



# Adaro Energy

## Quarterly Activities Report

### Third Quarter of 2011

---

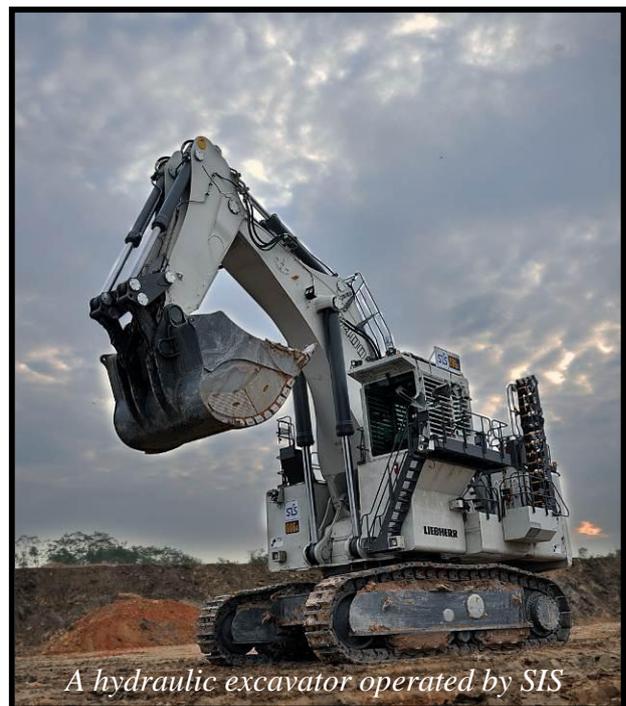
For the Three Months Ending September 30<sup>th</sup>, 2011

**For further information please contact:**

Cameron Tough, Head of Investor Relations  
Devindra Ratzarwin, Corporate Secretary

Tel: (6221) 521 1265  
Fax: (6221) 5794 4685

Email: [cameron.tough@ptadaro.com](mailto:cameron.tough@ptadaro.com)  
[investor\\_relations@ptadaro.com](mailto:investor_relations@ptadaro.com)  
[corsec@ptadaro.com](mailto:corsec@ptadaro.com)



*A hydraulic excavator operated by SIS*

Dear Capital Market Participants,

Welcome to Adaro Energy's Quarterly Activities Report. One month after the end of each quarter, the report will focus on our operations, business development, exploration and other activities along with associated expenditures of the preceding quarter. The financial statements and notes will be released separately.

Below are some highlights of the third quarter of 2011:

- We are on track to achieve our production and sales targets of 46-48 million tonnes.

<b>9M11 Performance</b>	<b>Unit</b>	<b>Actual</b>	<b>Plan</b>	<b>%</b>
Overburden Stripping	Mbcm	233.0	225.5	103%
Coal Mining	Mt	37.2	36.9	101%
Coal Hauling	Mt	36.7	36.9	99%

- We delivered another record performance in coal production, sales volume and overburden removal in the third quarter of 2011. *(page 4-5)*
- On August 19<sup>th</sup> 2011, we acquired a 75% stake in PT Mustika Indah Permai (MIP) for US\$222.5 million for a greenfield coal project in South Sumatra. *(page 15)*
- Despite occurring after the third quarter of 2011, we would like to report that we signed a PPA for our 2,000 mega-watt (MW) IPP project and completed two acquisitions:
  - On October 6<sup>th</sup> 2011, JPower-Adaro-Itochu consortium signed a PPA for a new 2,000 MW Central Java Power Plant project. *(page 15-16)*
  - On October 10<sup>th</sup> 2011, we acquired a 35% interest in an integrated coal logistics services provider in South Sumatra, PT Servo Meda Sejahtera (SMS), for Rp 200 billion (US\$22 million). *(page 15)*
  - On October 14<sup>th</sup> 2011, we bought an additional 46% stake in PT Bukit Enim Energi (BEE) for US\$46 million for a greenfield coal project in South Sumatra. *(page 15)*
- Our acquisition plan will not divert us from our core business. We continue to aim for 80 million tonnes of production per year in the medium term and will make necessary investments in infrastructure projects to further improve efficiency and lower costs. *(page 12-14)*

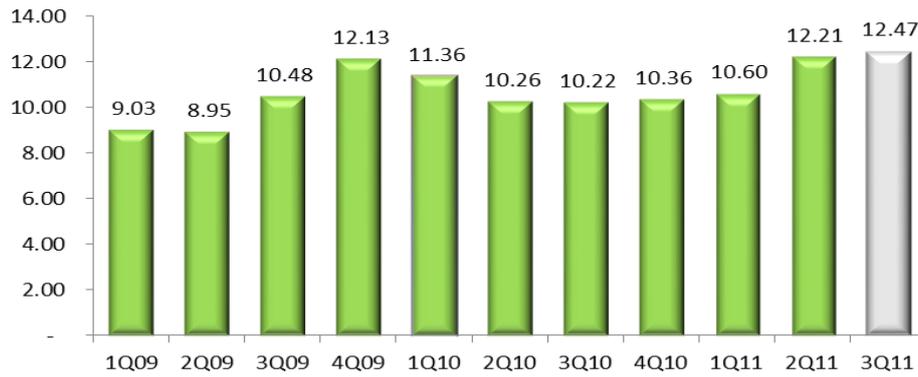
Please do not hesitate to contact us should you have any questions or require additional information.

Yours truthfully,

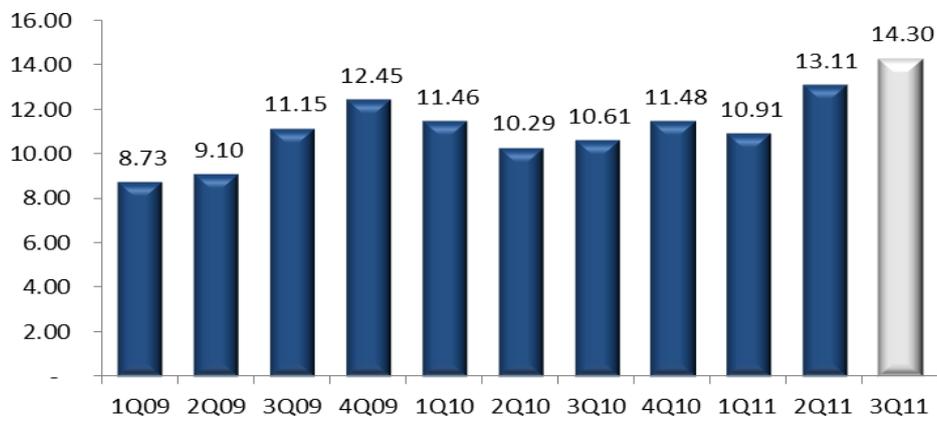


Cameron Tough  
Head of Investor Relations

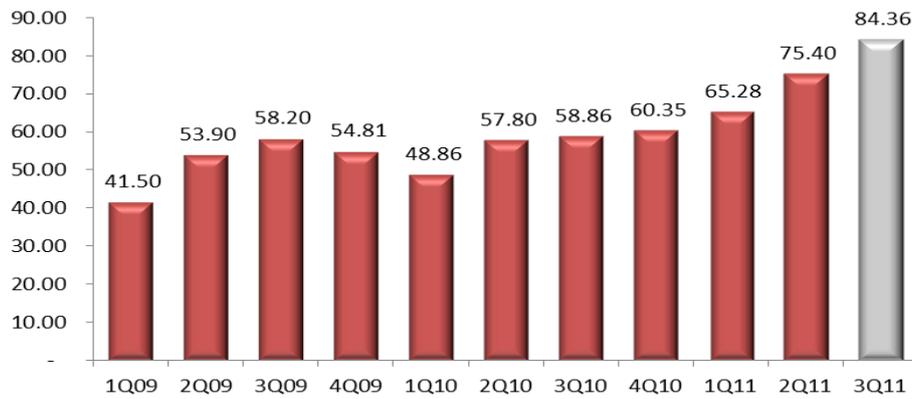
### Production volume (Mt)



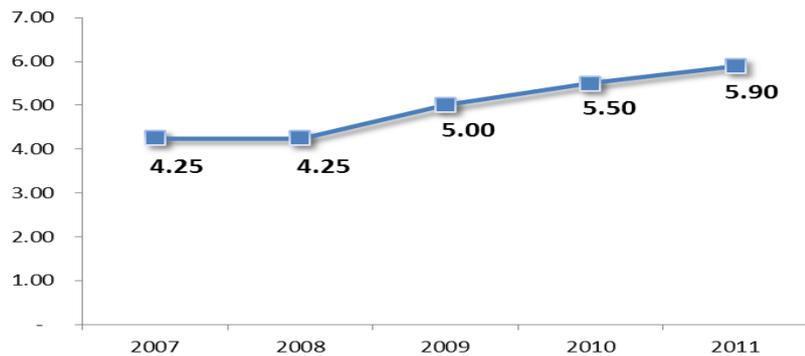
### Sales volume (Mt)



### Overburden Removal (Mbcm)



### Blended Planned Stripping Ratio (Bcm/t)



## **On Track to Maintain Unbroken Track Record of Production Growth**

We are on track to deliver another record year of production growth as nine-month coal production increased 11% from 9M10 to 35.28 million tonnes. The combination of normal dry weather for this period of the year, the arrival of new and larger sized heavy equipment and our contractors' good performance enabled us to increase volumes and deliver strong operations performance in the third quarter of 2011. During the quarter, we had record results in both coal production and overburden removal. Coal production climbed 22% to a record 12.47 million tonnes and overburden removal rose 43% to a record 84.36 million bank cubic metre (Mbcm). We achieved a new daily overburden record of 1,057,749 bank cubic metre on July 18<sup>th</sup> 2011 and a new coal hauling record of 159,124 tonnes on September 11<sup>th</sup> 2011. Due to strong demand, sales volumes increased 35% to a record 14.3 million tonnes. We are on track to achieve the higher end of our total production target of 46-48 million tonnes from E 5000 (Tutupan and Paringin mine) and E 4000 (Wara mine).

E 4000 (Wara) continues to receive strong demand from countries such as India, China, South Korea, Thailand and Indonesia as sales volume in the nine-month 2011 rose more than threefold year over year to 4.1 million tonnes. Due to its low strip ratio, this mine is relatively easy to ramp up and will play a major part in our growth story. In the third quarter 2011, coal production of E 4000 (Wara) rose 72% to 1.39 million tonnes, while sales volume rose 108% to 1.48 million tonnes. We are on track to exceed our upper guidance of 5 million tonnes production target from E 4000 (Wara) mine with 3.95 million tonnes as of nine-month 2011, a 171% increased from 9M10.

We also invested in two greenfield coal deposits and an integrated coal logistics services company in South Sumatra, as part of our growth and diversification strategy from existing concessions. In addition, we signed a power purchase agreement for a new 2,000 mega-watt (MW) coal-fired IPP project in Central Java. These investments will not divert us from our core business as we continue to aim for 80 million tonnes of production per year in the medium term through organic and inorganic growth.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
<b>Production volume</b>	<b>Mt</b>	<b>12.47</b>	<b>10.22</b>	<b>22%</b>
E 5000 (Tutupan and Paringin) *)	Mt	11.08	9.41	18%
E 4000 (Wara)	Mt	1.39	0.81	72%
<b>Sales volume **)</b>	<b>Mt</b>	<b>14.31</b>	<b>10.61</b>	<b>35%</b>
E 5000 (Tutupan and Paringin)	Mt	11.13	9.57	16%
E 4000 (Wara)	Mt	1.48	0.71	108%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>84.33</b>	<b>58.86</b>	<b>43%</b>

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
<b>Production volume</b>	<b>Mt</b>	<b>12.47</b>	<b>12.21</b>	<b>2%</b>
E 5000 (Tutupan and Paringin) *)	Mt	11.08	10.87	2%
E 4000 (Wara)	Mt	1.39	1.34	4%
<b>Sales volume **)</b>	<b>Mt</b>	<b>14.31</b>	<b>13.11</b>	<b>9%</b>
E 5000 (Tutupan and Paringin)	Mt	11.13	10.78	3%
E 4000 (Wara)	Mt	1.48	1.37	8%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>84.33</b>	<b>75.43</b>	<b>12%</b>

\*) Production volume of E 5000 (Paringin) was 0.3 Mt in 3Q11, 0.3 Mt in 2Q11 and 0.3 Mt in 3Q10

\*\*\*) Includes Coaltrade's third party coal sales of 1.7 Mt in 3Q11, 0.96 Mt in 2Q11 and 0.3 Mt in 3Q10

<b>9M11 vs. 9M10</b>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
<b>Production volume</b>	<b>Mt</b>	<b>35.28</b>	<b>31.84</b>	<b>11%</b>
E 5000 (Tutupan and Paringin) *)	Mt	31.3	30.38	3%
E 4000 (Wara)	Mt	3.95	1.46	171%
<b>Sales volume **)</b>	<b>Mt</b>	<b>38.33</b>	<b>32.36</b>	<b>18%</b>
E 5000 (Tutupan and Paringin)	Mt	30.86	30.99	0%
E 4000 (Wara)	Mt	4.07	0.89	357%
<b>Overburden removal</b>	<b>Mbcm</b>	<b>225.04</b>	<b>165.52</b>	<b>36%</b>

\*) Production volume of E 5000 (Paringin) was 0.8 Mt in 9M11 and 0.3 Mt in 9M10

\*\*) Includes Coaltrade's third party coal sales of 3.4 Mt in 9M11 and 0.5 Mt in 9M10

## **Coal Mining: PT Adaro Indonesia (AI)**

### **Mining and Hauling**

In 3Q11, PT Pamapersada Nusantara (PAMA) was responsible for 34% of AI's coal production while Adaro Energy's (AE) subsidiary, PT Saptaindra Sejati (SIS), produced 32%. PT Bukit Makmur Mandiri Utama (BUMA), PT Rahman Abdijaya (RAJ) and AI were responsible for 19%, 13% and 2% respectively. AI was responsible for mining the E 5000 (Paringin) pit. PT Rante Mutiara Insani (RMI), a contractor that initiated the development of the E 4000 (Wara) pit, is now focusing on removing overburden at this pit.

### **Overburden Removal**

In 3Q11, PAMA performed 41% of AI's overburden removal, while SIS performed 33%. BUMA, RAJ, AI and RMI produced the remainder with 16%, 8%, 2% and 1%, respectively.

The average overburden removal per day was 963 Kbcm, 844 Kbcm and 892 Kbcm in July, August and September, respectively. The dry weather condition in 3Q11 was conducive for overburden stripping activities to achieve 103% of the plan.

### **Stripping Ratio**

AI decided to increase the blended planned stripping ratio due to robust pricing conditions in the market from 5.5x to 5.9x this year.



*AI produced 0.3 million tonnes of coal in the third quarter 2011 from Paringin pit*

## Inventory

AI had inventory of 0.57 million tonnes at the Kelanis river terminal at the end of 9M11. The dry weather conditions in 3Q11 caused water levels at Kelanis to be low, which affected loading activities in some occasions; however, we achieved a daily barge loading record with 166,000 tonnes on August 24<sup>th</sup> 2011.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
Coal Transported	Mt	12.47	10.25	22%
Coal Sold	Mt	12.61	10.28	23%
Blended Planned Strip Ratio	Bcm/t	5.9	5.5	7%

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
Coal Transported	Mt	12.47	12.21	2%
Coal Sold	Mt	12.61	12.15	4%
Blended Planned Strip Ratio	Bcm/t	5.9	5.9	-

<i>9M11 vs. 9M10</i>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
Coal Transported	Mt	35.28	31.84	11%
Coal Sold	Mt	34.94	31.87	10%
Blended Planned Strip Ratio	Bcm/t	5.9	5.5	7%
Inventory	Mt	0.57	0.56	2%

## Barging and Ship Loading

In 3Q11, the total volume for barging and shiploading increased 22% to 12.57 million tonnes due to shorter cycle time at Taboneo anchorage and the arrival of two of our floating cranes that were under maintenance early this year.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
Floating Cranes	Mt	7.86	4.59	71%
Self Geared	Mt	1.45	1.20	21%
IBT	Mt	0.65	1.32	-51%
Barges	Mt	2.61	3.17	-18%
<b>Total</b>	<b>Mt</b>	<b>12.57</b>	<b>10.28</b>	<b>22%</b>

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
Floating Cranes	Mt	7.86	7.40	6%
Self Geared	Mt	1.45	1.39	5%
IBT	Mt	0.65	0.58	12%
Barges	Mt	2.61	2.77	-6%
<b>Total</b>	<b>Mt</b>	<b>12.57</b>	<b>12.13</b>	<b>4%</b>

<i>9M11 vs. 9M10</i>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
Floating Cranes	Mt	21.51	17.15	25%
Self Geared	Mt	3.91	3.98	-2%
IBT	Mt	1.66	2.70	-39%
Barges	Mt	7.81	8.04	-3%
<b>Total</b>	<b>Mt</b>	<b>34.89</b>	<b>31.87</b>	<b>9%</b>

### Vessel Waiting Times

The average waiting time per vessel in July, August and September was 1.4, 1.2 and 1.1 days respectively. We recorded despatch (opposite of demurrage) in September 2011.

### Rainfall and Pit Dewatering

We had normal dry weather in 3Q11 and both volume of rainfall and number of rain days were less compared to the historical high rainfall in 3Q10. The volume of rainfall decreased 51% to 339 mm and the number of raindays decreased 42% to 26 days.

Volume of Rainfall at the Tutupan Mining Area (mm)

3Q11		3Q10		2Q11	3Q11 vs. 3Q10
Jul	70	Jul	215		-67%
Aug	102	Aug	187		-45%
Sept	167	Sept	291		-43%
<b>Total</b>	<b>339</b>	<b>Total</b>	<b>693</b>	<b>Total</b>	<b>955</b>
					<b>-51%</b>

Number of Rain days at the Tutupan Mining Area (days)

3Q11		3Q10		2Q11	3Q11 vs. 3Q10
Jul	8	Jul	18		-56%
Aug	9	Aug	11		-18%
Sept	9	Sept	16		-44%
<b>Total</b>	<b>26</b>	<b>Total</b>	<b>45</b>	<b>Total</b>	<b>46</b>
					<b>-42%</b>

### Coal Mining Contractor: PT Saptaindra Sejati (SIS)

In 3Q11, both SIS's overburden removal and coal getting rose 52% and 50% to 47.34 Mbcm and 6.17 million tonnes respectively. The increase was due to capital expenditure for new and larger-sized heavy equipment to boost SIS's production capacity. As of the end of 9M11, SIS had spent US\$126 million in capital expenditure and other infrastructure spending. SIS is on track to achieve its total overburden removal target of 177 Mbcm and total coal getting target of 23.4 million tonnes for this year.

<i>Year on Year</i>	Units	3Q11	3Q10	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>47.34</b>	<b>31.08</b>	<b>52%</b>
Adaro	Mbcm	27.99	16.87	66%
Others	Mbcm	19.35	14.21	36%
<b>Coal Getting</b>	<b>Mt</b>	<b>6.17</b>	<b>4.12</b>	<b>50%</b>
Adaro	Mt	4.12	2.61	58%
Others	Mt	2.04	1.51	35%

<i>Quarter on Quarter</i>	Units	3Q11	2Q11	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>47.34</b>	<b>41.56</b>	<b>14%</b>
Adaro	Mbcm	27.99	23.66	18%
Others	Mbcm	19.35	17.90	8%
<b>Coal Getting</b>	<b>Mt</b>	<b>6.17</b>	<b>5.59</b>	<b>10%</b>
Adaro	Mt	4.12	3.71	11%
Others	Mt	2.04	1.88	9%

<i>9M11 vs. 9M10</i>	Units	9M11	9M10	% Change
<b>Overburden Removal</b>	<b>Mbcm</b>	<b>123.93</b>	<b>91.89</b>	<b>35%</b>
Adaro	Mbcm	70.79	48.46	46%
Others	Mbcm	53.13	43.43	22%
<b>Coal Getting</b>	<b>Mt</b>	<b>16.64</b>	<b>13.44</b>	<b>24%</b>
Adaro	Mt	11.00	9.01	22%
Others	Mt	5.65	4.43	28%



*Our new and first electric dump truck with capacity of 170 tonnes to improve productivity and reduce operating and maintenance costs*



*The arrival of new and larger sized heavy equipment help boost SIS's production capacity*

**Barging and Ship Loading Contractor: Orchard Maritime Logistics Pte Ltd (OML), PT Maritim Barito Perkasa (MBP) and PT Harapan Bahtera Internusa (HBI)**

In 3Q11, total coal barged increased 65% to 4.54 million tonnes due to a shorter cycle time at Taboneo anchorage as well as a new third party contract awarded at the beginning of this year. Total coal loaded also increased 65% to 4.22 million tonnes, as two of our floating

cranes that were under maintenance since 1Q11 were back in full operation. Our barging and ship loading contractor is on track to achieve its target of 14.8 million tonnes of barged coal and 13.5 million tonnes of coal loaded.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
<b>Total Coal Barged</b>	<b>Mt</b>	<b>4.54</b>	<b>2.75</b>	<b>65%</b>
Adaro	Mt	4.25	2.61	63%
Others	Mt	0.29	0.14	106%
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>4.22</b>	<b>2.55</b>	<b>65%</b>
Adaro	Mt	4.22	2.41	75%
Others	Mt	-	0.14	-100%

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
<b>Total Coal Barged</b>	<b>Mt</b>	<b>4.54</b>	<b>3.71</b>	<b>22%</b>
Adaro	Mt	4.25	3.20	33%
Others	Mt	0.29	0.51	-44%
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>4.22</b>	<b>2.56</b>	<b>65%</b>
Adaro	Mt	4.22	2.56	65%
Others	Mt	-	0.01	-100%

<i>9M11 vs. 9M10</i>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
<b>Total Coal Barged</b>	<b>Mt</b>	<b>11.60</b>	<b>8.58</b>	<b>35%</b>
Adaro	Mt	10.38	7.92	31%
Others	Mt	1.22	0.66	85%
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>9.75</b>	<b>9.17</b>	<b>6%</b>
Adaro	Mt	9.68	9.03	7%
Others	Mt	0.07	0.14	-48%

### **Coal Terminal: PT Indonesia Bulk Terminal (IBT)**

In 3Q11, total coal loaded and number of vessels loaded decreased as AI moved a greater number of its transshipment activities to the closer Taboneo anchorage. Coal loaded decreased 31% to 1.35 million tonnes and number of vessels loaded decreased 28% to 21 vessels. However, total coal loaded increased 10% compared to 2Q11 due to the additional of new customers.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>1.35</b>	<b>1.96</b>	<b>-31%</b>
Adaro/Coaltrade	Mt	0.66	1.58	-58%
Third party	Mt	0.76	0.38	100%
<b>No of vessels loaded</b>		<b>21</b>	<b>29</b>	<b>-28%</b>

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	<b>Mt</b>	<b>1.35</b>	<b>1.23</b>	<b>10%</b>
Adaro/Coaltrade	Mt	0.66	0.58	13%
Third party	Mt	0.76	0.65	17%
<b>No of vessels loaded</b>		<b>21</b>	<b>18.00</b>	<b>17%</b>

<i>9M11 vs. 9M10</i>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
<b>Total Coal Loaded</b>	Mt	<b>3.40</b>	<b>4.99</b>	<b>-32%</b>
Adaro/Coaltrade	Mt	1.66	3.51	-53%
Third party	Mt	1.80	1.48	22%
<b>No of vessels loaded</b>		<b>51</b>	<b>77</b>	<b>-34%</b>

**Coal Marketing: Coaltrade Services International Pte Ltd (Coaltrade)**

In 3Q11, the increase in total coal sales was due to the increase in Coaltrade's trading activities. Coaltrade is on track to achieve its total coal sales target of 5.9 million tonnes for this year.

<i>Year on Year</i>	<b>Units</b>	<b>3Q11</b>	<b>3Q10</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>1.96</b>	<b>0.76</b>	<b>158%</b>
Coal purchased from Adaro	Mt	0.26	0.43	-40%
Others	Mt	1.70	0.33	415%

<i>Quarter on Quarter</i>	<b>Units</b>	<b>3Q11</b>	<b>2Q11</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>1.96</b>	<b>1.09</b>	<b>80%</b>
Coal purchased from Adaro	Mt	0.26	0.13	99%
Others	Mt	1.70	0.96	77%

<i>9M11 vs. 9M10</i>	<b>Units</b>	<b>9M11</b>	<b>9M10</b>	<b>% Change</b>
<b>Total coal sales</b>	<b>Mt</b>	<b>4.33</b>	<b>2.74</b>	<b>58%</b>
Coal purchased from Adaro	Mt	0.93	2.25	-59%
Others	Mt	3.39	0.49	592%

## **SAFETY AND ENVIRONMENT**

### **Occupational Health and Safety**

During 3Q11, there were 5 Lost Time Injuries (LTI's) with a resultant Lost Time Injury Frequency Rate (LTIFR) of 0.38. On a year to date basis the total number of LTI's now stands at 15 and a LTIFR of 0.44. The target LTIFR for the 2011 year is 0.3 and as such will require zero LTI's to be recorded during Q4. The management teams of Adaro Indonesia and all of the contractor organisations are diligently working towards attaining this result.

	<b>9M10</b>	<b>9M11</b>	
	<b>Actual</b>	<b>Actual</b>	<b>Plan</b>
LTI	11	15	11.25
LTIFR	0.4	0.44	0.3

### **Land Rehabilitation**

AI rehabilitated 49 hectares during the quarter with total rehabilitation to date of 1,233 hectares. The land affected by mining is reclaimed progressively with replanting of trees and plants undertaken as soon as the land development is ready. Water run-off from disturbed areas is closely monitored and treated in settlement ponds before it is used to develop irrigated areas for more intensive farming or sent to water courses.

	<b>3Q11</b>	<b>Project to Date</b>
Rehabilitation (ha)	49	1,233
Land Disturbed - Mine (ha)	73	2,542
Land Disturbed - Other (ha)	412	5,517
Net Land Disturbed (ha)	436	6,826

In addition to carrying out international standard of occupational health and safety and environmental management program, another key priority of the company is to pay its obligation to the government in the form of corporate income tax and royalties. At the end of nine months of 2011, our net income includes payments to the government for taxes and royalties of US\$288.3 million and US\$281.8 million, respectively.

## **PROJECT DEVELOPMENT**

### **Overburden Crushing and Conveying System**

The overburden crushing and conveying system is being installed to offset the projected increase in haulage costs associated with transportation of overburden via trucks in the Tutupan Pit by transporting a portion of the overburden to be mined to a dump location via conveyor belt. The system will provide the benefits of reducing the cost of transporting the overburden material to the dump location along with a reduction in the future dependency on the use of diesel. AI selected FLSmidth (RAHCO) and PT Wijaya Karya (Persero) Tbk (WIKA) for a system that has a capacity to crush and transport 12,000 tonnes per hour of overburden material equivalent to approximately 34 Mbcm annually. The project is expected to cost in excess of US\$212 million with a resultant reduction in operating costs by US\$1.00-US\$1.20 per bank cubic metre compared to the existing use of trucking. The project cost also includes the change of equipment orders from the original contract and some layout changes. AI's total spending to date is US\$78 million with physical progress of the project of 28%. The project is expected to commence commercial operation in the first quarter of 2013.

In 3Q11, the project team of civil engineers and mechanical engineers mobilized to the site. The excavation and piling for the engineering operations continued and made good progress along the 10.2 kilometre conveyor alignment. The construction of the WIKA laydown area and offices, and the installation of the batch plant was completed. The drainage works are still being completed. FLSmidth completed 65% of the engineering works for the system and plans for the first delivery of material to the site before year end.



*Overburden crushing station excavation*



*The materials for 2.1 metres multi-plate culvert were delivered to the site and assembly is currently underway*

### **2X30 MW Mine-mouth Power Plant**

The 2X30 MW mine-mouth power plant will reduce our dependency on oil by powering the overburden crushing and conveying system and other parts of the mining operations. The plant is owned and will be operated by our subsidiary, PT Makmur Sejahtera Wisesa (MSW), with a total estimated cost of US\$160 million. MSW selected PT. Punj Lloyd Indonesia and Punj Lloyd Pte Ltd Singapore as the Engineering, Procurement and Construction (EPC) contractors, and Siemens Industrial Turbomachinery S.R.O, Czech Republic as the vendor for the steam turbine generators. During 3Q11, MSW spend US\$17.7 million mainly for EPC equipment supplies and construction services which brought total spending to date on this project to US\$111.8 million. The physical progress of the plant is at 77% and it is expected that the plant will be commissioned in the first quarter of 2012 with full operation by mid to late 2012. The plant will be fuelled by approximately 300,000 tonnes of E 4000 (Wara) coal per year.



*Steam turbine generator building, boiler 1 and boiler 2*



*Aerial view of pipe rack, demineralised water treatment plant and cooling tower*

### **Expanding Capacity at Kelanis River Terminal**

Our coal crushing, stockpiling and barge loading facilities are located at the Kelanis river terminal with a throughput capacity of approximately 55 million tonnes per year. The work to upgrade the existing Kelanis facilities to around 70 million tonnes per year by the end of 2012 is underway and progressing well. Total estimated cost for this project is US\$55 million, with total spending to date of US\$14.3 million. The upgrading plan includes upgrading and replacing of existing hoppers, upgrading existing as well as adding new conveyor belts, and adding two new barge loading conveyors.

## **BUSINESS DEVELOPMENT**

### **Two Greenfield Coal Project Acquisitions in South Sumatra**

On August 19<sup>th</sup> 2011, AE acquired a 75% stake in PT Mustika Indah Permai (MIP) from Elite Rich Investment Limited for US\$222.5 million. MIP holds an IUP permit which was granted in April 2010 for a period of twenty years and covers an area of approximately 2,000 hectares. Marston, an international mining consultant, carried out engineering studies of the coal potential, on which the valuation was based. The additional drilling and coal analysis required to completely meet JORC standards is being done; after which, a JORC compliant statement of Resources and Reserves will be issued.

On October 14<sup>th</sup> 2011, AE bought an additional 46% stake for US\$46 million from Lucky Star Corporation, Oriental Holdings Ltd. and BrightPath Corporation to become the majority shareholder in PT Bukit Enim Energi (BEE) with a 61.04% stake in total. BEE is a coal mining company developing a greenfield coal project in Muara Enim, South Sumatra. BEE holds an IUP permit which was granted in March 2011 for a period of twenty years which covers an area of 11,130 hectares. Marston helped perform the geological studies of the coal potential, on which the valuation was based. Additional drilling and coal analysis are required before a JORC compliant statement of Resources and Reserves can be issued.

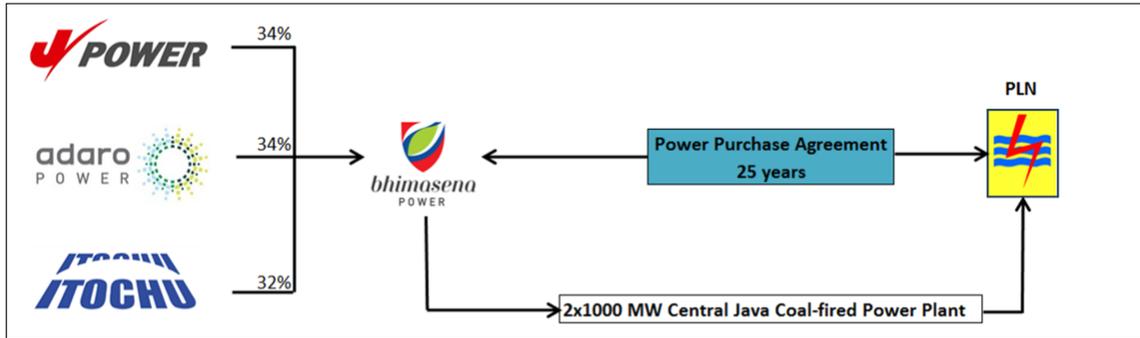
### **Acquisition of an Integrated Coal Mining Services Provider in South Sumatra**

On October 10<sup>th</sup> 2011, AE acquired a 35% interest in PT Servo Meda Sejahtera (SMS) for Rp200 billion. AE carried out this transaction to support and develop its coal logistics operations in South Sumatra. SMS owns a dedicated haul road which provides coal hauling services and a dedicated coal port which provides barge loading services in South Sumatra.

### **JPower-Adaro-Itochu Consortium Signed PPA for a New 2,000 MW Central Java Power Plant Project**

On October 6<sup>th</sup> 2011, PT Bhimasena Power Indonesia (BPI), a company established by JPower-Adaro-Itochu consortium, signed a Power Purchase Agreement (PPA) with PT PLN (Persero) for the 2,000 MW Central Java Power Plant (CJPP) project with total project cost of approximately US\$4 billion. The PPA includes the construction of the power plant and a 25-year supply of electricity to PLN. The Government of the Republic of Indonesia (represented by the Ministry of Finance), Indonesia Infrastructure Guarantee Fund (IIGF) and BPI also signed a Guarantee Agreement (GA) to guarantee PLN's payment obligation for the CJPP project under PPA. This is the first actualized public-private partnership (PPP) in Indonesia under a guarantee provided by the IIGF and part of the Master Plan for Acceleration and Expansion of Indonesian Economic Development (MP3EI).

This power plant is the first in Indonesia to use advanced, environmentally friendly, ultra-supercritical (USC) technology and will serve as a model of high-efficiency power generation. The power plant will utilize Indonesian sub-bituminous coal as fuel, with AI as the primary coal supplier. The construction is expected to commence in 2012 with commercial operations by 2016-17.



**IndoMet Coal (IMC) project with BHP Billiton**

Further studies to identify development options across the seven Coal Contracts of Work (CCoWs) of the IndoMet Coal project continued during 3Q11. The IndoMet Coal project, which is 25% owned by Adaro Energy’s subsidiary, ATA, will inform the market of the results of the study phase at the appropriate time.

## **CORPORATE DEVELOPMENT**

### **Adaro Indonesia Won Indonesia's Best Borrower 2011 Award from FinanceAsia**

AI's US\$800 million 10-year bond was voted as the best borrower in Indonesia by FinanceAsia for two consecutive years. The result were tabulated from the votes of 1,090 fixed income investors, approximately 400 more votes than last year, across Asia Pacific, Australia, US and UK.

### **Aditama Award 2011 for Environmental Management Excellence**

AI received Aditama (gold) award 2011 for environmental management excellence in the coal sector. The award was given to the best performing companies for environmental management excellence in the coal, mineral and geothermal sector. The award was presented by the Director General Mineral and Coal Mr. Thamrin Sihite on September 30<sup>th</sup> 2011.



*President Director Mr. Garibaldi Thohir accepts Aditama award 2011 from Director General Mineral and Coal Mr. Thamrin Sihite*

### **Primaniyarta Award 2011 for the Best Performing Exporter**

AI received the Primaniyarta Award 2011 for the best performing exporter from the Ministry of Trade. The award was given to the company that shows its commitment and is successful to improve national income through exports, especially from the non-oil and gas sector. The award was presented by Indonesia's Vice President Mr. Boediono on October 19<sup>th</sup> 2011. AI received a similar award in 2007 and 2010.



*President Director Mr. Garibaldi Thohir accepts the Primaniyarta award 2011 from Indonesia's Vice President Mr. Boediono*