Jimmy Budhi & Rekan

Registered Public Accountants

PT DARMA HENWA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
AND
REPORT OF INDEPENDENT AUDITORS

Praxity MEMBER

GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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Darma Henwa
integrated mining services

BOARD OF DIRECTORS' STATEMENT LETTER
REGARDING THE RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS 31 DECEMBER 2007 AND 2006
PT DARMA HENWA Tbk AND SUBSIDIARIES

We, the undersigned:

1.	Name	: Abdurachman Kunwibowo
	Office Address	: Menara Anugrah Kantor Taman E.3.3., lt. 11 & 12 Jl. Mega Kuningan Lot 8.6 – 8.7 Kawasan Mega Kuningan, Jakarta 12950
	Domicile (as stated on ID)	: Jl. Sampit I No. 58, Kebayoran Baru Jakarta Selatan Kelurahan Keramat Pela
	Phone	: (021) 5794-8830 / 5794-8838
	Position	: President Director
2.	Name	: Gani Bustan
	Office Address	: Menara Anugrah Kantor Taman E.3.3., lt. 11 & 12 Jl. Mega Kuningan Lot 8.6 – 8.7 Kawasan Mega Kuningan, Jakarta 12950
	Domicile (as stated on ID)	: Jl. Gunung Sahari II / 70 L RT 012 / RW 003 Kel. Gunung Sahari Utara Kec. Sawah Besar Jakarta Pusat
	Phone	: (021) 5794-8830 / 5794-8838
	Position	: Director

state that:

1. We are responsible for the preparation and the presentation of the financial statements of the Company;
2. The financial statements of the Company have been prepared and presented in accordance with accounting principles generaly accepted in Indonesia;
3. a. All information contained in the financial statements of the Company has been disclosed in a complete and truthful manner;
   b. The financial statements of the Company do not contain any incorrect information or material facts, nor do they omit information or material facts.
4. We are responsible for the Company internal control system.

We certify the accuracy of this statement.

Jakarta, 27 March 2008

ENAM RIBU RUPIAH 6000 Tgl. METERAI TEMPEL

Abdurachman Kunwibowo
President Director

Gani Bustan
Director

Jimmy Budhi & Rekan
Registered Public Accountants

License Number: No. KEP-315/KM.6/2004 dated July 27, 2004
Jl. Sisingamangaraja No. 26, 2nd Floor, Jakarta Selatan 12120 - Indonesia • T 62 21 720 2605 • F 62 21 72788954 • E audit@kapjimmybudhi.com • W www.kapjimmybudhi.com

Independent Auditors' Report

Report No. 034/2008

The Board of Directors and the Stockholders
PT Darma Henwa Tbk and Subsidiaries

We have audited the accompanying consolidated balance sheets of PT Darma Henwa Tbk (formerly PT HWE Indonesia) and Subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years ended December 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the 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 audits to obtain reasonable assurance about 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for the years ended December 31, 2007 and 2006, in conformity with accounting principles generally accepted in Indonesia.

JIMMY BUDHI & REKAN
Registered Public Accountants

Jimmy S. Budhi
License No. 03.1.0835

March 27, 2008

NOTICE TO READERS

The accompanying consolidated financial statements are intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PT DARMA HENWA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(Figures in table are expressed in United States Dollar, unless otherwise stated)

A S S E T S

	Notes	2007	2006
CURRENT ASSETS			
Cash and cash equivalents	2d,2r,3	88,325,880	11,121,909
Trade receivables - third parties	2e,4	18,719,407	21,416,704
Inventories	2g,5	32,190,290	6,782,692
Prepaid taxes	2q,19a	47,872,534	37,217,978
Restricted cash in banks	2d,6,18	13,813,861	13,824,796
Prepayments and other current assets	2f,7	26,551,547	11,770,082
Total Current Assets		227,473,519	102,134,161
NON-CURRENT ASSETS			
Due from related parties	2m,20	104,528	136,481
Deferred financing cost	8	-	5,142,857
Deferred construction cost	2h,9	-	4,146,810
Investment in associates	2i,10	546,241	-
Fixed assets - net of accumulated depreciation US$ 61,047,341 in 2007 and US$ 35,511,187 in 2006	2j,11	161,610,780	145,047,802
Deferred cost of contract acquisition - net of accumulated amortization US$ 18,367,431 in 2007	2k,12	161,370,072	-
Deferred development cost	2w,13	8,022,739	-
Total Non-Current Assets		331,654,360	154,473,950
TOTAL ASSETS		559,127,879	256,608,111

The accompanying Notes to Consolidated Financial Statements form an integral part of these consolidated financial statements.

PT DARMA HENWA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2007 AND 2006
(Figures in table are expressed in United States Dollar, unless otherwise stated)

LIABILITIES AND STOCKHOLDERS' EQUITY

	Notes	2007	2006
CURRENT LIABILITIES			
Trade payables	2r,14	16,736,099	22,974,129
Accrued expenses	2y,15	17,430,131	10,532,177
Taxes payable	2q,19b	602,162	115,031
Advances from customer	17,29a	-	1,573,347
Current maturities of long-term loans	18	97,830,000	50,000,000
Due to related parties	2m,20	-	45,629,947
Other payables	16	-	8,000,000
Total Current Liabilities		132,598,392	138,824,631
NON-CURRENT LIABILITIES			
Employee benefits obligation	2n,25	1,606,200	819,504
Long-term loans - net of current maturities	18	164,669,558	70,000,000
Due to related parties	2m,20	776,708	-
Deferred tax liabilities - net	2q,19d	6,581,557	3,261,009
Total Non-Current Liabilities		173,634,023	74,080,513
Total Liabilities		306,232,415	212,905,144
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES		174,455	173,950
STOCKHOLDERS' EQUITY			
Capital stock - par value Rp 100 in 2007 and Rp 10,000,000 in 2006 Authorized - 40,000,000,000 shares in 2007 and 100,000 shares in 2006 Issued and fully paid - 15,223,750,000 shares in 2007 and 36,250 shares in 2006	21	170,550,000	41,675,000
Additional paid-in capital	2o,21	71,606,356	-
Translation adjustments	2b	-	(30,231)
Retained earnings		10,564,653	1,884,248
Total Stockholders' Equity		252,721,009	43,529,017
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		559,127,879	256,608,111

The accompanying Notes to Consolidated Financial Statements form an integral part of these consolidated financial statements.

PT DARMA HENWA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Figures in table are expressed in United States Dollar, unless otherwise stated)

	Notes	2007	2006
REVENUE	2p,22	225,957,408	170,628,788
OPERATING EXPENSES	2p,23	180,131,241	150,924,003
OPERATING INCOME		45,826,167	19,704,785
OTHER EXPENSES (INCOME) - NET	2p		
Financial expense	24	27,420,376	12,866,509
Arrangement fee	18	4,286,431	2,505,737
Taxes	19	1,924,122	-
Foreign exchange loss - net	2r	536,398	824,212
Gain on disposal of fixed assets		(19,525)	(418,007)
Others		(322,543)	-
Other expenses - net		33,825,259	15,778,451
INCOME BEFORE PROVISION FOR INCOME TAX	19c	12,000,908	3,926,334
PROVISION FOR INCOME TAX			
Deferred	2q,19d	(3,320,548)	(1,075,465)
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		8,680,360	2,850,869
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES	2b	45	15,662
NET INCOME		8,680,405	2,866,531
BASIC EARNINGS PER SHARE			
(per 1,000 shares in 2007)	2t,27	0.92	84.24

The accompanying Notes to Consolidated Financial Statements form an integral part of these consolidated financial statements.

PT DARMA HENWA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
(Figures in table are expressed in United States Dollar, unless otherwise stated)

	Notes	Issued and Fully Paid-In Capital	Additional Paid-in Capital	Translation Adjustments	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance as of January 1, 2006		4,675,000	37,000,000	(66,839)	(982,283)	40,625,878
Translation adjustments	2b	-	-	36,608	-	36,608
Paid-in capital	21	37,000,000	(37,000,000)	-	-	-
Net income for the year 2006		-	-	-	2,866,531	2,866,531
Balance as of December 31, 2006		41,675,000	-	(30,231)	1,884,248	43,529,017
Translation adjustments	2b	-	-	30,231	-	30,231
Paid-in capital	21	128,875,000	-	-	-	128,875,000
Additional paid-in capital	21	-	71,606,356	-	-	71,606,356
Net income for the year 2007		-	-	-	8,680,405	8,680,405
Balance as of December 31, 2007		170,550,000	71,606,356	-	10,564,653	252,721,009

The accompanying Notes to Consolidated Financial Statements form an integral part of these consolidated financial statements.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Collection from customers	228,654,705	177,337,683
Proceeds from tax and government claims	8,672,288	4,357,970
Proceeds from bank interest	1,692,406	712,816
Payment to suppliers and subcontractors	(167,518,820)	(119,854,151)
Payment of interest	(26,673,865)	(10,379,530)
Payment to employees	(14,117,245)	(10,545,873)
Payment of taxes	(8,796,489)	(1,056,475)
Payment of Arrangement fee	(4,286,431)	(2,505,737)
Net Cash Flows Provided from Operating Activities	17,626,549	38,066,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	44,201	1,073,553
Decrease (increase) of restricted cash in banks	10,935	(13,036,919)
Deferred cost of contract acquisition	(179,737,503)	-
Purchase of fixed assets	(42,233,820)	(4,475,091)
Deferred development cost	(8,022,739)	-
Investment in associate	(371,241)	-
Net Cash Flows Used in Investing Activities	(230,310,167)	(16,438,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	315,773,079	-
Additional paid in capital	200,481,356	-
Repayment of loan	(226,304,389)	(37,000,000)
Net Cash Flows Provided from (Used in) Financing Activities	289,950,046	(37,000,000)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	(42,845)	(39,968)

(Figures in table are expressed in United States Dollar, unless otherwise stated)

	2007	2006
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	77,223,583	(15,411,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,121,909	26,533,631
Cash in bank from the deconsolidated subsidiary	(19,612)	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	88,325,880	11,121,909
Additional non-cash information :		
Capitalization of loan expense into fixed assets	13,645,593	-
Sale of fixed assets on credit	2,122,824	3,184,236

(Figures in table are expressed in United States Dollar, unless otherwise stated)

1. GENERAL

a. *Establishment and General Information*

PT Darma Henwa Tbk (the "Company"), was incorporated on October 8, 1991, based on Notarial Deed No. 54 of Sp. Henny Shidik S.H., within the framework of Foreign Capital Investment Law No. 1/1967 of the Republic of Indonesia formerly PT HWE Indonesia. The Company's Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia in his decision letter No. C2-6334.HT.01.01.TH.93 dated July 19, 1993 and published in the State Gazette No. 1346 dated February 14, 1995.

The Company started its operation in 1993. The Company's scope of activities consists of contract mining activities, civil engineering and equipment rental. The Company's head office is located at Menara Anugrah Kantor Taman E.3.3, 11th & 12th floor Jl. Mega Kuningan Lot 8.6 - 8.7, Kawasan Mega Kuningan, Jakarta 12950 and its primary field office is located in Bengalon, East Kalimantan.

The Company obtained its status as a foreign capital investment company based on the Capital Investment Coordinating Board's (BKPM) Decision Letter No. 41/V/PMA/1996 dated May 15, 1996.

On September 5, 2005, the Company's Articles of Association have recently been amended with regards to the change of the Company's name from PT HWE Indonesia to PT Darma Henwa, under Notarial Deed No. 3 of Notary Public B.R.A.Y. Mala Mukti, S.H., The Minister of Law and Human Rights of the Republic of Indonesia approved the change of the Company's name on September 8, 2005.

Based on the Company's board resolution on September 5, 2005, the Company changed its year-end reporting date, from June 30 to December 31, which has been approved by the Tax Office based on Tax Decision Letter No. KEP-106/WPJ.19/2007 of October 9, 2007.

b. *Public Offering of the Company's Shares*

Based on Decision Letter of Capital Market Supervisory Board (Bapepam) No. S-4613/BL/2007 dated September 12, 2007, the Company received effective statement for an Initial Public Offering of the shares of the Company. The subsequent IPO resulted in 3,150,000,000 shares of nominal value Rp 100 per share being offered to the public at a price of Rp 335 per share. The Company's shares were listed on the Jakarta Stock Exchange (now Indonesian Stock Exchange) on September 26, 2007.

Subsequently, the Company declared Warrant Series I in an amount of 4,200,000,000 at a price of Rp 340 per share, with the ratio of 3:4 or 3 new shares to take up 4 Warrant Series I. The period to exercise of such warrants is from March 26, 2008 to September 24, 2010.

c. *Boards of Commissioners and Directors*

The composition of the Company's Boards of Commissioners and Directors as of December 31, 2007 and December 31, 2006 were as follows:

December 31, 2007

Board of Commissioners		Board of Directors	
President commissioner	: Rini M. Soemarno	President Director	: A. Kunwibowo
Independent commissioner	: Kanaka P.	Director	: Gani B.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

1. GENERAL *(Continued)*

December 31, 2006

Board of Commissioners		Board of Directors	
President commissioner	: Halim	President Director	: Hamdan H.
Commissioner	: N. Devita T. Henry H. Jusuf H.Sambudhi T. B. Irianto Hari W. M. Simatupang	Director	: Andreas K.

The composition of the Company's Boards of Commissioners and Directors as of December 31, 2007 was based on the decision of the Extraordinary Shareholders' General Meeting on August 30, 2007 as stated in Notarial Deed No. 583 of Robert Purba, S.H., dated August 30, 2007.

The composition of the Company's Board of Commissioners and Directors as of December 31, 2006 was based on the decision of the Extraordinary Shareholders' General Meeting on July 28, 2006 as stated in Notarial Deed No. 37 of Mala Mukti, S.H., dated August 28, 2006.

The renumeration of the Company's Commissioners and Directors for the years ended December 31, 2007 and 2006 was Rp 5,798,402,172 (equivalent to US$ 615,607) and Rp 1,949,509,917 (equivalent to US$ 216,132), respectively.

The composition of the Company's Audit Committee as of December 31, 2007 was as follows:

Chairman : Kanaka Puradiredja
Members : Mulyadi
Mohamad Hassan

The Company and its Subsidiaries had 1,268 and 1,193 employees as of December 31, 2007 and 2006, respectively.

d. *Structure of the Company's Subsidiaries and Associate*

The structure of the Company's Subsidiaries and Associates as of December 31, 2007 and 2006 were as follows:

Company Name	Location	Principal Activity	Year of Commercial Operation	Percentage of Ownership 2007 (%)	Percentage of Ownership 2006 (%)	Total Assets 2007	Total Assets 2006
Subsidiaries							
Direct Ownership							
Prove Energy Investments Ltd.	British Virgin Island, UK	Investment Company	2007	100.00	-	184,316,027	-
PT DH Power	Jakarta, Indonesia	Power Plant Services	-	99.00	-	403,355	-
PT DH Services	Jakarta, Indonesia	Plant Equipment Services	-	51.00	-	251,739	-
PT Henwa Tanone (in liquidation process)	Nusa Tenggara Barat, Indonesia	Mining Services	1997	70.00	70.00	602,359	602,359

(Figures in table are expressed in United States Dollar, unless otherwise stated)

1. GENERAL *(Continued)*

Company Name	Location	Principal Activity	Year of Commercial Operation	Percentage of Ownership 2007 (%)	2006 (%)	Total Assets 2007	2006
Indirect Ownership							
Through Prove Coal Vista Resources Ltd.	Mahe, Republic of Seychelles	Marketing Services	-	66.67	-	105,919,786	-
Through Vista Visa Coal Vista Resources Ltd.	Mahe, Republic of Seychelles	Marketing Services	-	33.33	-	105,919,786	-
Through Prove Vista Visa Ltd.	Mahe, Republic of Seychelles	Investment Company	-	100.00	-	1	-
Through DH Power PT DHP Technical & Services	Jakarta	Employee Placement Services	2007	49.00	-	100,000	-
Associates Company							
Indirect Ownership Through Prove Enercorp Limited	Jersey, UK	Marketing Services	2003	10.00	-	150,023,418	157,295,286

Prove Energy Investments Ltd. ("Prove")

On May 30, 2007, the Company (the "Purchaser") and Zurich Asset International Ltd ("Zurich") (the "Seller"), entered into a Sale and Purchase Agreement regarding the transfer of 100% shares ownership in Prove costing US$ 93,875,000. The Company and Prove are under common control of Zurich.

Prove has the full capacity to carry on or undertake any business or activity that is not prohibited under any law enforced in the British Virgin Islands (BVI), where it is incorporated.

Coal Vista Resources Ltd. ("Coal Vista")

Coal Vista (formerly known as Formosa Investments Ltd.) is a company domiciled in the Republic of Seychelles and established to hold investments in a Subsidiary. To conform with the requirements of the Republic of Seychelles to have at least 2 shareholders in Coal Vista, Prove assigned 1 share (equivalent to 33%) of its investments in Coal Vista to Vista Visa, its wholly-owned by Prove. After the Assignment Agreement, Prove now directly owns only 67% shares in Coal Vista.

PT DH Power ("DH Power")

On March 2, 2007, the Company established DH Power, a company that is to engage in distributing and importing power equipment and providing services as a power plant consultant. DH Power was established within the framework of the Foreign Capital Investment Law based on Notarial Deed No. 7 of Humberg Lie S.H., S.E., MKn., and is domiciled in Jakarta, Indonesia.

PT DH Services ("DH Services")

DH Services was established by the Company within the framework of the Foreign Capital Investment Law based on Notarial Deed No. 17 of Humberg Lie S.H., S.E., MKn., dated March 14, 2007. DH Services' Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia based on his decision letter No. W29-00508 HT.01.01-TH2007 dated March 22, 2007.

1. GENERAL *(Continued)*

Based on Extraordinary General Shareholders Meeting of DH Services on May 21, 2007 as notarized by Deed No. 78 of Humberg Lie, S.H., S.E., Mkn., dated July 18, 2007, the Company approved the sale of 1,200 shares of DH Services to PT Wish Capital International amounting to US$ 120,000. After the sale, the Company owned 51% of DH Services.

PT Henwa Tanone ("Tanone") (in liquidation process)

Tanone was established within the framework of the Foreign Capital Investment Law based on Notarial Deed No. 183 of Mr. H.M. Adel Gazelle S.H., dated December 12, 1996. Its Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia based on the decision letter No. C2-11207.HT.01.01.TH97.

Tanone is domiciled in Mataram-Lombok, Nusa Tenggara Barat and it is engaged in plant hire and contract mining activities. In June 2002, the Company ceased operation. On April 12, 2007, Tanone's Shareholders approved a resolution for its liquidation, as a result of which, the Company deconsolidated Tanone from its books as of December 31, 2007. As of the date of the audit report, the approval from the Ministry of Law and Human Rights of the Republic of Indonesia is still in process (see Note 10).

Enercorp Limited ("Enercorp")

Based on a Share Sale and Purchase Agreement dated December 29, 2006, PT Bumi Resources Tbk. ("Bumi") sold 10% shares of its investments in Enercorp to Prove.

Vista Visa Ltd. ("Vista Visa")

On May 15, 2007, Prove incorporated Vista Visa within International Business Companies Act 1994 - Seychelles, a company that is to engage in any act or activity that is not prohibited under any law in force in the Seychelles; but, it shall not carry on any banking, insurance, reinsurance and trust business.

PT. DHP Technical & Services ("DHP Technical")

PT. DHP Technical Services was established by the Company's Subsidiary within framework of the Foreign Capital Investment Law based on Notarial Deed No. 51 of Humberg Lie S.H., S.E., MKn., dated December 17, 2007. DHP Technical Articles of Association were approved by the Minister of Law and Human Rights of the Republic of Indonesia based on his decision letter No. C-0797 HT.01.01-TH.2007 dated December 17, 2007. The Company was established and engaged in servicing employee placement in Indonesia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in Indonesia (Indonesian GAAP) and the Capital Market Supervisory Board's and Financial Institution (Bapepam-LK) and Financial Statements Presentation Guidelines published by Indonesian Stock Exchange (previously Jakarta Stock Exchange). The significant accounting policies applied consistently are as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

a. *Financial Statement Presentation*

The consolidated financial statements, except for the consolidated statements of cash flows, have been prepared using the accrual basis of accounting and historical cost basis.

The consolidated statements of cash flows are presented using the direct method and classified into operating, investing and financing activities.

The reporting currency used in the preparation of the financial statements is the United States Dollar (US$), as the Company's transactions were dominated in US$ currency, for revenues including expenses and cash flows.

b. *Principles of Consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiaries wherein:

- the Company has direct or indirect ownership of more than 50% with the ability to control; or
- the Company has 50% or less ownership, but the Company has the ability to control.

The financial statements of Subsidiaries are consolidated commencing from the date on which control is acquired and cease to be consolidated from the date on which control is relinquished. The results of operation of Subsidiaries acquired during the year are included in the consolidated statement of income from the effective date of acquisition.

A Subsidiary should be excluded from consolidation when (a) control is intended to be temporary because the Subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; (b) it operates under long-term restrictions so that it cannot transfer funds to the parent company. As such, the investment is accounted using the cost method.

The interest of the minority shareholders is stated as the minority's proportion of the historical cost of the net assets. The minority interest is subsequently adjusted for the minority's share of movements in equity.

Where necessary, adjustments are made to the financial statements of the Subsidiaries in order to bring the accounting policies used to be in line with those used by the Company.

All balances and transactions, including gains or losses that are not realized, arising from inter-company transactions have been eliminated to present the financial position and operational income of the Company and its Subsidiaries as a single entity.

For a Subsidiary where the functional currency is not the US$, assets and liabilities have been translated at the exchange rate prevailing at the balance sheet date. The historical exchange rate has been used for shareholders' equity and the actual exchange rate has been used for revenue and expenses.

The net difference in translation is presented as "Translation Adjustments" under the stockholders' equity section in the consolidated balance sheets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c. *Business Combination*

Acquisitions of Subsidiaries that represent a restructuring transaction of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring Transactions of Entities under Common Control". Based on this standard, acquisition of a Subsidiary is accounted for based on the pooling of interest, wherein assets and liabilities of a Subsidiary are recorded at their book values. The difference between the transfer price and the Company's interest in the Subsidiary's book values, if any, is recorded as "Difference in Value from Restructuring Transactions of Entities under Common Control" and presented as a separate component in the Company's Stockholders' equity. Accordingly, the consolidated financial statements prior to acquisition are restated, wherein the beginning balance of equity of the Subsidiary is presented separately as "Proforma Equity Arising from Restructuring Transactions of Entities under Common Control". The balance of "Difference in Value from Restructuring Transactions of Entities under Common Control" can be realized to profit or loss from the time the common control no longer exists between the entities that entered into the transaction.

d. *Cash and Cash Equivalents/Restricted Cash in Bank*

Time deposits with a term of three months or less from placement date and not being used for collateral on loans and having no limitation on their usage are classified as "Cash Equivalents".

Cash and cash equivalents consist of cash on hand and deposits in banks that are freely available to the Company and its Subsidiaries and used for operational activities. Cash in bank that is not freely available to the Company is presented as "Restricted Cash in Bank".

e. *Trade Receivables*

Trade receivables are recognized and carried at original invoice amount less any allowance for doubtful accounts. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potential losses on receivables. The level of this allowance is based on management's evaluation of collection experience and other factors that may affect collectibility.

f. *Prepaid expenses*

Prepaid expenses consist of office rent, house rent and insurance premium. Prepaid expense is amortized based on its economic life.

g. *Inventories*

Inventories are stated at the lower of cost or Net Realizable Value (NRV). NRV is the estimated selling price in the ordinary course of business less direct cost to sell. Cost of spare-parts and fuel inventories is determined by the average method, while cost of tire inventories is determined using the specific identification. Provision for inventory obsolescence or slow-moving items is determined on the basis of estimated future usage or sale of individual inventory items.

The Company's inventories consist of spare-parts, tires, fuel, and explosives that are used in supporting its operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h. *Deferred Construction Cost*

Deferred construction cost represents costs incurred in connection with the development of certain infrastructure in the Bengalon mining site and amortized based on the coal mined and delivered to customer.

Construction cost includes all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenues. The amount of such loss is determined irrespective of (a) whether or not work has commenced on the contract; (b) the stage of completion of contract activity; or (c) the amount of profits expected to arise on other contracts that are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements that may result from revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

i. *Investment in Associates*

Investments in which the Company or its Subsidiaries have an ownership interest of less than 20% ("associated company") are accounted for by the cost method. Dividends received during the year from such associated companies are recorded as "Other income" in the Consolidated Financial Statements.

j. *Fixed Assets*

Fixed assets, except land, are stated at cost less accumulated depreciation and any impairment in value. Depreciation is applied from the month such assets were placed into services. The Company depreciates its fixed assets as follows:

Plant and equipment	- Estimated number of available hours over planned asset working life of 3-10 years
Motor vehicles	- Straight line method over estimated useful life of 4 years
Office equipment	- Straight line method over estimated useful life of 1-3 years

Fixed asset that is in transit to the Company's site/office is recorded as equipment-in-transit. It will be depreciated in accordance with the policy after the fixed assets are completely obtained and ready to be used.

The costs of maintenance and repairs are charged to income as incurred, while significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

k. *Deferred Contract Acquisition Cost*

Deferred contract acquisition cost represents the cost of acquisition over the marketing and mining advisory agreements, which are owned by certain companies with a third party to take over collection right and benefit from those agreements. Acquisition was done by one of the Subsidiaries. This is amortized based on the terms and the expected future benefits from the marketing and mining advisory agreements of over 9 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred contract acquisition cost is reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. Benefits from the agreements are recognized as revenue in the period in which the Company is entitled to receive in accordance with the agreement.

l. *Impairment of Asset Value*

Based on PSAK No. 48, "Impairment of Asset Values", the Company and its Subsidiaries conduct a review of impairment of assets. Decrease of fair value may happen whenever events or changes in circumstances as stated in PSAK No. 48 occur, which indicate that the carrying amount of an asset may not be fully recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the current year consolidated statement of income. Recoverable amount is the higher of an asset's net selling price or value in use.

m. *Transaction with Related Parties*

The Company and its Subsidiaries have transactions with certain parties, which are related to them. In accordance with the PSAK No. 7, "Related Party Disclosures", related parties are defined as follows:

(1) Enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise;

(2) Associated companies;

(3) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, and close members of the family of any such individual (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals, in conjunction with their transactions with the Company);

(4) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and

(5) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This definition includes enterprises owned by the commissioners, directors or major stockholders of the Company and enterprises that have a member of key management in common with the Company.

All significant transactions with related parties whether or not conducted under the same terms and conditions as those with unrelated parties, are disclosed in the notes to consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n. *Employee Benefits*

Liabilities relating to employee benefits covering retirement benefits, short-term (e.g., paid annual leave, paid sick leave) and other long-term benefits (e.g., long-service leave, post-employment medical benefits) are computed based on the provisions of PSAK No. 24 (Revised 2004), "Employee Benefits".

The cost of providing post-employment benefits is determined using the Projected Unit Credit Method. Under the Projected Unit Credit Method, the accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and the fair value of plan assets are recognized on a straight-line basis over the expected average remaining working lives of the participating employees. Past-service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

o. *Share Issuance Cost*

Based on the Bapepam's Chairman Decision dated March 13, 2000 No. KEP-06/PM/2000, costs incurred in connection with the initial public offering and right issue of the Company's shares are classified as part of stockholders' equity.

p. *Revenue and Expense Recognition*

Revenue represents earnings from Company's mining services and Subsidiary's commission from coal marketing and consultancy services and is recognized when the services are rendered to customers.

Expenses are recognized when incurred (accrual basis).

q. *Income Tax*

The Company and Subsidiaries determine their income taxes in accordance with PSAK No. 46, "Accounting for Income Taxes".

Current tax expense of the Company is determined based on the taxable income for the period computed using prevailing tax rates. Current tax expense of Subsidiaries that are domiciled and registered as tax subjects in other countries is determined based on the taxable income for the period computed using prevailing tax rates in the related countries.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred tax assets and liabilities are offset in the balance sheet, except if these are for different legal entities, in the same manner as the current tax assets and liabilities are presented.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

r. *Foreign Currency Transactions and Balances*

Transactions in foreign currencies are recorded in US$ amounts based on the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to their US$ amount to reflect the prevailing rates of exchange as published by Bank Indonesia at such date. The resulting gains or losses are credited or charged to operations of the current year.

As of December 31, 2007 and 2006, the rates of exchange used were middle rates published by Bank Indonesia as follows:

	2007 (US$)	2006 (US$)
10,000 Indonesian Rupiah	1.06	0.90
1 Euro	1.46	1.31
1 Australian Dollar	0.87	0.80
1 Singaporean Dollar	0.69	0.65

s. *Segment Information*

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statements. The Company and its Subsidiaries' primary reporting segment information is based on business segment.

A business segment is a distinguishable component of an enterprise that is engaged in providing products or services or a group of products or services, which are subject to risks and returns that are different from those of other business segments.

Assets and liabilities that relate jointly to two or more segments are allocated to their respective segments, their related revenues and expenses are also allocated to those segments and the relative autonomy of those segments.

t. *Basic Earnings Per Share*

Basic earnings (loss) per share are computed by dividing net income or net loss by the weighted-average number of common shares outstanding during the year.

Diluted earnings (loss) per share are computed by dividing net income by the weighted average number of common shares outstanding as adjusted for the effects of all potential dilution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

u. *Use of Estimates*

The preparation of the consolidated financial statements in conformity with Indonesian GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

v. *Provisions and Contingencies*

Provision is recognized only when the Company and its Subsidiaries have: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements, but disclosed when an inflow of economic benefits is probable.

w. *Deferred Development Cost*

Deferred development expenditure incorporates costs related to general surveys, exploration, financing, refinancing, feasibility studies and development of the mine incurred prior to the commencement of operations. Deferred development expenditure is amortized on a straight-line basis from the date of commercial production.

The net carrying value of each area of interest is reviewed regularly and to the extent this value exceeds its recoverable value, the excess is provided for or written-off in the year in which it is determined.

x. *Estimated Liability for Restoration and Rehabilitation*

The Company's policy is to meet or surpass the requirements of environmental regulations by application of technically proven and economically feasible measures. Environmental management at the Company includes, but is not limited to, top soil replacement, dredging of sediment ponds and dams, water quality control and waste handling, planting and seeding.

Estimated liability for restoration and rehabilitation costs are based principally on legal and regulatory requirements. Such estimated costs as a result of production activities are expensed as production cost. Estimates are reassessed regularly and the effects of changes are recognized prospectively.

y. *Subsequent Events*

Post year-end events that provide additional information about the Company and its Subsidiaries position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material in the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2007	2006
Cash on hand	19,550	6,252
Cash in banks		
US Dollar		
Bank ABN Amro	24,814,769	11,010,143
PT Bank Mega Tbk	6,868	-
PT Bank International Indonesia Tbk	5,403	-
Others	855	22,562
Total US Dollar	24,827,895	11,032,705
IDR		
PT Bank Mega Tbk	3,587,361	-
Bank ABN Amro	211,943	37,920
PT Bank Rakyat Indonesia (Persero) Tbk	27,292	42,080
Others	2,790	2,952
Total IDR	3,829,386	82,952
Time deposits:		
Rupiah		
PT Bank Mega Tbk	59,649,049	-
Total Cash and Cash Equivalents	88,325,880	11,121,909

Cash in banks represent deposits in third party banks and earns interest at the respective bank deposit rates. Cash and cash equivalents are not contingent to any pledge.

In September 2007, the Company placed the proceeds from the sale of shares of stock through the Initial Public Offering in PT Bank Mega Tbk in an amount of US$ 80,513,363 divided into eleven (11) certificates of deposit having different interest rates.

4. TRADE RECEIVABLES

This account consists of:

	2007	2006
Third Party		
PT Kaltim Prima Coal	18,719,407	21,416,704

All the outstanding receivables in 2007 and 2006 were denominated in US Dollar currency.

Trade receivables represent billed and unbilled revenue that is recognized based on progress claim made to the Company's customers. As of December 31, 2007, the Company's receivables amounting to US$ 18,719,407 were pledged as collateral for the long-term loans (see Notes 18).

(Figures in table are expressed in United States Dollar, unless otherwise stated)

4. TRADE RECEIVABLES *(Continued)*

The aging schedule of trade receivables was as follows:

	2007	2006
Up to 30 days	18,719,407	12,809,380
Over 30 days - 60 days	-	8,607,324
Total	18,719,407	21,416,704

Based on a review of the status of the individual receivable accounts for the year ended December 31, 2007 and 2006, the Company's management believed that the trade receivables are fully collectible, thus no allowance was provided.

5. INVENTORIES

This account consists of:

	2007	2006
Spare-parts	14,763,246	2,015,424
Tires	13,912,732	2,724,769
Fuel	3,514,312	2,042,499
Total	32,190,290	6,782,692

Starting January 1, 2007, the Company adopted the average costing method. Previously, cost of spare-parts and fuel inventories was determined using the first-in, first-out (FIFO) method. The effect of the change in accounting policy was accounted for prospectively because the impact of adoption on the prior years financial statements is not material.

6. RESTRICTED CASH IN BANKS

Restricted cash in banks pertains to balance of bank accounts in ABN Amro, Singapore branch, required to be made available for purposes of the credit facilities obtained by the Company and a Subsidiary. These accounts will be used for principal installments including interest for current maturity (see Notes 18).

7. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2007	2006
Advances to suppliers	23,748,530	229,770
Other receivable from KPC (see Note 11)	2,122,824	3,184,236
Cash bid/performance bond (see Note 29b)	-	8,000,000
Others	680,193	356,076
Total	26,551,547	11,770,082

(Figures in table are expressed in United States Dollar, unless otherwise stated)

7. PREPAYMENTS AND OTHER CURRENT ASSETS *(Continued)*

Advances to suppliers mainly represent the transaction with PT Oelangan Karya Etam and PT Sarana Utama Makmur (Labor and Infrastructure Supplier Company), related with project development by Company amounting to US$ 3,500,000 and US$ 6,200,000, respectively. Others suppliers pertain to advances for the purchases of inventories and tires of UT Heavy Industry, PT Hexindo, PT Prima Traktor and Euro Corp amounting to US$ 9,437,500, US$ 2,025,000, US$ 500,000 and US$ 283,500, respectively.

8. DEFERRED FINANCING COSTS

This account consists of:

	2007	2006
Deferred financing costs	-	8,000,000
Addition in current year	-	-
	-	8,000,000
Less accumulated amortization	-	(2,857,143)
Net	-	5,142,857

In 2007, the Company reclassified all the deferred financing cost to fixed assets, to properly reflect the nature of the cost attributed to the assets that were financed by related loans from Facility Agreement of United Overseas Bank ("Mandated Lead Arranger") in 2006 (see Note 18).

9. DEFERRED CONSTRUCTION COSTS

This account consists of:

	2007	2006
Deferred construction costs	29,751,931	29,751,931
Additions during the year	-	-
	29,751,931	29,751,931
Less accumulated amortization	(29,751,931)	(25,605,121)
Net	-	4,146,810

The deferred construction costs represent costs incurred by the Company in developing certain infrastructure for the Bengalon mine site and amortized based on the coal delivered to PT Kaltim Prima Coal (KPC) (see Note 29a). Amortization expenses for the years ended December 31, 2007 and 2006 were US$ 4,146,810 and US$ 18,017,138, respectively.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

10. INVESTMENT IN ASSOCIATES

This account consists of:

	2007	2006
Investments at cost:		
Enercorp Limited	371,241	-
PT Henwa Tanone (in liquidation process)	175,000	-
Total	546,241	-

Since Tanone is in the liquidation process, investment in Tanone was accounted using the cost method in 2007 (see Note 1d).

11. FIXED ASSETS

Details and movement of fixed assets were as follows:

	2007				
	January 1	Reclassification	Additions	Disposal	December 31
Acquisition Cost					
Plant and equipment	177,246,999	-	40,072,347	-	217,319,346
Motor vehicles	2,700,412	-	-	134,688	2,565,724
Office equipment	398,784	-	339,393	-	738,177
Equipment-in-transit	212,794	-	1,822,080	-	2,034,874
Total	180,558,989	-	42,233,820	134,688	222,658,121
Accumulated Depreciation					
Plant and equipment	33,333,641	-	25,071,162	-	58,404,803
Motor vehicles	1,956,911	-	199,489	114,041	2,042,359
Office equipment	220,635	-	379,544	-	600,179
Total	35,511,187	-	25,650,195	114,041	61,047,341
Net Book Value	145,047,802				161,610,780

	2006				
	January 1	Reclassification	Additions	Disposal	December 31
Acquisition Cost					
Plant and equipment	149,510,818	27,337,970	4,247,784	3,849,573	177,246,999
Motor vehicles	2,700,412	-	-	-	2,700,412
Office equipment	376,011	-	22,773	-	398,784
Equipment-in-transit	27,346,230	(27,337,970)	204,534	-	212,794
Total	179,933,471	-	4,475,091	3,849,573	180,558,989
Accumulated Depreciation					
Plant and equipment	16,889,999	-	16,839,401	395,759	33,333,641
Motor vehicles	1,325,559	-	631,352	-	1,956,911
Office equipment	70,104	-	150,531	-	220,635
Total	18,285,662	-	17,621,284	395,759	35,511,187
Net Book Value	161,647,809				145,047,802

(Figures in table are expressed in United States Dollar, unless otherwise stated)

11. FIXED ASSETS *(Continued)*

Depreciation expenses for the years ended December 31, 2007 and 2006 were US$ 25,650,195 and US$ 17,621,284, respectively. The Company's plant and equipment are pledged as collateral for the long-term loans (see Note 18).

All plant and equipment were covered by insurance from all risks under a one-year policy agreement with the sum insured of US$ 317,203,541 covering the period from December 19, 2006 to December 19, 2007. The management believed that the coverage value was adequate to cover possible losses from such risks.

In 2006, the Company sold an eleven (11) wheel loader with a book value of US$ 3,433,987 to KPC amounting for US$ 3,859,680 (excludes 10% VAT), which will be paid in 4 equal installments, in which the last installment was due last March 2007. Gain on sale of eleven (11) wheel loader amounted to US$ 425,693 and loss on sale of other assets amounted to US$ 7,686. As of December 31, 2007, the Company has an outstanding receivable from KPC as a result of this transaction amounting to US$ 2,122,824 (see Note 7).

As of December 31, 2007 and 2006, the Company did not recognize any asset impairment and believed that there were no circumstances that would give rise to asset impairment.

12. DEFERRED CONTRACT ACQUISITION COST

On January 8, 2007, the Company's Subsidiary (Prove) entered into a Sale and Purchase Agreement of transfer of the rights, title, benefits and interest in the marketing advisory and consultancy service agreement with a third party (the "Agreement"), in which the Subsidiary paid a total acquisition cost of US$ 179,737,503, the Agreement fair value. This deferred contract acquisition cost is amortized based on the terms and expected future benefits of the Agreements of over 9 years. The amortization expense charged to operations in 2007 amounted to US$ 18,367,431 (see Notes 29d and 29e).

Management believes that there were no circumstances that would give rise to asset impairment, thus no impairment allowance was recognized during the period.

13. DEFERRED DEVELOPMENT COST

This account consists of cost related to development and infrastructure construction at the Company's mine site.

14. TRADE PAYABLES

This account consists of:

	2007	2006
Third Parties:		
PT Mahakam Nusa Energi	6,321,625	4,588,091
PT Ricobana Abadi	1,820,633	1,331,938
PT Prima Traktor Indonusa	1,192,713	1,425,456
PT Onjaya Kokoh	1,083,548	1,575,417

(Figures in table are expressed in United States Dollar, unless otherwise stated)

14. TRADE PAYABLES *(Continued)*

	2007	2006
PT Trakindo Utama	736,382	986,212
PT United Tractors Tbk	519,477	395,867
PT Dwimakmur Primatamas	-	1,661,772
PT Kaltim Prima Coal	-	1,563,482
PT Pinangmas Energicakrawala	-	1,140,000
PT Masabaru Gunapersada	-	1,005,060
PT Petrosea Tbk	-	674,114
Terex Mining Tulsa	-	561,671
Others (each below US$ 500,000)	5,061,721	6,065,049
Total trade payables	16,736,099	22,974,129

The aging schedule of trade payables was as follows:

	2007	2006
Up to 30 days	6,615,979	15,463,680
Over 30 days - 60 days	197,632	681,289
Over 60 days - 90 days	4,454,349	3,910,695
Over 90 days	5,468,139	2,918,465
Total	16,736,099	22,974,129

Trade payables in foreign currencies were as follows:

	2007	2006
US$	9,418,800	19,424,771
IDR	6,806,781	2,971,231
EURO	494,030	577,601
SGD	16,488	526
Total	16,736,099	22,974,129

15. ACCRUED EXPENSES

This account consists of:

	2007	2006
Accrued expenses of:		
External hire	6,814,633	3,021,104
Interest expense	4,996,184	3,125,356
Coal haulage	2,763,667	2,800,000
Explosives	1,155,181	650,000

(Figures in table are expressed in United States Dollar, unless otherwise stated)

15. ACCRUED EXPENSES *(Continued)*

	2007	2006
Rehab cost (see Note 2x)	178,811	-
Professional fee	50,000	130,000
Others	1,471,655	805,717
Total accrued expenses	17,430,131	10,532,177

16. OTHER PAYABLE

This account consists of:

	2007	2006
Current	-	8,000,000
Non-current	-	-
Total	-	8,000,000

On August 23, 2005, the Company entered into the Equipment Purchase Agreement with PT Minang Jordanindo ("Minang"), third party, as agent for Trans Ocean Heavy Equipment (TOHECO), whereby the Company agreed to purchase all of the rights, title and interest (bulldozer, forklift, compactor, excavator, shovel, loader, and dumptruck) amounting to US$ 37,000,000. The Company already settled this payable on October 9, 2007.

17. ADVANCES FROM CUSTOMER

This account represents advances from KPC to be used as working capital under the Bengalon Operating Agreement. In 2005, the Company received cash advances from KPC totaling US$ 18,000,000, which will be offset against the payments of KPC for the Company's services under the Bengalon Project (see Note 29a).

18. LONG-TERM LOAN

This account consists of:

	2007	2006
Loans from:		
United Overseas Bank 2006 - Company	181,000,000	-
United Overseas Bank 2006 - Coal Vista	81,499,558	-
United Overseas Bank 2005 - Company	-	120,000,000
Total	262,499,558	120,000,000
Less: Current portion	97,830,000	50,000,000
Non-current portion	164,669,558	70,000,000

18. LONG-TERM LOAN *(Continued)*

a. United Overseas Bank 2005 Facility Agreement

On October 3, 2005, the Company (the "Borrower"), PT Indotambang Makmur ("Makmur") and Zurich (together as "Sponsors") entered into a Long-term Facility Agreement (the "Facility Agreement") with United Overseas Bank (UOB) Asia Ltd (as "Mandated Lead Arranger"), Caterpillar Financial Services (UK) Limited, Merril Lynch Capital Services, Inc., UFJ Bank Limited, Chinatrust Commercial Bank, and Moscow Narodny Bank Limited (as "Lenders") and UOB (as "Facility Agent and Security Agent"). Under the terms of the Facility Agreement, Lenders furnished a loan to the Company amounting to US$ 143,000,000.

The interest rate of the loan is equal to the applicable LIBOR plus a certain margin per annum. The loan is payable in forty-two (42) months or thirteen (13) quarterly installments, commencing from March 31, 2006 until March 31, 2009.

On December 26, 2006, part of the proceeds from UOB 2006 Facility Agreement was used to settle the redemption price of UOB 2005.

Collateral for this loan are fiduciary rights over insurance proceeds, receivables, equipment, certain bank accounts and shares of Zurich and Makmur in the Company.

Financial covenants under this Facility Agreement required by syndicate bank are shown as follows:

- Gearing Ratio I : comparison between total bank loan to equity in:
  December 31, 2005 not more than 2.5 times
  December 31, 2006 not more than 1.5 times
  December 31, 2007 and after not more than 1 times

- Gearing Ratio II : comparison between total liabilities (net of due to related party) to equity in:
  December 31, 2005 not more than 3.25 times
  December 31, 2006 not more than 2 times
  December 31, 2007 and after not more than 1.25 times
  December 31, 2008 and after not more than 1 times

- QDSCR (Quarterly Debt Service Cover Ratio) : comparison between cash in banks to principal installment of loan and next quarter interest. QDSR may not more than 1.5 times for each quarter until total principal amount of loan was paid.

b. United Overseas Bank 2006 Facility Agreement

On December 26, 2006, the Borrower entered into a long-term facility agreement with United Overseas Bank Asia Ltd. (as "Mandated Lead Arranger"), Caterpillar Financial Services (UK) Limited (as "Arranger"), Erste Bankder oesterreichischen Sarkassen AG (as "Co. Arranger"), Growth Management Limited (as "Managers"), UOB (as "Agent and Security Agent") and ABN AMRO Bank N.V. (as "Account Bank"). Under the terms of the Facility Agreement, Lenders furnished a Term loan and Working capital facilities to the Company amounting to US$ 190 million and US$ 15 million, respectively. As of December 31, 2007, the outstanding balance of the loan amounted to US$ 181 million.

18. LONG-TERM LOAN *(Continued)*

The Company is required to apply the funds received in the following manner:

- Tranche I of the Term Loan A Facility to refinance the existing Syndicated Debt.
- Tranche II of the Term Loan A Facility to pay to CAPEX account for the Infrastructure Upgrade and other capital expenditure up to an amount of US$ 22,000,000 and the reminder thereof to pay for all the initial cost, fees and expenses payable by the borrower under or in connection with the finance document.
- The Term Loan B Facility to refinance all of the Zurich loan and the Danatama loan and the remainder thereof to pay for initial cost, fees and expenses payable by the borrower under or in connection with the finance document (see Note 20).

Financial covenants under this Facility Agreement required by syndicate bank are shown as follows:

- Gearing Ratio : comparison between total bank loan to EBITDA in:
  December 31, 2007 less than 2.5 times
  December 31, 2008 less than 2 times
  December 31, 2009 less than 1.3 times
  December 31, 2010 less than 1.3 times
  December 31, 2011 less than 1.3 times

- QDSR may not be less than 2 times for each quarter until total principal amount of loan was paid.

The loan is payable in installments on a quarterly basis commencing April 11, 2007 until January 10, 2012 and the interest rate is equal to the applicable LIBOR and a margin per annum, which must be prepaid. The collateral for this loan are fiduciary rights over insurance proceeds, receivables, equipment, certain bank accounts and 25.1% shares of Zurich in the Company.

c. Coal Vista Term Facility Agreement

On May 7, 2007, the Company (the “Borrower”) signed the amendment of Condition Precedent (“Amendment”) between the Company, United Overseas Bank (UOB) Asia Ltd (the “Arranger”), UOB (the “Security Agent”) and ABN Amro Bank, N.V. (the “Account Bank”), based on the amendment of Facility Agreement dated January 19, 2007 regarding the Amendment of Condition Precedent upon the Facility Agreement dated December 26, 2006 amounting to US$ 125 million.

The purpose of the loan is to be applied by the Borrower to financing the purchase of the present and future rights and interest in the MAA and CSD pursuant to the Sale and Purchase Agreement with an International Marketing Company and Mining Contractor, and payment of expenses related to the loan, funding the Debt Reserve Account and for general corporate purposes.

Out of the US$ 125 million Total Commitments, the Borrower did not utilize the Facility Commitments amounting to US$ 25.5 million. The rate of interest on each loan for each interest period is the percentage rate per annum, which is the aggregate of a margin and LIBOR. As of December 31, 2007, the outstanding balance of this loan amounted to US$ 81,499,558. The loan would be settled on January 8, 2010.

Financial covenants under this Facility Agreement were required by syndicate bank. QDSR may not be less than 1.25 times for each quarter until total principal amount of loan was paid.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

19. TAXATION

This account consists of:

a. Prepaid Taxes

	2007	2006
Withholding tax		
- Articles 22 and 23	39,093,282	28,906,180
Value added tax	8,779,252	8,311,798
Total	47,872,534	37,217,978

b. Taxes Payable

	2007	2006
Employee income tax - Article 21	121,218	111,790
Withholding tax		
- Articles 23 and 26	480,944	3,241
Total	602,162	115,031

c. Tax Expense

Reconciliation between net income (loss) before corporate income tax as shown in the consolidated statements of income and estimated taxable income of the Company and its Subsidiaries subject to tax at standard statutory rates for the years ended December 31, 2007 and 2006, were as follows:

	2007	2006
Consolidated income before corporate income tax	12,000,908	3,926,334
Less Subsidiary:		
Income (loss) before income tax	1,657,777	(52,206)
The Company's income before income tax	10,343,131	3,978,540
Add (Deduct):		
Permanent Differences:		
Taxes	1,924,122	-
Rent expense	166,668	120,052
Medical expense	143,148	33,353
Representation and entertainment	35,726	30,568
Donations	31,266	25,937
Interest income subjected to final tax	(1,692,406)	(712,816)
Miscellaneous expense	116,837	109,250
	725,361	(393,656)

(Figures in table are expressed in United States Dollar, unless otherwise stated)

19. TAXATION *(Continued)*

	2007	2006
Temporary Differences:		
Depreciation	(14,996,457)	(18,718,620)
Provisions for employee benefits	1,002,874	441,593
	(13,993,583)	(18,277,027)
Fiscal loss	(2,925,091)	(14,692,143)
Fiscal loss carry forward		
December 2006	(14,692,143)	-
December 2005	* (880,090)	* (880,090)
Accumulated tax loss carry forward	(18,497,324)	(15,572,233)

* The Company changed its reporting period from June 30 to December 31 (see Note 1), which resulted in differences of tax loss carry forward, fiscal loss as presented above is different to fiscal loss of the Company's Annual Tax Report (SPT).

d. Deferred Tax

The deferred tax assets and liabilities as of December 31, 2007 and 2006 were as follows:

	2007	2006
The Company		
Tax loss carried forward	5,549,197	4,671,670
Provision for employees benefit	546,713	245,851
Depreciation	(12,677,467)	(8,178,530)
Deferred tax liabilities - net	(6,581,557)	(3,261,009)

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

e. Tax Assessment

On March 2, 2007, the Company received Overpaid Tax Assessment No. 00001/406/04/017/07 for corporate income tax of 2004 amounting to US$ 2,136,876.

On July 12, 2007, the Company received Overpaid Tax Assessment Letter No. KEP-000123.PPN/WPJ.19/KP.0103/2007 for VAT of 2005 amounting to Rp. 671,738,132, which was followed by Payment Letter of Overpaid Tax No. 091-0179-2007.

On July 13, 2007, the Company received Overpaid Tax Assessment Letter No. KEP-000127.PPN/WPJ.19/KP/0103/2007 for VAT period June 2005 amounting to Rp 108,629,336, which was followed by Payment Letter of Overpaid Tax No. 091-0182-2007.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

19. TAXATION *(Continued)*

On July 13, 2007, the Company received Overpaid Tax Assessment Letter No. KEP-000014/IB.PPN/WPJ.19/KP.0103/2007 for Interest Refund amounting to Rp 174,651,914, which was followed by Payment Letter of Overpaid Tax No. 091-90029-2007.

On November 19, 2007, the Company received Free charge of withholding deduction Tax Letter No. KET-00485/SKB 23/WPJ.19/KP.0103/2007 for each income earned from KPC, NPWP No. 01.000.278.0-091.000. The period of this assessment is from November 19, 2007 to December 31, 2007.

On November 19, 2007, the Company received Free charge of withholding deduction Tax Letter No. KET-00486/SKB 23/WPJ.19/KP.0103/2007 for each income earned from KPC, NPWP No. 01.000.278.0-724.002. The period of this assessment is from November 19, 2007 to December 31, 2007.

f. Self-assessment

Under the taxation laws of Indonesia, the Company submits tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within ten (10) years from the date the tax became due.

20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The Company and its Subsidiaries, in their regular conduct of business, have engaged in transactions with certain related parties, principally consisting of marketing services, non-trade advances and financial transactions.

The balances of accounts with related parties were as follows:

	2007	2006
Due from related parties:		
PT Wish Capital International	53,500	-
Koperasi	50,028	-
PT Indotambang Perkasa	1,000	-
PT Rinjani Intiperkasa	-	136,481
Total due from related parties	104,528	136,481
Due to related parties:		
Zurich Asset International Ltd.	599,081	36,629,947
PT Henwa Tanone (in liquidation process)	177,627	-
PT Danatama Makmur (Danatama)	-	9,000,000
Total due to related parties	776,708	45,629,947

(Figures in table are expressed in United States Dollar, unless otherwise stated)

20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES *(Continued)*

Due to Tanone, a Subsidiary, represents cost reimbursement for various expenses that have been paid by Tanone in advance on behalf of the Company.

Due to Zurich, major shareholder, represents loan originally obtained from former shareholder, (Henry Walker Eltin Group) amounting to US$ 73,629,947 that was assigned to Zurich on May 6, 2005. Based on the Minutes of Shareholders' meeting dated June 27, 2005, a part of this loan in the amount of US$ 37,000,000 was converted to equity (see Note 21), resulting in a loan balance of only US$ 36,629,947.

On January 10, 2007, the Company completely settled its loans to Danatama and Zurich through the long-term facility agreement (see Note 18) amounting to US$ 9,000,000 and US$ 36,629,947, respectively. Outstanding balance due to Zurich as of December 31, 2007 amounting to US$ 599,081 represents working capital and cost reimbursement for various expenses that have been paid in advance.

Nature of accounts and transactions with related parties were as follows:

	Nature of Related Parties	Nature of Transactions
PT Indotambang Perkasa	shareholder	working capital
PT Henwa Tanone (in liquidation process)	subsidiary	equipment procurement
PT Danatama Makmur	affiliate	providing loan
Zurich Assets International Ltd.	shareholder	providing loan
PT Rinjani Intiperkasa	affiliate	working capital in Tanone
PT Wish Capital International	affiliate	working capital in DH Services and DHP Technical & Services

	2007	2006
Due from related parties to total assets	0.02 %	0.05%
Due to related parties to total liabilities	0.25 %	21.43%

21. CAPITAL STOCK

Based on the Sale and Purchase Agreement dated May 6, 2005 between Zurich and Makmur (the "Purchasers") and Henry Walker Eltin Group - Australia and PT Darma Bakti Cirendeu (the "Sellers"), the Sellers agreed to transfer all of the ownership in the Company to Zurich and Makmur amounting to US$ 73,629,947.

In accordance with Minutes of Shareholders' Meeting dated June 27, 2005, the Company converted its loan from Zurich into equity amounting to US$ 37,000,000. As of December 31, 2005, this was recorded as Deposit for Future Stocks Subscription, while awaiting approval from the Ministry of Law and Human Rights. Subsequently, said shareholders resolution was approved by the Ministry of Law and Human Rights of the Republic of Indonesia on January 24, 2006, which amount is equivalent to 35,150 shares.

Based on the Deed of Sale and Purchase of Shares by the Notary Mala Mukti S.H., dated January 18, 2006, Zurich transferred 1,757 shares of the Company to Makmur.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

21. CAPITAL STOCK *(Continued)*

Based on the Stockholders Resolution in lieu of Stockholders' General Meeting, which was notarized under Notarial Deed No. 49 dated May 30, 2007 of Humberg Lie, S.H., S.E., Mkn., the Stockholders agreed the following:

1. Zurich transferred its right to collect the receivables of Rp 802,631,232,000 (equivalent to US$ 89,181,250) from Prove to the Company and converted this to an additional investment of Zurich in the Company. The Company's receivable from Prove will be recovered after the bank loans are paid in 2009.

2. Makmur transferred all of its ownership in the Company to PT Indotambang Perkasa (Perkasa).

3. Perkasa transferred its right to collect the receivables of Rp 42,243,750,000 (equivalent to US$ 4,693,750) from Prove to the Company and converted this to an additional investment of Perkasa in the Company.

4. Approved the change of the Company's share nominal value from Rp 10,000,000 per share to Rp 100 per share.

5. Increased the Company's authorized capital from Rp 1,000,000,000,000 divided into 100,000 shares, to Rp 4,000,000,000,000 divided into 40,000,000,000 shares.

The Bapepam - LK on May 30, 2007 per its Letter No. 716/III/PMA/2007 approved the Company's capital changes.

Based on Bapepam Chaiman No. S-4613/BL/2007 dated September 12, 2007, the Company received effective statement from Bapepam upon Registry Statement for Initial Public Offering on the shares of the Company. The subsequent IPO resulted in 3,150,000,000 shares of nominal value Rp 100 per share being offered to the public at Rp 335 per share. The Company's shares were listed on the Indonesian Stock Exchange on September 26, 2007.

Subsequently, the Company declared Warrant Series I in an amount of 4,200,000,000 at a price of Rp 340, per share, with the ratio of 3:4 or 3 new shares to take up 4 Warrant Series I. The period to exercise such warrant is from March 26, 2008 to September 24, 2010.

The composition of the Company's stockholders and their respective ownership as of December 31, 2007 and 2006 were as follows:

	December 31, 2007		
Stockholders	Number of Shares Subscribed	Percentage of Ownership (%)	Total Paid-in Capital (US$)
Zurich Assets International Ltd.	11,470,112,500	75.3	128,773,060
PT Indotambang Perkasa	603,637,500	4.0	6,776,940
Public	3,150,000,000	20.7	35,000,000
Total	15,223,750,000	100	170,550,000

(Figures in table are expressed in United States Dollar, unless otherwise stated)

21. CAPITAL STOCK *(Continued)*

	December 31, 2006		
Stockholders	Number of Shares Subscribed	Percentage of Ownership (%)	Total Paid-in Capital (US$)
Zurich Assets International Ltd.	34,438	95	39,591,250
PT Indotambang Makmur	1,812	5	2,083,750
Total	36,250	100	41,675,000

Additional Paid-in Capital consists of:

	2007	2006
Paid-in Capital:		
Initial Public Offering	77,029,136	-
Share Issuance Cost	(5,422,780)	-
Total	71,606,356	-

22. REVENUE

This account consists of:

	2007	2006
Mining Service		
PT Kaltim Prima Coal	188,736,665	170,628,788
Marketing and Advisory Service		
Glencore Coal Mauritius Ltd.	26,966,287	-
PT Pamapersada Nusantara	10,254,456	-
Total	225,957,408	170,628,788

23. OPERATING EXPENSES

This account consists of:

	2007	2006
Fuel	42,481,456	33,856,478
Depreciation (see Note 11)	25,650,195	17,621,284
Amortization	22,514,241	22,611,122
Sub-contractors	21,873,252	16,605,184
Equipment rental	18,906,055	21,995,025
Repairs and maintenance	15,031,630	12,674,271
Salaries and wages	14,117,245	10,545,873

(Figures in table are expressed in United States Dollar, unless otherwise stated)

23. OPERATING EXPENSES *(Continued)*

	2007	2006
Materials	11,172,101	10,134,665
Insurance	3,391,371	1,783,707
Professional fee	1,662,877	779,237
Freight	1,283,995	822,480
Rental open yard and accommodation	491,634	1,443,901
Others (each below US$ 100,000)	1,555,189	50,776
Total	180,131,241	150,924,003

24. OTHER EXPENSES (INCOME) - NET

This account consists of:

Financial expense

	2007	2006
Interest expense	28,194,693	13,504,886
Loan charges	877,000	-
Bank charge	41,089	74,439
Interest income	(1,692,406)	(712,816)
Total - net	27,420,376	12,866,509

25. EMPLOYEE BENEFITS OBLIGATION

The Company has applied PSAK 24 (Revision 2004) regarding "Employee Benefits" as the framework to recognize employee benefits in the consolidated financial statements as of December 31, 2007 and 2006.

Calculation of employee benefits in accordance with the Labor Law was made based on this position as of December 31, 2007 and 2006 by an independent actuarial firm, in its reports dated February 26, 2008 and January 31, 2007, respectively, using the "Projected Unit Credit" method with the following assumptions:

Discount rate	:	9.5% per annum
Salary growth rate	:	8% per annum
Mortality rate	:	USA Table of Mortality, Commissioners Standard Ordinary 1980 - (CSO'80)
Disability	:	10% of mortality rate
Resignation rate	:	2% per annum at age 20, decreasing linearly to 0% per annum at age 54
Retirement	:	100% at normal retirement age
Normal retirement age	:	55 years old

(Figures in table are expressed in United States Dollar, unless otherwise stated)

25. EMPLOYEE BENEFITS OBLIGATION *(Continued)*

Reconciliation between present value of employee benefits with accrued employee benefits was as follows:

	2007	2006
Present value of benefit obligation at the end of year	1,757,318	1,130,450
Unrecognized past-service cost	(6,651)	(10,263)
Unrecognized actuarial loss	(144,467)	(300,683)
Net liabilities recorded in balance sheet	1,606,200	819,504

The components of retirement cost (included in salaries and wages under "operating expenses") in the statements of income were as follows:

	2007	2006
Current-service cost	789,955	350,300
Interest cost on benefit obligation	120,576	44,459
Liability for transferred employees	(85,076)	938
Past-service cost of new entrants	-	53,674
Amortization of past-service cost - non-vested	12,895	607
Amortization of actuarial gain (loss)	3,197	-
Expected benefit payments	161,326	(8,385)
Total pension expense	1,002,874	441,593

The movements in the employee benefit obligation in the balance sheets were as follows:

	2007	2006
Liability at the beginning of year	819,504	377,911
Retirement cost during the year	1,002,873	441,593
Benefits paid	(181,458)	-
Foreign exchange effect	(34,719)	-
Liability at the end of year	1,606,200	819,504

26. SEGMENT INFORMATION

a. Business segment

The Company and its Subsidiaries classify their products and services into 2 core business segments as of and for the year ended December 31, 2007, being mining services, and marketing and consultancy services. In prior years, the Company and its Subsidiaries' business segment only included mining services.

(Figures in table are expressed in United States Dollar, unless otherwise stated)

26. SEGMENT INFORMATION *(Continued)*

Information concerning the Company and its Subsidiaries' business segments is as follows:

Segment	Activity
Mining services	The mining services comprise contract mining activities, civil engineering and equipment rental.
Marketing and consultancy services	The coal marketing represents the marketing and consultancy services.

b. Information by business segment

	2007	
	US$	%
Total Assets		
Mining	475,007,735	71.98
Marketing and consultancy	184,971,121	28.02
	659,978,856	100.00
Eliminations	(100,852,977)	
Total	559,125,879	

	2006	
	US$	%
Total Assets		
Mining	256,627,015	100.00
	256,627,015	100.00
Eliminations	(18,904)	
Total	256,608,111	

2007	Mining	Marketing and consultancy	Eliminations	Consolidated
Sales	188,736,665	37,220,743	-	225,957,408
Operating expenses	161,517,183	18,614,058	-	180,131,241
Operating income	27,219,482	18,606,685	-	45,826,167
Other expenses - net	(15,218,574)	(16,948,908)	(1,657,777)	(33,825,259)
Income before tax	12,000,908	1,657,777	(1.657.777)	12,000,908
Tax expenses	3,320,548	-	-	3,320,548
Income before minority interest	8,680,360	1,657,777	(1.657.777)	8,680,360
Minority interest				45
Net Income				8,680,405

(Figures in table are expressed in United States Dollar, unless otherwise stated)

26. SEGMENT INFORMATION *(Continued)*

2006	Mining	Marketing and consultancy	Eliminations	Consolidated
Sales	170,628,788	-	-	170,628,788
Operating expenses	150,924,003	-	-	150,924,003
Operating income	19,704,785	-	-	19,704,785
Other expenses - net	(15,778,451)	-	-	(15,778,451)
Income before tax	3,926,334	-	-	3,926,334
Tax expenses	(1,075,465)	-	-	(1,075,465)
Income before minority interest	2,850,869			2,850,869
Minority interest				15,662
Net Income				2,866,531

27. BASIC EARNINGS PER SHARE

The computation of basic earnings per share was as follows:

	2007	2006
Weighted average number of ordinary shares	9,454,756,181	34,029
Net income for the year	8,680,405	2,866,531
Basic earnings per share (per 1,000 shares in 2007)	0.92	84.24

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company and its Subsidiaries had monetary assets and liabilities in foreign currencies as of December 31, 2007 and 2006 as follows:

	December 31, 2007	
	Foreign Currency	Equivalent in US$
Assets		
Cash and cash equivalents	IDR	63,497,985
Trade receivables	IDR	723,411
Prepaid tax and other assets	IDR	39,435,679
Total Assets		103,657,075

(Figures in table are expressed in United States Dollar, unless otherwise stated)

28. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES *(Continued)*

	December 31, 2007	
	Foreign Currency	Equivalent in US$
Liabilities		
Trade payables	IDR	6,806,781
	EUR	494,030
	SGD	16,489
Tax payable	IDR	602,162
Total Liabilities		7,919,462
Net Assets		95,737,613

	December 31, 2006	
	Foreign Currency	Equivalent in US$
Assets		
Cash and cash equivalents	IDR	89,202
Trade receivables	IDR	102,494
Prepaid tax and other assets	IDR	36,441,245
Total Assets		36,632,941
Liabilities		
Trade payables	IDR	2,971,231
	EUR	577,601
	SGD	526
Tax payable	IDR	931,294
Total Liabilities		4,480,652
Net Assets		32,152,289

If assets and liabilities in foreign currencies as of December 31, 2007 were presented based on Bank Indonesia middle rate on March 27, 2008, the net assets of the Company would be US$ 97,880,184.

29. COMMITMENTS AND SIGNIFICANT AGREEMENTS

a. Bengalon Operating Agreement with PT Kaltim Prima Coal

On May 27, 2004, the Company entered into the Bengalon operating agreement with KPC to conduct mining services at the Bengalon mine site of KPC. The Company will provide all plant, equipment, machinery, appliances and other items necessary for performing the mining and haulage services. Under this Agreement, the Company was required to meet various minimum production requirements.

29. COMMITMENTS AND SIGNIFICANT AGREEMENTS *(Continued)*

KPC will pay the Company for its services based on a formula that includes the amount of coal delivered to the port on a monthly basis. The agreement expires in 10 years, or earlier if the Company reaches a certain accumulated production level.

In addition, the Company is required to develop certain infrastructure with a total budgeted amount of US$ 20 million. The Company will recover the US$ 20 million of the working capital expenditure plus 15% margin through payments of US$ 3 per tonne of coal mined, made in the month following that in which the coal is delivered.

Subsequently, on March 9, 2007, the Company and KPC agreed the Contract Variations 1 and 2 related to the Bengalon Operating Agreement Mining Services Term (BOAMS) and Pits B and C Development, respectively. Under the BOAMS, the definition of "Terms" means the period commencing the Effective Date and expiring on the earlier of:

(a) last day of the Life of Mine, or any other date agreed by the parties in writing;
(b) termination of this Agreement under a certain clause; and
(c) termination of this Agreement by operation of Law.

The "Life of Mine" means the period from the Effective Date to the earlier of:

(a) the date on which the entitlement to develop and operate the Bengalon Mine conferred to KPC by the Coal Contract of Work is due to expire; and
(b) the date when in the reasonable opinion of KPC all of the economical open cut coal reserves at the Bengalon Mine are exhausted.

Under the Contract Variation 2, the Company shall be responsible for the development of all the infrastructure associated with opening up of Pits B and C, including haulage road, bridges, causeways, fuel facilities, satellite workshops, satellite offices, water management structures, pit development work and pre-stripping and any additional facility as agreed.

Unless otherwise agreed, KPC shall compensate the Company for this work based on costs plus 15% for all items except for the haulage road and pit development and pre-stripping, which shall be compensated based on a unit rate basis.

b. Consortium Agreement with PT Arutmin Indonesia

On April 22, 2005, the Company entered into a twelve (12) months period of exclusive negotiated tender of agreement for the expansion of West Asam-Asam mining area (the "Project") currently operated by PT Arutmin Indonesia (Arutmin) based on the Coal Contract of Work (CCoW) arrangement with the Government of the Republic of Indonesia. This Project was open to at least 3 major mining contractors, including the Company. The Company formally offered a US$ 10,000,000 cash bid/performanace bond. This cash bid/performance bond bears an interest rate of LIBOR plus 3% after 6 months. Upon the completion of the agreement and the signing of an executed contract, Arutmin will refund the full value of the performance bonds plus any outstanding interest to the Company, or if a mutually agreeable contract is not reached the Company is entitled to a full refund of the cash bid/performance bond. Subsequently, on March 21, 2007, Arutmin designated the Company to continue the mining activities in the Asam-asam, South Kalimantan mining area. This amended contract will be valid for 20 years.

29. COMMITMENTS AND SIGNIFICANT AGREEMENTS *(Continued)*

c. Consulting Service Deed

On January 8, 2007, Prove (the "Purchaser") and Rockell Enterprises Ltd. (the "Vendor"), entered into a Sale and Purchase Agreement, wherein the Vendor intends to transfer and dispose of to the Purchaser, or its Affiliate, and the Purchaser or its Affiliate intends to accept and acquire from the Vendor the rights, title, benefit and interest (the "Rights") in the CSD with PT Pamapersada Nusantara, a third party, by executing a Deed of Novation and amendment by and between the Vendor and the Purchaser and further an Amended and Restated CSD (ARCSD).

Under this amended and restated ARCSD, the Purchaser agreed to provide certain services to assist the third party in its obligations under the Operating Agreement with KPC. Accordingly, the third party will pay an amount equal to actual or stipulated overburden moved in such month multiplied by US$ 0.26.

d. Marketing Advisory Agreement

On January 8, 2007, Prove, Subsidiary, (the "Purchaser") and Balveder International S.A. (the "Vendor"), entered into a Sale and Purchase Agreement, wherein Balveder intends to assign and dispose to Prove, or its Affiliate, the rights, title, benefit and interest with Glencore Coal Mauritius, Ltd., a third party, along with all the enjoyments, privileges, liabilities and obligations attributable to the Vendor by virtue of the Sale and Purchase Agreement.

Under this amendment, Prove agreed to provide certain services to assist the third party in its obligations under the Marketing Agreement with KPC. Accordingly, the third party will pay a commission on sales of coal by KPC.

e. PLN Contract Agreement of Low Rank Coal (LRC)

Based on the Sale and Purchase Agreement between PT Perusahaan Listrik Negara (PLN) and a consortium of the Company and Arutmin (the "Suppliers") dated December 15, 2006, the Suppliers agreed to deliver Low-rank Coal (LRC) to PLN and PLN will pay a corresponding price per ton delivered. The SPA is valid for twenty (20) years to fulfill the needs of *Pembangkit Listrik Tenaga Uap* (PLTU) and is renewable every year; PLN will conduct Due Diligence according to review performance of the suppliers. Based on result of due diligence, PLN will continue or terminate the agreements.

30. RISK CONCENTRATIONS

The Company's customer base is concentrated in the coal mining sector in Indonesia. As of December 31, 2007, the major customer of the Company is KPC, with which transactions relating to revenue represent 83.53% of the total revenue for the years ended December 31, 2007 and 100% of the total trade receivables as of December 31, 2007. Although the Company is directly affected by the performance of its customer, management does not believe a significant credit risk exists as of December 31, 2007.

31. NEW ACCOUNTING STANDARD PRONOUNCEMENT

The Indonesian Institute of Accountants (IAI) released revisions to several accounting standards that may have certain impacts on the Company and Subsidiaries' consolidated financial statements. Those are:

- PSAK No. 13 (Revision 2007) - Investment Properties (effective for financial statements for the period commencing from on or after January 1, 2008)
- PSAK No. 16 (Revision 2007) - Fixed Assets (effective for financial statements for the period commencing from on or after January 1, 2008)
- PSAK No. 30 (Revision 2007) - Rental (effective for financial statements for the period commencing from on or after January 1, 2008)
- PSAK No. 50 (Revision 2006) - Financial Instruments: Presentation and Disclosure (effective for financial statements for the period commencing from on or after January 1, 2009)
- PSAK No. 55 (Revision 2006) - Financial Instruments: Recognition and Measurements (effective for financial statements for the period commencing from on or after January 1, 2009)

The Company and its Subsidiaries are evaluating the impact on the consolidated financial statements as a result of the adoption of the above new accounting standards.

32. SUBSEQUENT EVENTS

On January 10, 2008, the Company paid long-term loan facilities A and B totalling US$ 26 million.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENT

On March 27, 2008, the Company's Board of Directors approved the issuance of the consolidated financial statements as of December 31, 2007.