit or detailed due diligence on the information or data given by Company's management, so that we can not accept any responsibility for the correctness and completeness of such information and data.

As a basis for us to conduct analysis in preparing Fairness Opinion on the Transaction Plan, we used the data in Source of Data section as a consideration.

Any changes of the underlying data could significantly affect the results of our fairness opinion. As a result, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data.

Fairness Opinion is based on the Company's shareholders point of view and commercial considerable aspect and shall not reflect on the other stakeholder's point of view nor other aspects. It is also based on market, economic, general business and financial conditions and government regulations existing on the issuing date of this opinion. This Fairness Opinion is applicable only for the Transaction Plan.

We consider that no material changes in the Transaction Plan based on the information and the agreement which stated in Conditional Share Purchase Agreement regarding to the Transaction Plan, and that since the publishing of Fairness Opinion Report until the date of the Transaction Plan, there is no material changes in the assumptions which used in Fairness Opinion Report.

We state that our assignment does not include any analysis on transactions other than the Transaction Plan above which may be available for the Company and analysis on the influences by those transactions to the Transaction Plan.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the proposed plan.

### **METHODOLOGY FOR THE ANALYSIS ON THE FAIRNESS OF THE TRANSACTION PLAN**

In evaluating the fairness of the Transaction Plan, we have done analysis with steps as follows:

1. Conduct valuation of 71.15% AIM's shares, 100% KC's shares, 100% Agalia's shares, 24.24% SIS' shares, and 1.1261% ATA's shares after acquisition of 71.15% AIM's shares, 100% KC's shares and 100% Agalia's shares by ATA, and after the payment of debt amount to US\$100,000,000.- by increasing the additional paid-in capital of ATA by the Company.
2. Analyze the fairness on the Transaction Plan by comparing the Price of Transaction with the Fair Market Price of Shares related to the Transaction Plan.

### **THE FAIRNESS ANALYSIS OF THE TRANSACTION PLAN**

1. Based on Bapepam Regulation No. IX.E.1 on Conflicts of Interest in Certain Transactions and Bapepam Regulation No. IX.E.2 on Material Transaction and Changing of the Main Business Activities related to the Transaction Plan, the fairness analysis of Transaction Plan would be done by comparing between the Price of Share Transaction with the Fair Market Price of the shares.
2. Based on our result of share valuation, the fair market value of AIM, KC, Agalia, ATA and SIS shares are as follows:
  - Share Valuation of AIM No. TC/CF/0605/08, dated May 5<sup>th</sup> 2008, the 71.15% Fair Market Value of share of AIM and its subsidiaries as of January 31<sup>st</sup> 2008 is in the range of Rp. 5,056,829,000,000.- (five quintillion fifty six billion and eight hundred twenty nine million Rupiah) to Rp. 7,062,337,000,000.- (seven quintillion sixty two billion and three hundred thirty seven million Rupiah) or in a range of Rp. 7,106,899.- (seven million one hundred six thousand eight hundred ninety nine rupiah) to Rp. 9,925,453.- (nine million nine hundred twenty five thousand four hundred fifty three rupiah) per share.
  - Share Valuation of KC No. TC/CF/0305/08, dated May 5<sup>th</sup> 2008, the 100% Fair Market Value of share of KC and its subsidiaries as of January 31<sup>st</sup> 2008 is in the range of Rp. 1,815,831,000,000.- (one quintillion eight hundred fifteen billion and eight hundred thirty one million rupiah) to Rp. 2,547,329,000,000.- (two quintillion five hundred forty seven billion and three hundred twenty nine million rupiah) or in a range of Rp. 7,263,295.- (seven million two hundred sixty three thousand two hundred ninety five rupiah) to Rp. 10,189,275.- (ten million one hundred eighty nine thousand two hundred seventy five rupiah) per share.
  - Share Valuation of Agalia No. TC/CF/1205/08, dated May 12<sup>th</sup> 2008, the 100% Fair Market Value of share of Agalia and its subsidiaries as of January 31<sup>st</sup> 2008 is in a range of Rp. 1,991,437,000,000.- (one quintillion nine hundred ninety one billion and four hundred thirty seven million rupiah) to Rp. 2,785,269,000,000.- (two quintillion seven hundred eighty five billion and two hundred sixty nine million rupiah) or in a range of Rp. 296,451.- (two hundred ninety six thousand four hundred fifty one rupiah) to Rp. 414,623.- (four hundred fourteen thousand six hundred twenty three rupiah) per share.
  - Share Valuation of ATA No. TC/CF/1305/08, dated May 12<sup>th</sup> 2008, the 1.1261% Fair Market Value of share of ATA and its subsidiaries as of January 31<sup>st</sup> 2008 is in the range of Rp. 323,378,000,000.- (three hundred twenty three billion three hundred seventy eight million rupiah) to Rp. 447,832,000,000.- (four hundred forty seven billion eight hundred thirty two million rupiah) or in a range of Rp. 2,270,396.- (two million two hundred seventy thousand three hundred ninety six rupiah) to Rp. 3,144,171.- (three million one hundred forty four thousand one hundred seventy one rupiah) per share.
  - Share Valuation of SIS No. TC/CF/0405/08, dated May 5<sup>th</sup> 2008, the 24.24% Fair Market Value of share of SIS and its subsidiaries as of January 31<sup>st</sup> 2008 is in the range of Rp. 128,340,290,000.- (one hundred twenty eight billion three hundred forty million and two hundred

ninety thousand rupiah) to Rp. 195,081,277,000.- (one hundred ninety five billion eighty one million and two hundred seventy seven rupiah) or in a range of Rp. 1,315,124.- (one million three hundred fifteen thousand one hundred twenty four rupiah) to Rp. 1,999,029.- (one million nine hundred ninety nine thousand twenty nine rupiah) per share.

3. Based on Conditional Sales and Purchase Agreement, the Value of the Transaction are as follows :

Share Purchase Transaction Object	Selly Company	Acquiry Company	% Shares Acquired	Price of Transaction (Rp)	Price of Transaction per Shares (Rp)
AIM	Arindo FCM, Vencap, Citigroup, Goldman Sachs	ATA	71.15%	6,083,507,000,000	8,550,256
KC	Gold Pilot	ATA	100%	2,225,673,000,000	8,902,656
Agalia	Agalia	ATA	100%	1,629,258,000,000	242,536
ATA	PCI, SRIS	Company	1.1261%	356,000,000,000	2,499,430
SIS	PCI, SRIS, CSP	Company	24.24%	158,776,000,000	1,627,003

Sources : The Company Management

4. Analysis on the fairness of the Transaction Plan will be done by comparing the Transaction Price with the Fair Market Value of the shares as follows:

Company	% Shares	Lower Limit of Fair Market Value (Rp)	Upper Limit of Fair Market Value (Rp)	Price of Transaction (Rp)	Description
AIM	71.15%	5,056,829,000,000	7,062,337,000,000	6,083,507,000,000	Transaction price is in the range of Fair Market Value of Shares
	Per Share	7,106,899	9,925,453	8,550,256	
KC	100%	1,815,831,000,000	2,547,329,000,000	2,225,673,000,000	Transaction price is in the range of Fair Market Value of Shares
	Per Share	7,263,295	10,189,275	8,902,656	
Agalia	100%	1,991,437,000,000	2,785,269,000,000	1,629,258,000,000	Transaction price is below the range of Fair Market Value of shares
	Per Share	296,451	414,623	242,536	
ATA	1.1261%	323,378,000,000	447,832,000,000	356,000,000,000	Transaction price is in the range of Fair Market Value of Shares
	Per Share	2,270,396	3,144,171	2,499,430	
SIS	24.24%	128,340,290,000	195,081,227,000	158,776,000,000	Transaction price is in the range of Fair Market Value of Shares
	Per Share	1,315,124	1,999,029	1,627,003	

According to the above analysis, evaluation on the Transaction Plan and other things presented on this fitness opinion report, we consider the Transaction Plan as described above is fair for the Company and its shareholders including the independent shareholders, because the Transaction Price is in the range or below the Fair Market Value of share.

5. By implementing the Transaction Plan, the benefit for the Company will be as follows:
- To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
  - To give more flexible financial capability to the Company in giving solid support for the Company's business development strategy in the future.
  - To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.
  - To enlarge the Company's economic scale significantly, as this Company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.
  - To give more confidence to the customers as well as prospective customers in the Company's ecofriendly coal for more certain and sustainable coal supply, because of the Company's greater scale.

## CONCLUSION

According to the scope of work, assumptions and data applied and given to us, evaluation on the financial effect of Transaction Plan and other things presented on this fairness opinion report, we consider the Transaction Plan as described above is fair for the Company and its shareholders.

Considering there is a time difference between the fairness opinions report's dates with the realization of the Transaction Plan, the above conclusion will only be valid as long as there are no changes that have significant effects on value of the transactions. Such changes are including internal changes in each of the companies or external changes regarding market, economics, general business and financial condition, and also the regulatory environment after the date of the opinion report issued. Provided that after the issuance of the report the above changes took place, the fairness opinion on the Transaction Plan might be significantly different than stated in this report.

## CLOSING

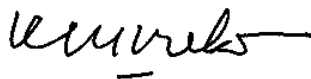
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

We have no responsibility to update our opinion for events and circumstances occurring subsequent to the date of this report.

Yours truly,

On behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

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Bapepam license No: 01/PM/STTD-P/B/2006

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**FAIRNESS OPINION REPORT ON CAPITAL INJECTION IN ATA**



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**adaro**

**Fairness Opinion for The Plan of  
PT Adaro Energy Tbk to Increase  
Investment in PT Alam Tri Abadi  
by Way of Right Issue**

**June 2008**

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Jakarta, June 16<sup>th</sup> 2008

No. : TC/CF/2006/08

**Board of Directors**

**PT Adaro Energy Tbk**

Menara Karya, Floor 23<sup>th</sup>

Jl. H.R. Rasuna Said, Blok X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Fairness Opinion for The Plan of PT Adaro Energy Tbk to Increase Investment in PT Alam Tri Abadi by Way of Right Issue**

Dear Sir and/or Madam,

**INTRODUCTION**

PT Adaro Energy Tbk (“the Company”) was established under the name of PT Padang Karunia, a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on the Company’s Deed of Establishment No.25 dated 28<sup>th</sup> July 2004, drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta. The deed was published in BNRI No.59 dated 25<sup>th</sup> July 2006, Supplement No. 8036. The Company’s Articles of Association have been amended several times. The last amendment in the framework of the Public Offering pursuant to Deed No. 62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, S.H., Notary in Jakarta. The Company has changed its name becoming PT Adaro Energy Tbk, amendment to the Company’s whole Articles of Association and alteration to the Company’s status from a private to a public company. The deed has obtained the approval of the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.AHU-20330.AH.01.02.Tahun 2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258 AH.01.02-Tahun 2008 dated 25<sup>th</sup> April 2008.

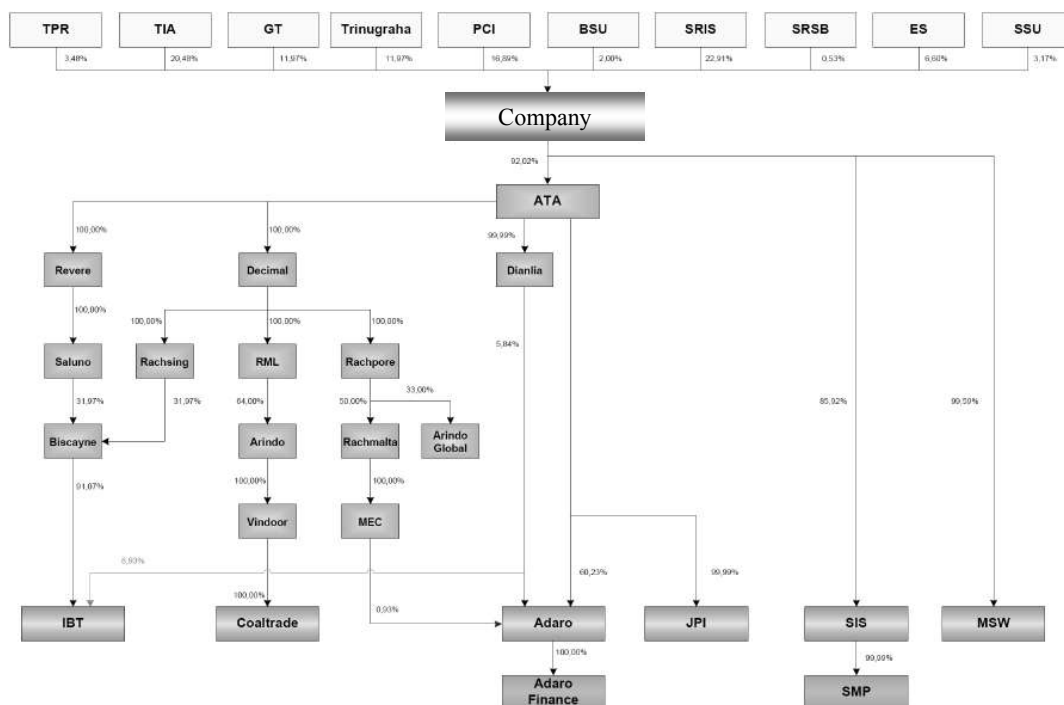
The Company’s head office is located in Menara Karya, 23<sup>rd</sup> Floor, Jl. H.R. Rasuna Said, Blok X-5, Kav. 1-2, Jakarta 12950, Indonesia.

The Company’s vision is to become an integrated coal-based mining and energy company that is the biggest and most efficient in South East Asia. The Company and Subsidiaries currently deal in the coal mining is PT Adaro Indonesia (“Adaro”), coal trading is Coaltrade Services International Pte Ltd (“Coaltrade”), coal infrastructures and logistics is PT Indonesia Bulk Terminal (“IBT”), and mining contractor service is PT Saptaindra Sejati (“SIS”). Each strategic business unit above is positioned as an independent and integrated profit centre so that the Company has the coal production and supply chain that is competitive and reliable and gives optimum value added to all stakeholders of the Company and Subsidiaries.

The Company through its Subsidiaries has minable coal reserves of 928 million tons with the total resources estimated of 2,803 million tons as per 31<sup>st</sup> December 2007. In addition to the large coal reserves, the Company through its Subsidiaries also have the main assets to support the operation such as the highway connecting the mine location to the Crushing Facility in Kelanis and Coal Terminal in Pulau Laut, besides the mining fleet it possesses through SIS, such as Drilling Machine, Bulldozer, Wheel dozer, Excavator, Grader, Articulate Truck, Dump Truck, Wheel Loader, Head Truck, Vessel, Dolly, Crusher, etc.

Currently, the Company’s effective indirect shares ownership on Adaro, IBT and Coaltrade, is amounting to, respectively and consecutively 61.23%, 61.80% and 58.89%, as follows:

Structure of the Company before transaction implementation:



**THE PUBLIC OFFERING PLAN**

The Company plans an Initial Public Offering, where the number of share to be offered is amounting to 11,139,331,000 (eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand) Registered Common Shares at a par value of one hundred Rupiah (Rp 100.-) each share.

Background

A large portion of the proceeds of the Public Offering will be used to increase the Company’s ownership in ATA, further more will be used to directly and indirectly buy 100% shares of AIM and Agalia and for the payment loan of ATA as of USD 100,000,000. AIM and Agalia are indirect shareholders of Adaro, IBT and Coaltrade, in which the effective ownership of AIM and Agalia in the companies is respectively and consecutively at 32.99%, 32.79% and 36.00%.

Currently, the Company’s effective indirect shares ownership on Adaro, IBT and Coaltrade, is amounting to, respectively and consecutively 61.23%, 61.80% and 58.89%. So far Adaro, IBT, Coaltrade and SIS have jointly shown good and sustainable operational and financial performance.

Thanks to the bright prospect of coal mining industry, particularly the ecofriendly coal mining industry, the Company has increased it’s investment in ATA and intends to increase it’s ownership effectively on Adaro, IBT and Coaltrade. The increase of control on the subsidiaries will enable the Company to optimize more the synergy produced by integration of its strategic business units.

Planned Appropriation of Funds Earned from Public Offering

A large portion of the proceeds of the Public Offering will be used to increase the Company’s ownership directly and indirectly of Adaro, IBT and Coaltrade, by increasing the Company’s ownership in ATA of which the fund will subsequently be used as follows:

- Purchase 100% shares of Ariane Investments Mezzanine Pte. Ltd. (“AIM”), either directly or indirectly, with the following description:
  - i. To buy 71.15% shares of AIM from Arindo FCM (Mauritius) Limited (“Arindo”), Vencap Holdings Pte Ltd (“Vencap”), Citigroup Financial Products Inc (“Citigroup”) and Goldman Sachs (Asia) Finance (“Goldman Sachs”);

- ii. To buy 100% shares of Kerry Coal (Singapore) Pte Ltd (“KC”), as the owner of 28.85% shares of AIM from Gold Pilot International Limited (“Gold Pilot”).
- Direct purchase of 100% shares of Agalia Energy Investments Pte Ltd (“Agalia”) from Agalia Capital (“Agalia”),
- Approximately US\$100,000,000 will be used to pay off a portion of ATA’s loan to Adaro and to pay coaltrade’s debts. Further the funds will be used to pay off a portion of their loan to syndicate (DBS Bank Ltd., Standard Chartered Bank, Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ Ltd. Singapore Branch, and UOB Asia Limited) based on the Facilities Agreement.

Approximately Rp 10,863,438 million will be used to increase the Company’s investment in PT Alam Tri Abadi (“ATA”), further the funds will be used as follows:

**The Company's Plan to Increase Investment in ATA**

Description	Total (Rp)
Acquisition of 71.15% shares of AIM	6,083,507,000,000
Acquisition of 100% shares of Kerry Coal	2,225,673,000,000
Acquisition of 100% shares of Agalia	1,629,258,000,000
Debt payment of ATA (USD 100,000,000)	925,000,000,000
	<b>10,863,438,000,000</b>

Source: The Company’s Management

The Company’s Plan to Increase Investment in ATA will be done based on its nominal value or amounting to Rp. 1,000,000 per shares. The capital structure and composition of ATA before and after Transaction Plan, are as follows:

**Capital Structure and Composition of ATA's Shareholders Before Transaction Plan**

<b>Capital Stock (Authorized)</b>	<b>Rp</b>	<b>6,000,000,000,000</b>
<b>Nominal Value per Share</b>	<b>Rp</b>	<b>1,000,000</b>

Shareholders	Number of Shares	Share Value	Percentage of Ownership
PT Adaro Energy Tbk.	1,642,428	Rp 1,642,428,000,000	92.0201%
PT Saratoga Investama Sedaya	94,951	Rp 94,951,000,000	5.3198%
PT Persada Capital Investama	47,477	Rp 47,477,000,000	2.6600%
PT Triputra Investindo Raya	1	Rp 1,000,000	0.0001%
<b>Total Issued and Paid-Up Capital</b>	<b>1,784,857</b>	<b>Rp 1,784,857,000,000</b>	<b>100.00%</b>

**Capital Structure and Composition of ATA's Shareholders After Transaction Plan**

<b>Capital Stock (Authorized)</b>	<b>Rp</b>	<b>18,000,000,000,000</b>
<b>Nominal Value per Share</b>	<b>Rp</b>	<b>1,000,000</b>

Shareholders	Number of Shares	Share Value	Percentage of Ownership
PT Adaro Energy Tbk.	12,505,866	Rp 12,505,866,000,000	98.8739%
PT Saratoga Investama Sedaya	94,951	Rp 94,951,000,000	0.7507%
PT Persada Capital Investama	47,477	Rp 47,477,000,000	0.3754%
PT Triputra Investindo Raya	1	Rp 1,000,000	0.0000%
<b>Total Issued and Paid-Up Capital</b>	<b>12,648,295</b>	<b>Rp 12,648,295,000,000</b>	<b>100.00%</b>

Source: The Company’s Management

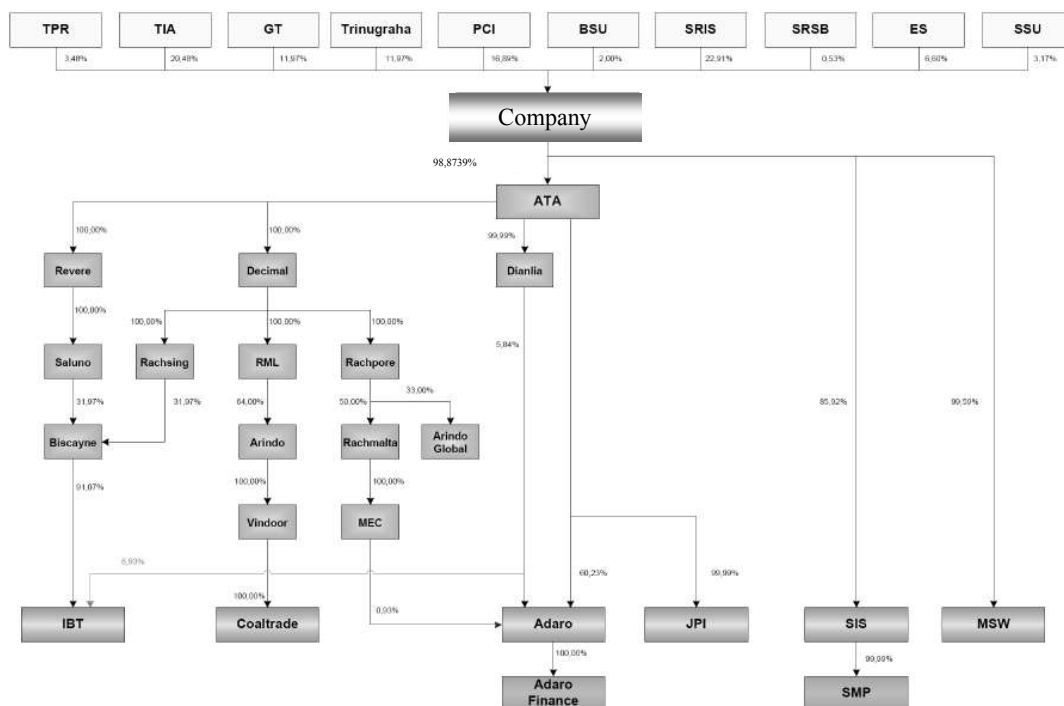
The above transaction shall be hereinafter referred to as “the Transaction Plan”.

Objectives and Benefits of Transaction Implementation

The objective to be achieved by the Company in the Transaction implementation is to increase the Company’s control on mining strategic business unit, Adaro, infrastructures and logistics strategic business unit, IBT and trading strategic business unit of Coaltrade, expecting that it will give the benefits among others as follows:

1. To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
2. To give more flexible financial capability to the Company in giving solid support for the Company’s business development strategy in the future.
3. To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.
4. To enlarge the Company’s economic scale significantly, as this Company’s scale magnitude will give better capability and potential to the Company to be able to materialize the Company’s business strategy more realistically to achieve more optimum growth level in the future.
5. To give more confidence to the customers as well as prospective customers in the Company’ ecofriendly coal for more certain and sustainable coal supply, because of the Company’s greater scale.

Structure of the Company after transaction Implementation:



The above Transaction Plan is material transaction as specified in Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule No. IX.E.2”). In lieu of the above, the Company has assigned Truscel Capital (“Truscel”) as a Financial Advisor to prepare Fairness Opinion for The Transaction.

This Fairness Opinion is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred. This Fairness Opinion is also not intended to recommend the shareholders to agree or disagree on the Transaction Plan or to take a certain action on the Transaction Plan.

**THE SCOPE OF WORK**

Because of the Company is a public company, the Transaction Plan shall be based on Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule

No. IX.E.2”). In lieu of the above, the Company has assigned Truscel Capital (“Truscel”) as a Financial Advisor to do the valuation and to prepare Fairness Opinion for The Transaction.

According to the regulation No. IX.E.2, and the assignment of Truscel to prepare Fairness Opinion for The Transaction, the scope of work of the Fairness Opinion would be base on the Fairness Analysis of the Share Value.

This fairness opinion is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We do not perform any audit or detailed due diligence on the information or data given by Company’s management, so that we can not accept any responsibility for the correctness and completeness of such information and data.

We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the proposed plan.

#### **SOURCE OF DATA**

As an Independent Financial Advisor in preparing a Fairness Opinion for the Transaction Plan, we have studied, complied and considered the references as follows:

1. Draft Prospectus of PT Adaro Energy Tbk,
2. Consolidated Financial Statements of ATA for one month period for the month ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Partners (member of PricewaterhouseCoopers),
3. Intern Financial Statements of Decimal Investment, for the month ended January 31<sup>st</sup> 2008,
4. Intern Financial Statements of Revere Group Ltd for the one month period ended January 31<sup>st</sup> 2008,
5. Financial Statements of PT Dianlia Setyamukti for one month period, ended on January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
6. Intern Financial Statements of PT Dianlia Setyamukti for one month period, for the month ended January 31<sup>st</sup> 2008,
7. Consolidated Financial Statements of PT Biscayne Investment for a month period, ended January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup>, 2007, December 31<sup>st</sup>, 2006, and December 31<sup>st</sup>, 2005, and audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers),
8. Intern Individual Financial Statements of PT Biscayne Investments for one month period ended on January 31<sup>st</sup> 2008,
9. Intern Individual Financial Statements of Arindo Global BV for one month period ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2007,
10. Intern Individual Financial Statements of Arindo Holdings Ltd for one month period ended on January 31<sup>st</sup> 2008
11. Consolidated Financial Statements of PT Adaro Indonesia for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
12. Consolidated Financial Statements of PT Indonesia Bulk Terminal for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),



13. Consolidated Financial Statements of Coaltrade Services International Pte. Ltd. for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
14. Financial Projection and Assumption of PT Adaro Indonesia, Coaltrade Services International, PT Indonesia Bulk Terminal, which prepared by management,
15. Report of Expert Market published by Barlow Jonker as of October 12<sup>th</sup> 2007 for PT Adaro Indonesia,
16. Report of Independent Technical Report on Coal Assets of PT Adaro Indonesia published by Terence Willsted & Associates as of January 31<sup>st</sup> 2008,
17. Fixed Assets Appraisal Report of IBT with letter No. AAI/2008-0966/B as of April 21<sup>th</sup> 2008 which published by PT Asian Appraisal Indonesia,
18. Share Valuation Report of ATA No. TC/CF/1305/08, as of May 12<sup>th</sup> 2008 published by Truscel Capital
19. Information gathered from interview with management of the Company and AIM with regard of the proposed transaction, background and benefit of the debt conversion plan and future plan of the Company,
20. Other information obtained from published documents and other analysis that we deem relevant.

### **DISCLAIMER AND LIMITATIONS**

Our assignment to release Fairness Opinion of Value has been done based on our scope of work. Our scope of work includes the fairness of the value of the transaction that would be done by the Company according to the Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule No. IX.E.2”).

This fairness opinion is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We do not perform any audit or detailed due diligence on the information or data given by Company’s management, so that we can not accept any responsibility for the correctness and completeness of such information and data.

As a basis for us to conduct analysis in preparing Fairness Opinion on the Transaction Plan, we used the data in Source of Data section as a consideration.

Any changes of the underlying data could significantly affect the results of our fairness opinion. As a result, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data.

Fairness Opinion is based on the Company’s shareholders point of view and commercial considerable aspect and shall not reflect on the other stakeholder’s point of view nor other aspects. It is also based on market, economic, general business and financial conditions and government regulations existing on the issuing date of this opinion. This Fairness Opinion is applicable only for the Transaction Plan.

We consider that no material changes in the Transaction Plan based on the information and the agreement which stated in Conditional Share Purchase Agreement regarding to the Transaction Plan, and that since the publishing of Fairness Opinion Report until the date of the Transaction Plan, there is no material changes in the assumptions which used in Fairness Opinion Report.

We state that our assignment does not include any analysis on transactions other than the Transaction Plan above which may be available for the Company and analysis on the influences by those transactions to the Transaction Plan.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the proposed plan.

**METHODOLOGY FOR THE ANALYSIS ON THE FAIRNESS OF THE TRANSACTION PLAN**

In evaluating the fairness of the Transaction Plan, we have done analysis with steps as follows:

1. Conduct valuation of ATA's Share before The Transaction Plan;
2. Conduct valuation of ATA's Share after The Transaction Plan;
3. Analyze the fairness on the Transaction Plan by comparing the Price of Transaction with the Fair Market Price of ATA's shares related to the Transaction Plan.

**THE FAIRNESS ANALYSIS OF THE TRANSACTION PLAN**

1. Based on Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities ("Rule No. IX.E.2") the fairness analysis of Transaction Plan would be conducted by comparing between the Price of Transaction with the Fair Market Price of ATA's share after the Transaction Plan.
2. Based on share valuation report of ATA No. TC/CF/1305/08 as of May 12<sup>th</sup> 2008, we indicate that the 100% Fair Market Value of share of ATA and its subsidiaries is in the range of Rp. 18,707,125,000,000.- (eighteen quintillion seven hundred seven billion one hundred twenty five million rupiah) to Rp. 26,140,211,000,000.- (twenty six quitillion one hundred forty billion two hundred eleven million rupiah) or in a range of Rp. 10,481,022.- (ten million four hundred eighty one thousand twenty two rupiah) to Rp. 14,645,549.- (fourteen million six hundred forty five thousand five hundred forty nine rupiah) per share.
3. Based on the Company's Management, Rp. 10,863,438,000,000 will be used to increase the Company's investment in ATA, which will be done based on nominal value Rp. 1,000,000 per shares as follows:

The Amount of The Company's Plan to Increase Investment in ATA	Numbers of Shares	Nominal Value per Shares
Rp 10,863,438,000,000	10,863,438	Rp 1,000,000

Source: The Company's Management

4. Based on share valuation of ATA before The Transaction Plan and the Company's plan to increase investment in ATA amounting to Rp. 10,863,438,000,000, following is the estimation of Fair Market Value of ATA's shares after the increasing of Company's investment :

Description	Minimum Fair Market Value per Share (Rp)	Maximum Fair Market Value per Share (Rp)
<b>Share Value of ATA Before Transaction</b>	<b>Rp 18,707,125,000,000</b>	<b>Rp 26,140,211,000,000</b>
The Increase of Share Investment	Rp 10,863,438,000,000	Rp 10,863,438,000,000
<b>Total Share Value After Transaction Plan</b>	<b>Rp 29,570,563,000,000</b>	<b>Rp 37,003,649,000,000</b>
Total Numbers of Shares After Transaction Plan	12,648,295	12,648,295
<b>Value per Share After Transaction Plan</b>	<b>Rp 2,337,909</b>	<b>Rp 2,925,584</b>

5. The Analysis on the Fairness Opinion of the Transaction Plan will be conducted by comparing between The Transaction Price per share with the Fair Market Price of ATA's per shares after the Transaction Plan as follows:

Transaction Price per Share (Rp)	Minimum Fair Market Value per Share (Rp)	Maximum Fair Market Value per Share (Rp)	Description
Rp. 1,000,000	Rp. 2,337,909	Rp. 2,925,584	Price of the transaction is below the range of Fair Market Value per Share

Based on the above analysis, and other things presented in this fairness opinion report, we consider this Transaction Plan as described above is fair for the Company and shareholders include the independent shareholders, because the Transaction Price is in the range or below the Fair Market Value of share.

6. By implementing the Transaction Plan, of which the fund will be used to direct purchase of 100% shares of AIM and Agalia and US\$100,000,000.- will be used to pay off a portion of ATA's loan, the potential benefit for the Company as follows :
- a. To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
  - b. To give more flexible financial capability to the Company in giving solid support for the Company's business development strategy in the future.
  - c. To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.
  - d. To enlarge the Company's economic scale significantly, as this Company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.
  - e. To give more confidence to the customers as well as prospective customers in the Company' ecofriendly coal for more certain and sustainable coal supply, because of the Company's greater scale.

## CONCLUSION

According to the scope of work, assumptions and data applied and given to us, evaluation on the financial effect of Transaction Plan and other things presented on this fairness opinion report, we consider the Transaction Plan as described above is fair for the Company and its shareholders.

Considering there is a time difference between the fairness opinions report's dates with the realization of the Transaction Plan, the above conclusion will only be valid as long as there are no changes that have significant effects on value of the transactions. Such changes are including internal changes in each of the companies or external changes regarding market, economics, general business and financial condition, and also the regulatory environment after the date of the opinion report issued. Provided that after the issuance of the report the above changes took place, the fairness opinion on the Transaction Plan might be significantly different than stated in this report.

## CLOSING

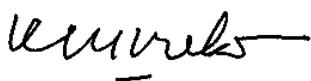
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

We have no responsibility to update our opinion for events and circumstances occurring subsequent to the date of this report.

Yours truly,

On behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

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Bapepam license No: 01/PM/STTD-P/B/2006

**FAIRNESS OPINION REPORT ON CAPITAL INJECTION IN SIS**

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**adaro**

**Fairness Opinion for The Plan of  
PT Adaro Energy Tbk to Increase  
Investment in PT Saptaindra  
Sejati by Way of Right Issue**

**July 2008**

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Jakarta, July 1<sup>st</sup> 2008

No. : TC/CF/0107/08

**Board of Directors**

**PT Adaro Energy Tbk**

Menara Karya, Floor 23<sup>th</sup>

Jl. H.R. Rasuna Said, Blok X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Fairness Opinion for The Plan of PT Adaro Energy Tbk to Increase Investment in PT Saptaindra Sejati by Way of Right Issue**

Dear Sir and/ or Madam

**INTRODUCTION**

PT Adaro Energy Tbk (“the Company”) was established under the name of PT Padang Karunia, a limited liability company established based on and regulated by the law of the Republic of Indonesia, based on the Company’s Deed of Establishment No.25 dated 28<sup>th</sup> July 2004, drawn up before Sukawaty Sumadi, S.H., Notary in Jakarta. The deed was published in BNRI No.59 dated 25<sup>th</sup> July 2006, Supplement No. 8036. The Company’s Articles of Association have been amended several times. The last amendment in the framework of the Public Offering pursuant to Deed No. 62 dated 18<sup>th</sup> April 2008 drawn up before Robert Purba, S.H., Notary in Jakarta. The Company has changed its name becoming PT Adaro Energy Tbk, amendment to the Company’s whole Articles of Association and alteration to the Company’s status from a private to a public company. The deed has obtained the approval of the Minister of Law and Human Rights of Republic of Indonesia based on Decree No.AHU-20330.AH.01.02.Tahun 2008 dated 23<sup>rd</sup> April 2008 and No.AHU-21258 AH.01.02-Tahun 2008 dated 25<sup>th</sup> April 2008.

The Company’s head office is located in Menara Karya, 23<sup>rd</sup> Floor, Jl. H.R. Rasuna Said, Blok X-5, Kav. 1-2, Jakarta 12950, Indonesia.

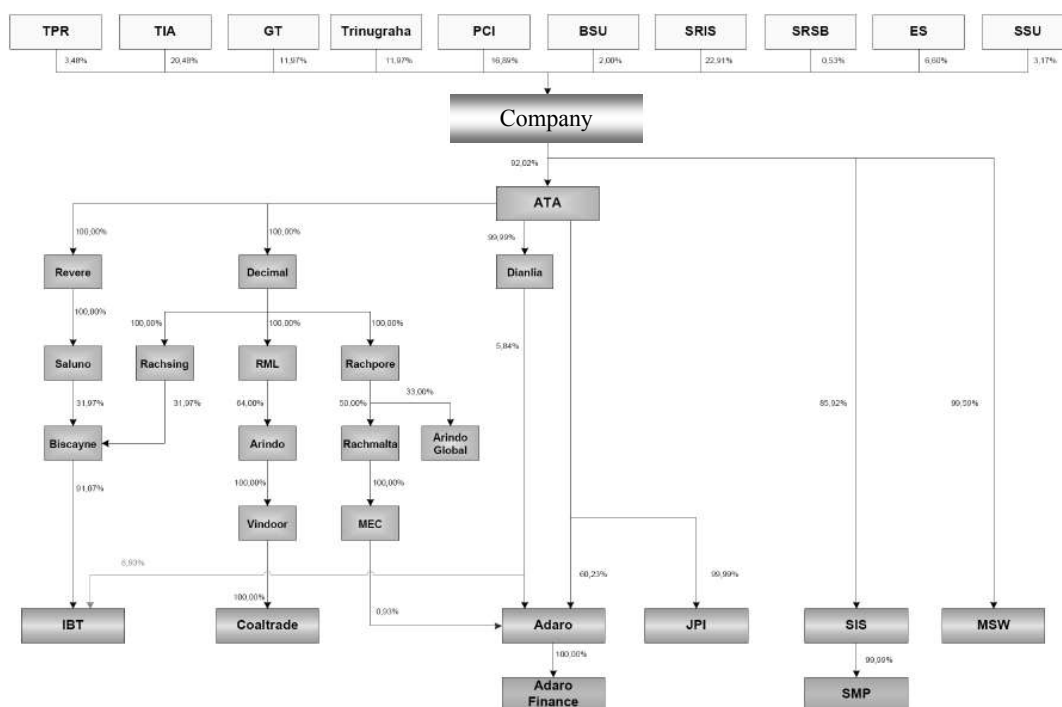
The Company’s vision is to become an integrated coal-based mining and energy company that is the biggest and most efficient in South East Asia. The Company and Subsidiaries currently deal in the coal mining is PT Adaro Indonesia (“Adaro”), coal trading is Coaltrade Services International Pte Ltd (“Coaltrade”), coal infrastructures and logistics is PT Indonesia Bulk Terminal (“IBT”), and mining contractor service is PT Saptaindra Sejati (“SIS”). Each strategic business unit above is positioned as an independent and integrated profit centre so that the Company has the coal production and supply chain that is competitive and reliable and gives optimum value added to all stakeholders of the Company and Subsidiaries.

The Company through its Subsidiaries has minable coal reserves of 928 million tons with the total resources estimated of 2,803 million tons as per 31<sup>st</sup> December 2007. In addition to the large coal reserves, the Company through its Subsidiaries also have the main assets to support the operation such as the highway connecting the mine location to the Crushing Facility in Kelanis and Coal Terminal in Pulau Laut, besides the mining fleet it possesses through SIS, such as Drilling Machine, Bulldozer, Wheel dozer, Excavator, Grader, Articulate Truck, Dump Truck, Wheel Loader, Head Truck, Vessel, Dolly, Crusher, etc.

Currently, the Company’s effective indirect shares ownership on Adaro, IBT and Coaltrade, is amounting to, respectively and consecutively 61.23%, 61.80% and 58.89%, as follows:



Structure of the Company before transaction implementation:



**THE PUBLIC OFFERING PLAN**

The Company plan an Initial Public Offering, where the number of share to be offered is amounting to 11,139,331,000 (eleven billion one hundred and thirty-nine million three hundred and thirty-one thousand) Registered Common Stock at a par value of one hundred rupiah (Rp. 100.-) each share

Background

A portion of the proceeds of the public offering will be used to increase the Company’s ownership in SIS, and further more will be use as capital expenditure and working capital of SIS, which is effective ownership of SIS consecutively at 85.92%.

Thanks to the bright prospect of coal mining industry, particularly the ecofriendly coal mining industry, the Company has increased it’s investment in SIS and intends to increase its’s ownership effectively. The increase of control on the subsidiaries will enabled the Company to optimize more synergy produced by integration of its strategic business unit.

Planned Appropriation of Funds Earned from Public Offering

A portion of the proceeds of the public offering will be used to increase Company’s ownership directly in SIS, furthermore the Company will use the fund for capital expenditure and working capital of SIS. The complete process of the transaction will be done as soon as possible, after the public offering completed.

Based on the information from the Company’s management, the fund needed to increase Company’s ownership in SIS will be Rp. 370,000,000,000.- which furthermore will be used as capital expenditure and working capital of SIS. The complete process of the transaction will be done as soon as possible, after the public offering completed.

The plan to increase the Company’s ownership in SIS, will be done at par value or Rp. 1,000,000.- per share.

The scenario on increase of Company’s ownership plan in SIS:

1. Joyce Corner International Ltd. as shareholder does not use its rights to increase its ownership in SIS, then its ownership percentage will be dilluted from 14.08% to 7.34%.

- Joyce Corner International Ltd as shareholder uses its rights to increase its ownership in SIS by paying off additional paid-up capital amounting to Rp 60,632 million.

The Capital Structure and Composition of SIS before and after Transaction Plan are as follow:

- Composition of Company's ownership in SIS before increase their additional paid up capital:

<b>Capital Stock (Authorized)</b>	<b>Rp 1,200,000,000,000</b>
<b>Nominal Value per Share</b>	<b>Rp 1,000,000</b>

Shareholders	Number of Shares	Share Value	Percentage of Ownership
PT Adaro Energy Tbk.	345,873	Rp 345,873,000,000	85.92%
Joyce Corner International Ltd.	56,679	Rp 56,679,000,000	14.08%
<b>Total Issued and Paid-Up Capital</b>	<b>402,552</b>	<b>Rp 402,552,000,000</b>	<b>100.00%</b>

Source : The Company's Management

- Composition of Company's ownership after increase their additional paid-up capital:

- Ownership composition of SIS share after capital increase, assumes that Joyce Corner International Ltd as shareholder does not use its rights to increase its ownership:

<b>Capital Stock (Authorized)</b>	<b>Rp 1,200,000,000,000</b>
<b>Nominal Value per Share</b>	<b>Rp 1,000,000</b>

Shareholders	Number of Shares	Share Value	Percentage of Ownership
PT Adaro Energy Tbk.	715,873	Rp 715,873,000,000	92.66%
Joyce Corner International Ltd.	56,679	Rp 56,679,000,000	7.34%
<b>Total Issued and Paid-Up Capital</b>	<b>772,552</b>	<b>Rp 772,552,000,000</b>	<b>100.00%</b>

Source : The Company's Management

- Ownership composition of SIS after capital increase, assumes that Joyce Corner International Ltd as shareholder uses its rights to increase its ownership:

<b>Capital Stock (Authorized)</b>	<b>Rp 1,200,000,000,000</b>
<b>Nominal Value per Share</b>	<b>Rp 1,000,000</b>

Shareholders	Number of Shares	Share Value	Percentage of Ownership
PT Adaro Energy Tbk.	715,873	Rp 715,873,000,000	85.92%
Joyce Corner International Ltd.	117,311	Rp 117,311,000,000	14.08%
<b>Total Issued and Paid-Up Capital</b>	<b>833,184</b>	<b>Rp 833,184,000,000</b>	<b>100.00%</b>

Source : The Company's Management

The above transaction shall be here in after referred to as "Transaction Plan".

### Objective and Benefits of Transaction Implementation

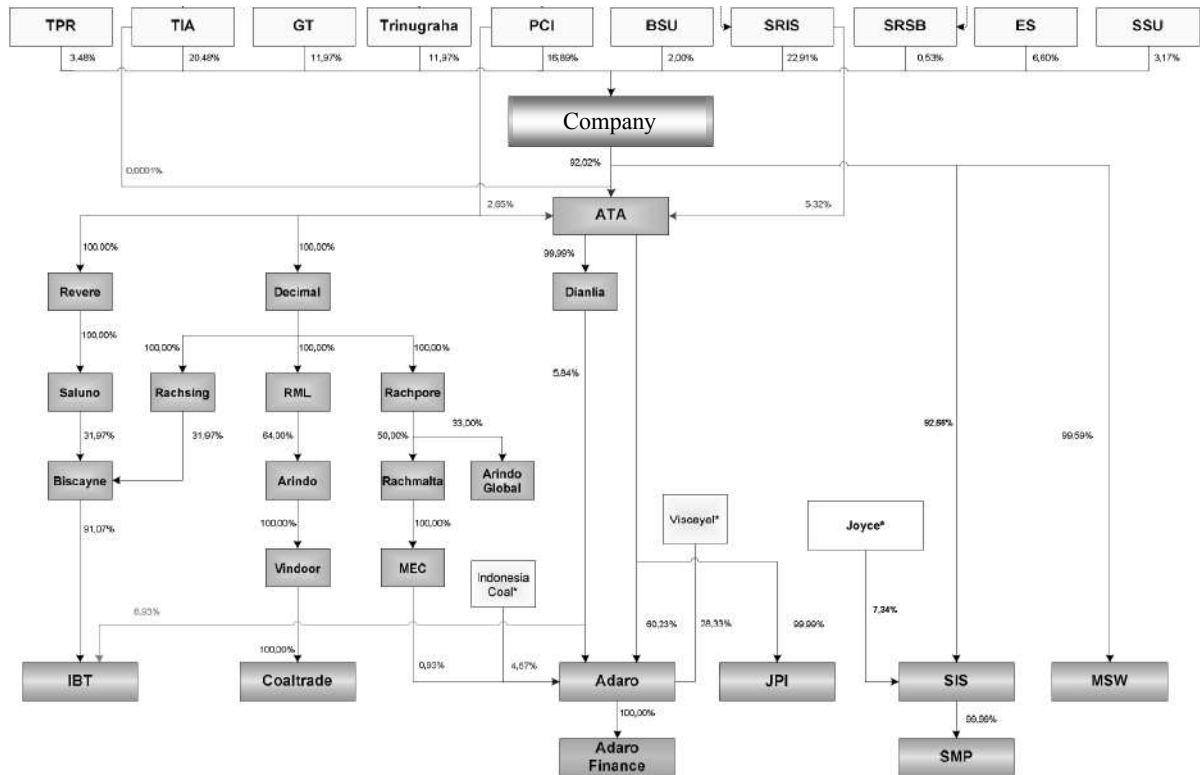
The objective to be achieved by the Company in the transaction implementation is to increase the Company's control on mining strategic business unit, mining contractor services SIS, expecting that it will give benefits among others as follows:

- To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
- To give more flexible financial capability to the Company in giving solid support for the Company's business development strategy in the future.
- To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.
- To enlarge the Company's economic scale significantly, as this Company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.

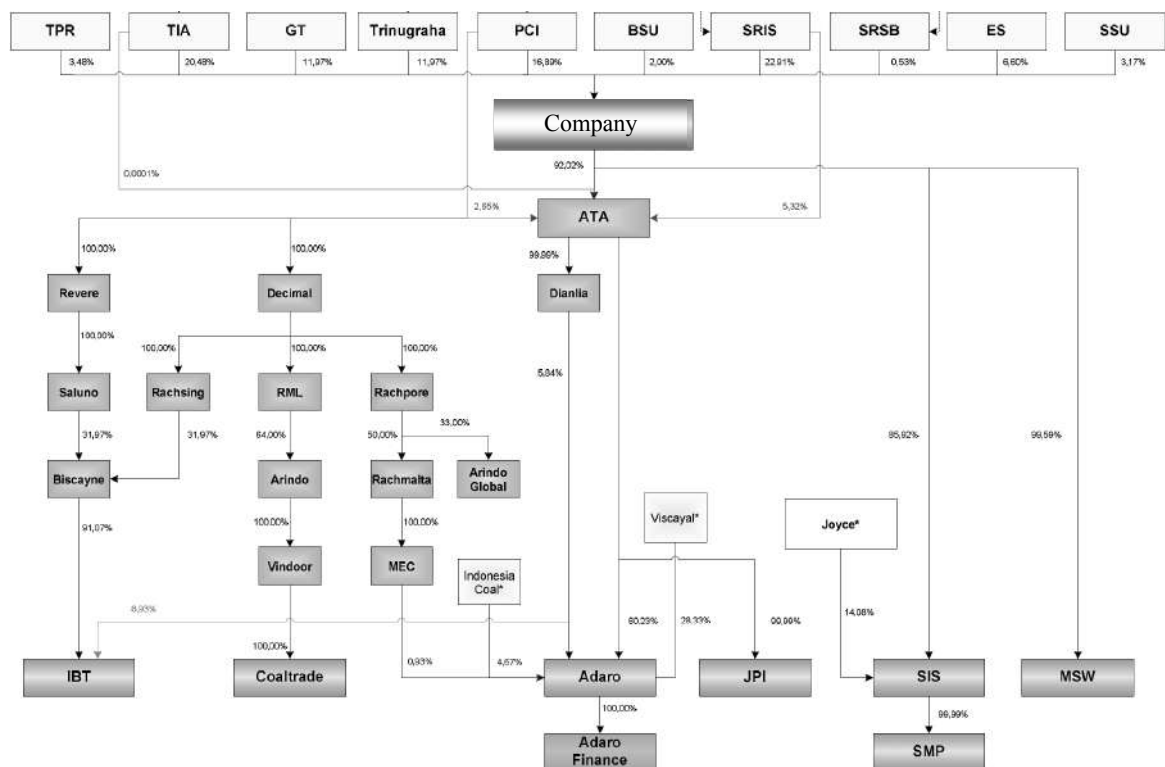
5. To give more confidence to the customers as well as prospective customers in the Company's ecofriendly coal for more certain and sustainable coal supply, because of the Company's greater scale.

Structure of The Company after transaction Implementation:

- a. Ownership structures of SIS after the increase of capital, with assumption that Joyce Corner International Ltd as shareholder does not use its rights to increase its ownership:



- b. Ownership structure of SIS after the increase of capital, with assumption that Joyce Corner International Ltd as shareholder uses its rights to increase its ownership:



The above Transaction Plan is material transaction as specified in Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule No. IX.E.2”). In lieu of the above, the Company has assigned Truscel Capital (“Truscel”) as a Financial Advisor to prepare Fairness Opinion for The Transaction.

This Fairness Opinion is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred. This fairness opinion is also not intended to recommend the shareholders to agree or disagree on the Transaction Plan or to take a certain action on the Transaction Plan.

### **THE SCOPE OF WORK**

Because of the Company is a public company, the Transaction Plan shall be based on Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule No. IX.E.2”). In lieu of the above, the Company has assigned Truscel Capital (“Truscel”) as a Financial Advisor to do the valuation and to prepare Fairness Opinion for The Transaction.

According to the regulation No. IX.E.2, and the assignment of Truscel to prepare Fairness Opinion for The Transaction, the scope of work of the Fairness Opinion would base on Fairness Analytical of the Share Value.

This fairness opinion is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We do not perform any audit or detailed due diligence on the information or data given by Company’s management, so that we can not accept any responsibility for the correctness and completeness of such information and data.

We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the proposed plan.

### **SOURCE OF DATA**

As an Independent Financial Advisor in preparing a Fairness Opinion for the transaction Plan, we have studied, complied, and considered the references as follows:

1. Draft Prospectus of PT Adaro Energy Tbk,
2. Consolidated Financial Statements of ATA for one month period for the month ended 31<sup>st</sup> January 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Public Haryanto Sahari & Partners (member of PricewaterhouseCoopers),
3. Internal Financial Statements of Decimal Investment, for the month ended January 31<sup>st</sup> 2008,
4. Internal Financial Statements of Group Ltd for the one month period ended January 31<sup>st</sup> 2008,
5. Financial Statements of PT Dianlia Setyamukti for one month period, ended on January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006 and December 31<sup>st</sup> 2005, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
6. Internal Financial Statements of PT Dianlia Setyamukti for one month period, for the month ended January 31<sup>st</sup> 2008,
7. consolidated Financial Statements of PT Biscayne Investment for a month period, ended 31<sup>st</sup> January 31<sup>st</sup> 2008, and for the year ended December 31<sup>st</sup> 2007, December 31<sup>st</sup> 2006, and December 31<sup>st</sup> 2005, and audited by Registered Public Accountant Haryanto Sahari & Partner (member of PricewaterhouseCoopers),
8. Internal Individual Financial Statements of PT Biscayne Investments for one month period ended on January 31<sup>st</sup> 2008,

9. Internal Individual Financial Statements of Arindo Global BV for one month period ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2007,
10. Consolidated Financial Statements of PT Adaro Indonesia for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
11. Consolidated Financial Statements of PT Indonesia Bulk Terminal for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
12. Consolidated Financial Statements of Coaltrade Services International Pte. Ltd. for the year ended on January 31<sup>st</sup> 2008 and December 31<sup>st</sup> 2005 – 2007, audited by Registered Public Accountant Haryanto Sahari & Rekan (member of PricewaterhouseCoopers),
13. Financial Projection and Assumption of PT Adaro Indonesia, Coaltrade Services International, PT Indonesia Bulk Terminal, prepared by management,
14. Report of Expert Market published by Barlow Jonker as of October 12th 2007 for PT Adaro Indonesia,
15. Report of Independent Technical Report on Coal Assets of PT Adaro Indonesia published by Terence Willstead & Associates as of January 31<sup>st</sup> 2008,
16. Fixed Assets Appraisal Report of IBT with letter No. AAI/2008-0966/B as of April 21<sup>st</sup> 2008 which published by PT Asian Appraisal Indonesia,
17. Information gathered from interview with management of the Company and AIM with regard of the proposed transaction, background and benefit of the debt conversion plan and future plan of the Company,
18. Other information obtained from published documents and other analysis that we deem relevant.
19. The economic analysis was based on the data and information from the International Financial Statistics, Asian Development Outlook, Bank Indonesia, and others public data,
20. The industry analysis was based on the data and information from Bloomberg, and other public resources available,

#### **DISCLAIMER AND LIMITATION**

Our assignment to release Fairness Opinion of Value has been done based on our scope of work. Our scope of work includes the fairness of the value of the transaction that would be done by the Company according to the Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities (“Rule No. IX.E.2”).

This fairness opinion is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We do not perform any audit or detailed due diligence on the information or data given by Company’s management, so that we can not accept any responsibility for the correctness and completeness of such information and data.

As a basis for us to conduct analysis in preparing Fairness Opinion on the Transaction Plan, we used the data in Source of Data section as a consideration.

Any changes of the underlying data could significantly affect the results of our fairness opinion. As a result, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data.

Fairness Opinion is based on the Company’s shareholders point of view and commercial considerable aspect and shall not reflect on the other stakeholder’s point of view nor other aspects. It is also based on market, economic, general business and financial conditions and government regulations existing on the issuing date of this opinion. This Fairness Opinion is applicable only for the Transaction Plan.

We consider that no material changes in the Transaction Plan based on the information and the agreement which stated in Conditional Share Purchase Agreement regarding to the Transaction Plan, and that since the publishing of Fairness Opinion Report until the date of the Transaction Plan, there is no material changes in the assumptions which used in Fairness Opinion Report.

We state that our assignment does not include any analysis on transactions other than the Transaction Plan above which may be available for the Company and analysis on the influences by those transactions to the Transaction Plan.

We do not review the validity of the transaction for the Transaction Plan from a legal point of view or the potential tax implications of the proposed plan.

#### **METHODOLOGY FOR THE ANALYSIS ON THE FAIRNESS OF THE TRANSACTION PLAN**

In evaluating the fairness of the Transaction Plan, we have done analysis with steps as follows:

1. Conduct valuation of SIS's Share before The Transaction Plan ;
2. Conduct valuation of SIS's Share after The Transaction Plan ;
3. Analyze the fairness on the Transaction Plan by comparing the Price of Transaction with the Fair Market Price of SIS' shares related to the Transaction Plan.

#### **FAIRNESS ANALYSIS OF TRANSACTION PLAN**

1. Based on Bapepam Regulation No. IX.E.2 regarding Material Transactions and Changes in Main Business Activities ("Rule No. IX.E.2") the fairness analysis of Transaction Plan would be conducted by comparing between the Price of Transaction with the Fair Market Price of SIS' share after the Transaction Plan.

2. Valuation of SIS before and after the transaction plan

- a. Based on share valuation report of SIS No. : TC/CF/0405/08 dated May 5<sup>th</sup>, 2008, we indicate that the 100% Fair Market Value of share of SIS and its subsidiaries is in the range of Rp. 529,406,000,000.- (Five hundred twenty nine billion four hundred six million rupiah) to Rp. 804,713,000,000.- (Eight hundred four billion seven hundred thirteen million rupiah) or in a range of Rp. 1,315,124 (One million three hundred fifteen thousand one hundred twenty four rupiah) to Rp. 1,999,029 (One million nine hundred ninety nine thousand twenty nine rupiah) per share as follows:

	<b>Lower Limit</b>	<b>Upper Limit</b>
Share Valuation of 100% of Shares (rupiah)	529,406,000,000	804,713,000,000
Number of Share (Sheet)	402,552	402,552
<b>Value per Share (rupiah)</b>	<b>1,315,124</b>	<b>1,999,029</b>

- b. Based on the Company's Management, the fund earned from public offering will be used to increase the Company's investment in SIS, which will be done based on nominal value Rp. 1,000,000 per shares as follows:

Asumsi	The Amount of The Company's and Joyce's Plan to Increase Investments in SIS	The Amount of Additional Number of Shares	Nominal Value per Shares
Joyce does not use its rights to increase ownership	Rp. 370,000,000,000	370,000	Rp. 1,000,000
Joyce use its rights to increase ownership	Rp. 430,632,000,000	430,632	Rp. 1,000,000

Source: the Company's Management

- c. Based on the valuation of SIS before the Transaction Plan and total of Additional Ownership Plan by the Company on SIS is amounting to Rp. 370,000 millions, following is the estimation of SIS' value per share after the Transaction Plan, assumed Joyce as shareholders does not use their right to increase its ownership :

Description	Minimum Fair Market Value per Share (Rp)	Maximum Fair Market Value per Share (Rp)
<b>Share Value of SIS Before Transaction</b>	<b>Rp 529,406,000,000</b>	<b>Rp 804,713,000,000</b>
The Increase of Share Ownership	Rp 370,000,000,000	Rp 370,000,000,000
<b>Total Share Value After Transaction Plan</b>	<b>Rp 899,406,000,000</b>	<b>Rp 1,174,713,000,000</b>
Total Numbers of Shares After Transaction Plan	772,552	772,552
<b>Value per Share After Transaction Plan</b>	<b>Rp 1,164,201</b>	<b>Rp 1,520,562</b>

Based on the valuation of SIS before the Transaction Plan and total of Additional Ownership Plan by the Company and Joyce is amounting to Rp. 430,632 millions, following is the estimation of SIS' value per share after the Transaction Plan, assumed that Joyce as shareholders use their right to increase its ownership on SIS:

Description	Minimum Fair Market Value per Share (Rp)	Maximum Fair Market Value per Share (Rp)
<b>Share Value of SIS Before Transaction</b>	<b>Rp 529,406,000,000</b>	<b>Rp 804,713,000,000</b>
The Increase of Share Ownership by :		
the Company	Rp 370,000,000,000	Rp 370,000,000,000
Joyce	Rp 60,632,000,000	Rp 60,632,000,000
<b>Total Share Value After Transaction Plan</b>	<b>Rp 960,038,000,000</b>	<b>Rp 1,235,345,000,000</b>
Total Numbers of Shares After Transaction Plan	833,184	833,184
<b>Value per Share After Transaction Plan</b>	<b>Rp 1,152,252</b>	<b>Rp 1,482,680</b>

3. From the analytical fairness of Transaction Plan, the transaction price per share with fair market value per share of SIS after the transaction plan executed is then compared.

Assumption	Transaction Value per Share (Rp)	Lower Limit of Fair Market Price per Share After Transaction (Rp)	Upper Limit of Fair Market Price per Share After Transaction (Rp)	Description
Joyce does not use its rights to increase ownership	Rp. 1,000,000	Rp. 1,164,201	Rp. 1,520,562	Transaction value is below the range of Fair Market Value of Shares
Joyce uses its rights to increase ownership	Rp. 1,000,000	Rp. 1,152,252	Rp. 1,482,680	Transaction value is below the range of Fair Market Value of Shares

Based on the above analysis, and other things presented in this fairness opinion report, we consider this Transaction Plan as described above is fair for the Company and its shareholders including the independent shareholders, because the Transaction Price is in the range or below the Fair Market Value of share.

4. By implementating The Transaction Plan of which the fund will be used to direct purchase 100% shares of increase their capital expenditure and the working capital of SIS, Company would have potential benefits as follows:
- To give more flexibility to the Company in carrying out its business strategy as a leading integrated coal mining company more comprehensively.
  - To give more flexible financial capability to the Company in giving solid support for the Company's business development strategy in the future.
  - To give more added value for all shareholders of the Company owing to the potential extent of coal mining industry, particularly ecofriendly coal mining industry.

- d. To enlarge the Company's economic scale significantly, as this Company's scale magnitude will give better capability and potential to the Company to be able to materialize the Company's business strategy more realistically to achieve more optimum growth level in the future.
- e. To give more confidence to the customers as well as prospective customers in the Company's ecofriendly coal for more certain and sustainable coal supply, because of the Company's greater scale.

## CONCLUSION

According to the scope of work, assumptions and data applied and given to us, evaluation on the financial effect of Transaction Plan and other things presented on this firmness opinion report, we consider the Transaction Plan as described above is fair for the Company and its shareholders.

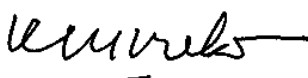
Considering there is a time difference between the fairness opinion report's date with the realization of the Transaction Plan, the above conclusion will only be valid as long as there are no changes that have significant effects on value of the transactions. Such changes are including internal changes in the Company or external changes regarding market, economics, general business and financial condition, and also the regulatory environment after the date of the opinion report issued. Provided that after the issuance of the report the above changes took place, the fairness opinion on the Transaction Plan might be significantly different than stated in this report.

## CLOSING

Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

We have no responsibility to update our opinion for events and circumstances occurring subsequent to the date of this report.

Yours truly,  
For and on Behalf of  
TRUSCELCAPITAL



**Saiful M. Ruky**  
*Senior Partner*  
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**REPORT ON AIM'S SHARES APPRAISAL**

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**ARIANE INVESTMENTS MEZZANINE Pte Ltd**

**Share Valuation Report**

**May 2008**

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Jakarta, May 5<sup>th</sup> 2008

No. : TC/CF/0605/08

**Board of Directors**

**PT Adaro Energy Tbk.**

Menara Karya, 23<sup>rd</sup> Floor

Jl. H.R. Rasuna Said, Block X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Share Valuation of 71.15% Shares of Ariane Investments Mezzanine Pte Ltd**

Dear Sir and/or Madam,

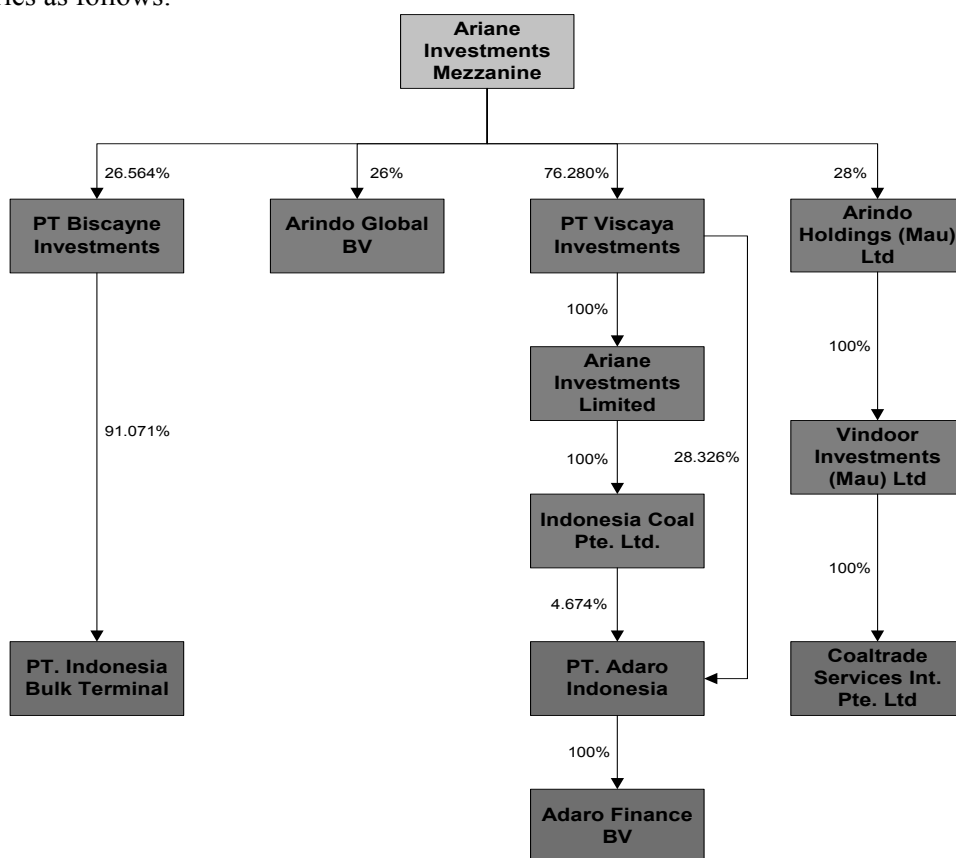
Truscel Capital (“Truscel”) has been requested by PT Adaro Energy Tbk (“the Company”) to perform an Independent Share Valuation of 71.15% shares of Ariane Investments Mezzanine Pte Ltd (“AIM”). We are pleased to report the results of our findings and our opinion with regard to the 71.15% share of AIM’s Fair Market Value of Equity as of January 31<sup>st</sup> 2008.

**Purpose of the Valuation**

We understand that our report will be used solely for the purpose of assisting the management of the Company to estimate the Fair Market Value of Equity of 71.15% shares of AIM as of January 31<sup>st</sup> 2008 with regard to the acquisition plan by PT Alam Tri Abadi the subsidiary of the Company.

**Object of the Valuation**

The object of this valuation is 71.15% shares of AIM which consisted of the equity value from its subsidiaries as follows:



Some of the subsidiaries of AIM also have equity in their subsidiaries. Thus, the operating value of each subsidiary is consisted of the operating value from its subsidiaries and the equity value from each subsequent subsidiaries.

## **Premise of Value**

We have valued the AIM's 71.15% share of Fair Market Value of Equity based on the valuation premise that AIM is and shall be a going concern business entity.

## **Valuation Standards and Definition of Value**

This valuation was performed in accordance to the requirements set in Indonesian Valuation Standards (*Standar Penilaian Indonesia = SPI*) as stipulated by the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia = MAPPI*), where the approach used has conformed to the comprehensive valuation standards.

In relation with the purpose of valuation mentioned above, the valuation standard that applicable for that purpose is Fair Market Value (Pratt, *Valuing a Business*, 2000, p.28). The fair market value is defined as the estimated amount of cash resulted from the sale and purchase transaction of a business interest on the date of valuation between a willing buyer and a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

## **Independence of the Business Valuer**

The business valuer stated in this report has conducted the valuation fairly without any conflict of duty where he is independent and not affiliated in any way to the Company, AIM and subsidiaries or any other parties that affiliated with those companies. Further, the valuation has not been conducted to benefit or disadvantage any party in particular. The business valuer is competent to conduct the valuation and has acted to the best of his knowledge. Our fee for this appraisal is in no way influenced by the result of our valuation conclusion.

## **Business Valuation Approach and Methodology**

The valuation of AIM was based on internal and external analysis of its subsidiaries (operating), such as PT Adaro (Adaro), Indonesia Bulk Terminal (IBT), dan Coaltrade Services International (CTI). The internal analysis was based on the data made available by the management, historical analysis of each subsidiary's Statements of Income and Balance Sheet, review of its operations and an assessment of management and human resources of Adaro, IBT, and CTI. Adaro's, IBT's, and CTI's future prospects were assessed based on the management's business plan and projections which we have reviewed for its consistency and fairness. The external analysis was based on a brief review of the external factors which considered as value drivers, also included review on a brief review of the industry prospect.

In applying the various valuation methods to estimate the fair market value of a business interest we need to refer to a set of representative financial statements, hence for this purpose, adjustments to the Balance Sheet and Statement of Income is required to normalize the earnings based on historical financial information. The financial information in the Balance Sheet and Statement of Income do not reflect the economic value of the business interest and hence cannot be entirely stated to be the fair value of the business interest when conducting a valuation.

The valuation methodology adopted were 3 (three) methods, which are the Adjusted Net Asset Method (ANAM), the Discounted Cash Flow method (DCF), and Guideline Company Method (GCM).

The concept of Adjusted Net Asset Method (ANAM) is to obtain the Fair Market Value of Equity. All of the assets, both tangible and intangible, whether recorded or not recorded on the Balance Sheet, has to be revaluated where the Company's equity value is the market value of all assets

(including intangible asset, if any) deducted by the market value of all liabilities. This approach is commonly applied in the Company where the assets are the value drivers for the Company or in a situation where the Company's financial condition is poor or the Company has declared that it cannot continue its operations.

We apply the Discounted Cash Flow (DCF) method as the valuation method. This method is driven by projected free cash flows which are determined by the projected revenues to be generated in the future. We then estimate the Fair Market Value of the firm by discounting projected net cash flows with the appropriate present value discount rate and then subsequently deducted the Interest Bearing Debt to calculate the Fair Market Value of Equity.

We also apply the Guideline Company Method (GCM) from market approach as the valuation method to estimate the share valuation of AIM and its subsidiaries which also have an equity ownership in its subsidiaries based on share market value from other company which is calculated relatively to market prices of public companies in Asia. This method based on value multiple from other companies which have similar business risk characteristics with the Company.

In this assignment, due to a fact that AIM is a non operating holding company then its Fair Market Value is based on each Share Fair Market Value of its direct subsidiaries, such as Biscayne, Arindo Global, Viscaya, and Arindo Holdings. These subsidiaries have indirect ownership in Adaro, IBT dan CTI, which are operating companies.

The above valuation approaches and methods are the one that we consider applicable for this assignment. It is possible to use other valuation approaches and/or methods that may give a different result.

### **Disclaimer and Limitations**

For the purpose of this assessment, we were provided with financial and operational data of AIM and its subsidiaries with respect to the Company. We have accepted the data without independent verification or confirmation. We shall not be liable for any losses, damages, costs or expenses whatsoever and howsoever caused from a failure to disclose such underlying data to us that may be incomplete or may be misrepresented.

This share valuation is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We did not carry out an audit or obedient on the detailed explanation or data that has been given by the Company, either spoken or written, and hence, we shall not be liable for the correctness and completeness from those explanation and information.

Since the result of our valuation is contingent upon the underlying data and upon the bases and assumptions used, any changes to the underlying data and assumptions according to market data would necessarily affect the results of our valuation. As a result, we state that any changes to the underlying data used would inevitably result in changes to our valuation results and that these differences may be material. Although the contents of this valuation report is provided in good faith and professional, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data. Beside, we cannot accept any responsibility for potential differences in the conclusions of the report that result from debt restructuring of the Company that could affect the results of our valuation and these differences may be material.

We have no responsibility to update our estimate of value for events and circumstances occurring subsequent to the date of this report. However, we wish to reserve the right to, if necessary, revise or amend the results of this study upon disclosure of any relevant information subsequent to the date of this report, which we foresee might result in a significant change to our assessment conclusion. This assessment opinion report is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred.



We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

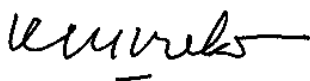
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

### **Valuation Conclusion**

Based on the information stated in the attached report, by using the Adjusted Net Asset Method (ANAM), Discounted Cash Flow method (DCF) and Guideline Company Method (GCM), and also considering the Disclaimer and Limitations as stated above, we indicate that the 71.15% Fair Market Value of share of AIM and its subsidiaries is in the range of **Rp. 5,056,829,000,000.-** (five quintillion fifty six billion and eight hundred twenty nine million Rupiah) to **Rp. 7,062,337,000,000.-** (seven quintillion sixty two billion and three hundred thirty seven million Rupiah) or in a range of **Rp. 7,106,899.-** (seven million one hundred six thousand eight hundred ninety nine rupiah) to **Rp. 9,925,453.-** (nine million nine hundred twenty five thousand four hundred fifty three rupiah) per share.

Yours truly,  
For and on Behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

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**REPORT ON KERRY COAL'S SHARES APPRAISAL**

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**KERRY COAL (Singapore) Pte Ltd**

**Share Valuation Report**

**May 2008**

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Jakarta, May 5<sup>th</sup> 2008

No. : TC/CF/0305/08

**Board of Directors**

**PT Adaro Energy Tbk.**

Menara Karya, 23<sup>rd</sup> Floor  
 Jl. H.R. Rasuna Said, Block X-5, Kav 1-2  
 Jakarta 12950, Indonesia.

**Re: Share Valuation of 100% Shares of Kerry Coal Pte Ltd**

Dear Sir and/or Madam,

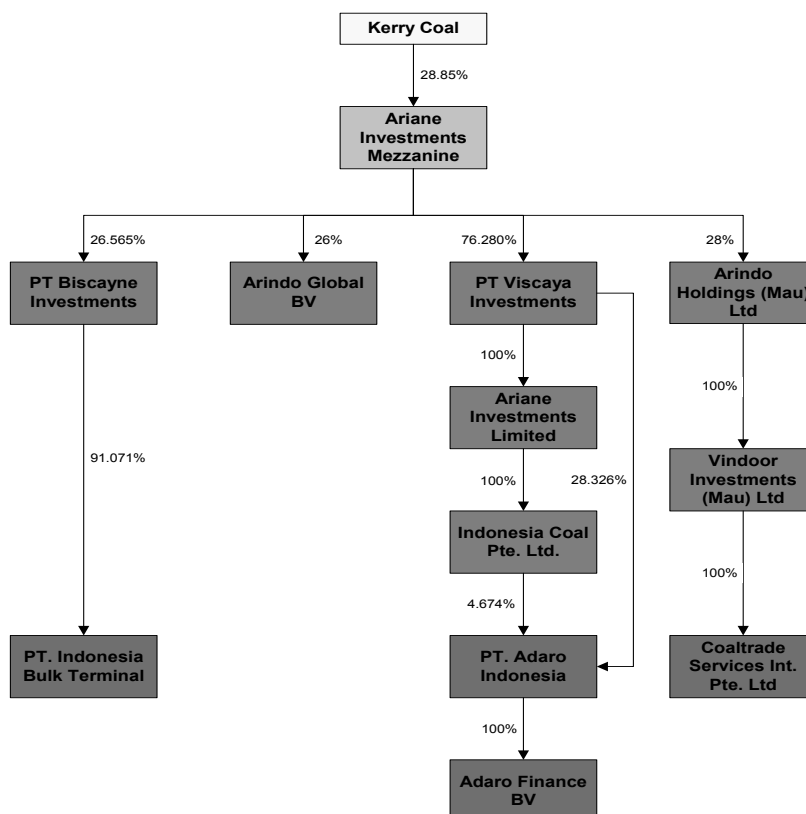
Truscel Capital (“Truscel”) has been requested by PT Adaro Energy Tbk (“the Company”) to perform an Independent Share Valuation of 100% shares of Kerry Coal Pte Ltd (“KC”). We are pleased to report the results of our findings and our opinion with regard to the 100% share of KC’s Fair Market Value of Equity as of January 31<sup>st</sup> 2008.

**Purpose of the Valuation**

We understand that our report will be used solely for the purpose of assisting the management of the Company to estimate the Fair Market Value of Equity of 100% shares of KC as of January 31<sup>st</sup> 2008 with regard to the acquisition plan by PT Alam Tri Abadi the subsidiary of the Company.

**Object of the Valuation**

The object of this valuation is KC’s ownership in its subsidiaries, Ariane Investment Mezzanine Pte Ltd (“AIM”) as much as 28.85% shares where AIM also has an ownership in its subsidiaries as follows:



### **Premise of Value**

We have valued the KC's 100% share of Fair Market Value of Equity based on the valuation premise that each of KC is and shall be a going concern business entity.

### **Valuation Standards and Definition of Value**

This valuation was performed in accordance to the requirements set in Indonesian Valuation Standards (*Standar Penilaian Indonesia = SPI*) as stipulated by the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia = MAPPI*), where the approach used has conformed to the comprehensive valuation standards.

In relation with the purpose of valuation mentioned above, the valuation standard that applicable for that purpose is Fair Market Value (Pratt, *Valuing a Business*, 2000, p.28). The fair market value is defined as the estimated amount of cash resulted from the sale and purchase transaction of a business interest on the date of valuation between a willing buyer and a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

### **Independence of the Business Valuer**

The business valuer stated in this report has conducted the valuation fairly without any conflict of duty where he is independent and not affiliated in any way to the Company, KC and subsidiaries or any other parties that affiliated with those companies. Further, the valuation has not been conducted to benefit or disadvantage any party in particular. The business valuer is competent to conduct the valuation and has acted to the best of his knowledge. Our fee for this appraisal is in no way influenced by the result of our valuation conclusion.

### **Business Valuation Approach and Methodology**

The valuation of KC was based on internal and external analysis with regard to scope, definition of value, and limitation as of January 31<sup>st</sup> 2008. The internal analysis was based on the data made available by the management, historical analysis of each subsidiaries' Statements of Income and Balance Sheet, review of its operations and an assessment of management and human resources. KC's future prospects were assessed based on the operating subsidiaries' business plan and projections which we have reviewed for its consistency and fairness. The external analysis was based on a brief review of the external factors which considered as value drivers, also include review based on data and information from general resources and the Company's management.

In applying the various valuation methods to estimate the fair market value of a business interest we need to refer to a set of representative financial statements, hence for this purpose, adjustments to the Balance Sheet and Statement of Income is required to normalize the earnings based on historical financial information. The financial information in the Balance Sheet and Statement of Income do not reflect the economic value of the business interest and hence cannot be entirely stated to be the fair value of the business interest when conducting a valuation.

The valuation methodology adopted were 3 (three) methods, which are the Adjusted Net Asset Method (ANAM), Guideline Company Method (GCM), and the Discounted Cash Flow method (DCF).

The concept of Adjusted Net Asset Method (ANAM) is to obtain the Fair Market Value of Equity. All of the assets, both tangible and intangible, whether recorded or not recorded on the Balance Sheet, has to be revaluated where the Company's equity value is the market value of all assets (including intangible asset, if any) deducted by the market value of all liabilities. This approach is commonly applied in the Company where the assets are the value drivers for the Company or in a situation where the Company's financial condition is poor or the Company has declared that it cannot continue its operations.

We also apply the Guideline Company Method (GCM) from market approach as the valuation method to estimate the share valuation of AIM and its subsidiaries which also have an equity

ownership in its subsidiaries based on share market value from other company which is calculated relatively to market prices of public companies in Asia. This method based on value multiple from other companies which have similar business risk characteristics with the Company.

We also apply the Discounted Cash Flow (DCF) method. This method is driven by projected free cash flows which are determined by the projected revenues to be generated in the future. We then estimate the Fair Market Value of the firm by discounting projected net cash flows with the appropriate present value discount rate and then subsequently deducted the Interest Bearing Debt to calculate the Fair Market Value of Equity.

The above valuation approaches and methods are the one that we consider applicable for this assignment. It is possible to use other valuation approaches and/or methods that may give a different result.

### **Disclaimer and Limitations**

For the purpose of this assessment, we were provided with financial and operational data of KC with respect to the Company. We have accepted the data without independent verification or confirmation. We shall not be liable for any losses, damages, costs or expenses whatsoever and howsoever caused from a failure to disclose such underlying data to us that may be incomplete or may be misrepresented.

This share valuation is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We did not carry out an audit or obedient on the detailed explanation or data that has been given by the Company, either spoken or written, and hence, we shall not be liable for the correctness and completeness from those explanation and information.

Since the result of our valuation is contingent upon the underlying data and upon the bases and assumptions used, any changes to the underlying data and assumptions according to market data would necessarily affect the results of our valuation. As a result, we state that any changes to the underlying data used would inevitably result in changes to our valuation results and that these differences may be material. Although the contents of this valuation report is provided in good faith and professional, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data. Beside, we cannot accept any responsibility for potential differences in the conclusions of the report that result from debt restructuring of the Company that could affect the results of our valuation and these differences may be material.

We have no responsibility to update our estimate of value for events and circumstances occurring subsequent to the date of this report. However, we wish to reserve the right to, if necessary, revise or amend the results of this study upon disclosure of any relevant information subsequent to the date of this report, which we foresee might result in a significant change to our assessment conclusion. This assessment opinion report is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred.

We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

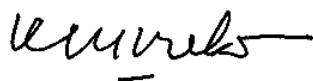


**Valuation Conclusion**

Based on the information stated in the attached report, and by using the Adjusted Net Asset Method (ANAM), Guideline Company Method (GCM) and Discounted Cash Flow method (DCF), and also considering the Disclaimer and Limitations as stated above, we indicate that the 100% Fair Market Value of share of KC and its subsidiaries is in the range of **Rp. 1,815,831,000,000.- (one quintillion eight hundred fifteen billion and eight hundred thirty one million rupiah)** to **Rp. 2,547,329,000,000.- (two quintillion five hundred forty seven billion and three hundred twenty nine million rupiah)** or in a range of **Rp. 7,263,295.- (seven million two hundred sixty three thousand two hundred ninety five rupiah)** to **Rp. 10,189,275.- (ten million one hundred eighty nine thousand two hundred seventy five rupiah)** per share.

Yours truly,  
For and on Behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

Izin Penilai Publik No. 1.00.0076

Terdaftar di Bapepam No: 01/PM/STTD-P/B/2006

**REPORT ON AGALIA'S SHARES APPRAISAL**

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**AGALIA ENERGY INVESTMENTS Pte Ltd**

**Share Valuation Report**

**Mei 2008**

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Jakarta, May 12<sup>th</sup> 2008

No. : TC/CF/1205/08

**Board of Directors**

**PT Adaro Energy Tbk.**

Menara Karya, 23<sup>rd</sup> Floor

Jl. H.R. Rasuna Said, Block X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Share Valuation of 100% Shares of Agalia Energy Investments Pte Ltd**

Dear Sir and/or Madam,

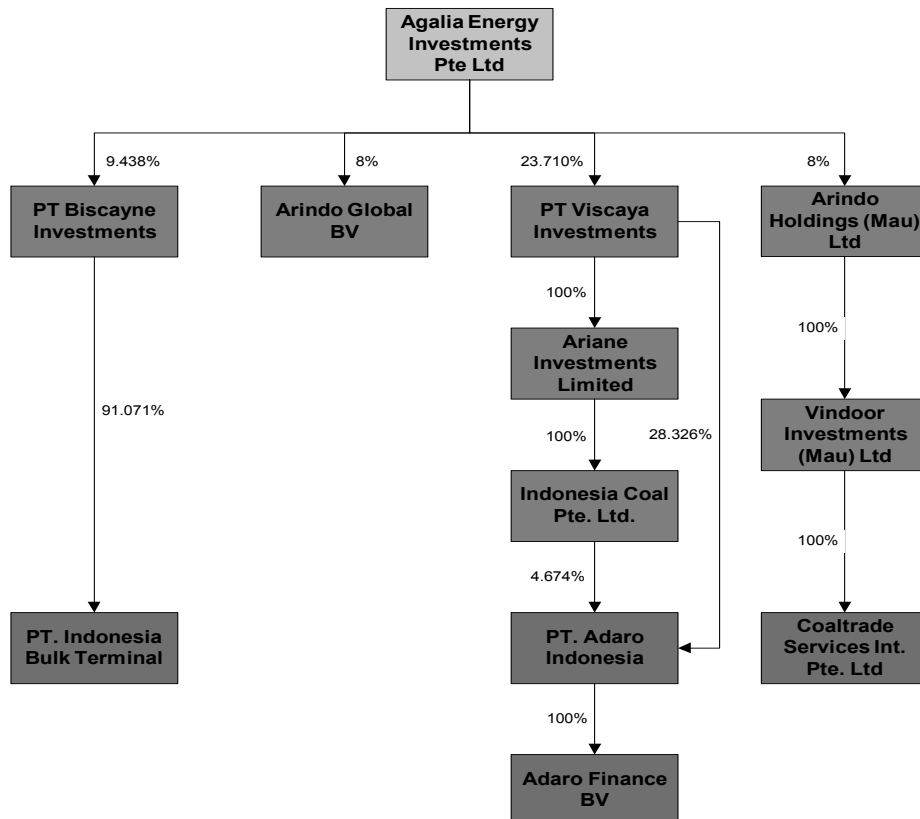
Truscel Capital (“Truscel”) has been requested by PT Adaro Energy Tbk (“the Company”) to perform an Independent Share Valuation of 100% shares of Agalia Energy Investments Pte Ltd (“Agalia”). We are pleased to report the results of our findings and our opinion with regard to the 100% share of Agalia’s Fair Market Value of Equity as of January 31<sup>st</sup> 2008.

**Purpose of the Valuation**

We understand that our report will be used solely for the purpose of assisting the management of the Company to estimate the Fair Market Value of Equity of 100% shares of Agalia as of January 31<sup>st</sup> 2008 with regard to the acquisition plan by PT Alam Tri Abadi as a subsidiary of the Company.

**Object of the Valuation**

The object of this valuation is 100% shares of Agalia which consists of the equity value from its subsidiaries as follows:



Some of the subsidiaries of Agalia also have equity in their subsidiaries. Thus, the operating value of each subsidiary is consisted of the operating value from its subsidiaries and the equity value from each subsequent subsidiaries.

## **Premise of Value**

We have valued the Agalia's 100% share of Fair Market Value of Equity based on the valuation premise that Agalia is and shall be a going concern business entity.

## **Valuation Standards and Definition of Value**

This valuation was performed in accordance to the requirements set in Indonesian Valuation Standards (*Standar Penilaian Indonesia = SPI*) as stipulated by the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia = MAPPI*), where the approach used has conformed to the comprehensive valuation standards.

In relation with the purpose of valuation mentioned above, the valuation standard that applicable for that purpose is Fair Market Value (Pratt, *Valuing a Business*, 2000, p.28). The fair market value is defined as the estimated amount of cash resulted from the sale and purchase transaction of a business interest on the date of valuation between a willing buyer and a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

## **Independence of the Business Valuer**

The business valuer stated in this report has conducted the valuation fairly without any conflict of duty where he is independent and not affiliated in any way to the Company, Agalia and subsidiaries or any other parties that affiliated with those companies. Further, the valuation has not been conducted to benefit or disadvantage any party in particular. The business valuer is competent to conduct the valuation and has acted to the best of his knowledge. Our fee for this appraisal is in no way influenced by the result of our valuation conclusion.

## **Business Valuation Approach and Methodology**

The valuation of Agalia was based on internal and external analysis of its subsidiaries (operating), such as PT Adaro (Adaro), Indonesia Bulk Terminal (IBT), dan Coaltrade Services International (CTI). The internal analysis was based on the data made available by the management, historical analysis of each subsidiary's Statements of Income and Balance Sheet, review of its operations and an assessment of management and human resources of Adaro, IBT, and CTI. Adaro's, IBT's, and CTI's future prospects were assessed based on the management's business plan and projections which we have reviewed for its consistency and fairness. The external analysis was based on a brief review of the external factors which considered as value drivers, also included review on a brief review of the industry prospect.

In applying the various valuation methods to estimate the fair market value of a business interest we need to refer to a set of representative financial statements, hence for this purpose, adjustments to the Balance Sheet and Statement of Income is required to normalize the earnings based on historical financial information. The financial information in the Balance Sheet and Statement of Income do not reflect the economic value of the business interest and hence cannot be entirely stated to be the fair value of the business interest when conducting a valuation.

The valuation methodology adopted was 3 (three) methods, which is the Discounted Cash Flow method (DCF), the Adjusted Net Asset Method (ANAM), and *Guideline Company Method (GCM)*.

The concept of Adjusted Net Asset Method (ANAM) is to obtain The Fair Market Value of Equity. All of the assets, both tangible and intangible, whether recorded or not recorded on the Balance Sheet, has to be revaluated where the company's equity value is the market value of all assets (including intangible asset, if any) deducted by the market value of all liabilities. This approach is

commonly applied in the company where the assets are the value drivers for the company or in a situation where the company's financial condition is poor or the company has declared that it cannot continue its operations.

We apply the Discounted Cash Flow (DCF) method as the comparison method. This method is driven by projected free cash flows are determined by projected revenues to be generated in the future. We then estimate the Fair Market Value of the firm by discounting projected net cash flows with the appropriate present value discount rate and then subsequently deducted the Interest Bearing Debt to calculate the Fair Market Value of Equity.

We also apply the Guideline Company Method (GCM) from market approach as valuing method to estimate the share valuation of AIM and its subsidiaries which also have an equity ownership in its subsidiaries based on share market value from other company which is calculated relatively to market prices of public companies in Asia. This method based on value multiple from other companies which have similar business risk characteristics with the Company.

In this assignment, due to a fact that Agalia is a non operational holding company then its Fair Market Value is based on each Share Fair Market Value of its direct subsidiaries, such as Biscayne, Arindo Global, Viscaya, Arindo Holdings. These subsidiaries have an indirect ownership to Adaro, IBT dan CTI, which is an operational company. The above valuation approaches and methods are the one that we consider applicable for this assignment. It is possible to use other valuation approaches and/or methods that may give a different result.

### **Disclaimer and Limitations**

For the purpose of this assessment, we were provided with financial and operational data of Agalia and its subsidiaries with respect to the Company. We have accepted the data without independent verification or confirmation. We shall not be liable for any losses, damages, costs or expenses whatsoever and howsoever caused from a failure to disclose such underlying data to us that may be incomplete or may be misrepresented.

This share valuation is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We did not carry out an audit or obedient on the detailed explanation or data that has been given by the Company, either spoken or written, and hence, we shall not be liable for the correctness and completeness from those explanation and information.

Since the result of our valuation is contingent upon the underlying data and upon the bases and assumptions used, any changes to the underlying data and assumptions according to market data would necessarily affect the results of our valuation. As a result, we state that any changes to the underlying data used would inevitably result in changes to our valuation results and that these differences may be material. Although the contents of this valuation report is provided in good faith and professional, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data. Beside, we cannot accept any responsibility for potential differences in the conclusions of the report that result from debt restructuring of the Company that could affect the results of our valuation and these differences may be material.

We have no responsibility to update our estimate of value for events and circumstances occurring subsequent to the date of this report. However, we wish to reserve the right to, if necessary, revise or amend the results of this study upon disclosure of any relevant information subsequent to the date of this report, which we foresee might result in a significant change to our assessment conclusion. This assessment opinion report is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred.

We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.



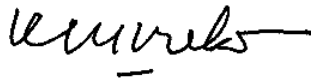
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

**Valuation Conclusion**

Based on the information stated in the attached report, and by using the Adjusted Net Asset Method (ANAM), Discounted Cash Flow method (DCF) and Guideline Company Method (GCM), and also considering the Disclaimer and Limitations as stated above, we indicate that 100% Fair Market Value of share of Agalia and its subsidiaries is in a range of **Rp. 1,991,437,000,000.- (one quintillion nine hundred ninety one billion and four hundred thirty seven million rupiah)** to **Rp. 2,785,269,000,000.- (two quintillion seven hundred eighty five billion and two hundred sixty nine million rupiah)** or in a range of **Rp. 296,451,- (two hundred ninety six thousand four hundred fifty one rupiah)** to **Rp. 414,623,- (four hundred fourteen thousand six hundred twenty three rupiah)** per share.

Yours truly,  
For and on Behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**  
*Senior Partner*  
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**REPORT ON ATA'S SHARES APPRAISAL**

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**PT Alam Tri Abadi**

**Share Valuation Report**

**May 2008**

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Jakarta, May 12<sup>th</sup> 2008

No. : TC/CF/1305/08

**Board of Directors**

**PT Adaro Energy Tbk.**

Menara Karya, 23<sup>rd</sup> Floor  
 Jl. H.R. Rasuna Said, Block X-5, Kav 1-2  
 Jakarta 12950, Indonesia.

**Re: Share Valuation of 1.1261% Shares of PT. Alam Tri Abadi**

Dear Sir and/or Madam,

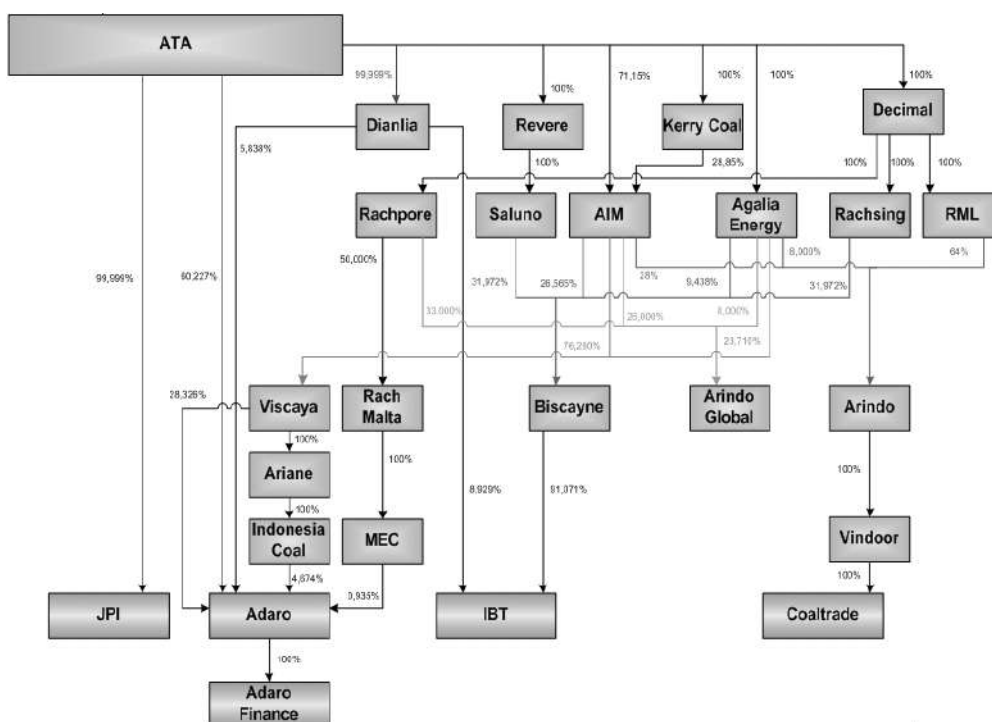
Truscel Capital (“Truscel”) has been requested by PT Adaro Energy Tbk (“the Company”) to perform an Independent Share Valuation of 1.1261% shares of PT. Alam Tri Abadi (“ATA”) and its subsidiaries who owned by PT Saratoga Investama Sedaya and PT Persada Capital Investama. We are pleased to report the results of our findings and our opinion with regard to the 1.1261% share of ATA’s Fair Market Value of Equity as of January 31<sup>st</sup> 2008.

**Purpose of the Valuation**

We understand that our report will be used solely for the purpose of assisting the management of the Company to estimate the Fair Market Value of Equity of 1.1261% shares of ATA and its subsidiaries who owned by PT Saratoga Investama Sedaya and PT Persada Capital Investama with the assumption after the acquisition of 71.15% shares of Ariane Investments Mezzanine Pte Ltd., 100% share of KERRY COAL (Singapore) Pte Ltd and 100% share of AGALIA ENERGY INVESTMENTS Pte. Ltd. by ATA, and the loan payment amounting to US\$100,000,000.- through additional paid-up capital of ATA by the Company.

**Object of the Valuation**

The object of this valuation is 1.1261% shares of ATA which consists of the equity value from its direct and indirect subsidiaries as follows:



This valuation is done with the assumption of execution is made after the 71,15% acquisition of share of Ariane Investments Mezzanine Pte Ltd, 100% share Agalia Energy Investments Pte. Ltd, 100% share Kerry Coal (Singapore) Pte. Ltd. by ATA and the ATA's loan payment as much as US\$100,000,000.- by the Company.

Some of the subsidiaries of ATA also have equity in their subsidiaries. Thus, the operating value of each subsidiary is consisted of the operating value from its subsidiaries and the equity value from each subsequent subsidiaries.

### **Premise of Value**

We have valued the ATA's 1.1261% share of Fair Market Value of Equity based on the valuation premise that ATA is and shall be a going concern business entity.

### **Valuation Standards and Definition of Value**

This valuation was performed in accordance to the requirements set in Indonesian Valuation Standards (*Standar Penilaian Indonesia = SPI*) as stipulated by the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia = MAPPI*), where the approach used has conformed to the comprehensive valuation standards.

In relation with the purpose of valuation mentioned above, the valuation standard that applicable for that purpose is Fair Market Value (Pratt, *Valuing a Business*, 2000, p.28). The fair market value is defined as the estimated amount of cash resulted from the sale and purchase transaction of a business interest on the date of valuation between a willing buyer and a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

### **Independence of the Business Valuer**

The business valuer stated in this report has conducted the valuation fairly without any conflict of duty where he is independent and not affiliated in any way to The Company, ATA and subsidiaries or any other parties that affiliated with those companies. Further, the valuation has not been conducted to benefit or disadvantage any party in particular. The business valuer is competent to conduct the valuation and has acted to the best of his knowledge. Our fee for this appraisal is in no way influenced by the result of our valuation conclusion.

### **Business Valuation Approach and Methodology**

The valuation of ATA was based on both internal and external analysis with regard to scope, value definition and the limitation on January 31<sup>st</sup> 2008. The internal analysis was based on the data made available by the management, historical analysis of Statements of Income and Balance Sheet, review of its operations and an assessment of management and human resources as of January 31<sup>st</sup> 2008. ATA's future prospects were assessed based on the operating subsidiaries' business plan and projections on January 31<sup>st</sup> 2008 which we have reviewed for its consistency and fairness. Meanwhile, the external analysis was based on a brief review of the industry where the competitive forces within the industry were considered to determine industry drivers and assess industry prospects. We obtained market data that is relevant and reliable and used it as part of our external analysis. The above has been fundamental to our valuation approach. The external analysis was based on a brief review of the external factors which considered as value drivers, also included review based on data and information that we got from general resources and from the Company's management.

In applying the various valuation methods to estimate the fair market value of a business interest we need to refer to a set of representative financial statements, hence for this purpose, adjustments to the Balance Sheet and Statement of Income is required to normalize the earnings based on historical financial information. The financial information in the Balance Sheet and Statement of Income do not reflect the economic value of the business interest and hence cannot be entirely stated to be the fair value of the business interest when conducting a valuation.

The valuation methodology adopted were 3 (three) methods, which are the Adjusted Net Asset Method (ANAM), the Guideline Company Method (GCM), and Discounted Cash Flow method (DCF).

The concept of Adjusted Net Asset Method (ANAM) is to obtain the Fair Market Value of Equity. All of the assets, both tangible and intangible, whether recorded or not recorded on the Balance Sheet, has to be revaluated where the Company's equity value is the market value of all assets (including intangible asset, if any) deducted by the market value of all liabilities. This approach is commonly applied in the Company where the assets are the value drivers for the Company or in a situation where the Company's financial condition is poor or the Company has declared that it cannot continue its operations.

We also apply the Guideline Company Method (GCM) from market approach as valuing method to estimate the share valuation of AIM and its subsidiaries which also have an equity ownership in its subsidiaries based on share market value from other company which is calculated relatively to market prices of public companies in Asia. This method based on value multiple from other companies which have similar business risk characteristics with The Company.

We apply the Discounted Cash Flow (DCF) method as the valuation method. This method is driven by projected free cash flows which are determined by the projected revenues to be generated in the future. We then estimate the Fair Market Value of the firm by discounting projected net cash flows with the appropriate present value discount rate and then subsequently deducted the Interest Bearing Debt to calculate the Fair Market Value of Equity.

The above valuation approaches and methods are the one that we consider applicable for this assignment. It is possible to use other valuation approaches and/or methods that may give a different result.

### **Disclaimer and Limitations**

For the purpose of this assessment, we were provided with financial and operational data of ATA and its subsidiaries with respect to the Company. We have accepted the data without independent verification or confirmation. We shall not be liable for any losses, damages, costs or expenses whatsoever and howsoever caused from a failure to disclose such underlying data to us that may be incomplete or may be misrepresented.

This share valuation is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company, which we deem to be fairly true, complete, reliable and not misleading. We did not carry out an audit or obedient on the detailed explanation or data that has been given by the Company, either spoken or written, and hence, we shall not be liable for the correctness and completeness from those explanation and information.

Since the result of our valuation is contingent upon the underlying data and upon the bases and assumptions used, any changes to the underlying data and assumptions according to market data would necessarily affect the results of our valuation. As a result, we state that any changes to the underlying data used would inevitably result in changes to our valuation results and that these differences may be material. Although the contents of this valuation report is provided in good faith and professional, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data. Beside, we cannot accept any responsibility for potential differences in the conclusions of the report that result from debt restructuring of the Company that could affect the results of our valuation and these differences may be material.

We have no responsibility to update our estimate of value for events and circumstances occurring subsequent to the date of this report. However, we wish to reserve the right to, if necessary, revise or amend the results of this study upon disclosure of any relevant information subsequent to the date of this report, which we foresee might result in a significant change to our assessment conclusion. This assessment opinion report is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred.



We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

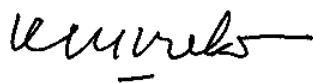
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

### Valuation Conclusion

Based on the information stated in the attached report, by using the Adjusted Net Asset Method (ANAM), Guideline Company Method (GCM), and Discounted Cash Flow method (DCF), and also considering the Disclaimer and Limitations as stated above, we indicate that the 1.1261% Fair Market Value of share of ATA and its subsidiaries is in the range of **Rp. 323,378,000,000.- (three hundred twenty three billion three hundred seventy eight million rupiah)** to **Rp. 447,832,000,000.- (four hundred forty seven billion eight hundred thirty two million rupiah)** or in a range of **Rp. 2,270,396.- (two million two hundred seventy thousand three hundred ninety six rupiah)** to **Rp. 3,144,171.- (three million one hundred fourty four thousand one hundred seventy one rupiah)** per share.

Yours truly,  
For and on Behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

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**REPORT ON SIS'S SHARES APPRAISAL**

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**PT SAPTAINDRA SEJATI**

**Share Valuation Report**

**May 2008**

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Jakarta, May 5<sup>th</sup> 2008

No. : TC/CF/0405/08

**Board of Directors**

**PT Adaro Energy Tbk.**

Menara Karya, 23<sup>rd</sup> Floor

Jl. H.R. Rasuna Said, Block X-5, Kav 1-2

Jakarta 12950, Indonesia.

**Re: Share Valuation of 24.24% Shares of PT Saptaindra Sejati**

Dear Sir and/or Madam,

Truscel Capital (“Truscel”) has been requested by PT Adaro Energy Tbk (“the Company”) to perform an Independent Share Valuation of 24.24% shares of PT Saptaindra Sejati (“SIS”). We are pleased to report the results of our findings and our opinion with regard to the 24.24% share of SIS’s Fair Market Value of Equity as of January 31<sup>st</sup> 2008.

**Purpose of the Valuation**

We understand that our report will be used solely for the purpose of assisting the management of the Company to estimate the Fair Market Value of Equity of 24.24% shares of SIS which are owned by PT Saratoga Investama Sedaya, PT Persada Capital Investama, and PT Cipta Sejahtera Persada as of January 31<sup>st</sup> 2008 with regard to the acquisition plan by the Company.

**Object of the Valuation**

The object of this valuation is 24.24% shares of SIS which owned by PT Saratoga Investama Sedaya, PT Persada Capital Investama, and PT Cipta Sejahtera Persada

**Premise of Value**

We have valued the SIS’s 24.24% share of Fair Market Value of Equity based on the valuation premise that SIS is and shall be a going concern business entity.

**Valuation Standards and Definition of Value**

This valuation was performed in accordance to the requirements set in Indonesian Valuation Standards (*Standar Penilaian Indonesia = SPI*) as stipulated by the Indonesian Society of Appraisers (*Masyarakat Profesi Penilai Indonesia = MAPPI*), where the approach used has conformed to the comprehensive valuation standards.

In relation with the purpose of valuation mentioned above, the valuation standard that applicable for that purpose is Fair Market Value (Pratt, *Valuing a Business*, 2000, p.28). The fair market value is defined as the estimated amount of cash resulted from the sale and purchase transaction of a business interest on the date of valuation between a willing buyer and a willing seller when neither is acting under compulsion and when both have reasonable knowledge of the relevant facts.

**Independence of the Business Valuer**

The business valuer stated in this report has conducted the valuation fairly without any conflict of duty where he is independent and not affiliated in any way to the Company, SIS or any other parties that affiliated with those companies. Further, the valuation has not been conducted to benefit or disadvantage any party in particular. The business valuer is competent to conduct the valuation and

has acted to the best of his knowledge. Our fee for this appraisal is in no way influenced by the result of our valuation conclusion.

### **Business Valuation Approach and Methodology**

The valuation of SIS was based on internal and external analysis with regard to the scope, value definition, and the limitation as of January 31<sup>st</sup> 2008. The internal analysis was based on the data made available by the Company's management, historical analysis of Statements of Income and Balance Sheet, review of its operations and an assessment of management and human resources as of January 31<sup>st</sup> 2008. The future prospects of SIS in a condition on January 31<sup>st</sup> 2008 were assessed based on the management's business plan and projections which we have reviewed for its consistency and fairness. The external analysis was based on a brief review of the external factors which considered as value drivers, also included review based on data and information that we got from general resources and from the Company's management.

In applying the various valuation methods to estimate the fair market value of a business interest we need to refer to a set of representative financial statements, hence for this purpose, adjustments to the Balance Sheet and Statement of Income is required to normalize the earnings based on historical financial information. The financial information in the Balance Sheet and Statement of Income do not reflect the economic value of the business interest and hence cannot be entirely stated to be the fair value of the business interest when conducting a valuation.

The valuation methodology adopted were 2 (two) methods, which are the Discounted Cash Flow method (DCF), and the Adjusted Net Asset Method (ANAM).

We apply the Discounted Cash Flow (DCF) method as the valuation method. This method is driven by projected free cash flows which are determined by the projected revenues to be generated in the future. We then estimate the Fair Market Value of the firm by discounting projected net cash flows with the appropriate present value discount rate and then subsequently deducted the Interest Bearing Debt to calculate the Fair Market Value of Equity.

We apply the Adjusted Net Asset Method (ANAM). The concept of Adjusted Net Asset Method (ANAM) is to obtain the Fair Market Value of Equity. All of the assets, both tangible and intangible, whether recorded or not recorded on the Balance Sheet, has to be revaluated where the Company's equity value is the market value of all assets (including intangible asset, if any) deducted by the market value of all liabilities. This approach is commonly applied in the Company where the assets are the value drivers for the Company or in a situation where the Company's financial condition is poor or the Company has declared that it cannot continue its operations.

The above valuation approaches and methods are the one that we consider applicable for this assignment. It is possible to use other valuation approaches and/or methods that may give a different result.

### **Disclaimer and Limitations**

For the purpose of this assessment, we were provided with financial and operational data by the Company and SIS. We have accepted the data without independent verification or confirmation. We shall not be liable for any losses, damages, costs or expenses whatsoever and howsoever caused from a failure to disclose such underlying data to us that may be incomplete or may be misrepresented.

This share valuation is prepared based on the information and data integrity principles. To prepare our opinion, we have relied and based our opinion on the information and data given to us by the management of the Company and SIS, which we deem to be fairly true, complete, reliable and not misleading. We did not carry out an audit or obedient on the detailed explanation or data that has been given by the Company and SIS, either spoken or written, and hence, we shall not be liable for the correctness and completeness from those explanation and information.

Since the result of our valuation is contingent upon the underlying data and upon the bases and assumptions used, any changes to the underlying data and assumptions according to market data would necessarily affect the results of our valuation. As a result, we state that any changes to the underlying data used would inevitably result in changes to our valuation results and that these differences may be material. Although the contents of this valuation report is provided in good faith and professional, we cannot accept any responsibility for potential differences in the conclusions of the report that result from such changes to the underlying data. Beside, we cannot accept any responsibility for potential differences in the conclusions of the report that result from debt restructuring of the Company that could affect the results of our valuation and these differences may be material.

We have no responsibility to update our estimate of value for events and circumstances occurring subsequent to the date of this report. However, we wish to reserve the right to, if necessary, revise or amend the results of this study upon disclosure of any relevant information subsequent to the date of this report, which we foresee might result in a significant change to our assessment conclusion. This assessment opinion report is prepared solely for the purpose stated herein and no other purpose is intended or should be inferred.

We also rely on the management representation letter provided by the Company that the management has disclosed all important and relevant information regarding the Transaction Plan and on their knowledge there were no material factors undisclosed which could be misleading.

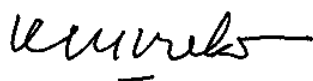
Our opinion herein should not be read in isolation but should be read in conjunction with the rest of the report and the appendices thereto. The partial use of the analysis and information without considering the entirety of the analysis and information can produce a misleading conclusion or point view.

#### Valuation Conclusion

Based on the information stated in the attached report, by using the Adjusted Net Asset Method (ANAM) and Discounted Cash Flow method (DCF), and also considering the Disclaimer and Limitations as stated above, we indicate that the 24.24% Fair Market Value of share of SIS and its subsidiaries is in the range of **Rp. 128,340,290,000.- (one hundred twenty eight billion three hundred forty million and two hundred ninety thousand rupiah)** to **Rp. 195,081,277,000.- (one hundred ninety five billion eighty one million and two hundred seventy seven rupiah)** or in a range of **Rp. 1,315,124.- (one million three hundred fifteen thousand one hundred twenty four rupiah)** to **Rp. 1,999,029.- (one million nine hundred ninety nine thousand twenty nine rupiah)** per share.

Yours truly,  
For and on Behalf of

TRUSCELCAPITAL



**Saiful M. Ruky**

*Senior Partner*

Public Valuer License No. 1.00.0076

Bapepam license No: 01/PM/STTD-P/B/2006



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## **XXII. THE COMPANY'S ARTICLES OF ASSOCIATION**

The Company's Articles of Association pursuant to the Deed No. 62 dated 18<sup>th</sup> April 2008, drawn up before Robert Purba, S.H., Notary in Jakarta, which have been approved by Minister of Law and Human Rights of the Republic of Indonesia under Decree No. AHU-20330.AH.01.02.Tahun 2008, dated 23<sup>rd</sup> April 2008 and No. AHU-21258 AH.01.02-Tahun 2008, dated 25<sup>th</sup> April 2008, as follows:

### **NAME AND DOMICILE**

#### **Article 1**

1. This limited liability company shall bear the name of **PT ADARO ENERGY Tbk** (hereinafter shall be sufficiently referred to the "**Company**"), domiciled in South Jakarta.
2. The Company may open branch or representative offices, in as well as outside the territory of the Republic of Indonesia as specified by the Board of Directors.

### **DURATION OF THE COMPANY**

#### **Article 2**

The Company shall be established for an indefinite period of time.

### **PURPOSE, OBJECTIVE AND BUSINESS ACTIVITY**

#### **Article 3**

1. The purpose and objective of this Company shall be to run business in the fields of trading, services, industry, transportation, workshop, mining and construction.
2. To attain the aforementioned objective, the Company shall perform the business activities as follows:
  - a. to act as trader, agent, purveyor, retailer, supplier, distributor, agent/ representative of domestic companies either inter-island or local and overseas companies of any kinds of merchandise including but not limited to the products of mining, energy resources, mining equipment and construction equipment, for own account or for any other party's account by means of commission, including to act as exporter and importer;
  - b. to run business in the field of services covering the services related to mining, energy resources, electricity, consultant in the field of energy, except for legal and taxation services;
  - c. to establish and run business directly or through subsidiaries in various industries relevant with mining, energy resources, electric power, and to market their products, at home and abroad.

- d. to run business in the field of land, sea, river and air transportation;
- e. to run business in the field of workshop covering care, maintenance, repair of motor vehicles, heavy equipment or any various types of engines, including to open counter for sales of motor vehicles, heavy equipment, or any various types of engines, assemblage and sales of their accessories;
- f. to run business in the field of mining;
- g. to run business in the field of power plant construction along with any business related to power plant, including any activities and services supporting the electric power.

## **CAPITAL**

### **Article 4**

1. The authorized capital of the Company shall be eight trillion Rupiah (IDR 8,000,000,000,000.-) divided into eighty billion (80,000,000,000) shares, each share having a par value of one hundred Rupiah (IDR 100.-).
2. Of the above mentioned authorized capital, an amount of twenty billion eight hundred and forty-six million six hundred and thirty-one thousand (20,846,631,000) shares having an aggregate par value of two trillion eighty-four billion six hundred and sixty-three million one hundred thousand Rupiah (IDR 2,084,663,100,000.00) has been subscribed and paid up.

One hundred percent (100%) of the par value of each aforementioned subscribed share or having an aggregate par value of two trillion eighty-four billion six hundred and sixty-three million one hundred thousand Rupiah (IDR 2,084,663,100,000.00) shall have been fully paid by relevant shareholders on the following terms:

- a. two trillion sixty-two billion four hundred and seventy-eight million Rupiah (IDR 2,062,478,000,000.00) have been fully paid in cash by the shareholders of the company, one and another as evident from deed dated the seventeenth day of December two thousand and seven (17-12-2007) number 42, drawn up before Notary Humberg Lie, Sarjana Hukum, Sarjana Ekonomi, Master of Notarial Affairs, and approved by Minister of Law and Human Rights of the Republic of Indonesia, under his Decree dated the eighteenth day of December two thousand and seven (18-12-2007) number C-07154 HT.01.04-TH.2007
- b. twenty-two billion one hundred and eighty-five million one hundred thousand Rupiah (IDR 22,185,100,000.00), by conversion of receivables to the Company, one and another as evident from deed dated the thirty-first day of January two thousand and eight (31-01-2008) number 68, drawn up before Notary Humberg Lie, Sarjana Hukum, Sarjana Ekonomi, Master of Notarial Affairs, and received and recorded in Database Sisminbakum of Ministry of Law and Human Rights of the Republic of Indonesia, as evident from a letter dated the thirty-first day of January two thousand and eight (31-01-2008) number AHU-AH.01.10-2652.

3. The unissued shares shall be issued by the Board of Directors according to the capital needs of the Company at the time, price and on conditions as stipulated by a meeting of the Board of Directors at an approval of a General Meeting of Shareholders (hereinafter shall be referred to as "RUPS") with due observance of the provisions of the Articles of Association, laws and regulations prevailing in the Republic of Indonesia and laws and regulations in the field of Capital Market in the Republic of Indonesia.
4. If shares in portfolios are to be issued by rights issue to the shareholders, all the shareholders whose names have been recorded in the Register of Shareholders on the date determined by, or based on a resolution of, RUPS with due observance of laws and regulations in the field of Capital Market in the Republic of Indonesia, shall have preemptive rights to purchase the shares to be issued (further, those rights shall also be referred to as the "**Rights**" or abbreviated to "**HMETD**"), and each of the shareholders shall obtain the HMETD according to the ratio of total shares, with the names recorded in the aforementioned Register of Shareholders by cash deposit within the period determined by or pursuant to the resolution of RUPS approving the issuance of such new shares.

HMETD can be sold and assigned to another party with due observance of the provisions of the Articles of Association and laws and regulations in the field of Capital Market in the Republic of Indonesia.

Issue of shares by rights issue shall be with prior approval of RUPS at the time and in the manner and at the price and on the conditions set by the Board of Directors based on RUPS' resolution, one another with due observance of the provisions of the Articles of Association, laws and regulations prevailing in the Republic of Indonesia and the laws and regulations in Capital Market in the Republic of Indonesia;

Regarding the decision of shares issue by the rights issue, the Board of Directors shall announce in at least one (1) daily newspaper in the Indonesian language having a national circulation in the territory of the Republic of Indonesia.

If within the period stipulated by or pursuant to the resolution of RUPS referred to above, the shareholders of the Company or the HMETD holders do not exercise the rights to purchase the shares offered to them by paying up in cash, then the Board of Directors shall have freedom to issue the shares to shareholders or HMETD holders who intend to purchase the shares in a number greater than their portion of exercised HMETD, provided, however that, provided, however, that if the number of shares to be subscribed in excess of the total HMETD portion exceeds the number of remaining shares available, such remaining number of shares should be allotted among the shareholders or HMETD holders who intend to buy more shares, respectively in proportion to the number of exercised HMETD, as such with due observance of the laws and regulations in Capital Market in the Republic of Indonesia.

If after such allotment there are still remaining shares, those remaining shares shall be issued by the Board of Directors to parties having declared their willingness to purchase the remaining shares at a price which is not lower than and subject to the requirements stipulated by RUPS approving the issue of shares one and another with due observance of provisions inserted in the Articles of Association and laws and regulations prevailing in the field of Capital Market in the Republic of Indonesia.

The provisions of paragraph 3 Article 4 above shall also mutatis mutandis be effective in case the Company issues Convertible Bonds, and or Warrants and or other similar securities, one and another with due observance of provisions of the Articles of Association and laws and regulations in the field of Capital Market in the Republic of Indonesia.

5. For the issue of shares that are still in portfolio to the holders of convertible bonds, warrants and or other securities of similar types, the Company's Board of Directors shall have the right to issue the shares without giving any right to the then existing shareholders to first buy the intended shares, one another with due observance of the provisions contained in the Articles of Association and the laws and regulations in Capital Market in the Republic of Indonesia.

The Board of Directors is also authorized to issue shares that are still in portfolio, convertible bonds, warrants and or other convertible securities, without giving HMETD to the existing shareholders, including by private placement or public offering, provided, however, that the issue of shares, convertible bonds, warrants and or other convertible securities shall be subject to a prior approval of the RUPS with due observance of the laws and regulations in Capital Market in the Republic of Indonesia.

6. The provisions contained in paragraphs 3, 4 and 5 of this article shall also mutatis mutandis be applicable in case the authorized capital is increased which is followed by any further placement of shares.

## **SHARES**

### **Article 5**

1. All the shares issued by the Company shall be registered shares and shall be issued under the owner's name as registered in the Register of Shareholders.
2. The Company shall only acknowledge one person or one legal entity as owner of one share. If a share, due to any reason, becomes property of several persons, those joint owners shall be under an obligation to appoint in writing one of them, or to appoint another person to be their joint proxy and only the appointed or authorized person shall be entitled to exercise any rights conferred by law on such a share.
3. As long as the aforementioned provision has not yet been complied with, the shareholders shall not be entitled to vote at RUPS, while the dividend payment for such a share shall be suspended.
4. Evidence of ownership shall be in the form of any share certificate or collective certificate.
5. One share certificate shall be for one share.
6. Collective certificates may be issued as evidence of ownership of two (2) or more shares by a shareholder.
7. The certificate shall at least bear:
  - a. the name and address of the shareholder;
  - b. the serial number of the share certificate;

- C. the par value of the share;
  - d. the date of issue of the share certificate;
  - e. the identity card as the one to be determined by the Board of Directors.
8. The collective certificate shall at least bear:
- a. the name and address of the shareholder;
  - b. the number of the collective certificate;
  - c. the serial number of the share certificate and number of shares;
  - d. the par value of the share;
  - e. the date of issue of the collective certificate;
  - f. the identity card as the one to be determined by the Board of Directors.
9. The share certificate and or collective certificate shall be printed subject to the laws and regulations in the field of Capital Market in the Republic of Indonesia and signed by the Board of Directors and the Board of Commissioners or the signatures shall be printed directly on the relevant share certificate and collective certificate.
10. The shares included in the Collective Custody at the Depository and Settlement Institution or at the Custodian Bank, the Company shall issue a certificate or the written confirmation to the Depository and Settlement Institution or to the Custodian Bank signed by the Board of Directors of the Company.
11. Written confirmation issued by the Company for the shares included in the Collective Custody shall at least bear:
- a. the name and address of the Depository and Settlement Institution or Custodian Bank performing Collective Custody concerned;
  - b. the date of issue of the written Confirmation;
  - c. the number of shares included in the written Confirmation;
  - d. total par value of the shares included in the written Confirmation;
  - e. provision that each share in the Collective Custody, under the same classification, shall be equivalent and exchangeable one to another;
12. Each shareholder shall, based on the law, be subject to the Articles of Association and all resolutions validly adopted in RUPS and the laws and regulations.
13. For the Company's shares listed on the Stock Exchange in Republic of Indonesia shall be subject to the laws and regulations in Capital Market in the Republic of Indonesia.

## **DUPLICATES**

### **Article 6**

1. In case a share certificate is damaged or unable to use, at the request of those having interest, the Board of Directors shall issue replacement of the share certificate after the share certificate that is damaged or unable to use is returned to the Board of Directors.
2. The share certificate as referred to in paragraph (1) shall then be destroyed and the Board of Directors shall draw up minutes thereof to report in the next RUPS.
3. In case a share certificate is lost, at a written request of the interested party, the Board of Directors shall issue its duplicate after according to the Board of Directors the loss has been sufficiently proven and with guarantees considered necessary by the Board of Directors for every specific case.
4. After the duplicates of share certificates have been issued, the original share certificates that are stated lost shall no longer be valid to the Company.
5. All expenses related to the duplicates of share certificates shall be borne by the shareholder concerned.
6. Any issue of replacement of a lost share certificate registered in Stock Exchange in the Republic of Indonesia shall be subject to the laws and regulations in Capital Market in the Republic of Indonesia and the regulations of Stock Exchange in Republic of Indonesia where the Company's shares are listed and shall be announced in the Stock Exchange where the Company's shares are listed based on the regulation of the Stock Exchange in the Republic of Indonesia where the Company's shares are listed.
7. The provision referred to in paragraph (1) until paragraph (6) of this Article shall be applicable, mutatis mutandis, to the issue of replacements for collective certificates.

## **COLLECTIVE CUSTODY**

### **Article 7**

1. Shares in the Collective Custody at the Depository and Settlement Institution shall be recorded in the Register of Shareholders in the name of the Depository and Settlement Institution for the interest of all Securities account holders at the Depository and Settlement Institution.
2. Shares in the Collective Custody at the Custodian Bank or the Securities Company recorded in the Securities account at the Depository and Settlement Institution in the name of the Custodian Bank or the Securities Company concerned for the interests of all the securities account holders at the Custodian Bank or the relevant Securities Company.
3. If the shares in the Collective Custody at the Custodian Bank are a part of the Securities portfolio of Investment Fund in the form of a Collective Investment Contract and not included in the Collective Custody with the Depository and Settlement Institution, the Company shall record the shares in the Register of Shareholders in the name of the Custodian

Bank in the interests of all owners of the Participation Unit of such Investment Fund in the form of Collective Investment Contract.

4. The Company shall issue a certificate or the written Confirmation to the Depository and Settlement Institution as referred to in paragraph 1 of this article or the Custodian Bank as referred to in paragraph 3 of this article as evidence of their recordation in the Register of Shareholders.
5. The Company shall transfer the shares in the Collective Custody recorded in the name of the Depository and Settlement Institution or the Custodian Bank for Investment Fund in the form of Collective Investment Contract in the Register of Shareholders to become the name of the party designated by the Depository and Settlement Institution or the Custodian Bank concerned.

The request for transfer by the Depository and Settlement Institution or the Custodian Bank shall be submitted in writing to the Company or the Securities Administration Bureau appointed by the Company.

6. Depository and Settlement Institution, Custodian Bank or Securities Company shall issue a recording note as confirmation to the shareholders who become the Securities account holders and as a proof of recording of any ownership of a number of shares by the relevant shareholders as recorded in the Securities account in the Collective Custody, provided, however, that the recording note as confirmation is signed in the name of the Depository and Settlement Institution or the Custodian Bank of the Securities Company organizing the Collective Custody as a proof of recording in the Securities account.
7. In the Collective Custody, each share issued by the Company of the same classification shall be equal and exchangeable one to another.
8. The Company shall reject any shares transfer registration into the Collective Custody if the share certificate is lost or damaged, unless the shareholder requesting the transfer concerned shall give adequate evidence well accepted by the Company that the party concerned is really the beneficial owner of the lost or damaged share certificate and the share certificate is actually lost or damaged.
9. The Company shall reject to register the transfer of share into the Collective Custody if the secured share is subject to an attachment based on a Court decree or is attached for the examination of a criminal case.
10. The securities account holder whose shares are recorded in the Collective Custody at the Depository and Settlement Institution, or securities sub-account holders whose shares are recorded in the securities account owned by Custodian Bank or Securities Company shall be entitled to vote in RUPS proportionate to the number of shares he owns in the securities account.
11. The securities account holder entitled to vote in RUPS shall be a party whose name is recorded as securities account holder at the Depository and Settlement Institution or whose name is recorded as the securities sub-account holder in the securities account owned by the Custodian Bank or Securities Company one (1) business day before the date of summons to RUPS.



12. The Depository and Settlement Institution, the Custodian Bank and the Securities Company shall submit a list of the securities account holders or the securities sub-account holders along with the number of the Company's shares owned by each of the securities account holder or the securities sub-account holders to the Company within one (1) business days before the date of summons to RUPS, to be listed in the Register of Shareholders specially provided in the framework of holding the relevant RUPS pursuant to the provisions specified by the laws and regulations in Capital Market in the Republic of Indonesia.
13. The Investment Manager shall have the right to be present and vote at RUPS for the shares belonging to the Collective Custody at the Custodian Bank that form a part of the securities portfolio of the Investment Fund in the form of a Collective Investment Contract and are not included in the Collective Custody at the Depository and Settlement Institution, provided that the Custodian Bank shall notify the name of the Investment Manager at the latest one (1) business days before the date of RUPS.
14. The Company shall deliver the dividend, bonus shares or other rights in connection with the ownership of shares in the Collective Custody to the Depository and Settlement Institution, and further the Depository and Settlement Institution shall deliver the dividend, share bonus or other rights to the Custodian Bank and or the Securities Company registered as account holder at the Depository and Settlement Institution to be further delivered to the Securities account holder at the Custodian Bank and or the Securities Company.
15. The Company shall deliver the dividend, bonus shares or other rights in connection with the share ownership to the Custodian Bank of the shares in the Collective Custody of the Custodian Bank which constitute a part of the portfolio of the Investment Fund in the form of Collective Investment Contract and not included in the Collective Custody at the Depository and Settlement Institution.
16. The time line of the securities account holders entitled to obtain dividends, bonus shares or other rights in connection with the share ownership in the Collective Custody shall be determined by or based on a resolution of RUPS, provided that the Custodian Bank and the Securities Company shall submit a list of Securities account holders and the number of shares of the Company owned by each Securities account holder to the Depository and Settlement Institution, that will further deliver the consolidated list to the Board of Directors of the Company at the latest one (1) business day after the date being the basis to determine the shareholders entitled to obtain dividends, bonus shares or any other rights.

## **TRANSFER OF SHARES**

### **Article 8**

1. In the event of change in the ownership of a share, the original owner registered in the Register of Shareholders shall be deemed to remain as the shareholder until the name of the new shareholder has been entered in the Register of Shareholders of the Company without prejudice to the permits from the competent authorities and with due observance of laws and regulations prevailing in the Republic of Indonesia including the laws and regulations in the field of Capital Market and provisions in the Stock Exchange of the Republic of Indonesia where the Company's shares are recorded.

2. Any transfer of shares shall be carried out based on a deed on transfer signed by the transferor and the transferee or their authorized proxies, or based on any other documents that adequately prove such transfer to the satisfaction of the Board of Directors without prejudice to the provisions in these Articles of Association.
3. The transfer deed or other documents as referred to in paragraph 2 shall be in the form as determined and or acceptable to the Board of Directors and its copy shall be conveyed to the Company, provided that the transfer document of shares listed on the Stock Exchange in the Republic of Indonesia shall comply with the laws and regulations in the field of Capital Market in the Republic of Indonesia including the regulations prevailing in the Stock Exchange in the Republic of Indonesia where the Company's shares are listed.
4. Any transfer of shares included in the Collective Custody shall be an inter-account change, from one securities account to another securities account at the Depository and Settlement Institution, Custodian Bank and Securities Company.
5. Any transfer of shares shall be allowed only if all provisions in the Articles of Associations have been complied with.
6. Any transfer of shares shall be recorded either in the relevant Register of Shareholders or in the share certificates and collective certificates.
  - The note shall be signed by the Board of Directors jointly with the Board of Commissioners or their valid proxies or by the Securities Administration Bureau appointed by the Board of Directors.
7. The Board of Directors may, in their absolute discretion by giving a reason therefor, refuse to record the transfer of shares in the Register of Shareholders if the provisions of these Articles of Association are not complied with or any of the requirements in the transfer of shares is not followed.
8. If the Board of Directors refuse to record the transfer of shares, the Board of Directors shall be under an obligation to send notice of refusal to the party who will transfer his ownership at the latest thirty (30) days after the date when the application for recordation is received by the Board of Directors, provided, however that any shares listed on the Sock Exchange in the Republic of Indonesia shall be subject to laws and regulations in the field of Capital Market in the Republic of Indonesia.
9. The Register of Shareholders shall be closed at one (1) business day before the date of advertisement containing summons to RUPS, in order to determine the names of shareholders entitled to attend the relevant meeting.
10. Any person obtaining entitlement to a share due to the death of a shareholder, or due to another reason making the ownership of a share be transferred by law, shall, by presenting written request and attaching his entitlement proof as required by the Board of Directors, be recorded as a holder of the relevant share.

The recordation can only be carried out if the Board of Directors can well accept the transfer, without prejudice to the provisions in the Articles of Association and the laws and regulations in the field of Capital Market in the Republic of Indonesia.

11. All restrictions, limitations and provisions in the Articles of Association stipulating the right to transfer the shares and recordation of the transfer of shares shall also mutatis mutandis be applicable to any transfer according to paragraph 10.

## **GENERAL MEETINGS OF SHAREHOLDERS**

### **Article 9**

1. RUPS shall over:
  - a. The annual RUPS;
  - b. Other RUPS, which shall hereinafter in these Articles of Association be referred to as extraordinary RUPS.
2. The term RUPS in these Articles of Association shall mean both, i.e. the annual RUPS and the Extraordinary RUPS, unless expressly stated otherwise.

The annual RUPS shall be held at the latest six (6) months after the expiration of a financial year.
3. At the Annual RUPS:
  - a. The Board of Directors shall submit financial statements audited by the Public Accountant registered at Bapepam & LK for approval by RUPS.
  - b. The Board of Directors shall submit an annual report on the condition and affairs of the Company for approval by RUPS;
  - c. The Board of Directors shall submit the planned appropriation of the Company's profit;
  - d. The Board of Directors shall propose to RUPS, the appointment of Public Accountant registered in Bapepam & LK as proposed by the Board of Commissioners;
  - e. Appointment of members of the Company's Board of Directors and Commissioners, if deemed necessary, shall be carried out;
  - f. The Board of Directors may propose any other matters in the Company's interest according to the provisions of the Articles of Association.
4. The approval of the annual reports and financial statements by the Annual RUPS shall mean the granting of full discharge and acquittal to the members of the Board of Directors for their management and to the members of the Board of Commissioners for the supervision exercised during the previous financial year, to the extent that the actions are reflected in the annual reports and financial statements.
5. An extraordinary RUPS may be held at any time as deemed necessary to discuss and decide the meeting agenda, with due observance of the laws and regulations and the Articles of Association.

6. Those present in the meeting shall prove their authority to attend the meeting based on the requirements specified by the Board of Directors or Board of Commissioners at the time of summons to the meeting, provided, however, that any shares listed at the Stock Exchange in the Republic of Indonesia, shall be subject to the laws and regulations in Capital Market in the Republic of Indonesia.
7. Meeting Minutes of anything discussed and resolved at RUPS shall be prepared by a Notary.  
The Minutes shall serve as valid evidence to all shareholders and any third party regarding the resolutions and proceedings of the meeting.

## **GENERAL MEETING OF SHAREHOLDERS VENUE, SUMMONS AND CHAIRMAN**

### **Article 10**

1. RUPS shall be held at the domicile of Company or at the place where the Company has its main business activities or at domicile of the Stock Exchange in the Republic of Indonesia where the Company's shares are listed.
2. At least fourteen (14) days before the delivery of summons to RUPS, the party entitled to deliver summons shall announce to the shareholders that summons to RUPS shall be served.
3. The summons to RUPS shall be served at least fourteen (14) days before the date of RUPS, without calculating the date of summons and the date of meeting.
4. The method of summons to the second and third RUPS shall be subject and refer to the provisions of the prevailing laws and regulations in the Republic of Indonesia, particularly Law Number forty (40) of two thousand and seven (2007) on Limited Liability Companies and the laws and regulations in Capital Market in the Republic of Indonesia.
5. The summons to RUPS shall insert the day, date, time, venue and agenda of the meeting, accompanied by notice that the materials to be discussed at the meeting are available at the Company's office commencing as of the date of summons through the date of meeting.  
The summons to an Annual RUPS shall also inform that the annual report referred to in article 18 paragraph 4 mentioned below has been available at the Company's office commencing as of the date of summons to the meeting and that copies of the balance sheet and profit and loss statements of the preceding financial year may be obtained from the Company at a written request of shareholders.
6. Any proposals from the shareholders shall be put into the agenda of RUPS, if:
  - a. the relevant proposals have been submitted in writing to the Board of Directors by one or more shareholders having at least ten percent (10%) of the total number of shares with valid voting rights.
  - b. the relevant proposals have been received by the Board of Directors at least seven (7) days before the summons to the relevant meeting is issued.
  - c. according to the Board of Directors, the proposals are considered to be directly related to the Company's business.

7. Any RUPS shall be presided over by President Commissioner, in the event that the President Commissioner is absent or prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over by Vice President Commissioner, in the event that the Vice President Commissioner is absent or prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over by a member of the Board of Commissioners.
8. In the event that there is none of the members of the Board of Commissioners present or he is prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over President Director.
9. In the event that the President Director is absent or is prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over by Vice President Director, in the event that the Vice President Director is absent or is prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over by one of the members of the Board of Directors.
10. In the event that none of the members of the Board of Directors is present or he is prevented from attending due to any reason whatsoever, of which impediment no evidence to any third party shall be required, RUPS shall be presided over by a person elected by and from amongst those present at RUPS.
11.
  - a. In the event that the President Commissioner and / or members of the Board of Commissioners have a conflict of interests pertaining to matters to be resolved at RUPS, RUPS shall be presided over by another member of the Board of Commissioners who has no conflict of interests.
  - b. In the event that all members of the Board of Commissioners have a conflict of interests, RUPS shall be presided over by President Director. In the event that President Director has a conflict of interests pertaining to matters to be resolved at RUPS, RUPS shall be presided over by Vice President Directors. In the event that Vice President Director has a conflict of interests pertaining to the matters to be resolved at RUPS, RUPS shall be presided over by a member of the Board of Directors who has no conflict of interests.
  - c. In the event that all members of the Board of Directors have a conflict of interests, RUPS shall be presided over by an independent shareholder appointed by shareholders present at RUPS.

## **QUORUM, VOTING RIGHTS AND RESOLUTIONS**

### **Article 11**

1.
  - a. RUPS may be held if attended by shareholders representing more than a half (1/2) of the total shares with valid voting rights issued by the Company, unless otherwise specified in these Articles of Association, or provisions of any other prevailing laws and regulations, particularly Law Number forty (40) of two thousand and

- seven (2007) on Limited Liability Companies, and the laws and regulations in Capital Market in the Republic of Indonesia.
- b. In the event that the quorum mentioned in paragraph 1.a in this article is not reached, summons to a second meeting may be served.
  - c. The second meeting is valid and may adopt binding resolutions if it is attended by shareholders having at least one third (1/3) of the total shares with valid voting rights, unless otherwise specified in these Articles of Association, or provisions of any other laws and regulations prevailing in the Republic of Indonesia, particularly Law Number forty (40) of two thousand and seven (2007) on Limited Liability Companies and the laws and regulations in Capital Market in the Republic of Indonesia.
  - d. In case the quorum of the second Meeting is not reached, the Board of Directors on behalf of the Company may submit a request to the agency authorized for the matter based on the any other provisions of the laws and regulations prevailing in the Republic of Indonesia, particularly Law Number forty (40) of two thousand and seven (2007) on Limited Liability Companies and the laws and regulations in Capital Market in the Republic of Indonesia.
2. The voting concerning a person shall be carried out by unsigned sealed ballots and concerning other matters, verbally, unless the Chairman of RUPS decides otherwise without any objection being raised from one (1) or more shareholders present at RUPS jointly representing at least ten percent (10%) of the total shares with valid voting rights, requesting written and confidential voting.
  3. A blank vote or invalid vote shall be considered nonexistent and shall not be calculated in stipulating the number of votes cast at RUPS.
  4. All resolutions shall be adopted based on deliberation for a consensus. In case the resolutions based on deliberation for a consensus are not reached, the resolutions shall be adopted based on affirmative votes of more than a half (1/2) of the total votes lawfully cast at the Meeting, unless otherwise provided for in these Articles of Association, or other provisions of laws and regulations prevailing in the Republic of Indonesia, especially Law number forty (40) of two thousand and seven (2007) regarding Limited Liability Companies and the laws and regulations in the field of Capital Market in the Republic of Indonesia. If in a tie vote, the proposals shall be deemed rejected.
  5. A shareholder may be represented by another shareholder or another person by virtue of a power of attorney.
  6. The Chairman OF RUPS shall be entitled to request that the power of attorney to represent a shareholder be shown to him at the meeting.

At a meeting, each share shall grant to its holder the right to cast one (1) vote.

Members of the Board of Directors, members of the Board of Commissioners and employees of the Company shall be allowed to act as proxies at the meetings, yet any votes they cast as proxies at the meetings shall not be calculated in the voting.

7. The shareholders may also adopt valid and binding resolutions without holding RUPS, provided that all shareholders have been notified in writing, and all shareholders have given their approval for the written proposals as evidenced by their signed consent.  
The resolutions adopted in such a manner shall have the same legal force as those lawfully adopted at RUPS.
8. Anything proposed by the shareholders during the discussion or voting in RUPS shall comply with the following conditions:
  - a. in the opinion of the meeting chairman, the matter is directly related to one of the relevant meeting agenda;
  - b. the matters are proposed by one or more shareholders who jointly possess at least ten percent (10%) of the total number of shares with valid voting rights; and
  - c. in the opinion of the Board of Directors, the proposal is considered directly related to the Company's business.

## **BOARD OF DIRECTORS**

### **Article 12**

1. The company shall be administered and managed by the Board of Directors comprising at least two (2) members of the Board of Directors with the following composition :
  - a. one President Director; and
  - b. one Vice President Director (if any); or
  - c. one (1) or more Directors;

Members of the Board of Directors may be appointed from Indonesian Nationals and or Foreign Nationals that are qualified pursuant to laws and regulations.

The nomination of members of the Board of Directors may be proposed by one (1) or more shareholders who collectively represent at least ten percent (10%) of the total number of shares with valid voting rights and such proposal has been received by the Board of Directors seven (7) days prior to the date of RUPS.

2. The members of the Board of Directors shall be appointed by RUPS for a period since the date determined in RUPS appointing them until the conclusion of the fifth RUPS after their appointment date without prejudice to the rights of RUPS to dismiss them at any time.
3. If due to any reason, the position of one or more members or the entire members of the Board of Directors is vacant, within six (6) months as of the vacancy, RUPS shall be held in order to fill the vacancy with due observance of provisions of laws and regulations and Articles of Association.

If the minimum number of the Board of Directors as regulated in paragraph 1 hereof is met, any RUPS is not required to fill the vacancy, and the vacancy may be filled in the following annual RUPS.



Any person appointed to replace any dismissed member of the Board of Directors based on paragraph 2 hereof or to fill any vacancy or any person appointed as an additional member of the existing Board of Directors shall be appointed for a period constituting the remaining term of office of any other incumbent members of the Board of Directors.

4. In the event that due to any reason whatsoever, the position of all members of the Board of Directors is vacant, the Company shall be temporarily managed by members of the Board of the Commissioners appointed by a Board of Commissioners meeting.
5. A member of the Board of Directors shall be entitled to resign from his position by submitting written notice to the Company minimally thirty (30) days before the date of his resignation.
6. The position of a member of the Board of Directors shall expire, if:
  - a. he resigns according to the provision of paragraph 5;
  - b. he does not comply with the requirements of prevailing statutory regulations anymore;
  - c. he dies;
  - d. he is dismissed based on a resolution of RUPS.

## **DUTIES AND AUTHORITY OF THE BOARD OF DIRECTORS**

### **Article 13**

1. The Board of Directors shall be entitled to represent the Company inside and outside the Court in respect of any matters and in any events, bind the Company to another party, and another party to the Company as well as take any measures either pertaining to the management or ownership, however under restrictions, that :
  - a. to borrow or lend money on behalf of the Company (not including drawdown of the Company's funds from bank);
  - b. to establish a new enterprise or participate in another company both at home and abroad.
  - c. to bind the Company as a guarantor;

-shall be with written approval from and or the relevant documents countersigned by the Board of Commissioners.
2. Any legal act to transfer, renounce rights or encumber more than fifty percent (50%) of total net assets of the Company in one financial year, either in a single transaction or several independent or related transactions shall be subject to approval from a General Meeting of Shareholders attended or represented by the shareholders having at least three fourths (3/4) of the total shares with valid voting rights and approved by at least three fourths (3/4) of the total votes lawfully cast at the Meeting.
3. To take a legal act in the form of transaction in which there is a conflict of interests between the personal economic interests of members of the Board of Directors, Board of Commissioners, or shareholders and the economic interests of the Company, the Board of



Directors requires an approval of RUPS adopted based on a majority of affirmative votes of shareholders having no conflict of interests as referred to in these Articles of Association of other prevailing provisions of laws and regulations especially Law number forty (40) of two thousand and seven (2007) regarding Limited Liability Companies, regulations on Stock Exchange of the Republic of Indonesia, where the shares are listed, including the laws and regulations in the field of Capital Market in the Republic of Indonesia.

4.
  - a. The President Director shall be entitled and competent to act for and on behalf of the Board of Directors and represent the Company.
  - b. In case the President Director is absent or prevented from attending due to any reason whatsoever, of which impediment no evidence to third parties shall be required, Vice President Director together with one (1) other members of the Board of Directors shall be entitled and competent to act for and on behalf of the Board of Directors as well as represent the Company.
  - c. In case the President Director is absent or prevented from attending due to any reason whatsoever, of which impediment no evidence to third parties shall be required, two (2) other members of the Board of Directors of the Company shall be entitled and competent to act for and on behalf of the Board of Directors as well as represent the Company.
5. Without prejudice to the Board of Directors' responsibilities, the Board of Directors shall be entitled, for any certain actions, to appoint one or more proxies on the conditions specified by the Board of Directors in a special power of attorney; the authority granted shall be exercised based on the articles of association and the laws and regulations prevailing in the Republic of Indonesia.

## **THE BOARD OF DIRECTORS MEETING**

### **Article 14**

1. Board of Directors Meetings shall be held at any time:
  - a. deemed necessary by one or more members of the Board of Directors;
  - b. at a written request from one or more members of the Board of Commissioners; or
  - c. at a written request from of one (1) or more shareholders, who jointly represent one tenth (1/10) or more of the total shares with valid voting rights.
2. Summons to a Board of Directors Meeting shall be served by a member of the Board of Directors entitled to act for and on behalf of the Board of Directors under the aforementioned provision of paragraph 4 Article 13.

If the member of the Board of Directors does not serve any summons within three (3) days since the request is submitted or since the deadline scheduled for a Board of Directors meeting has lapsed, the summons shall be served by any other member of the Board of Directors.

3. Summons to a Board of Directors Meeting shall be delivered by registered mail or by a letter personally delivered to each member of the Board of Directors against a receipt, at the latest three (3) days before the meeting, excluding the date of summons and the date of meeting.
4. The summons shall state the day, date, time venue and agenda of the meeting.
5. A Board of Directors Meeting shall be convened at the domicile of the Company or the place where the Company has its main business activities.
6. If all members of the Board of Directors are present or represented, the prior summons shall not be required and a Board of Directors Meeting may be held anywhere and shall be entitled to adopt valid and binding resolutions.
7. A Board of Directors Meeting shall be presided over by the President Director, in the event that the President Director is absent or prevented from attending, of which impediment no evidence to any third party shall be required, the Meeting shall be presided over by the Vice President Director, in the event that the Vice President Director is absent or prevented from attending, of which impediment no evidence to any third party shall be required, the Meeting shall be presided over by a member of the Board of Directors elected by and from amongst members of the Board of Directors present.
8. A member of the Board of Directors may be represented at a Board of Directors Meeting only by another member of the Board of Directors by virtue of a power of attorney.
9. A Board of Directors Meeting shall be valid and entitled to adopt binding resolutions if more than a half (1/2) of incumbent members of the Board of Directors are present or represented at the meeting.
10. Resolutions of a Board of Directors Meeting shall be adopted in deliberation for a consensus. Failing such mode, the resolution shall be adopted by voting based on affirmative votes of at least more than a half (1/2) of the total valid votes cast at the meeting.
11. In a tie vote, the Chairman shall have a casting vote.
12.
  - a. Each member of the Board of Directors present shall be entitled to cast one (1) vote and one (1) extra vote for each other member of the Board of Directors he so represents.
  - b. Voting concerning an individual shall be by unsigned folded ballots, whereas voting concerning any other matters shall be done verbally, unless otherwise determined by the Chairman, without any objection being raised by the majority votes of those present.
  - c. Blank and void votes shall be considered unlawfully cast and nonexistent and shall not be counted in determining the number of votes cast.
13. The Board of Directors may also adopt valid resolutions without convening a Board of Directors Meeting, provided that all members of the Board of Directors have been notified in writing and all members of the Board of Directors have granted their approval for the written proposals as evidenced by their signed consent.

The resolutions adopted in such a manner shall have the same legal force as the resolutions lawfully adopted at a Board of Directors Meeting.

## THE BOARD OF COMMISSIONERS

### Article 15

1. The Board of Commissioners shall comprise at least two (2) members of the Board of Commissioners with the following composition:
  - (a) one President Commissioner; and
  - (b) one Vice President Commissioner (if any); or
  - (c) one or more members of the Board of Commissioners;

2. Members of the Board of Commissioners may be appointed from Indonesian Nationals and or Foreign Nationals that are qualified pursuant to laws and regulations.

The nomination of members of the Board of Commissioners may be proposed by one (1) or more shareholders jointly representing at least ten percent (10%) of the total number of shares with valid voting rights and the proposal shall have been received by the Board of Directors seven (7) days prior to the date of RUPS.

3. The members of the Board of Commissioners shall be appointed by RUPS for a period since the date determined at RUPS appointing them until the conclusion of the fifth RUPS after their appointment date, without prejudice to the rights of RUPS to dismiss them at any time.
4. If, due to any reason, the position of a member of the Board of Commissioners is vacant, within six (6) months as of the vacancy, RUPS shall be held in order to fill the vacancy, with due observance of paragraph 2 of this Article.

Any person appointed to replace any dismissed member of the Board of Commissioners based on paragraph 3 hereof or to fill any vacancy or any person appointed as an additional member of the existing Board of Commissioners shall be appointed for a period constituting the remaining term of office of any other incumbent members of the Board of Commissioners.

If the minimum number of the Board of Commissioners as regulated in paragraph 1 hereof is met, any RUPS is not required to fill the vacancy, and the vacancy may be filled in the following annual RUPS.

5. A member of the Board of Commissioners shall be entitled to resign by rendering written notice of the intention to the Company at least thirty (30) days prior to his resignation.
6. The position of a member of the Board of Commissioners shall expire if:
  - a. he resigns according to the provision of paragraph 5;
  - b. he does not comply with the requirements of statutory regulations anymore;
  - c. he dies;
  - d. he is dismissed based on a resolution of RUPS.

## **DUTIES AND AUTHORITY OF THE BOARD OF COMMISSIONERS**

### **Article 16**

1. The Board of Commissioners shall, at any time during office hours of the Company, be entitled to enter the premises or other places used or controlled by the Company, and shall be entitled to examine all books, letters and other exhibits, examine and verify the cash position, and such other things, and shall be entitled to know all actions taken by the Board of Directors.
2. The Board of Directors and any of its members shall give explanation on all matters questioned by the Board of Commissioners.
3. The Board of Commissioners shall be obliged to temporarily manage the Company, if all members of the Board of Directors are suspended or the Company has no member of the Board of Directors. In such a case, the Board of Commissioners shall be entitled to grant temporary powers to one or more members of the Board of Commissioners for the Board of Commissioners' account.
4. In the event that there is only one member of the Board of Commissioners, all duties and authority granted to the President Commissioner or members of the Board of Commissioners under these Articles of Association shall also apply to him.

## **BOARD OF COMMISSIONERS MEETING**

### **Article 17**

- The provision as mentioned above in this Article 14 shall be applicable, mutatis mutandis, to Board of Commissioners meetings.

## **WORK PLAN, FINANCIAL YEAR AND ANNUAL REPORT**

### **Article 18**

1. The Board of Directors shall submit the work plan that also contains the Company's annual budget to the Board of Commissioners to obtain an approval, prior to commencement of the financial year.
2. The work plan as mentioned in paragraph (1) shall be submitted at the latest prior to commencement of the following financial year.
3. The Company's financial year runs from the first (1st) day of January through the thirty-first (31st) day of December. At the end of December each year, the books of the Company shall be closed.
4. At the latest four (4) months after the Company's financial year is closed, the Board of Directors shall prepare an annual report based on the provisions of the prevailing laws and

regulations, signed by all members of the Board of Directors and Board of Commissioners to be proposed to and in order to obtain an approval and ratification of the RUPS.

5. The Company shall announce the balance sheet and profit/loss statements in two (2) newspapers in the Indonesian language, one of them is of national circulation, at the latest at the end of the third month after the date of annual financial statements.

## **APPROPRIATION OF PROFIT AND DIVIDEND DISTRIBUTION**

### **Article 19**

1. The net profit of the Company in one financial year as contained in the balance sheet and profit and loss statement approved by RUPS and being a positive profit balance, shall be distributed in a manner of its appropriation as determined by RUPS.
2. The dividend can only be paid according to the Company's financial capacity based on a resolution adopted in RUPS, which resolution shall also determine the payment time and form of dividend with due observance of the regulations prevailing in Stock Exchange in the Republic of Indonesia where the shares of the Company are listed.

The dividend for one share shall be paid to the person in whose name the share is recorded in the Register of Shareholders on the business day to be stipulated by, or based on authority of RUPS in which the resolutions to distribute dividend shall be adopted.

The payment day shall be announced by the Board of Directors to all of shareholders.

Article 10 paragraph 2 shall *mutatis mutandis* be applicable to such announcement.

3. With due observance of the Company's income of the relevant financial year, of the net income as inserted in the balance sheet and profit and loss statement approved by the annual RUPS, bonuses may be distributed to members of the Board of Directors and the Board of Commissioners of the Company, of which the amount shall be determined by RUPS.
4. If the profit and loss statement in a financial year shows a loss that cannot be covered by the reserve fund, the loss shall remain recorded and entered in the profit and loss statement and in the following financial years the company shall not be considered having made profit as long as the loss recorded and entered in the profit and loss statement have not yet been fully covered.
5. The Company may divide Interim Dividends based on resolution of a Board of Directors meeting at the approval of the Board of Commissioners and such resolution shall be reported in the following annual RUPS.

## **APPROPRIATION OF RESERVE FUND**

### **Article 20**

1. The Company shall set aside a portion of its net profit for a reserve fund until the reserve fund reaching an amount of twenty percent (20%) of the Company's total subscribed and paid up capital and such reserve fund shall only be used to cover any loss that has not been covered by any other reserve fund.

2. If the amount of the reserve fund has exceeded the amount of twenty percent (20%) of the Company's total subscribed and paid up capital, RUPS may decide that the excess amount be used for the benefits of the Company.
3. The reserve fund as mentioned in paragraph (1) which has not been used to cover the loss and the total reserve fund exceeding the amount as mentioned in paragraph (2), of which appropriation has not been determined by RUPS, shall be administered in a manner deemed fit at the Board of Directors' discretion after obtaining approval from the Board of Commissioners and with due observance of laws and regulations prevailing in the Republic of Indonesia.

## **CONCLUDING PROVISIONS**

### **Article 21**

1. Unless otherwise herein provided, the Law on Limited Liability Companies and any other laws and regulations in the Republic of Indonesia including laws and regulations in the field of Capital Market in the Republic of Indonesia shall govern.
2. All matters that are not provided for or inadequately covered in these Articles of Association shall be decided in RUPS.

## **XXIII. CONDITIONS OF SUBSCRIPTION**

### **1. Share Subscription**

The subscription shall be conducted on the terms and conditions specified in this Prospectus and in the Subscription Form (FPPS). FPPS can be obtained from the Underwriters or the Selling Agents whose names are specified in Chapter XXIV of this Prospectus. The FPPS is made in five (5) copies. The subscription conducted deviating from the above conditions shall not be served.

Each subscriber shall have a Securities account in the Securities Company / Custodian Bank which has become the account holder in PT Kustodian Sentral Efek Indonesia (“KSEI”).

### **2. Eligible Subscribers**

Subscribers eligible to subscribe to shares shall be Individuals and / or Institutions / Legal Entity as regulated in Capital Markets Law, Regulation No.IX.A.7 on Allotment Manager’s Responsibility in the Framework of Securities Subscription and Allotment in Public Offering.

### **3. Number of Shares**

A minimum five hundred (500) shares must be subscribed. Subscription must be received in multiples of five hundred (500) shares.

### **4. Securities Registration in Collective Custody**

The shares offered have been registered in KSEI based on the Agreement On Registration of Equity Securities in the Collective Custody signed between the Company and KSEI.

By the shares registration in KSEI, for the shares offered shall apply the following conditions:

- a. The Company does not issue shares for this Public Offering in the form of collective share certificate, but the shares shall be distributed in an electronic form and administered through the collective custody with KSEI. The shares of the result of Public Offering will be credited into the securities account at the latest on 15<sup>th</sup> July 2008 upon receipt of confirmation of shares registration in the name of KSEI from the Company or BAE.
- b. Prior to the listing of the shares on Stock Exchange, the Subscribers shall receive a proof of share ownership in the form of Allotment Confirmation Form and after listing, written confirmation from KSEI or the Securities Company / Custodian Bank which administer these shares in the interest of the shareholders will constitute proof of ownership of shares.
- c. Any parties who intend to subscribe to shares shall appoint the Securities Company and Custodian Bank which hold securities account in KSEI to receive and keep the shares as distributed by the Company.
- d. Upon the Public Offering and listing, any shareholders who wish to have share certificates may withdraw their shares from the Collective Custody in KSEI upon the distribution of

shares for the Public Offering to the securities accounts of the Securities Company / Custodian Bank designated.

- e. The drawing shall be conducted by the Securities Company / Custodian Bank through C-Best at the investor's request.
- f. The shares drawn from the Collective Custody will be issued in the form of Jumbo Certificate no later than five (5) business days upon receipt of the request by KSEI and issued in the name of the shareholder based on the request of the Securities Company or Custodian Bank managing the shares.
- g. The transfer of shares ownership is conducted by account transfer of shares between Securities Accounts in KSEI.
- h. For shares in Collective Custody, the rights attached to the shares such as cash dividend, share dividend, bonus, pre-emptive rights, etc. shall be distributed through KSEI to be further passed on to the Account Holder in KSEI. Further the Account Holder shall distribute the rights to the Shareholders who become its customers.
- i. The right to attend and cast vote in RUPS shall be conducted by the shareholder or his proxy.
- j. Further the Company's shares that are marketable at Stock Exchange shall only be shares already kept in the Collective Custody and not in a pledged or blocked condition.
- k. The shares drawn out from KSEI's Collective Custody and which Share Collective Certificate has been issued, cannot be used for transaction settlement at stock exchange. Further information on the procedure of shares drawing may be obtained in the Underwriter or the Selling Agent at the place where the relevant FPPS is submitted.

## 5. Submission of Share Subscription

Prior to the closing of the Offering Period, the subscribers should have submitted the Subscription during the work hours stipulated by the Underwriter or the Selling Agent where the FPPS is obtained.

Each party shall only be entitled to submit one (1) form, and it is submitted by the subscriber concerned (cannot be represented) by taking the original identification card (KTP / Passport for individuals, and Articles of Association for Legal Entities) and the document of proof as the customer of Stock Exchange Member and by making the payment according to the total Subscription. Any foreign subscribers, besides providing the photocopy of valid passport shall specify on the FPPS the name and address overseas / valid legal domicile of the subscribers in complete and clearly, and to make the payment according to the total subscription.

The Selling Agent, Underwriter, Lead Managing Underwriter and the Company shall be entitled to reject any subscription, if the form is not filled in complete or if the requirements of subscription are not complied with.



## 6. Offering Period

The Offering Period will commence on 8<sup>th</sup> July 2008 at 10:00 WIB and will be closed on 10<sup>th</sup> July 2008 at 16:00 WIB. However, if the total number of shares subscribed has exceeded the number of shares offered, the Lead Managing Underwriter may, by giving prior notification to BAPEPAM & LK, shorten the Offering Period on condition that the Offering Period is not less than three (3) Workdays.

## 7. Date of Allotment

The Date of Allotment when the Lead Managing Underwriter decides the shares allotment for each Subscriber according to the prevailing condition shall be on 14<sup>th</sup> July 2008.

## 8. Special Subscription

Special Subscription at Offering Price by the Company's employees and management may be submitted directly to the Company without going through the Lead Managing Underwriter, the Underwriter or the Selling Agent during the Offering Period at the maximum number of zero point eighty seven (0.87%) of the number of shares offered to Public or of maximum ninety four million five hundred and eighty six thousand (96.586.000) shares. This portion will be subscribed by the Company's employees and management.

## 9. Terms of Payment

Payment may be made in cash, by cheque, bank transfer or bank draft in Rupiah currency and paid by the relevant subscriber (cannot be represented) by taking the original identification document and FPPS filled in complete and correctly to the Lead Managing Underwriter or the Selling Agent when the FPPS is submitted and all payments shall be credited into the account of the Lead Managing Underwriter in:

**PT Bank Mega Tbk.  
Kebon Jeruk Branch  
Jakarta  
In the name: PT DANATAMA MAKMUR  
Account No.: 01.018.0011.000199**

For any payment which are made through cheques, the cheques shall be registered/ owned in the name of the party submitting (signing) the subscription form (any cheques owned by / in the name of any third party is not acceptable as payment) and should have been "in good fund" on 10<sup>th</sup> July 2008, provided, however, that the payment of Shares subscription by international investors shall be made no later than two (2) workdays after the Date of Allotment.

All bank's fees and transfer fee in connection with the payment shall be borne by the Subscriber. All related checks and drafts shall be cashed/ liquidated upon receipt. If at the time of clearing, the checks or bank drafts are refused by the drawee bank, the relevant Subscription shall be automatically cancelled. Any payment of special Subscription shall be made directly to the

Company. For payment by account transfer from other bank, the subscriber shall attach the photocopy of Transfer Operations (LLG) from the relevant bank and specify the FPPS / DPPS No.

## **10. Receipt**

The Underwriter and the Selling Agent receiving the submitted FPPS shall return to the subscriber, the fifth (5<sup>th</sup>) copy of FPPS or one (1) photocopy of FPPS signed (original signature) as the Receipt of Subscription. The Receipt of Subscription is not a guarantee for fulfillment of subscription and shall be kept properly for submission upon refund and / or upon receiving the Allotment Confirmation Form (FKP) on the subscription. For special share subscribers, the Receipt of Subscription shall be given directly by the Company.

## **11. Share Allotment**

The allotment shall be implemented by the Lead Managing Underwriter as the Allotment Manager based on Regulation Number IX.A.7. The Allotment Manager may determine the percentage and the parties who will receive the fixed allotment in the Public Offering. In this Public Offering, fixed allotment is limited to the maximum number of ninety-eight percent (98)% of the number of shares offered, and the remaining two percent (2)% will be subject to pooling.

### **i. Fixed Allotment**

In this Public Offering, Fixed Allotment is limited up to the maximum number of ninety-eight percent (98 %) of the number of shares offered.

In case of Allotment on a Public Offering is conducted by using Fixed Allotment system, such allotment may only be conducted, if meeting the following conditions:

- a. The Allotment Manager may decide the percentage of the parties who will receive the fixed allotment in the Public Offering;
- b. In case of oversubscription in the Public Offering, the Underwriter, the Securities Selling Agent or the parties affiliated to them shall not be allowed to buy or hold the shares for their own account; and
- c. In case of shortage of purchase request in the Public Offering, the Underwriter, the Securities Selling Agent or the parties affiliated to them shall not be allowed to sell the shares purchased or will be purchases by them based on the Underwriting contract, except through the Stock Exchange, if it has been disclosed in the Prospectus that the shares will be listed on the Stock Exchange.

For the fixed allotment, the Allotment Manager has allotted the following:

- Two billion six hundred ninety-one million three hundred and sixty four thousand (2,691,364,000) shares or twenty-four point sixteen percent (24.16%) of the number of shares offered to Public are allotted to Adcorp Holdings.

Adcorp Holdings established under the law of Cayman Islands, and having domiciled in Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9002 Cayman Islands.

- Two billion five hundred and forty-one million five hundred and twenty-three thousand (2,541,523,000) shares or twenty-two point eighty two percent (22.82%) of the number of shares offered to Public are allotted for various domestic institutional investors, including mutual funds, such as mutual funds of: PT Schroder Investment Management Indonesia; PT Samuel Assets Management; PT Lautandhana Assets Management; Mutual Fund of Simas; Pratama Capital, etc; and Assets management, insurance and pension fund and various individual customers. i.e. PT Schroder Investment Management Indonesia; PT Samuel Assets Management; PT Lautandhana Assets Management; Mutual Fund of Simas; Pratama Capital, etc; and Assets management, insurance and pension fund and various individual customers.

- One billion eight hundred and thirty-five million twenty-one thousand five hundred (1,835,021,500) shares or sixteen point forty-seven percent (16.47%) of the number of shares offered to Public are allotted to Atticus Investment Pte. Ltd.

Atticus Investment Pte. Ltd having domiciled in 1 Kim Seng Promenade, #07-01 Great World City, Singapore 237994.

- One billion three hundred and forty-five million six hundred and eighty-two thousand (1,345,682,000) shares or twelve point zero eight percent (12.08%) of the number of shares offered to Public are allotted to Salween Investment Pte. Ltd.

Salween Investment Pte Ltd having domiciled in 168 Robinson Road, #37-01 Capital Tower, Singapore 068912.

- One billion seven million four hundred and sixty-seven thousand (1,007,467,000) shares or nine point zero four percent (9.04%) of the number of shares offered to Public are allotted to Goldman Sachs Strategic Investment (Asia) L.L.C.

Goldman Sachs Strategic Investment (Asia) L. L. C established under the law of Delaware and having domiciled in Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA.

- Four hundred and eighty-nine million three hundred and thirty-nine thousand (489,339,000) shares or four point thirty-nine percent (4.39%) of the number of shares offered to Public are allotted to Citigroup Global Market Limited.

Citigroup Global Market Limited established under the law of United Kingdom and having domiciled in 33 Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

- Four hundred and eighty-nine million three hundred and thirty-nine thousand (489,339,000) shares or four point thirty-nine percent (4.39%) of the number of shares offered to Public are allotted to Jade Dragon (Mauritius) Limited.

Jade Dragon (Mauritius) Limited established under the law of Mauritius and having domiciled in Level 3, Alexander House, 35, Cybercity, Eben, Mauritius.

- Three hundred and thirty-five million eight hundred and twenty-two thousand five hundred (335,822,500) shares or three point zero one percent (3.01%) of the number of shares offered to Public are allotted to Citigroup Financial Products Inc.

Citigroup Financial Products Inc established under the law of United States and having domiciled in 1209 Orange Street, Wilmington, Delaware, Country of Newcastle 19081 USA.

- Ninety-six million five hundred and eighty-six thousand (96,586,000) or maximally zero point eighty-seven percent (0.87%) of the number of shares offered to Public are allotted to ESA program.
- Eighty-four million four hundred thousand (84,400,000) shares or zero point seventy-six percent (0.76%) of the number of shares offered to Public are allotted to Dubai Ventures Limited.

Dubai Ventures Limited established under the law of Cayman Islands and having domiciled in Boundary Hall w Cricket Square, PO Box 1111, Grand Cayman KY1-1102, CAYMAN ISLANDS.

Besides the fixed allotment provided under ESA program, other parties receiving the fixed allotment as mentioned above are not affiliated to the Company and Lead Managing Underwriter.

**ii. Pooling**

If the number of shares subscribed exceeds the number of shares offered, after having met the conditions on fixed allotment, the Lead Managing Underwriter as the Allotment Manager shall perform the allotment procedure as follows:

- a. If having excluded the Share Subscribers from the Affiliated Parties (subscribers who are directors, commissioners, employees or parties having twenty percent (20%) or more of a securities company acting as the Underwriter or Selling Agent or any other parties affiliated to all intended parties, in connection with the Public Offering) and there are remaining shares with the same number or higher number than the total Subscription, the non-exclusive subscribers shall receive the total Subscription.
- b. If having excluded the Share Subscribers from the Affiliated parties, there are remaining Shares of the number smaller than the total subscription, the allotment to the non-exclusive subscribers shall comply with the following conditions:
  - i. Priority may be given to subscribers who are the Company's employees to the maximum number at ten percent (10%) of the number of Public Offering.
  - ii. Any non-exclusive Subscribers shall receive a lot in the Stock Exchange, if an adequate lot is available. In case the number is inadequate, the available lot shall be divided by lot. The number of shares included in the lot shall be the biggest full lots stipulated by the Stock Exchange, where the shares will be listed.

- iii. If there are remaining Shares, then after one lot has been distributed to the subscribers, the allotment shall be conducted proportionally in the lot subject to the total subscription by the subscribers.

**iii. Allotment to Affiliated Parties**

If the subscribers being the Company's employees and the subscribers who are not affiliated (non-exclusive subscribers) have received the full allotment and there are still remaining Shares, such remaining Shares shall be distributed proportionally to the affiliated subscribers.

**12. Cancellation / Expiration of Public Offering**

This Underwriting Agreement shall automatically expire if:

- (i) all rights and obligations of the parties have been met based on Underwriting Agreement;
- (ii) statement of registration does not become Effective by 31<sup>st</sup> July 2008;
- (iii) statement of registration to become Effective is obtained from Bapepam & LK, however it is provided conditionally, the conditions are fairly unacceptable to the Company and/or Lead Managing Underwriter;
- (iv) shares listing on Stock Exchange is refused for the reason other than the fault of the Company and/or Lead Managing Underwriter, which refusal is unable to remedy within the period of ten (10) Exchange Days since the Statement of Registration becomes Effective;
- (v) if at the time designated in the Underwriting Agreement, no agreement is reached between the Company and the Lead Managing Underwriter in connection with the Offer Price and the number of Shares Offered.

The Underwriting Agreement may be terminated at any time until 1 Business Day prior to the Allotment Date by the Lead Managing Underwriter by prior written notification to the Company, Bapepam & LK and other related parties for the reasons:

- (i) The Company fails or neglects to perform the material obligations as regulated in the Underwriting Agreement and such failure is not remedied by the Company within a proper time as specified in the written notification to the Lead Managing Underwriter regarding such failure or negligence; or
- (ii) there is a material adverse change which materially affects the Company's financial condition, which in the fair opinion of the Underwriter will materially reduce the Issue quality and the investment by Public on the Shares Offered.

If after the Effective Statement of Registration commences but before the closing of Public Offering, the Underwriting Agreement may be terminated by the Company by the Company's prior written notification to the Lead Managing Underwriter, if the Lead Managing Underwriter for any reason whatsoever fails or neglects to perform its obligations in the Underwriting Agreement and is

unable to make the remedy thereof within a proper time as specified in the Company's written notification to the Lead Managing Underwriter.

If during the Offer Period, but before the closing of Offer Period, an action is taken by the Government of Indonesia and/or Bank Indonesia and/or Bapepam & LK and/or Stock Exchange or there is a material adverse change which materially harms the financial, legal, political or economic condition of Indonesia, or capital market in Indonesia, or for 5 Exchange Days consecutively, the Composite Index at the Stock Exchange decreases to 10%, to be regulated further in the Addendum to the Underwriting Agreement, or any events beyond the control of the parties (Force Majeure), including but not limited to natural disasters, earthquake, war, riot, fire, and strike which, based on the fair opinion of the Lead Managing Underwriter and the Company, will directly and materially reduce the issue quality and investment by Public On the Shares Offered, the Lead Managing Underwriter and the Company shall have the right to terminate or end the Underwriting Agreement by giving prior written notification to Bapepam & LK and all related parties with regard to the termination or end of the Underwriting Agreement.

The termination of the Underwriting Agreement shall apply without requiring any judgment and/or order of a District Court and the parties to the Underwriting Agreement hereby waive the provisions of Article 1266 of the Civil Code.

In case of termination of the Underwriting Agreement, unless for reason that all rights and obligations of the parties have been met, the parties to the Underwriting Agreement shall notify Bapepam & LK in writing.

### **13. Subscription Refund**

For any Subscription rejected in whole or in part, or in case of cancellation of this Public Offering, the refund in Rupiah currency shall be conducted by the Underwriters or the Selling Agents where the relevant FPPS is submitted. The refund shall be made no later than two (2) business days after the Date of Allotment or the date of announcement of Public Offering cancellation.

If the refund is conducted in two (2) Workdays after the last date of allotment or the date of Public Offering cancellation, the refund shall not be provided with interest payment. The refund shall be provided with the interest calculated from the third workday after the last date of allotment or the cancellation date at two percent (2%) of the interest rate of Bank Indonesia's Certificate per annum calculated pro rata for each day of delay, unless the delay is caused by the subscriber's failure in claiming the refund until the fourth Workday after the Allotment Date or the fourth Workday after the date of announcement of the Public Offering cancellation.

The refund may only be claimed by the subscriber concerned directly by showing the identification document and presenting the Receipt of Subscription to the Underwriter and the Selling Agent where the relevant FPPS is submitted from the date of refund of Subscription Fund. The refund by check or *bilyet giro* [transfer bill] shall be given in the name of the party submitting the subscription. For any Special Subscription, the refund shall be regulated and conducted directly by the Company.

**14. Submission of Subscription Confirmation Form**

The distribution of shares into the securities account where the FPPS is submitted shall be conducted no later than two (2) Workdays after the allotment date. The Allotment Confirmation Form on the shares distribution may be taken by presenting the Receipt of Subscription.

**15. Miscellaneous**

The Lead Managing Underwriter and the Issuer shall have the right to accept or reject any subscription in whole or in part, by attempting to grant as much as possible valid subscription in small number or at least one lot. If in the opinion of each Underwriter, there are double subscriptions, either conducted directly or indirectly by the same subscriber, the Underwriter shall annul such subscription.

The Lead Managing Underwriter, the Selling Agents and affiliated parties shall not buy or own the shares for their own account, in case of surplus of demand for purchase. The affiliated parties shall only be allowed to buy and own the shares, if there are shares remaining unsubscribed by the affiliated parties, either foreign or national. The procedure of allotment shall be conducted proportionally. All parties shall not be allowed to transfer the shares before the shares are listed on Stock Exchange.

In case of shortage of demand for purchase in the Public Offering, the Lead Managing Underwriter, the Securities Selling Agents or parties affiliated to them shall not be allowed to sell the securities purchased or will be purchased based on the Underwriting Contract, unless through the Stock Exchange if it has been disclosed in the Prospectus that the securities will be listed on the Stock Exchange.

## XXIV. DISTRIBUTION OF PROSPECTUS AND SUBSCRIPTION FORM

The prospectus and Subscription Form can be obtained in the office of the Lead Managing Underwriter and the Underwriters and the Selling Agents appointed, namely stockbrokers registered as members of the Stock Exchange in Indonesia. The Lead Managing Underwriter, the Underwriters and the Selling Agents are as follows:

### LEAD MANAGING UNDERWRITER:

#### PT DANATAMA MAKMUR

Danatama Square  
 Jl. Mega Kuningan Block C-6/ Kav. 12  
 Kawasan Mega Kuningan  
 Jakarta 12950, Indonesia  
 Telephone: +62 (21) 5797 4288 (G)  
 Facsimile: +62 (21) 5797 4280

### UNDERWRITERS:

<p><b>PT Amcapital Indonesia</b>            Wisma GKBI Fl.5 Suite 501            Jl. Jend Sudirman No.28. Jakarta            10210            Tel.: +62 (21) 5742310            Fax.: +62 (21) 5713706</p>	<p><b>PT Andalan Artha Advisindo            Sekuritas</b>            Artha Graha Building Fl.26            Jl. Jend Sudirman Kav.52-53.            Jakarta 12190            Tel. : +62 (21) 5152640            Fax.: +62 (21) 5152266</p>	<p><b>PT Antaboga Delta            Sekuritas</b>            Jl. Wolter Monginsidi No.88L            Tel.: +62 (21) 72787631            Fax.: +62 (21) 72787632</p>	<p><b>PT Asia Kapitalindo            Securities</b>            Menara Imperium Fl.12            Jl. KH Mas Mansyur Kav.126.            Jakarta 10220            Tel.: +62(21)5724770            Fax.: +62 (21) 5724772</p>
<p><b>PT Bahana Securities</b>            Menara Imperium Fl.19 Suite A            Metropolitan Kuningan            Superblock Jl. HR Rasuna Said            Kav.1. Jakarta 12980            Tel.: +62 (21) 8356151            Fax.: +62 (21) 8356160</p>	<p><b>PT Bapindo Bumi Sekuritas</b>            Citra Graha Building Fl.6            Jl. Jend Gatot Subroto Kav.35-            36. Jakarta 12950            Tel.: +62 (21) 52900757            Fax.: +62 (21) 52900758</p>	<p><b>PT Bumiputera Capital            Indonesia</b>            Wisma Bumiputera Fl.17            Jl. Jend Sudirman Kav.75            Jakarta 12910            Tel.: +62 (21) 52960155            Fax.: +62 (21) 52960148</p>	<p><b>PT CIMB GK Securities            Indonesia</b>            The Jakarta Stock Exchange            Building Tower II Fl.20            Jl. Jend Sudirman Kav.52-53.            Jakarta 12190            Tel.: +62 (21) 5151330            Fax.: +62 (21) 5151335</p>
<p><b>PT Ciptadana Securities</b>            Citra Graha Building Fl.8            Jl. Jend Gatot Subroto Kav.35-36.            Jakarta 12950            Tel.: +62 (21) 5232500            Fax.: +62 (21) 52900360</p>	<p><b>PT Citi Pasific Securities</b>            Plaza BII Tower III Fl. 11            Jl. MH Thamrin No.51. Jakarta            10350            Tel.: +62 (21) 39834668            Fax.: +62 (21) 39834670</p>	<p><b>PT Danasakti Securities</b>            Jl. Tanah Abang III No.6.            Jakarta 10160            Tel.: +62 (21) 2312345            Fax.: +62 (21) 2314880</p>	<p><b>PT Danpac Sekuritas</b>            Panin Bank Centre Fl.12            Jl. Jend Sudirman. Senayan            Jakarta 10270            Tel.: +62 (21) 7201010            Fax.: +62 (21) 7208729</p>
<p><b>PT Dhanawibawa Securities</b>            Jakarta Stock Exchange Building            Tower 1 Suite 1504            Jl. Jend Sudirman Kav.52-53.            Jakarta 12190            Tel.: +62 (21) 5151678            Fax.: +62 (21) 5151226</p>	<p><b>PT Dinamika Usaha Jaya</b>            Jl. KS Tubun II/15. West Jakarta            11410            Tel.: +62 (21) 5325212            Fax.: +62 (21) 5330991</p>	<p><b>PT E-capital Securities</b>            Menara Batavia Fl.23            Jl. KH Mas Mansyur Kav.126.            Jakarta 10220            Tel.: +62 (21) 57930078            Fax.: +62 (21) 57930079</p>	<p><b>PT Equity Securities            Indonesia</b>            Wisma Sudirman Fl.14            Jl. Jend Sudirman Kav.34.            Jakarta 10220            Tel.: +62 (21) 5700738            Fax.: +62 (21) 5703379</p>



<p><b>PT HD Capital</b> Sonatopas Tower Fl.7 Jl. Jend Sudirman Kav.26. Jakarta 12920 Tel.: +62 (21) 2506675 Fax.: +62 (21) 2506645</p>	<p><b>PT Henan Putihrai</b> Wisma Tamara Fl. 5&amp;7 Jl. Jend Sudirman Kav.24. Jakarta 12920 Tel.: +62 (21) 5206464 Fax.: +62 (21) 5206795</p>	<p><b>PT Indomitra Securities</b> Gedung Wirausaha Fl.4 Jl. HR Rasuna Said Kav.C-5. Jakarta 12940 Tel.: +62 (21) 5229073 Fax.: +62 (21) 529081</p>	<p><b>PT Intifikasa Securindo</b> Menara Batavia Fl.23 Jl. KH Mas Mansyur Kav.125- 126. Jakarta 10220 Tel.: +62 (21) 57930080 Fax.: +62 (21) 57930090</p>
<p><b>PT Kim Eng Securities</b> Deutsche Bank Building Fl.9 Jl. Imam Bonjol Jakarta 10310 Tel.: +62 (21) 39831360 Fax.: +62 (21) 39831361</p>	<p><b>PT Kresna Graha Sekurrindo</b> Indonesia Stock Exchange Building Tower 1 Fl.30 Jl. Jend Sudirman Kav.52-53. Jakarta 12190 Tel.: +62 (21) 5152889 Fax.: +62 (21) 5155280</p>	<p><b>PT Lautandhana Securindo</b> Wisma Kyoei Prince Fl.15 Jl. Jend Sudirman Kav.3. Jakarta 10220 Tel.: +62 (21) 57851818 Fax.: +62 (21) 57851637</p>	<p><b>PT Madani Securities</b> Perkantoran Taman A-9 Unit B Fl.2-3 Jl. Mega Kuningan - HR Rasuna Said Jakarta 12950 Tel.: +62 (21) 5761183 Fax.: +62 (21) 5762263</p>
<p><b>PT Mahanusa Securities</b> Menara Sudirman Fl.19 Jl. Jend Sudirman Kav.60. Jakarta 12190 Tel.: +62 (21) 5226668 Fax.: +62 (21) 5226669</p>	<p><b>PT Makindo Securities</b> Wisma GKBI Fl.8 Jl. Jend Sudirman Kav.28. Jakarta 10210 Tel.: +62 (21) 5722738 Fax.: +62 (21) 5722751</p>	<p><b>PT Makinta Securities</b> Plaza Asia formerly Plaza ABDA Fl.23 Jl. Jend Sudirman Kav.59. Jakarta 12190 Tel.: +62 (21) 51401133 Fax.: +62 (21) 51401599</p>	<p><b>PT Masindo Artha Securities</b> Summitmas II Fl.6 Jl. Jend Sudirman Kav.61-63. Jakarta 12190 Tel.: +62 (21) 2526530 Fax.: +62 (21) 2526531</p>
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<p><b>PT Panca Global Securities</b> Jakarta Stock Exchange Building Tower 1 Suite 1706A Jl. Jend Sudirman Kav.52-53. Jakarta 12190 Tel.: +62 (21) 5155456 Fax.: +62 (21) 5155466</p>	<p><b>PT Panin Sekuritas</b> Indonesia Stock Exchange Building Tower II Suite 1705 Jl. Jend Sudirman Kav.52-53. Jakarta 12190 Tel.: +62 (21) 5153055 Fax.: +62 (21) 5153061</p>	<p><b>PT Phillip Securities Indonesia</b> Wisma Standard Chartered Bank . Level 23B Jl. Jend Sudirman Kav.33A. Jakarta 10220 Tel.: +62 (21) 57900800 Fax.: +62 (21) 57900809</p>	<p><b>PT Pratama Capital Indonesia</b> Bapindo Plaza. Citibank Tower Fl.20 Jl Jend Sudirman Kav.54-55. Jakarta 12190 Tel.: +62 (21) 5275636 Fax.: +62 (21) 5275576</p>
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