PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2010 AND 2009 (UNAUDITED)

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PT ENERGI MEGA PERSADA Tbk.

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010 AND 2009
PT ENERGI MEGA PERSADA TBK AND SUBSIDIARIES

In order to fulfill Bapepam's Regulation stipulated in the Enclosure of Bapepam Decision under Number Kep-40/PM/2003 dated December 22, 2003, concerning Regulation Number VIII.G.11: Responsibility of Directors upon Financial Report, we, the undersigned:

1.	Name	:	Imam Pria Agustino
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Jl. Pinang Merah III No. 4. RT. 014 RW. 016. Pondok Pinang – Kebayoran Lama, Jakarta Selatan
	Phone number	:	(021) 52906250
	Position	:	President Director
2.	Name	:	Didit Hidayat Agripinanto
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Jl. Cipete V No. 3 RT. 008 RW. 03 Kelurahan Cipete Selatan Kecamatan Cilandak Jakarta Selatan
	Phone number	:	(021) 52906250
	Position	:	Director

state that:

1. We are responsible for the preparation and presentation of the consolidated financial statements;

2. The consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;

3. a. All information contained in the consolidated financial statements is complete and correct;
   b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts.

4. We are responsible for the Company and Subsidiaries' internal control system.

This statement letter is made truthfully.

Jakarta, 29 April 2010

President Director | Director

METERAI TEMPEL
017E1AAF065818552
6000 DJP

Imam Pria Agustino | **Didit Hidayat Agripinanto**

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 2010 and 2009 (UNAUDITED)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2010	2009
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,4	1,235,025,343	219,525,773
Short-term investment	2e,5	1,081,042,826	1,509,336,904
Trade receivables	2f,6	94,780,941	299,699,893
Other receivables	2f,7	343,804,064	460,697,956
Inventories	2g,8	382,839,930	493,256,919
Other current assets	2h,9	42,407,196	59,719,847
Total Current Assets		3,179,900,300	3,042,237,292
NON-CURRENT ASSETS			
Due from related parties	2j,10b	1,155,977,151	1,590,096,630
Restricted fund	2k,11,18,30	720,593,194	589,058,800
Fixed assets (net of accumulated depreciation of Rp9,366,240 in 2010 and Rp8,668,894 in 2009)	2l	2,520,222	1,468,904
Oil and gas properties (net of accumulated depreciation, depletion and amortization of Rp3,754,674,592 in 2010 and Rp4,642,149,968 in 2009)	2m,12	6,054,940,848	7,099,347,157
Abandonment and site restoration fund	2n,32b,35	117,014,090	145,616,346
Deferred tax assets	2t,28d	280,852,018	813,211,612
Other non-current assets	13	91,748,010	84,561,905
Total Non-Current Assets		8,423,645,533	10,323,361,354
TOTAL ASSETS		**11,603,545,833**	**13,365,598,646**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
MARCH 31, 2010 and 2009 (UNAUDITED)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2010	2009
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Notes payable	14	19,677,316	33,208,675
Trade payables	15	348,180,925	594,341,969
Other payables	16	201,833,650	225,900,289
Accrued expenses	17	337,435,526	408,055,332
Taxes payable	2t,28a	243,706,085	247,965,833
Current maturities of long-term loans	18	-	-
Total Current Liabilities		1,150,833,502	1,509,472,098
NON-CURRENT LIABILITIES			
Due to related parties	2j,10c	59,232,278	211,868,686
Deferred tax liabilities	2t,28d	401,617,664	646,152,244
Employee benefits obligation	2s,30	152,260,987	128,370,241
Abandonment and site restoration obligations	2n,32b,35	116,702,334	146,316,520
Long-term loans - net of current maturities	18	3,358,125,620	6,820,908,874
Total Non-Current Liabilities		4,087,938,883	7,953,616,565
Total Liabilities		5,238,772,385	9,463,088,663
MINORITY INTEREST IN NET ASSETS OF THE CONSOLIDATED SUBSIDIARIES	2b,19	34,191,291	35,128,840
EQUITY			
Share capital			
Authorized - 55,000,000,000 shares at par value of Rp100 (full amount) each			
Issued and paid 40,584,110,412 shares in 2010 and 14,400,813,372 shares in 2009	20	4,058,411,041	1,440,081,337
Additional paid-in capital	21	5,474,742,029	3,354,749,229
Difference in value from restructuring transaction of entities under common control	2c,22	(2,634,645,040)	(2,634,645,040)
Difference in the change of equity transaction of Subsidiary	2i,23	1,262,994,439	1,262,994,439
Translation adjustments	2w	53,430,639	595,840,583
Deficit		(1,884,350,951)	(151,639,405)
Total Equity		6,330,582,157	3,867,381,143
TOTAL LIABILITIES AND EQUITY		**11,603,545,833**	**13,365,598,646**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2010 and 2009 (UNAUDITED)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2010	2009
NET SALES	2r,24	257,080,197	348,569,375
COST OF GOODS SOLD	2r,25	202,047,090	292,051,093
GROSS PROFIT		55,033,107	56,518,282
OPERATING EXPENSES	2r,26	38,863,430	54,072,948
OPERATING INCOME		16,169,677	2,445,334
OTHER INCOME (CHARGES)	2r		
Interest income		3,438,607	38,499,366
Gain (loss) on foreign exchange-net	2w	(5,763,947)	7,140,028
Overhead cost recovery		1,848,736	3,301,571
Financing charges	27	(97,099,317)	(171,184,324)
Others - net		17,733,688	(5,487,905)
Other Charges - Net		(79,842,233)	(127,731,264)
LOSS BEFORE TAX (EXPENSE) BENEFIT		(63,672,556)	(125,285,930)
TAX (EXPENSE) BENEFIT	2t,28b,28d		
Current		(15,567,862)	(10,805,507)
Deferred		58,645,395	117,290,925
Total		43,077,533	106,485,418
NET LOSS BEFORE MINORITY INTEREST IN NET LOSS OF CONSOLIDATED SUBSIDIARIES		(20,595,023)	(18,800,512)
MINORITY INTEREST IN NET LOSS OF CONSOLIDATED SUBSIDIARIES	2b,19	(1,135,149)	332,122
NET LOSS		**(21,730,172)**	**(18,468,390)**
BASIC LOSS PER SHARE (full amount)	2u,29	(0.80)	(1.28)

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2010 and 2009 (UNAUDITED)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	Issued and Paid Share Capital	Additional Paid-in Capital	Difference in Value from Restructuring Transactions of Entities under Common Control	Difference in the Change of Equity Transaction of a Subsidiary	Translation Adjustments	Deficit	Equity - Net
Balance as of January 1,2009		1,440,081,337	3,354,749,229	(2,634,645,040)	1,262,994,439	421,231,949	(133,171,015)	3,711,240,899
Translation adjustments	2w	-	-	-	-	174,608,634	-	174,608,634
Net loss for current period		-	-	-	-	-	(18,468,390)	(18,468,390)
Balance as of March 31, 2009		**1,440,081,337**	**3,354,749,229**	**(2,634,645,040)**	**1,262,994,439**	**595,840,583**	**(151,639,405)**	**3,867,381,143**
Balance as of January 1,2010		1,440,081,337	3,354,749,229	(2,634,645,040)	1,262,994,439	180,809,374	(1,862,620,779)	1,741,368,560
Rights Issue II	1b,21	2,618,329,704	2,119,992,800	-	-	-	-	4,738,322,504
Translation adjustments	2w	-	-	-	-	(127,378,735)	-	(127,378,735)
Net loss for current period		-	-	-	-	-	(21,730,172)	(21,730,172)
Balance as of March 31, 2010		**4,058,411,041**	**5,474,742,029**	**(2,634,645,040)**	**1,262,994,439**	**53,430,639**	**(1,884,350,951)**	**6,330,582,157**

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2010 and 2009 (UNAUDITED)
(Expressed in thousands of Rupiah, unless otherwise stated)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	271,483,434	239,581,189
Cash paid to suppliers, contractors, employees and other operational activities	(630,367,664)	(169,948,124)
Cash generated (used) from/by operations	(358,884,229)	69,633,065
Financing charges paid	(546,422,810)	(173,975,624)
Income tax paid	(2,080,757)	-
Net Cash Used in Operating Activities	(907,387,797)	(104,342,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	3,438,607	38,499,366
Acquisition of oil and gas properties	(163,278,784)	(223,212,694)
Increase in short-term investment	-	(109,264,501)
Acquisition of fixed assets	(1,778,348)	(5,500)
Increase in other non-current assets	(35,764,891)	(42,855,005)
Net Cash Used in Investing Activities	(197,383,416)	(336,838,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawal (placement) of restricted fund	(214,829,069)	291,516,618
Proceeds (payment) from long-term loan	(2,266,959,306)	94,606,472
Proceeds from right issue	4,843,909,952	-
Movement of due from/to related parties	(1,630,640)	(20,081,911)
Net Cash Provided by Financing Activities	2,360,490,937	366,041,179
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,255,719,724	(75,139,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	49,102,054	230,617,980
Effect of foreign exchange rate changes	(69,796,435)	64,047,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,235,025,343	219,525,773

The accompanying notes to consolidated financial statements are an integral part of these consolidated financial statements.

1. GENERAL

a. Establishment and General Information

PT Energi Mega Persada Tbk (the "Company") was established in the Republic of Indonesia based on Notarial Deed No. 16 dated October 16, 2001 of H. Rakhmat Syamsul Rizal, S.H., Notary in Jakarta. The deed of establishment was approved by the Ministry of Justice and Human Rights in its decision letter No. C-14507.HT.01.01.TH.2001 dated November 29, 2001 and published in State Gazette No. 31, Supplement No. 3684 dated April 16, 2002. The Company's Articles of Association have been amended several times, the most recent being based on the Notarial Deed No. 63 dated October 31, 2008 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, in order to conform with the Laws of the Republic of Indonesia No. 40 of year 2007 concerning Limited Liability Companies and Regulation of Capital Market and Financial Institution Supervisory Board (Bapepam-LK) No. IX.J.1 according to Chairman of Bapepam-LK decision in his letter Number Kep-179/BL/2008 dated May 14, 2008 concerning the principles of articles of association for equity listed companies and public companies. The Company's amended Articles of Association have been approved by the Ministry of Law and Human Rights of the Republic of Indonesia based on the letter No. AHU-10395.AH.01.02.Tahun 2009 dated April 1, 2009.

In accordance with Article 3 of the Company's Articles of Association, the scope of its activities comprises of, among others: trading, services and mining, and providing management services in the oil and gas industry. Currently, the Company is engaged in exploration and trading of oil and gas.

The Company's head office is located at Wisma Mulia, 33rd Floor, Jalan Jenderal Gatot Subroto No. 42, Jakarta. The Subsidiaries of the Company are engaged in oil and gas exploration, and their activities are located in Kangean Island, East Java province, Riau, Jambi, North Sumatra, and East Kalimantan province.

The Company started its commercial operations in February 2003.

b. Public Offering of Shares of the Company

On May 26, 2004 The Company obtained the effective notice from the Chairman of Bapepam-LK in his letter No. S.1480/PM/2004, for initial public offering of 2,847,433,500 shares of par value Rp100 (full amount) per share, which were offered at Rp160 (full amount) per share totaling of Rp455,589,360,000 (full amount). On June 4, 2004, the shares were listed on the Jakarta Stock Exchange (now the Indonesia Stock Exchange).

Based on the Extraordinary General Meeting of Shareholders (EGMS) dated December 22, 2005, the Company effected its first right issue (Rights Issue I) of 4,909,368,195 shares of nominal value Rp100 (full amount) per share, which were offered at Rp770 (full amount) per share totaling Rp3,780,213,510,150 (full amount). The Company received the effective notice from the Chairman of Bapepam-LK and on January 25, 2006 listed the shares of the Rights Issue I on the Jakarta Stock Exchange (now the Indonesia Stock Exchange).

Based on the Extraordinary General Meeting of Shareholders (EGMS) dated December 31, 2009, the Company effected its second right issue (Rights Issue II) of 26,183,297,040 shares of nominal value Rp100 (full amount) per share, which were offered at Rp185 (full amount) per share totaling Rp4.843.909.952.400 (full amount). The Company also offered series 1 warrant of 4,909,368,195 warrants. The Company received the effective notice from the Chairman of Bapepam-LK and on February 16, 2010 listed the shares and warrants of the Rights Issue II on the Indonesia Stock Exchange.

(Expressed in thousands Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

c. Structure of the Company and Subsidiaries

The Company has ownership interest of more than 50%, directly and indirectly, in the following Subsidiaries:

Subsidiaries	Domicile	Percentage of Ownership (Direct and Indirect) (%)		Start of Commercial Operation	Scope of Activities	Total Assets Before Elimination (in million Rp)	
		2010	2009			2010	2009
RHI Corporation (RHI)	Delaware, USA	100	100	1984	Oil and Gas	2,607,110	2,875,784
Kondur Petroleum SA (KPSA) *)	Panama	100	100	1995	Oil and Gas	2,607,110	2,875,784
Malacca Brantas Finance, B.V. (MBF)	The Netherlands	100	100	2005	Investment Company	970,403	1,232,786
Energi Mega Persada Finance, B.V. (EMP Finance)	The Netherlands	100	100	-	Investment Company	242	306
Costa International Group Ltd. (Costa) *)	British Virgin Islands	100	100	2004	Oil and Gas	231,752	275,031
Kalila (Bentu) Ltd. (Bentu) *)	British Virgin Islands	100	100	-	Oil and Gas	908,472	1,002,192
Kalila (Korinci Baru) Ltd. (Korinci Baru) *)	British Virgin Islands	100	100	2007	Oil and Gas	449,155	573,627
Energy Mega Persada Pte., Ltd. (EMPPL)	Singapore	100	100	-	Investment Company	46	58
Tunas Harapan Perkasa Pte., Ltd. (THPPL)	Singapore	100	100	-	Investment Company	46	58
Enviroco Company Ltd. (ECL)	Sychelles	100	100	2007	Investment Company	958,446	1,353,653
EMP Holding Singapore Pte Ltd (EMP HS)	Singapore	100	100	2008	Investment Company	3,914,703	4,805,605
PT Imbang Tata Alam (ITA)	Indonesia	99,99	99,99	2001	Oil	683,495	972,092
PT Tunas Harapan Perkasa (THP)	Indonesia	99,99	99,99	2005	Oil and Gas	2,494,510	3,166,839
PT Semberani Persada Oil (Semco) *)	Indonesia	99,99	99,99	1996	Oil and Gas	1,479,066	2,074,945
PT Insani Mitrasani Gelam (IMG) *)	Indonesia	99,99	99,99	2004	Oil and Gas	542,252	713,139
PT Mosesa Petroleum	Indonesia	75	75	-	Oil and Gas	45,797	182,166
PT Visi Multi Artha (VMA)	Indonesia	70	-	-	Oil and Gas	26,779	-
PT Artha Widya Persada (AWP)	Indonesia	70	-	-	Oil and Gas	33,354	-
Energi Mega Pratama, Inc. (EMP Inc)	British Virgin Islands	50	50	2003	Oil and Gas	1,663,282	4,403,516
EMP Exploration (Kangean), Ltd. (EEKL) *)	Inggris/ UK	50	50	1987	Oil and Gas	1,117,177	1,484,532
Kangean Energy Indonesia Ltd. (KEIL) *)	Delaware, USA	50	50	1987	Oil and Gas	3,384,019	2,294,027
Allgold (88) Ltd.	Seychelles	99,99	99,99	-	Investment Company	-	-
Freemont Capital Group Ltd.		99,99	99,99	-	Investment Company	-	-

*) *Indirect ownership interest through Subsidiaries*

All the Subsidiaries of the Company, (except MBF, EMP Finance, THPPL, EMP PL, ECL, EMP HS, Allgold and FCG) are holders of working interests of the following oil and gas production blocks directly or indirectly through Production Sharing Contracts (PSC) with Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi ("BPMIGAS") or Technical Assistance Contract (TAC) and Joint Operating Body (JOB) with PT Pertamina (Persero) ("Pertamina") as follows:

d. Exploration and Exploitation/Development Area

Exploration Area

Locations	Location Permit Owner	Date of Acquisition of Exploration Permit	Due Date	Ownership Percentage	Accumulated Exploration Expenditure
Tonga Block	PT Mosesa Petroleum	January 17, 2007	January 16, 2037	71.25%	17,610,422
GMB Tabulako Block	PT Artha Widya Persada	May 5, 2009	May 4, 2039	100%	9,178,115
GMB Sangatta-II Block	PT Visi Multi Artha	May 5, 2009	May 4, 2039	60%	8,879,649

(Expressed in thousands Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

Exploitation/Development Area

Location	Name of Block Owner	Acquisition date of exploration	Due Date	Ownership Percentage	Quantity Of Proven Reserve*)**)	Total Production: Current Period	Total Production: Total Accumulated Production	Ending Proven Reserve
Bentu Block	Kalila (Bentu) Ltd.	2004	2021	100%	23.602	-	-	23.602
Semberah Block	PT Semberani Persada Oil	1995	2015	100%	10.325	181	3,445	6,880
Korinci Baru Block	Kalila (Korinci Baru) Ltd.	2004	2027	100%	2.654	155	2.2,516	138
Sungai Gelam Block	PT Insani Mitrasani Gelam	1997	2017	100%	1.703	23	975	728
Malacca Straits Block	Kondur Petroleum S.A.	1981	2020	60,49%	248.881	685	223,415	25,466
Kangean Block	Kangean Energy Indonesia Ltd.	1990	2030	50%	320.821	493	200,422	120,399
Gebang Block	Costa International Group Ltd.	1992	2015	50%	19.525	12	16,457	3,068

**) Units for Proven Reserve and Production in Thousand Barrels Oil Equivalent (MBOE) (see Supplementary Information).*

**)*Estimated amount of proven reserves have been certified by an independent petroleum consultant (Supplementary Information).*

Tonga Block has a prospective resource of 90 million barrels of oil equivalent (MMBOE) (unaudited).

e. Boards of Commissioners, Directors, Audit Committee and Employees

The composition of the Company’s Board of Commissioners and Directors as of March 31, 2010 and 2009 was as follows:

	2010	2009
Board of Commissioners:		
President Commissioner	Saptari Hoedaja	Saptari Hoedaja
Commissioner	Suyitno Patmosukismo	Suyitno Patmosukismo
Commissioner	Nalinkant Amratlal Rathod	Nalinkant Amratlal Rathod
Independent Commissioner	A. Qoyum Tjandranegara	A. Qoyum Tjandranegara
Independent Commissioner	Sulaiman Zuhdi Pane	Sulaiman Zuhdi Pane
Directors:		
President Director	Imam Pria Agustino	Christian Victor Ponto
Director	Didit Agripinanto Ratam	Yuli Soedargo
Director	Amir Balfas	Imam Pria Agustino

The composition of the Board of Commissioners an Directors as of March 31, 2010 was based on the decision of the General Meeting of Shareholders (GMS) on May 28, 2009, as stated in the Minutes of GMS Deed No. 78 dated May 28, 2009 of Robert Purba, S.H., Notary in Jakarta.

The composition of the Board of Commissioners as of March 31, 2009 was based on the decision of the EGMS on March 14, 2008, as stated in the Minutes of EGMS Deed No. 44 dated March 14, 2008 of Robert Purba, S.H., Notary in Jakarta.

The composition of the Board of Directors as of March 31, 2009 was based on the decision of the EGMS on April 19, 2007, as stated in the Minutes of Annual GMS Deed No. 48 dated April 20, 2007 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang.

(Expressed in thousands Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

The composition of the Audit Committee as of March 31, 2010 was based on the Minutes of Meeting of the Board of Commissioners dated September 1, 2009 and was as follows:

Chairman	:	A.Qoyum Tjandranegara
Member	:	Hertanto
Member	:	Toha Abidin

Total remuneration paid to the Commissioners and Directors of the Company for three months ended March 31, 2010 and 2009 amounted to Rp3.57 billion and Rp6 billion, respectively.

As of March 31, 2010 and 2009, the Company and its Subsidiaries had approximately 545 and 530 employees, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the generally accepted accounting principles and practices in Indonesia which are covered by the Statements of Financial Accounting Standards (PSAK), issued by the Indonesian Institute of Accountants (IAI) and Regulations and Guidelines for Financial Report Presentation set out by Bapepam-LK. The accounting principles applied consistently in the preparation of the consolidated financial statements were as follows:

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared on a historical cost basis except for certain accounts that are measured on the basis described in the related accounting policies.

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

The reporting currency used in the preparation of the consolidated financial statements is Indonesian Rupiah ("Rp").

b. Principles of Consolidation

The consolidated financial statements include all Subsidiries that are controlled by the Company. Control is presumed to exist when the Company owns, directly or indirectly (through Subsidiaries), more than 50 percent of the voting rights of the Subsidiaries. Even when the Company owns 50 percent or less of the voting rights, control exists when one of the following conditions is met:

(1) having more than 50% of the voting rights by virtue of an agreement with other investors;

(2) having the right to govern the financial and operating policies of the Subsidiaries under the articles of association or an agreement;

(3) ability to appoint or remove the majority of the members of the Subsidiaries' management;

(4) ability to control the majority of votes at of meetings of management.

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

The minority shareholders' proportionate share in the equity of the consolidated subsidiaries is presented under "Minority Interests in Net Assets of Consolidated Subsidiaries" in the consolidated balance sheets, while the minority shareholders' proportionate share in the net income or loss of consolidated subsidiaries is presented under "Minority Interests in Net Income or Loss of Consolidated Subsidiaries" in the consolidated statements of income.

All significant inter-company transactions and balances have been eliminated.

The financial statements of the Subsidiaries that are involved in joint operations with other venturers under a contractual arrangement are consolidated by using the proportionate consolidation method from the commencement date of joint operations in accordance with PSAK No. 12, "Financial Reporting of Interest in Jointly Controlled Operation and Assets." The contractual arrangement may identify one venturer as the operator or the manager of the joint venture. The operator does not control the joint venture, but acts within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement.

c. Business Acquisitions

Acquisitions are accounted for using the purchase method in accordance with the requirements of PSAK No. 22, "Business Combination." On acquisition date, the assets and liabilities of a Subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recorded in the oil and gas properties and amortized using the unit of production method within the period of PSC or TAC.

When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition (i.e. discount on acquisition), fair values of non-monetary assets are reduced proportionately until all the excess is eliminated. The remaining excess after reducing the fair values of non-monetary assets acquired is recognized as negative goodwill, treated as deferred revenue and recognized as revenue on a straight-line method over twenty (20) years.

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 of Entities Under Common Control." Based on this standard, acquisition of a Subsidiary is accounted based on the pooling of interest, wherein assets and liabilities of a Subsidiary are recorded at its 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 equity. The balance of "Difference in Value from Restructuring Transactions of Entities Under Common Control" can be realized to gain or loss from the time the common control no longer exists between the entities that entered into the transaction.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, and time deposits with maturities of three months or less and not pledged as collateral or restricted in use.

e. Investments in Securities

Investment in securities is classified as available for sale, are stated at market value.

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

f. Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for doubtful accounts. The Company provides an allowance for doubtful accounts based on the assessment of the Company's management on the collectability of the accounts at the end of the year. The written-off of receivables is based on management's judgment on the recoverability of the accounts and for the recovery of allowance for doubtful accounts.

g. Inventories

Effective January 1, 2009, the Company and Subsidiaries applied PSAK No.14 (Revised 2008), "Inventories" ("Revised PSAK 14"), which supersedes PSAK No. 14 (1994). The adoption of Revised PSAK 14 had no significant impact on the consolidated financial statements.

Inventories such as spare-parts, chemicals and fuel are classified into capital and non-capital inventories. Capital inventories that are consumed or used as components of construction are capitalized as assets. Non-capital inventories represent inventories being consumed for the purpose of repair and maintenance of assets or used for operations. The costs of the consumed non-capital inventories are charged when used.

Inventories purchased, under the term of the PSC and TAC becomes the property of the government of Republic of Indonesia which presented by BPMIGAS or Pertamina when the inventories landed in Indonesia.

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Allowance for inventories obsolescence is provided based on a review of the condition of inventories at the end of the year.

h. Prepaid Expenses

Prepaid expenses are amortized over the period benefited using the straight-line method.

i. Change of Equity in Subsidiary

Changes in the value of investment due to changes in the equity of a Subsidiary arising from capital transactions of such Subsidiary with other parties are recognized in equity as "Difference Due to Change of Equity of Subsidiary," and recognized as income or expense in the period the investments are disposed of under PSAK No. 40, "Accounting for a Change in the Value of Equity of a Subsidiary/Associate Company."

j. Transactions with Related Parties

The Company and its Subsidiaries have transactions with certain parties, which have a related party relationship, as defined in PSAK No. 7 "Related Party Disclosures."

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

k. Restricted Fund

Time deposits and placement that are restricted in use for more than one year from balance sheet date are presented under non-current assets.

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

l. Fixed Assets

The Company and Subsidiaries applied PSAK No. 16 (Revised 2007), “Fixed Assets” (“Revised PSAK 16”). Based on Revised PSAK 16, an entity shall choose between the cost model and revaluation model as the accounting policy for its fixed assets measurement. The Company and Subsidiaries have chosen the cost model as the accounting policy for their fixed assets measurement.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Machinery and equipment	4
Vehicle and office equipment	4

The assets’ useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction-in-progress is stated at cost and presented as part of “Fixed Assets” in the consolidated balance sheets, which includes borrowing costs incurred to finance the construction during the period of development. The accumulated costs will be reclassified to the appropriate fixed assets account when construction is completed and ready for their intended use.

The cost of repairs and maintenance is charged to consolidated statements of income as incurred; replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Company and its Subsidiaries, and the cost of the item can be measured reliably. An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in consolidated statements of income in the year the asset is derecognized.

m. Oil and Gas Properties

The Subsidiaries adopted the full cost method of accounting in recording oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalized. All costs arising from production activities are recorded at the time they are incurred.

Under the full cost method, a cost center is used to “pool” costs to be later matched with revenues generated from the cost center’s operations. The Company considers a country as a single cost center in accordance with PSAK No. 29, “Accounting for Oil and Gas Industry,” and, therefore, cost centers are established on a country-by-country basis.

The capitalized costs are subject to a “ceiling test” which basically limits such costs to the aggregate of: (1) the “estimated present value,” discounted at a 10% interest rate of future net revenues from estimated future production based on current economic and operating conditions; (2) the cost of unproven reserve and major development projects not being amortized; and (3) the lower of cost or estimated fair value of unproven properties included in cost being depreciated and amortized. Any excess over the cost is charged to expense and disclosed during the year.

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

All capitalized costs relating to oil and gas properties, including the estimated future costs of developing proven reserves, are depreciated and amortized using the unit-of-production method based on the total estimated proven reserves. Investments in unproven properties and major development projects, are not amortized until indication of proven reserves associated with the projects can be determined or until impairment occurs.

The Subsidiaries have no ownership interest in the producing assets nor in the oil and gas reserves, but rather have the right to operate the assets and receive a share of production and/or revenues from the sale of oil and gas in accordance with the PSC and TAC agreement.

Sales of proven and unproven properties are accounted for as adjustments of capitalized costs with no gain or loss recognized directly, unless such adjustments would significantly change the relationship between capitalized costs and proven reserves of oil and gas, in which case, the gain or loss is recognized in the consolidated statement of income.

Construction-in-progress is stated at cost and presented as part of “Oil and Gas Properties” in the consolidated balance sheets. The accumulated costs will be reclassified to the appropriate oil and gas properties account when construction is completed and the assets are ready for their intended use.

n. Abandonment and Site Restoration Obligation

The Subsidiaries recognize their obligation for future removal and restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provision in the PSC or TAC. The Subsidiaries are also required to provide the funding of any abandonment and site restoration program established.

Recognition method for the obligations and expense imposed by Subsidiaries are gradually substantially refers to PSAK No.16 (Revised 2007).

In most instances, the removal of these assets will occur many years in the future or near at the end of PSC or TAC period. The estimate of future removal costs therefore requires management to make judgments regarding the timing of removal, the extent of restoration activities requires and future removal technologies. Such estimates are reviewed on an annual basis and adjusted each year as required.

o. Impairment of Asset Value

Asset values are reviewed for any impairment and possible write down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the current year consolidated statements of income. Recoverable amount is the higher of an asset’s net selling price and its value in use.

p. Capitalization of Borrowing Cost

In accordance with the revised PSAK No. 26 (Revised 1997), “Borrowing Cost”, interest cost, foreign exchange differences and other costs incurred from borrowings obtained to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the acquisition, construction or installation activities are substantially completed and the assets are ready for its intended use.

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

q. Shares Issuance Costs

Based on the Bapepam's Decision Letter No. KEP-06/PM/2000 dated March 13, 2000, all costs incurred in relation to Initial Public Offering and Rights Issue are presented as "Additional Paid-in Capital" in equity.

r. Revenue and Expense Recognition

Revenue from crude oil and/or gas is recognized on the basis of the entity's interest in a producing field ('entitlement' method) when the crude oil and/or gas is delivered and title has passed to customer. Revenue earned under a PSC and TAC is recognized on a net entitlements basis according to the terms of the PSC and TAC.

Expenses and production costs are recognized when incurred. Production cost involves lifting of oil and gas to the surface of earth, and gathering, treating, field processing and field storage of the oil and gas until delivery.

Production costs of un-lifted oil are deferred, the cost matching against revenues concept.

s. Employee Benefits

The Company and Subsidiaries adopted PSAK No. 24 (Revised 2004) on "Employee Benefits" ("Revised PSAK 24") to determine their employee benefits obligation under the Labor Law No. 13/2003 dated March 25, 2003 ("the Law"). Under Revised PSAK 24, the cost of employee benefits based on the Law is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets at that date. These gains or losses are recognized on a straight-line basis method over the expected average remaining working lives of the employees. Past-service cost arising from the introduction of a defined benefit plan or changes in the benefits obligation of an existing plan, are required to be amortized over the period until the benefits concerned become vested.

The Company and Subsidiaries provide employee benefits for their employees pursuant to the terms of the Employment Work Contract/Company and Subsidiaries' Policy. The Subsidiaries, KEIL, KPSA and ITA also provide employee benefits from defined contribution pension plans. The contribution charged to the Subsidiaries is recognized as expense in the current period.

t. Income Taxes

Current tax expense is provided based on the estimated taxable income for the year. 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 year computed using prevailing tax rates in the related countries.

Current tax expense of the Subsidiaries that are engaged in exploration and production of oil and gas based on PSC and TAC is determined based on the taxable income in the related year using the prevailing tax rates at the time that the PSC and TAC was entered into.

Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Deferred tax asset are recognized for all deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Future tax benefits,

(Expressed in thousands Rupiah, unless otherwise stated)

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

such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received and/or, if objected to and/or appealed against by the Company and its Subsidiaries, when the result of the objection and/or appeal is determined.

u. Earnings per Share

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

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

v. Segment Information

Segment information is presented based on PSAK No. 5 (Revised 2000), “Segment Reporting.” The Company and Subsidiaries’ primary reporting segment information is based on business segment, while its secondary reporting segment information is based on geographical segment.

w. Foreign Currency Transactions and Translation

Transactions in currencies other than Rupiah are recorded at the prevailing rates of exchange in effect on the date of the transactions.

As of balance sheet date, all foreign currency monetary assets and liabilities are translated at the middle exchange rates quoted by Bank Indonesia on that date. The resulting net foreign exchange gains or losses are recognized in current year’s consolidated statements of income.

If the books of accounts of the Subsidiaries are maintained in United States Dollar, for the presentation of consolidation financial statements purposes, assets and liabilities of the Subsidiaries at balance sheet date are translated into Rupiah using the middle rates stated by Bank Indonesia, while revenue and expenses are translated at the average rates of exchange. Resulting translation adjustments are shown as part of equity as “Translation Adjustments.” The exchange rates used as of December 31, 2009 and 2008 were as follows:

	2010 (full amount)	2009 (full amount)
Currency		
US Dollar 1/Rupiah	9,115	11,575
European Euro 1/Rupiah	12,216	15,327

x. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in Indonesia requires management to make estimations and assumptions that affect amounts reported therein. Due to the inherent uncertainty in making of estimates, actual results reported in the future periods may be based on amounts that differ from those estimates.

(Expressed in thousands Rupiah, unless otherwise stated)

3. ACQUISITIONS AND ESTABLISHMENT OF SUBSIDIARIES

a. PT Mosesa Petroleum

On April 1, 2008, the Company signed a Conditional Sales and Purchase Agreement (CSPA) with PT Masagena Agung (MGA) whereby it was agreed that the Company will acquire a 75% ownership interest in PT Mosesa Petroleum (MP) owned by MGA at an agreed price of USD11,800,000.

Both parties agreed that the agreement will become effective upon the completion of either one of the following conditions:

(i) MGA and MP have held General Meeting of Shareholders (GMS) to obtain the approval of the sale and purchase of the shares, and;
(ii) The Company has announced the plan of the acquisition in at least one nationally circulated newspaper before MP's GMS according to Limited Liability Company Law.

The acquisition of MP became effective on June 11, 2008.

MP is the owner of 71.25% working interest in Tonga PSC Block located in North Sumatra for a term of thirty (30) years from the time the contract was signed with BPMIGAS dated January 16, 2007.

The acquisition of MP was recorded using the purchase method. Net assets of MP were measured at their fair values, any excess of the cost of acquisition over the fair values of the identifiable assets attributed to oil and gas properties.

Fair value of net assets at acqusition date were as follows:

	Rp
Cash in bank	326,350
Restricted fund	17,881,242
Other receivables	3,218,503
Oil and gas properties	156,359,805
Prepaid taxes	4,964
Short-term loan	(26,492,346)
Accrued expenses	(2,912,999)
Taxes payable	(65,354)
Long-term loan	(1,842,829)
Net	**146,477,336**

b. PT Visi Multi Artha

On January 21, 2009, PT Visi Multi Artha (VMA) was established based on Notarial Deed No. 8 of Beni Aguselyanto S.H., with authorized capital amounting to Rp4,000,000 consisting of 4,000 shares with par value of Rp1,000 per share, and has fully paid-up capital of Rp1,000,000. On April 15, 2009, the Company acquired 70% ownership of VMA, consisting of 700 shares amounting to Rp700,000.

VMA was established to engage in services, construction, trading, industry, printing, land transportation, overhaul, agriculture and mining.

(Expressed in thousands Rupiah, unless otherwise stated)

3. ACQUISITIONS AND ESTABLISHMENT OF SUBSIDIARIES *(Continued)*

c. PT Artha Widya Persada

On January 21, 2009, PT Artha Widya Persada (AWP) was established based on Notarial Deed No. 12 of Beni Aguselyanto S.H., with authorized capital amounting to Rp4,000,000 consisting of 4,000 shares with par value of Rp1,000 per share, and has fully paid-up capital of Rp1,000,000. On April 15, 2009, the Company acquired 70% ownership of AWP, consisting of 700 shares amounting to Rp700,000.

AWP was established to engage in services, construction, trading, industry, printing, land transportation, overhaul, agriculture and mining.

4. CASH AND CASH EQUIVALENTS

	2010	2009
Cash on hand	681,355	622,507
Cash in banks		
Rupiah		
Citibank N.A.	7,143,169	12,109,904
PT Bank Internasional Indonesia Tbk	507,523	1,162,085
PT Bank Negara Indonesia (Persero) Tbk	346,362	403,307
PT Bank Mandiri (Persero) Tbk	-	16,477,206
Others (below Rp1 billion each)	1,123,600	546,932
United States Dollar		
Citibank N.A.	72.104.404	124.926.697
PT Bank Mega Tbk	4.877.120	628.790
Credit Suisse	3,159,117	25,010,832
PT Bank Negara Indonesia (Persero) Tbk	3,080,724	23,757,834
PT Bank Internasional Indonesia Tbk	2,817,457	-
Societe Generale	-	130,779
Others (below Rp1 billion each)	947,610	514,880
Euro		
Fortis Bank	342,993	31,015
Time deposits		
United States Dollar		
PT Bank Internasional Indonesia Tbk	1,306,792	13,203,005
Rupiah		
PT Bank Capital	1,136,587,117	-
Total	**1,235,025,343**	**219,525,773**

Time deposits are earning interest at annual rates:

	2010	2009
United States Dollar	1.60% - 1.70%	2.25% - 3.75%
Rupiah	7.00% - 9.00%	7.25% - 13.75%

(Expressed in thousands Rupiah, unless otherwise stated)

5. SHORT-TERM INVESTMENT

Placement funds of Subsidiaries, ECL and KPSA on Riseley Management Ltd. (RML) acting as fund manager, is the placement of securities held to maturity. Funds placed by ECL and KPSA on RML are amounting to USD104 million and USD15 million, respectively. The expecting of net assets value increased of each years are estimated 7 percent and 9 percent plus LIBOR (London Interbank Offer Rate) for ECL and KPSA, repectively. Funds placement in RML will due on next five (5) years since September 15, 2008 for KPSA. The funds placement for ECL will due, on five (5) days after the submission of written request for investment withdrawals from investor to fund manager or on June 30, 2010.

6. TRADE RECEIVABLES

a. By Customer - Third Parties

	2010	2009
Local customers		
PT Pertamina (Persero)	63,485,951	126,247,059
PT Perusahaan Listrik Negara (Persero)	11,384,564	29,012,071
PT Petrokimia Gresik (Persero)	4,129,693	16,756,999
PT Riau Andalan Pulp & Paper	1,357,115	4,414,579
PT Perusahaan Gas Negara (Persero) Tbk	1,451,425	-
Foreign customer		
Well Pacific Energy Pte,, Ltd,	12,729,328	-
Petro Diamond Co,, Ltd,	242,865	24,067,859
Itochu Petroleum Co,, Pte,, Ltd,	-	99,201,326
Total	**94,780,941**	**299,699,893**

b. By Age Category

	2010	2009
Up to 30 days	52,466,280	213,229,757
Over 31 - 60 days	41,611,556	45,683,985
Over 60 days	723,105	40,786,151
Total	**94,780,941**	**299,699,893**

All trade receivables are denominated in US Dollar. The Subsidiaries did not provide any allowance for doubtful accounts as the management believes that the trade receivables are fully collectible.

Receivables from Subsidiaries as of March 31, 2010 and 2009, are pledged as collateral for the long-term loans (Note 18).

(Expressed in thousands Rupiah, unless otherwise stated)

7. OTHER RECEIVABLES

a. Other receivable consist of :

	2010	2009
BP Migas	176,708,798	254,839,066
Employees	22,696,576	15,579,725
Suppliers	82,176,478	145,973,945
Others (below Rp10 billion each)	69,877,864	56,838,229
Total	351,459,716	473,230,965
Less allowance for doubtful accounts	(7,655,652)	(12,533,009)
Net	**343,804,064**	**460,697,956**

b. Mutation of allowance for doubtful accunts are as follows :

	2010	2009
Beginning balance	7,895,023	11,856,280
Allowance for doubtful accounts	-	676,729
Revision on allowance for doubtful accounts	(239,371)	-
Ending balance	**7,655,652**	**12,533,009**

Receivables to BP Migas represent of Subsidiaries receivables which consist of VAT can be reimbursed to BP Migas and underlifting for oil sales which is in accordance to the PSC and TAC. The balance as of March 31, 2010 and 2009 are Rp 176,708,798 and nil, also Rp 230,226,447 and 24,612,589.

Receivables to suppliers represent subsidiaries receivables, upon the exploration and exploitation activities done by suppliers, which first funded by Subsidiaries.

Based on the results of the examination of each receivable, the Company's management believes that allowance for doubtful accounts as of March 31, 2010 and 2009 was adequate to cover the possibilities of losses on other receivables.

8. INVENTORIES

	2010	2009
Spare-parts	373,652,012	468,988,320
Fuel	671,004	6,668,047
Chemicals and others	8,516,914	17,600,552
Total	**382,839,930**	**493,256,919**

Inventories are covered by insurance against losses from fire and other risks under blanket policies, insurance package with Oil and Gas Properties (Note 12). Management believes that the insurance coverage is adequate to cover possible losses from such risks.

(Expressed in thousands Rupiah, unless otherwise stated)

9. OTHER CURRENT ASSETS

	2010	2009
Prepaid expenses		
Rental	2,322,046	3,988,504
Insurance	1,570,438	2,115,087
Service charge	-	363,246
Advances		
Project	29,528,771	28,485,306
Others	8,985,941	24,767,705
Total	**42,407,196**	**59,719,847**

10. DUE FROM/TO RELATED PARTIES

a. Nature of Relationship with Related Parties

- The Company, through one or more intermediaries, are under common control by Lapindo Brantas, Inc (LBI), PT Energi Timur Jauh (ETJ), Asian Worldwide Group Ltd.(AWG) and Global Overseas Enterprise Ltd. (GOE).

- PT Masagena Agung (MGA) have in common of administrator with PT Mosesa Petroleum (MP) a Subsidiary, in which the Company together with the MGA is the owner of the respective 75% and 25% of MP.

b. Due from Related Parties

	2010	2009
Lapindo Brantas, Inc. (LBI)	646,306,792	842,374,181
PT Energi Timur Jauh (ETJ)	508,549,246	747,520,275
Others (each below Rp1 billion)	1,121,113	202,174
Total	1,155,977,151	1,590,096,630
Percentage to total assets	**9.96%**	**11.89%**

Due from LBI mainly represents a portion of funds originating from a loan by Merrill Lynch on 2007. Minarak Labuan Co. (L) Ltd. (MLC) as the majority owner of LBI guaranteed the receivable from LBI to the Company. The receivables are non-interest bearing and have no fixed payment period.

Due from ETJ mainly represents a portion of receivables arising from a loan agreement dated August 1, 1998 (Note 32b). The receivables are non-interest bearing and have no fixed payment period.

The Company and Subsidiaries did not provide of allowance for doubtful account, Management believes those receivables are collectible.

(Expressed in thousands Rupiah, unless otherwise stated)

10. DUE FROM/TO RELATED PARTIES *(Continued)*

c. Due to Related Parties

	2010	2009
Asian Worldwide Group Ltd. (AWG)	41,863,605	53,161,955
Global Overseas Enterprise Ltd, (GOE)	16,852,594	21,400,853
PT Masagena Agung (MGA)	-	136,585,000
Others (each below Rp1 billion)	516,079	720,878
Total	**59,232,278**	**211,868,686**
Percentage to Total Liabilities	**1.13%**	**2.24%**

Due to MGA represent payable in relation of acquisition of PT Mosesa Petroleum (MP) with the amount of USD11,800,000 (note 3). Those payables already paid in February 2010.

Due to AWG and GOE represent payables from taking over the working interest in Bentu PSC and Korinci Baru PSC from Petroz Bentu Ldc. and Petroz Korinci Baru Ldc. on August 7, 2005. Due to AWG and GOE represent payables arising before acquisition of THP. Those payables are non-interest bearing and have no fixed payment period.

11. RESTRICTED FUND

	2010	2009
PT Bank Mega Tbk	552,278,59	369,462,425
Credit Suisse AG, Singapura	126,171,456	164,050,451
PT Bank Mandiri (Persero) Tbk	33,965,023	50,597,810
Societe Generale, Hongkong	-	2,326,761
Hongkong Shanghai Banking Corporation	8,178,124	2,621,353
Total	**720,593,194**	**589,058,800**

Placement fund with PT Bank Mega Tbk represents placement of time deposits that are used to secure the Subsidiaries's payables to vendors and issuance of bank guarantees as required in PSC Contract, of Subsidiaries.

The fund placed with Credit Suisse AG, Singapore branch (CS) on March 31, 2010 represents placement of fund pursuant to the Cash and Account Management Agreement between the Company, EMP HS, KPSA, ITA, IMG, Semco, Bentu, Korinci, Costa and CS, which will serve as collateral for the loan obtained from CS on September 8, 2008 (Note 18). While the fund placed with CS on March 31, 2009 represents placement of fund pursuant to the Credit Agreement between Semco and CS. The placement will serve as collateral for the loan obtained from CS on October 27, 2005 (Note 18).

The fund placed with PT Bank Mandiri (Persero) on March 31, 2010 fund placement through *Yayasan Dana Santunan Pegawai Selat Malaka* and other financial institution for employee benefits (note 30) and fund placement as bank guarantee of Subsidiaries which required by PSC contracts.

Pursuant of Gas Sales Purchase Agreement (GSA) on 2005 (Note 32d), between Subsidiaries EEKL and KEIL, stated of funds received from gas sales are placed as restricted account at The Hongkong and Shanghai Banking Corporation Ltd. (HSBC), which is acting as a trustee based on the GSA. Fund will paid to the bank accounts of EEKL, KEIL and other participant based on joint instruction from

(Expressed in thousands Rupiah, unless otherwise stated)

11. RESTRICTED FUND *(Continued)*

Kangean PSC participants. This bank account also used as a payment for gas transportation to PT Pertamina (Persero).

In accordance to Share Subscription Agreement (SSA) dated March 6, 2007, between Company and Subsidiary (EMP Inc.) with Mitsubishi Corporation and Japan Petroleum Exploration Co.Ltd., stated that funds received from BP Exploration Operating Company Limited and BP America Production Company (previous working interest holders of Kangean work area) on 2007, placed as a restricted account on Societe Generale Hongkong (SG). Those funds are dedicated for the payments of corporate and dividend tax of Subsidiaries (EEKL and KEIL). In 2008, EEKL and KEIL already paid all of the corporate and dividend tax. On 2009 all fund placed in this account already liquidate.

As of March 31, 2010 and 2009, all restricted long-term cash is denominated in US Dollar, except the fund placed in PT Bank Mandiri (Persero) Tbk, through Yayasan Dana Santunan Pegawai Selat Malaka, amounting to Rp 7.59 billion and Rp11.11 billion, respectively.

12. OIL AND GAS PROPERTIES

	2010	2009
Well and equipment and their facilities	7,938,101,320	9,617,903,849
Well and equipment and their facilities in progress	1,875,514,120	2,123,593,277
Total	9,813,615,440	11,741,497,126
Accumulated depreciation, depletion and amortization	(3,758,674,592)	(4,642,149,969)
Net Book Value	**6,054,940,848**	**7,099,347,157**

The details of movement oil and gas properties based on area of interests:

	2010					
Area of Interest	**Location**	**January 1,**	**Addition**	**Deduction**	**Translation Adjustment**	**March 31,**
PSC Selat Malaka	Sumatera	1,314,294,423	31,662,081	34,347,314	(39,804,529)	1,271,804,661
PSC Kangean	Jawa Timur	2,750,768,483	119,598,470	12,385,838	(100,105,680)	2,757,875,435
TAC Gelam	Sumatera	301,188,984	3,105,654	5,809,446	(9,087,732)	289,397,460
PSC Bentu	Sumatera	346,330,028	18,141,489	-	(10,830,403)	353,641,114
PSC Korinci Baru	Sumatera	32,425,244	-	16,213,664	(699,105)	15,512,475
PSC Gebang	Sumatera	14,404,496	-	3,344	(436,677)	13,964,475
TAC Semberah	Kalimantan	555,927,938	-	12,830,854	(16,631,615)	526,465,469
PSC Tonga	Sumatera	164,776,317	2,822,581	-	-	167,598,898
PSC Sangatta-II	Kalimantan	9,175,853	-	-	(278,204)	8,897,649
PSC Tabulako	Kalimantan	9,465,089	-	-	(286,973)	9,178,116
Total		5,498,756,855	175,330,275	81,590,460	(178,160,918)	5,414,335,752
Add: Cost Pool Effect		605,229,628	-	(35,375,468)	-	640,605,096
Net Book Value		**6,103,986,483**				**6,054,940,848**

(Expressed in thousands Rupiah, unless otherwise stated)

12. OIL AND GAS PROPERTIES *(Continued)*

	2009					
Area of Interest	**Location**	**January 1,**	**Addition**	**Deduction**	**Translation Adjustment**	**March 31,**
PSC Selat Malaka	Sumatera	1,457,759,793	21,309,572	46,682,017	(83,301,550)	1,515,688,898
PSC Kangean	Jawa Timur	3,116,652,272	30,626,016	16,940,957	(177,839,285)	3,308,176,616
TAC Gelam	Sumatera	383,370,752	31,341,192	23,662,309	(21,852,813)	412,902,448
PSC Bentu	Sumatera	370,433,522	6,179,775	-	(21,120,064)	397,733,361
PSC Korinci Baru	Sumatera	158,850,557	598,702	22,599,844	(9,150,129)	145,999,544
PSC Gebang	Sumatera	17,568,741	207,706	12,459	(1,002,043)	18,766,031
TAC Semberah	Kalimantan	546,153,333	151,313,839	20,431,436	(30,677,497)	707,713,233
PSC Tonga	Sumatera	156,290,537	202,381	-	-	156,492,918
Total		6,207,079,507	241,779,183	130,329,023	(344,943,381)	6,663,473,049
Add: Cost Pool Effect		376,299,256	-	(59,574,852)	-	435,874,108
Net Book Value		**6,583,378,763**				**7,099,347,157**

Depreciation, depletion and amortization for the three months ended March 31, 2010 and 2009 of Rp46,214,995 and Rp70,754,167, respectively, were charged to cost of goods sold (Note 25).

The additions mainly consisted of cost of development and exploration and capitalization of borrowing cost. Total capitalized financing cost for the three months ended March 31, 2010 and 2009 amounted to USD1.3 million and USD1.60 million, respectively.

Oil and gas properties, as well as inventories were insured with several insurance companies, third party to cover against any risk of loss and damage, by total sums insured based on the working interest, as of March 31, 2010 and 2009 were USD322,312,935 and USD342,228,231, respectively. Management believes those sum of insured is adequate to cover possible losses of assets which insured.

Based on the evaluation of the management there are no events or changes in circumstances that indicate any impairment of assets value oil and gas properties.

13. OTHER NON - CURRENT ASSET

	2010	**2009**
Deferred production cost	56,928,271	36,036,894
Security deposit	21,152,784	35,097,737
Others	13,666,955	13,427,274
Total	**91,748,010**	**84,561,905**

Deferred production cost represents allocation of production cost for crude oil not yet sold at the end of the year.

Security deposit represent placement of deposit for rental of office space in Wisma Mulia building, which is located at Jendral Gatot subroto street Kav. 42, Jakarta.

(Expressed in thousands Rupiah, unless otherwise stated)

14. NOTES PAYABLE

	2010	2009
Arcadian Venture Ltd. (Arcadian)	4,703,340	-
Advance-Lead Strategy Ltd, (Advance Lead)	14,973,976	33,208,675
Total	19,677,316	33,208,675

On September 4, 2009, the Company issued notes payable to Arcadian with the amount of USD1,935,000. This notes payable will due on October 5, 2009 with interest since the issuance date until due date is amount of USD40,000. This notes payable is automatic roll-over if agreed by both parties. There are no assets pledged of the issuance of these notes payable. On March 31, 2010, this notes payable has been partially paid amounting to USD 1,419,000.

On December 31, 2008, Subsidiaries MP issued notes payable to Advance-Lead with the amount of USD2,869,000 and these notes will due on December 31, 2009 with the interest bearing 15% per annum. On June 3, 2009, these notes payable was partially paid amounting to USD1,919,000 and MP re-issued of notes payable with the principal amount plus interest of previously un-paid notes payable, by the amount of USD1,642,784. These notes payable is automatic roll-over if agreed by both parties. There are no assets pledged of the issuance of these notes payable.

15. TRADE PAYABLES

a. By Creditors - Third Parties

	2010	2009
PT Jasa Karya Utama	18,733,787	73,721,962
PT Permata Drilling Indonesia	18,306,599	11,242,416
PT Petroflexx Prima Daya (d/h PT Jaya Wijaya Raya)	14,653,378	48,862,698
Dowell Anadrill Schlumberger	13,482,960	14,524,190
PT Pertamina (Persero)	12,976,387	1,228,256
Schlumberger	12,707,967	19,117,816
Multi Production Solution	11,920,375	-
PT Daya Alam Tehnik Inti	9,027,782	26,403,321
PT BJ Service Indonesia	7,835,460	13,001,579
PT Radiant Utama Interinsco	4,715,352	4,980,291
PT Dwi Prima Sembada	2,067,716	12,466,787
Others (each below Rp10 billion)	221,753,162	368,792,653
Total	**348,180,925**	**594,341,969**

b. By Age Category

	2010	2009
Up to 30 days	35,754,604	58,892,653
Over 31 - 60 days	15,989,088	90,446,850
Over 60 days	296,437,233	445,002,466
Total	**348,180,925**	**594,341,969**

(Expressed in thousands Rupiah, unless otherwise stated)

15. TRADE PAYABLES *(Continued)*

c. By Currency

	2010	2009
United States Dollar	124,378,409	568,709,961
Rupiah	223,802,516	25,632,008
Total	**348,180,925**	**594,341,969**

16. OTHER PAYABLES

	2010	2009
Overlifting - net	112,979,132	24,862
Take or Pay liability	26,397,135	42,966,138
Others	62,457,383	182,909,289
Total	**201,833,650**	**225,900,289**

Take or pay liability represent the payment received by Bentu from PT Perusahaan Listrik Negara (Persero) (PLN) for the shortage of nature gas volume taken by PLN.

Overlifting represent payable to BPMIGAS or Pertamina for the difference between oil and gas taken and entitlement of Subsidiaries.

17. ACCRUED EXPENSES

	2010	2009
Production	113,562,158	96,459,049
Support cost	109,028,463	51,270,725
Financing cost	47,807,043	61,015,145
Drilling	37,535,229	153,918,945
Others	29,502,633	45,391,468
Total	**337,435,526**	**408,055,332**

Accrued drilling, production and support cost expenses mainly represent expenditures of Subsidiaries which related to the activities of exploration, development and exploitation of oil and gas of Subsidiaries which have working interest of oil and gas.

Financing cost represent of interest expenses and other financing cost, which arising from the loan of senior and junior from Subsidiaries EMP HS to CS (Notes 18).

(Expressed in thousands Rupiah, unless otherwise stated)

18. LONG-TERM LOANS

	2010	2009
Credit Suisse AG, Singapore Branch		
(USD200 million in 2010 and USD450 in 2009)	1,823,000,000	5,208,750,000
Japan Petroleum Eploration Co, Ltd,, Japan		
(USD84,21 million in 2010 and USD69,63 million in 2009)	767,562,810	805,946,433
Kangean Finance Company		
(USD73,72 million in 2010 and niil in 2009)	671,917,058	-
Mitsubishi Corporation, Japan		
(USD10,49 million in 2010 and USD69,63 million in 2009)	95,645,752	805,946,433
PT Bank Permata Tbk	-	266,008
Total	3,358,125,620	6,820,908,874
Current maturities	-	-
Long-term Loans - Net	**3,358,125,620**	**6,820,908,874**

Credit Suisse (CS), Singapore

The loan from CS amounting to USD200 million and USD450 million as of March 31, 2010 and 2009 represent the loans obtained by EMP HS.

On September 8, 2008, EMP HS entered into the credit facilities arranged by CS as an arranger and agent of up to maximum of USD450 million which consists of the following agreements:

a. Senior Credit Agreement

EMP HS obtained the loan under this agreement amounting to USD250 million that bears interest at 12% above LIBOR. The loan period is sixty (60) months after utilization date. EMP HS may repay the loan in whole or in part at any time on or after the date falling twenty four (24) months after the utilization date in whole or in part.

b. Junior Credit Agreement

EMP HS obtained the loan under this agreement amounting to USD200 million that bears interest at 9% above LIBOR. The loan period is sixty (60) months after utilization date. EMP HS may repay the loan in full any time after the later of the Senior discharge date and a date falling eighteen (18) months after the utilization date.

On the same date, in accordance with the loans, the Company, EMP HS, Operating Companies (ITA, KPSA, Semco, IMG, Costa, Bentu and Korinci Baru) and intermediate Holdco (RHI and THP) signed the Cash and Account Management Agreement (CAMA) with CS with the terms as follows:

a. Each of EMP HS and Operating Companies shall establish, before or on the date of this agreement, and shall maintain, the Transaction Account (Junior Debt Service Reserve Account, Senior Debt Service Reserve Account, Junior Interest Account, Senior Interest Account, Prepayment Account, each Collection Account and Master Collection Account) with Common Account Bank in accordance with the CAMA.
b. Each of EMP HS and Operating Companies undertake to the Junior and Senior Lender that it shall make payments or provide instructions to make payments out of the Transaction Account only in accordance with the terms of the CAMA.

18. LONG-TERM LOANS *(Continued)*

c. The Transaction Account shall be operated by the Common Account Bank (on behalf of EMP HS and the Operating Companies) in accordance with this CAMA.

Both credits above were utilized on September 12, 2008, being used for:
a. Repayment the prior loan obtained from CS amounting to USD152.75 million,
b. Repayment of the loan to PMA Capital Management Ltd. obtained previously,
c. Financing the development of existing assets, and
d. Funding the working capital for existing assets.

Collateral used for these credit facilities includes the Company's guarantee, pledges of EMP HS' shares, Operating Companies' guarantee and 50% of EMP Inc. shares.

In this loan facility agreement, there are limitations on the Company, as follows:

1. Company and Subsidiaries could not make acquisition or investment, including without limitation:

   a. acquire a company or shares or securities or a business;
   b. incorporate a company;
   c. enter into or acquire any interest in any joint venture, partnership or similar arrangement; or
   d. acquire interest in any gas field other than Hydrocarbon Fields.

   Clauses above do not apply to:

   a. any acquisitions or investments made in ordinary course of trade;
   b. the entry by a subsidiary into New Supply Contracts in accordance with the provisions of Clause and material contracts which arrange in loan agreement;
   c. an acquisition or incorporation of a company:
      (i) where such acquisition or incorporation is solely funded by:
         a. the proceeds of an equity raising in the form of an issue of Company's shares
         b. excess cash released to EMP HS, in accordance with Cash and Management Agreement; and
      (ii) for the purposes of conducting Hydrocarbon exploration and/or extraction business.

2. Dividends paid limitation

   (1) Company shall not pay dividends or make any distributions if a default has occurred and is outstanding;

   (2) Subject to point (1) above, the Company shall ensure that any dividends or distributions paid to its shareholders in any financial year shall:
      (i) limited to 5% (five per cent) of its total net income for the immediately preceding financial year;
      (ii) Not exceed the aggregate for that financial year, USD5,000,000.

   Except with the prior written consent of the Majority Lenders.

3. Limitation of Subsidiary Operations

   Company and Subsidiary shall ensure to provide floating storage and offloading vessels (FSO) for Kangean PSC Block and make an equity raising through right issue in the Capital of Company in the same amount or more than USD150 million before June 30, 2009. At least USD150 million from net proceed of equity raising must use for following purposes:

   - Funding of capital's expenditures and/or working capital; and/or
   - Re-financing of the whole or a part of loan facility.

18. LONG-TERM LOANS *(Continued)*

4. Limitation of financial ratio

   Company must ensure total debt to EBITDA consolidation ratio in the end of the calculation period, not exceed than:

   - 3.0 : 1 for calculation periods ended December 31, 2008 and June 30, 2009;
   - 2.0 : 1 for calculation periods ended December 31, 2009 and June 30, 2010;
   - 1.0 : 1 for calculation periods ended December 31, 2010 and June 30, 2011;
   - 0.5 : 1 for calculation periods ended after December 31, 2010 and June 30, 2011;

   In the end 2009, the Company and Creditors of Senior loan and Junior loan has agreed regarding terms of Senior Loan and Junior Loan restructuring. In restructuring terms, Company had received conditional waiver from default condition of Company on Senior Loan and Junior Loan. In conditional waiver, Company required to make several corporate actions, in order to reduce loans and to give permit for Senior Loan and Junior Loan Creditors to receive additional control on cash flow, operational and Company expenditures.

   As part of the restructuring, the Company agreed to used part of funds from PUT II for payment of principal Junior and part of principal Senior loan to CS amounting to USD250,000,000. The remaining loan principal will be paid in accordance with the agreed repayment schedule in Senior loans for sixty (60) months after the date of loan utilization. EMP HS can settle all or part of the loan at any time on or after twenty-four (24) months from the date of use.

Mitsubishi Corporation (MC) and Japan Petroleum Exploration Co., Ltd. (Japex)

In accordance with the term sheet agreed under the Share Subscription Agreement (SSA) dated March 6, 2007, MC and Japex agreed to provide loan facilities to the Company, EMP Inc., EEKL and KEIL for capital expenditures. The following loan facilities were entered into under the SSA:

a. Loan facilities for the Company

MC and Japex agreed to provide a loan facility to the Company for 50% of KEIL and EEKL's expended capital expenditures for the period from July 1, 2006 to May 16, 2007, capped at a combined total of USD21.55 million as stipulated in the Facility Agreements dated May 16, 2007. This loan will be due on June 30, 2017, and bears interest at LIBOR plus 3.75% for time deposits for six (6) months. The loan has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter.

As of March 31, 2010, the Company has utilized the loan facility plus interest, amounting to USD20.98 million (the Company's portion of USD10.49 million).

b. Loan facilities for EEKL and KEIL

MC and Japex agreed to provide a loan facility to EEKL and KEIL in respect of the Subsidiary's funding obligations for capital expenditures, capped at a combined total of USD430 million included loan facility above for the Company as stipulated in the Carry Agreement dated May 16, 2007. The loan will become due on June 30, 2017 and bear interest at LIBOR plus 3.75% for time deposits for six (6) months. The loan has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter.

As of March 31, 2010, EEKL and KEIL have utilized the loan facility plus interest amounting to USD294.88 million (the Company's portion of USD147.44 million).

Based on the novation and amendment agreement dated July 17, 2009 between EEKL, KEIL, MC and Kangean Finance Company (KFC), was agreed all of the loan facilities EEKL and KEIL to MC

(Expressed in thousands Rupiah, unless otherwise stated)

18. LONG-TERM LOANS *(Continued)*

are transferred to KFC. All terms and conditions in the previous loan facilities were not change. There are no assets colleteralized based on that loan.

PT Bank Permata Tbk

On February 8, 2005, Subsidiaries, IMG obtained a credit facility from PT Bank Permata Tbk for the purchase of vehicles. The loan bears interest at 8.8% per annum over its 5-year period and was guaranteed by the vehichles.
The loan has been fully paid on January 26, 2010.

19. MINORITY INTEREST

a. Minority interest in net assets of Subsidiaries

	2010	2009
PT Mosesa Petroleum	33.572.720	35.108.937
PT Visi Multi Artha	300,000	-
PT Artha Widya Persada	300,000	-
PT Tunas Harapan Perkasa	18,571	19,903
Total	**34,191,291**	**35,128,840**

b. Minority interest in net loss (income) of Subsidiaries

	2010	2009
PT Mosesa Petroleum	(1,134,019)	339,420
PT Tunas Harapan Perkasa	(1,130)	(7,298)
Total	**(1,135,149)**	**332,122**

20. CAPITAL STOCK

Composition of the Company's stockholders and their respective shareholdings were as follows:

	2010		
Shareholders	**Number of Issued and Paid Shares (full amount)**	**Percentage of Ownership (%)**	**Issued and Paid Share Capital (Rp)**
PT Bakrie & Brothers Tbk	9,981,150,620	24.59%	998,115,062
Rennier Abdul Rachman Latief	388,496,500	0.96%	38,849,650
PT Kondur Indonesia	257,604,398	0.63%	25,760,440
Julianto Benhayudi	50,000	0.00%	5,000
PT Brantas Indonesia	49	0,00%	4
Public (each below 5%)	29,956,808,845	73.82%	2,995,680,885
Total	**40,584,110,412**	**100.00%**	**4,058,411,041**

(Expressed in thousands Rupiah, unless otherwise stated)

20. CAPITAL STOCK *(Continued)*

	2009		
Shareholders	**Number of Issued and Paid Shares (full amount)**	**Percentage of Ownership (%)**	**Issued and Paid Share Capital (Rp)**
PT Bakrie & Brothers Tbk	6,221,151,377	43.20%	622,115,138
PT Brantas Indonesia	551,963,559	3.83%	55,196,356
PT Kondur Indonesia	259,287,582	1.80%	25,928,758
Rennier Abdul Rachman Latief	54,909,500	0.38%	5,490,950
Julianto Benhayudi	50,000	0.00%	5,000
Public (each below 5%)	7,313,451,354	50.79%	731,345,135
Jumlah	14,400,813,372	100,00%	1,440,081,337

The ownership by PT Bakrie & Brothers Tbk (BNBR) of 6,221,151,377 shares as of March 31, 2010 and 2009 based on the letter from other shareholders, PT Kondur Indonesia and PT Brantas

Indonesia, each companies held 3,517,395,602 shares and 2,703,755,775 shares, respectively, for the benefits of the BNBR. As of March 31, 2010, the shares owned directly by BNBR were 3,759,999,243 shares.

21. PAID IN CAPITAL

	Difference from The Excess of Price Over the Share Par Value	**Share Issuance Cost**	**Net**
Issuance of 33,940,098,735 shares of the Company through:			
Initial Public offering - 2,847,433,500 shares	170,846,010	12,425,064	158,420,946
Right Issues I - 4,909,368,195 shares	3,289,276,691	92,948,408	3,196,328,283
Right Issues I I - 26.183.297.040 shares	2,225,580,248	105,587,448	2,119,992,800
Total	5,685,702,949	210,960,920	5,474,742,029

(Expressed in thousands Rupiah, unless otherwise stated)

22. DIFFERENCE IN VALUE FROM RESTRUCTURING TRANSACTIONS OF ENTITIES UNDER COMMON CONTROL

	Dated	Net Book Value	Acquisition Cost	Difference in Value from Restructuring Transactions of Entities Under Common Control
RHI Corporation	February 2003	92,458,079	200,000,000	(107,541,921)
PT Imbang Tata Alam	February 2004	(43,635,241)	38,400,000	(82,035,241)
Energi Mega Pratama Inc,	August 2004	238,407,446	239,420,000	(1,012,554)
PT Tunas Harapan Perkasa	January 2006	165,058,249	2,609,113,573	(2,444,055,324)
Total		**452,288,533**	**3,086,933,573**	**(2,634,645,040)**

23. DIFFERENCE DUE TO CHANGE OF EQUITY IN SUBSIDIARY

In 2007, EMP Inc., issued 26,000,010 new shares to Mitsubishi Corporation and Japan Petroleum Exploration Co., Ltd. resulting in a decrease in the Company's interest in EMP Inc. from 100% to 50%. The difference between the Company's interest in EMP Inc. after the new share issuance and the carrying value of the investment before the new share issuance was recorded under the "Difference Due to Change of Equity of Subsidiary" account and is presented as part of the equity. Due to that dilution, since January 1, 2007, the Company has proportionately consolidated EMP Inc.

24. NET SALES

	2010	2009
Export		
Well Pacific Energy Pte. Ltd.	177,372,569	-
Petro Diamond Co. Ltd.	-	206,763,738
	177,372,569	206,763,738
Domestic		
PT Pertamina (Persero)	37,767,306	55,841,368
PT Petrokimia Gresik (Persero)	19,156,008	27,997,838
PT Perusahaan Listrik Negara (Persero)	18,865,231	43,599,003
PT Riau Andalan Pulp & Paper	3,919,083	14,367,427
	79,707,628	141,805,637
Total	257,080,197	348,569,375

(Expressed in thousands Rupiah, unless otherwise stated)

24. NET SALES *(Continued)*

Details of sale above 10% to third parties are as follows:

	2010	2009
Well Pacific Energy Pte. Ltd.	177,372,569	-
PT Pertamina (Persero)	37,767,306	55,841,368
PT Perusahaan Listrik Negara (Persero)	18,865,231	43,599,003
Petro Diamond Co., Ltd.	-	206,763,738
Total	234,005,106	306,204,109

Oil sold for the periods ended March 31, 2010 and 2009 are Rp201.24billion and Rp216.91 billion. Gas sold for the periods ended March 31, 2010 and 2009 are Rp55.84 billion and Rp131.66 billion.

25. COST OF GOODS SOLD

	2010	2009
Production	73,251,553	130,283,681
Support cost	63,369,394	67,902,636
Depreciation, depletion and amortization (Note 12)	46,214,995	70,754,167
Workover	19,211,148	23,110,609
Total	202,047,090	292,051,093

26. OPERATING EXPENSES

	2010	2009
Salaries, allowances and employee benefits	28,437,462	22,156,393
Representation and donation	4,127,111	1,555,476
Office expenses	1,560,294	1,348,704
Professional fees	1,146,316	17,200,325
Business travelling	747,339	555,273
Rent	596,496	3,801,475
Depreciation	154,909	409,166
Others (below Rp500 million each)	2,093,503	7,046,136
Jumlah	38,863,430	54,072,948

27. FINANCING CHARGES

	2010	2009
Interest expenses	96,991,959	169,731,949
Other financing cost	107,358	1,452,375
Total	97,099,317	171,184,324

(Expressed in thousands Rupiah, unless otherwise stated)

28. TAXATION

a. Taxes Payable

	2010	2009
Corporate income and dividend tax	73,748,098	31,777,392
Income taxes		
Article 4 (2)	721,907	393,588
Article 21	4,216,371	17,275,556
Article 23	32,273,399	34,467,059
Article 26	39,837,151	49,269,829
Value-Added Tax	75,236,025	97,884,814
Additional tax assessments and penalties	17,673,134	16,897,595
Total	243,706,085	247,965,833

On November 28, 2006, the Directorate General of Taxation issued Tax Assessment Letter on Underpayment (SKPKB) for corporate income tax and income tax article 26 (4) for Costa for the years 1997, 1998, 2000, 2001 and 2002 totaling USD8,860,992. On February 27, 2007, Costa submitted their Objection Letter to the Tax Office and filed the lawsuit to the State Administration Court opposing such SKPKB. Up to completion date of the consolidated financial statements, the Tax Office has rejected the Objection Letter. However, the lawsuit is still under process.

In October and November 2007, Bentu has received tax assessment letters for interest penalty on late payment of VAT and witholding tax article 23 amounting to Rp4,153,062 and Rp3,054, respectively.

On March 7, 2007, IMG received SKPKB for VAT amounting to Rp6,265,260 from Directorate General of Taxation and has been paid by IMG amounting to Rp3,174,381 on November 22, 2007. On June 2007, the Directorate General of Taxation issued an additional tax assessment letter of VAT of IMG amounting to Rp1,384,078.

b. Tax Benefit (Expense)

Details of tax benefit (expense) of the Company and its Subsidiaries were as follows:

	2010	2009
Current tax		
Company	-	-
Subsidiaries		
ITA	(6,624,106)	(4,619,830)
KPSA	(8,943,756)	(6,185,677)
Sub-total	(15,567,862)	(10,805,507)
Deferred tax		
Company	13,919,997	(4,406,464)
Subsidiaries	44,725,398	121,697,389
Sub-total	58,645,395	117,290,925
Total	43,077,533	106,485,418

(Expressed in thousands Rupiah, unless otherwise stated)

c. Current Tax

A reconciliation between loss before income tax expense, as shown in the consolidated statements of income, for the years ended March 31, 2010 and 2009, is as follows:

	2010	2009
Income (loss) before income tax expense per consolidated statements of income	(63,672,555)	(125,285,932)
Loss - net of Subsidiaries before income tax expense (benefit)	(36,922,430)	(121,231,202)
Loss before income tax benefit (expense) attributable to the Company	(26,750,125)	(4,054,731)
Temporary differences		
Employee benefits	499,622	
Permanent differences		
Donation and entertainment	781,476	731,048
Taxes expense	1,376,927	1,026,025
Interest income which subject to final tax	(2,687,853)	(1,542,191)
Others	119,206	88,413
Total	89,378	303,295
Estimated fiscal loss - of the Company	(26,660,747)	(3,751,436)
Estimated cumulative fiscal loss beginning of year	(302,888,494)	(359,947,098)
Prior fiscal loss adjustment	(42,439,616)	(8,728,251)
Cumulative fiscal loss ending period	(371,988,856)	(372,426,784)

No provision for current income tax was made for the years ended March 31, 2010 and 2009 due to the Company was still in a fiscal loss position.

d. Deferred Tax

The details of the Company and its Subsidiaries' deferred tax assets and liabilities were as follows:

	2010			
	January, 1	**Translation Adjustments**	**Credited (Charged) to Consolidated Statements of Income**	**March, 31**
Deferred Tax Assets				
Unrecoverable charges	985,213,128	(29,564,253)	12,201,360	967,850,235
Fiscal loss	44,030,236	-	13,821,452	57,851,688
Employee benefits	52,513,835	(317,024)	1,346,202	53,543,013
Oil and gas properties	(763,957,642)	22,889,126	16,779,054	(724,289,462)
Non-capital inventory	(86,652,925)	1,182,240	11,367,229	(74,103,456)
Total	231,146,632	(5,809,911)	55,515,297	280,852,018

(Expressed in thousands Rupiah, unless otherwise stated)

28. TAXATION *(Continued)*

Deferred Tax Liabilities				
Employee benefits	32,224,873	(1,040,935)	3,921,482	35,105,420
Oil and gas properties	(411,429,559)	12,500,064	(1,587,806)	(400,517,301)
Non-capital inventory	(38,145,792)	1,143,587	796,422	(36,205,783)
Total	(417,350,478)	12,602,716	3,130,098	(401,617,664)
Deferred Tax Benefit			58,645,395	

	2009			
	January, 1	**Translation Adjustments**	**Credited (Charged) to Consolidated Statements of Income**	**March, 31**
Deferred Tax Assets				
Unrecoverable charges	1,524,017,073	85,772,686	69,500,265	1,679,290,024
Fiscal loss	73,434,789	-	(4,324,065)	69,110,724
Employee benefits	9,028,174	457,019	646,781	10,131,974
Oil and gas properties	(879,606,791)	(50,378,032)	45,466,175	(884,518,648)
Non-capital inventory	(54,906,165)	(3,123,247)	(2,773,050)	(60,802,462)
Total	671,967,080	32,728,426	108,516,106	813,211,612
Deferred Tax Liabilities				
Employee benefits	19,915,137	1,136,709	-	21,051,846
Oil and gas properties	(588,345,186)	(33,610,786)	7,774,191	(614,181,781)
Non-capital inventory	(51,102,292)	(2,920,645)	1,000,628	(53,022,309)
Total	(619,532,341)	(35,394,722)	8,774,819	(646,152,244)
Deferred Tax Benefit			117,290,925	

29. BASIC LOSS PER SHARE

The computation of basic loss per share is based on the following data:

	2010	**2009**
Net loss used for calculation	(21,730,172)	(18,468,390)
Weighted average number of shares for shares for the calculation of basic loss per share (in full amount)	27,051,170,369	14,400,813,372
Basic loss per share (in full amount)	(0.80)	(1.28)

The Company did not calculate diluted earnings per share since the Company has no shares that have a potential dilutive effect for the periods ended March 31, 2010 and 2009.

(Expressed in thousands Rupiah, unless otherwise stated)

30. EMPLOYEE BENEFITS OBLIGATIONS

Pension Plans

The Subsidiaries (KEIL, KPSA and ITA) provide defined contribution pension plans covering all their permanent employees.

Pension plans for KPSA and ITA are managed by PT Tugu Mandiri, while Bentu and Korinci Baru are managed by PT Asuransi Allianz Life Indonesia, the contribution amounting to 9% of employee's salary, of which 6% is paid by the Subsidiaries and 3% by the employee. Pension plan for KEIL is managed by Manulife. The contribution amounting to 8% of employee's salary of which 6% is paid by the Subsidiary and 2% by the employee.

Employee Benefits

The Company and its Subsidiaries provide post-employment benefits for all of their permanent employees based on Employment Working Agreement/Company Policy. No funding has been made by the Company and its Subsidiaries, except by KPSA and ITA, which funds are administrated and managed by the Board of Trustees Contribution Fund of the Malacca Strait Employees Foundation and Trust Fund Agreement with several banks.

Employee benefits expense was as follows:

	2010	2009
Current-service cost	5,501,997	8,233,217
Interest costs	4,872,108	179,746
Net actuarial losses (gains) recognized	97,367	(15,753)
Past-service cost	586,117	123,959
Total	11,057,589	8,521,169

Employee benefits obligations was as follows:

	2010	2009
Present value of employee benefit obligation	159,241,729	161,884,731
Unrecognized actuarial loss	(1,965,537)	(10,690,810)
Unrecognized past-service liability	(5,015,205)	(22,823,680)
Employee benefits obligation	152,260,987	128,370,241

Movements of employee benefits obligation were as follows:

	2010	2009
Beginning of the year	150,207,982	119,849,072
Contribution	(65,743)	-
Benefit paid	(4,786,235)	-
Foreign Exchange Effect	(4,152,606)	-
Amount charged to consolidated statements of income	11,057,589	8,521,169
End of the year	152,260,987	128,370,241

(Expressed in thousands Rupiah, unless otherwise stated)

30. EMPLOYEE BENEFITS OBLIGATIONS *(Continued)*

The employee benefits obligation for the Company, KPSA, ITA and KEIL for the year ended March 31, 2010 and 2009 was computed based on the actuarial reports prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its report dated February 19, 2010, February 4, 2010 and February 4, 2010. While the employee benefits obligation for the year ended March 31, 2009, was calculated based on the actuarial report of PT Bumi Persada Aktuaria, in its report dated November 11, 2008. The computations used the following assumptions:

Discount rate	: 11% per annum
Future salary increases	: 10% per annum
Mortality rate	: Commissioner Standard Ordinary (CSO) - 1980
Disability rate	: 10% of Commissioner Standard Ordinary (CSO) - 1980
Actuarial method	: Projected Unit Credit
Resignation rate	: Age 15-29 = 6% per annum, age 30-34 = 3% per annum, age 35-39 =1,8% per annum, age 40-50 = 1,2% per annum, age 51-52 = 0,6% per annum and age > 52 = 0%
Normal retirement age	: 56 years (all employees are assumed to retire at normal retirement age)

The employee benefits obligation for Costa for the year ended March 31, 2010 and 2009 were calculated based on the actuarial reports of PT Dian Artha Tama, an independent actuarial firm, in its reports dated February 8, 2010 and November 14, 2008, respectively. The computations used the following assumptions:

Discount rate	: 10% per annum
Future salary increases	: 5% per annum
Mortality rate	: Commissioner Standard Ordinary (CSO) - 1980
Disability rate	: 0,1% of Commissioner Standard Ordinary (CSO) - 1980
Actuarial method	: Projected Unit Credit
Resignation rate	: Age 18-45 = 1% per annum and age > 46-55 = 0%
Normal retirement age	: 56 years (all employees are assumed to retire at normal retirement age)

The employee benefits obligation for the Semco for the year ended March 31, 2010 was computed based on the actuarial reports of PT Bumi Persada Aktuaria, an independent actuarial firm, in its report dated February 19, 2010. While the employee benefits obligation for the year ended March 31, 2009, was recorded based on the actuarial report of PT Padma Radya Aktuaria, an independent

actuarial firm, in its report dated December 3, 2008. The computations used the following assumptions:

Discount rate	: 11% per annum for 2009 (13% per annum for 2008)
Future salary increases	: 10% per annum for 2009 (10% per annum for 2008)
Mortality rate	: Commissioner Standard Ordinary (CSO) - 1980 for 2009 (100% Tabel Mortalita Indonesia 2 for 2008)
Disability rate	: 10% of Commissioner Standard Ordinary (CSO) - 1980 for 2009 (100% of Tabel Mortalita Indonesia 2 for 2008)
Actuarial method	: Projected Unit Credit at normal retirement age)
Resignation rate	: Age 15-29 = 6% per annum, age 30-34 = 3% per annum, age 35-39 =1,8% per annum, age 40-50 = 1,2% per annum, age 51-52 = 0,6% per annum and age > 52 = 0% for 2009 (1% per annum for 2008)
Normal retirement age	: 56 years (all employees are assumed to retire

(Expressed in thousands Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION

Primary Segment

For management purposes, the Company and its Subsidiaries are currently organized into two (2) business divisions consisting of financing and mining. These divisions are the basis on which the Company and its Subsidiaries report their primary segment information.

Business segment information of the Company and its Subsidiaries is as follows:

	2010			
	Financing	Mining	Elimination	Consolidated
NET SALES				
External sales	-	257,080,197	-	257,080,197
RESULT				
Segment result	-	55,033,107	-	55,033,107
Unallocated expenses				(38,863,430)
Income from operations				16,169,677
Financing charges				(97,321,662)
Other charges - net				17,479,429
Loss before tax benefit				(63,672,555)
Tax benefit- net				43,077,533
Loss before minority interest				(20,595,022)
Minority interest				(1,135,149)
Net loss				21,730,171
OTHER INFORMATION				
Assets				
Segment assets	9,477,736,826	14,820,366,508	(12,975,409,518)	11,322,693,816
Unallocated assets				280,852,018
Consolidated total assets				11,603,545,835
Liabilities				
Segment liabilities	(563,039,266)	(13,781,260,265)	9,507,144,808	(4,837,154,722)
Unallocated liabilities				(401,617,665)
Consolidated total liabilities				(5,238,772,387)
Capital expenditure	-	175,330,276	-	175,330,276
Depreciation, depletion and amortization	154,909	46,214,995	-	46,369,903

(Expressed in thousands Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION *(Continued)*

	2009			
	Financing	**Mining**	**Elimination**	**Consolidated**
NET SALES				
External sales	-	348,569,375	-	348,569,375
RESULT				
Segment result	-	56,518,281	-	56,518,281
Unallocated expenses				(54,072,948)
Income from operations				2,445,333
Financing charges				(171,184,324)
Other charges - net				43,453,061
Loss before tax benefit				(125,285,930)
Tax benefit- net				106,485,418
Loss before minority interest				(18,800,512)
Minority interest				332,122
Net loss				(18,468,390)
OTHER INFORMATION				
Assets				
Segment assets	16,889,670,794	8,265,180,370	(12,602,464,130)	12,552,387,034
Unallocated assets				813,211,612
Consolidated total assets				13,365,598,646
Liabilities				
Segment liabilities	(9,018,676,236)	(7,210,706,907)	7,412,446,724	(8,816,936,419)
Unallocated liabilities				(646,152,244)
Consolidated total liabilities				(9,463,088,663)
Capital expenditure	5,500	223,212,694	-	223,218,1944
Depreciation, depletion and amortization	409,166	70,754,167	-	71,163,333

The Company and Subsidiaries operated in two (2) major geographical regions, domestic and international.

Secondary Segment

The Company and its Subsidiaries' are operating in two main geographical areas, domestic and international.

(Expressed in thousands Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION *(Continued)*

Sales Based on Market

The following are the Company and Subsidiaries' sales based on geographical market regardless of the location of the production of oil and gas:

	2010	2009
Geographical market		
Domestic		
Jakarta	37,767,306	55,841,369
East Java	38,021,240	71,596,841
Riau	3,919,083	14,367,427
International		
Singapore	177,372,569	206,763,738
Total	257,080,197	348,569,375

32. COMMITMENTS

The Company has significant agreements and commitments as follows:

a. Acquisition of 10% working interest at PSC Masela Block

Pursuant to and subject to the satisfaction of the conditions set forth in the Masela Farm Out Agreement (FOA) dated November 4, 2009, the Company will indirectly, through EMP EI, acquire the 10% working interest of PSC Masela.

The estimated aggregate cash purchase consideration is at the fixed sum of USD77.25 million plus adjustment, which is calculated before closing date according to Masela FOA.

The Masela FOA sets out the conditions precedent that must be satisfied in order for the Acquisition to be completed. These conditions precedent include, inter alia:

- INPEX Masela has received necessary written approvals for the farm-out of the Acquired Assets to EMP EI from BPMIGAS
- INPEX Masela has received payment of acquisition cost;
- INPEX Masela already received design of Masela Joint Operation Agreement (JOA);
- INPEX Masela already received notice from EMP EI that it has completed its due diligence in respect of the Acquired Assets and wishes to proceed with the assignment of the Acquired Assets.

The assignment of the Acquired Assets pursuant to the Masela FOA will be completed (the "Acquisition Closing") once all conditions precedent to the completion of the Acquisition have been satisfied. Upon the Acquisition Closing, the parties will date the document assigning the Acquired Assets to EMP EI and complete the Masela JOA by dating it.

As of reporting date, the acquisition transaction, were not yet fully completed.

32. COMMITMENTS *(Continued)*

b. Production Sharing Contract (PSC) and Technical Assistance Contract (TAC)

The general concept of the PSC and TAC, are that the Contractor (this case Subsidiaries) bear all risks and costs of exploration until commencement of commercial production. The contractor received a share of production to meet cost recovery.

1. Exclusion area

The Contractor is required to relinquish the certain contract areas to BP Migas (for PSC) and Pertamina (for TAC) within certain period based on the agreement between the Contractor and BP Migas.

2. Entitlement of Production

The entitlement production of oil and gas received after deducted by First Tranche Petroleum (FTP), cost recoverable and investment credit, which allocated by the Government and Contractor before the impact of tax, and after adjusted by the domestic market obligation (DMO).

Under the sharing concept, the oil to be shared between the Government and Contractor is made up of:
- cost recovery
- Investment credit
- Equity to be split

3. Cost Recovery

The Contractor can recover of the costs of oil and gas production. Costs are allowed to be recovered is as follows:

a. Current year operational cost, include costs exploration of other fields in PSC and TAC area. In-tangible of exploration and development wells and inventories costs when landed in Indonesia. Contractor also get a partial reimbursement of overhead costs, limited to with 2% of the total expenditure, which can be taken into account in quarterly report and approved by BP Migas;

b. Depreciation of capital cost in the amount of 50%, 25%, 12,5% and 10% using declining balance method for assets which attended to use, at least in one (1) day during the current year. Capital cost when submitted to government when landed in Indonesia. Contractor can recognize the depreciation for those assets; and

c. Un-recouped operating and depreciation cost from previous years. If the current production is not sufficient to recoup costs, these costs can be carried forward to following years, without a time limit.

The main component of expenses that the Contractor can't be recovered is a bonus paid to the government and certain financing cost. However such bonus can be a tax deductible.

4. Investment Credit

An investment credit is allowed on direct development and production of capital costs incurred on project basis, as negotiated and approved by BP Migas.

32. COMMITMENTS *(Continued)*

5. Interest Recovery

   Interest recovery is one incentive for the supply of capital for certain projects approved by BP Migas. The recovery of interest expenses can be carry-out during the depreciating assets project.

   Details and the number on the planning and funding should be included in the budget expense annual operations and approval of BP Migas.

6. Management and Head Office Overheads

   Some general and administrative cost (other than direct charges) related to head office overheads can be allocated to the PSC and TAC operation, based on the methodology approved by BP Migas. This overhead allocation methodology must be applied consistently and is subject to periodic review and audit by BP Migas. Some PSC arrangement, cap this overhead at a flat 2% (two percent) of total PSC operating cost. For PSC already producing, BP Migas will perform audit of overhead of head office yearly basis.

7. Equity Shares

   Any oil that remains after investment credit and cost recovery is split between BP Migas and the Contractor with the scheme of profit sharing after tax 85/15 for oil and for gas is 70/30 each for the shares of BP Migas and Contractor.

8. First Tranche Petroleum

   Contractors and government is entitled to take a quantity of petroleum equal to 20% of the production of each year before any deduction for recovery of operating costs, to be split according to their respective equity shares as stated in the contracts.

9. Domestic Market Obligation

   According to the term of PSC and TAC, after commercial production commences, the Contractor should fulfill its obligation to supply the domestic market in Indonesia. In general practice, the Contrctor is required to supply a maximum of 25% of total oil production from the contract area.

   Generally for the first five years after the contract area commences, the Contractor is paid by BP Migas in full for the oil DMO. However on the following years, the prices will be reduced to 10% from price for subsequent years.

   Historically there has been no DMO obligation associated with gas production, however such matter has been introduced.

10. Valuation of Oil

   To determine the sharing of production, and for tax purposes, oil is valued on the basis of a basket of average Indonesian Crude Prices (ICP), the value is calculated by BPMIGAS on monthly basis.

   Under a PSC, Contractor receive oil or in-kind product for settlement of its cost and share of equity, this make its necessary to determine a price to convert oil to USD in order to calculate of cost recovery.

32. COMMITMENTS *(Continued)*

11. Over/(Under) Lifting

    Lifting variances will occur each year between Contractor and Government. These under/ over lifting are settled in cash with the government and can be considered to be sales or purchases of oil or gas, respectively. The individual member of the PSC may in turn have under/ over lifting between them selves, which will be settled according to joint ventures agreements generally in cash or from production in the following year.

12. Abandonment and Site Restoration

    PSC contract that signed after the year 1995 must include in their budget provision for clearing, cleaning and restoring sites upon completion of work. Those cash funds set aside in a non-refundable account for abandonment and site restoration are cost recoverable and tax deductible.

13. VAT Reimbursement

    Contractor follows of Law No.22, mentioned that the obligation of Pertamina (now BP Migas) "assume and discharge all other Indonesian taxes other than income tax including VAT, transfer tax, import and export duties on material equipment and supplies brought into Indonesia by Contractors and Sub-contractors".

c. Agreement with PT Energi Timur Jauh (ETJ)

KPSA, IMG, Semco, Costa, Bentu and Korinci Baru, the Subsidiaries, appointed ETJ as operational and administrative coordinator, provider of general and administrative assistance and as cash manager for the respective periods since the following date:

- from January 1, 1998 until December 31, 1998 for KPSA;
- from January 1, 2004 until December 31, 2004 for IMG;
- from January 1, 2003 until December 31, 2007 for Semco;
- from May 22, 2002 until May 21, 2003 for Costa; and
- from February 7, 2005 until February 6, 2006 for Bentu and Korinci Baru.

The extension can be automatically carried out unless terminated by both parties.

Based on the agreement, ETJ shall assist Subsidiaries in keeping the required books of accounts and other records applicable in Indonesia for oil and gas industries. ETJ shall also deliver to Subsidiaries a monthly report of operational and administrative matters and activities and provide access to duly authorized parties of Subsidiaries to examine or inspect the books of accounts and records prepared by ETJ. ETJ was also appointed as cash manager and authorized signatory in respect of each of Subsidiaries' bank accounts, without limitation, in making payment of expenditures on behalf of Subsidiaries. ETJ shall arrange the use of Subsidiaries' funds as necessary and use any of Subsidiaries' money being managed by ETJ to fund expenditures of other related parties having a similar agreement with ETJ as deemed necessary. ETJ shall also maintain separate and individual clean records of the inter-company payables and receivables status of Subsidiaries and update them on a regular basis.

All costs and expenses incurred by ETJ in relation to the above mentioned purposes shall be chargeable to Subsidiaries. All interest arising from Subsidiaries' funds in ETJ's bank account shall be credited to Subsidiaries.

32. COMMITMENTS *(Continued)*

d. The Subsidiaries' Sale and Purchase Gas Agreements

(1) KEIL and EEKL

On July 7, 2005, EEKL, KEIL and BPMIGAS (as sellers) signed Gas Sale Purchase Agreements (the GSAs) with PT Pembangkit Jawa Bali, PT Perusahaan Gas Negara (Persero) Tbk, and PT Petrokimia Gresik as buyers. Pursuant to GSA, the buyer shall pay for gas sales to Trustee (HSBC) and the Trustee shall receive, hold, manage and disburse amounts paid by buyers under the GSAs.

On October 30, 2007, KEIL entered into certain amendments of the Sale and Purchase of Gas Agreements that had been agreed in December 2005 with:

a. PT Perusahaan Listrik Negara (Persero), which shall expire on the earlier of: March 31, 2027, or the volume of 368.7 TBTU having been fullfiled;

b. PT Petrokimia Gresik (Persero), which shall expire on the earlier of: June 30, 2018, or the volume of 241.86 BSCF having been fullfiled;

c. Pertamina/PT Pertagas, which shall expire on the earlier of: March 31, 2019, or the volume of 221 TBTU having been fullfiled; and

d. PT Indogas Kriya Dwiguna, which shall expire on the earlier of following: February 6, 2021, or the volume of 79.2 TBTU having been fullfiled.

(2) Bentu

a. On May 17, 2005, Bentu entered into an agreement with PT Perusahaan Listrik Negara (Persero) (PLN) whereby Bentu will supply gas to PLN. The gas supplied will originate from the Bentu PSC and Korinci Baru PSC fields. This agreement shall be effective when the following conditions precedent have been fulfilled:

- Bentu has signed the Seller Appointment Agreement with BPMIGAS,
- Bentu has signed the Trustee and Paying Agent agreement with BPMIGAS for transactions in regard to this agreement, and
- PLN has obtained the approval from its shareholders to carry out this agreement.

On December 22, 2006, all conditions have been fulfilled, all parties agreed that the agreement become efective.

The agreement shall be effective until July 15, 2020, or when the volume of gas supplied has reached 146 BCF (Billion Cubic Feet), whichever occurs earlier.

b. On October 30, 2007, Bentu entered into Sales and Purchase Gas Agreements with PT Riau Andalan Pulp & Paper that shall expire on the earlier of: January 31, 2020, or the volume of 86.7 BCF having been fullfiled.

(3) Semco

a. On September 30, 2005, PT Pertamina (Persero) signed a Sales and Purchase Gas Agreement with PT Perusahaan Listrik Negara (Persero) in the amount of 79,026 BBTU from Semberah field (Semco), which shall end on November 16, 2015, or when total contract volume has been reached, whichever occurs earlier.

32. COMMITMENTS *(Continued)*

b. On July 22, 2008, PT Pertamina (Persero) signed a Sales and Purchase Gas Agreement with Virginia Indonesia Co LLC (VICO) in the amount of 15 MMSCF per day from Semberah field (Semco), which shall valid within 1 (one) year from the date of the Gas Supply Agreement signed on October 24, 2008.

e. Joint Operating Agreement (JOA)

On November 29, 1985, Japan Petroleum Exploration Ltd. (Japex) and Pertamina signed the Production Sharing Contract (PSC) Agreement to conduct exploration and production activities in Gebang Block, wherein each party holds a 50% working interest. Pursuant to the agreement, Japex shall finance the exploration and production activities both for its portion and on behalf of Pertamina. Thus Pertamina agreed to reimburse Japex for its share of operating costs, such recovery being obtained from oil and gas sales of Pertamina's share of the Gebang block.

On December 20, 1985, Japex transferred all of its rights and obligations of Gebang Block to Japex North Sumatra Ltd. (JNS).

In 2002, Costa and JNS signed a Sales and Purchase Agreement regarding the transfer of JNS' working interest in Gebang Block to Costa. Pursuant to the transfer, Pertamina's share of cost recovery was transferred to Costa.

33. CONTINGENCIES

The Company and its Subsidiaries' operations are subject to Indonesian laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, which may restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, require remedial measures to prevent pollution resulting from the Company and its Subsidiaries' operations.

The Government has imposed environmental regulations on oil and gas companies operating in Indonesia and in Indonesian waters. Operators are prohibited from allowing oil into the environment and must ensure that the area surrounding any onshore well is restored to its original state insofar as this is possible after the operator has ceased to operate on the site.

Management believes that the Company and its Subsidiaries are in compliance with current applicable environmental laws and regulations.

34. OPERATING HAZARDS AND UNSECURED RISKS

The Company and its Subsidiaries' operations are subject to hazards and risks inherent in drilling for and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowout, cratering, pipeline ruptures and spills, and which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Company and its Subsidiaries. Additionally, certain natural gas and oil operations of the Company and its Subsidiaries' are subject to tropical weather disturbances, some of which can be severe enough to cause substantial damage to facilities and possibly interrupt production. As protection against operating hazards, the Company and its Subsidiaries maintain coverage for their drilling rigs, equipment and machinery for their replacement value and insure against third party liability and worker's compensations. However, they do not insure these assets against business interruption or loss of revenues following damage to or loss of a drilling rig, except in

(Expressed in thousands Rupiah, unless otherwise stated)

34. OPERATING HAZARDS AND UNSECURED RISKS *(Continued)*

respect of an offshore rig where a term of the refinancing for such rig is that insurance coverage be in place for the benefit of the lender.

35. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

The current estimates for the abandonment and site restoration obligations were determined by management, not by an independent consultant. Management believes that the obligations as of balance sheet dates are sufficient to meet the environment obligations resulting from abandonment and site restoration.

Movements of abandonment and site restoration obligations based on working interest were as follows:

	2010				
	January 1,	**Additional**	**Deduction**	**Translation Adjustment**	**March 31,**
PSC Selat Malaka	116,472,069	-	-	(3,531,336)	112,940,733
PSC Kangean	3,863,951	14,803	-	(117,153)	3,761,601
Total	120,336,020				116,702,334

	2009				
	January 1,	**Additional**	**Deduction**	**Translation Adjustment**	**March 31,**
PSC Selat Malaka	133,325,001	702,833	-	7,607,212	141,635,046
PSC Kangean	4,428,693	-	-	252,779	4,681,474
Total	137,753,694				146,316,520

36. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At March 31, 2010 and 2009, the Company and Subsidiaries had monetary assets and liabilities in foreign currencies as follows:

	2010			2009		
	Foreign Currency (full amount)		**Equivalent in Rupiah**	**Foreign Currency (full amount)**		**Equivalent in Rupiah**
Assets						
Cash and cash equivalent	USD	9,623,528	87,718,458	USD	16,262,885	188,242,890
	Euro	28,076	342,993	Euro	2,024	31,015
Short-term investments	USD	118,600,420	1,081,042,826	USD	130,396,277	1,509,336,904
Restricted long-term cash	USD	79,055,754	720,593,194	USD	50,890,609	589,058,800
Trade receivables	USD	10,398,348	94,780,941	USD	25,891,999	299,699,893
Other receivables	USD	15,841,875	144,398,691	USD	13,283,660	153,758,368
Due from related parties	USD	126,821,299	1,155,976,139	USD	137,373,271	1,590,095,614
Abandonment and site restoration fund	USD	12,837,530	117,014,090	USD	12,580,246	145,616,346
Total Assets			3,401,867,330			4,475,839,830

(Expressed in thousands Rupiah, unless otherwise stated)

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

Liabilities						
Trade payables	USD	24,553,211	223,802,516	USD	62,242,526	568,709,961
Other payables	USD	24,292,532	221,426,425	USD	34,185,224	395,693,964
Accrued expenses	USD	35,940,841	327,600,765	USD	35,253,160	408,055,332
Due to related parties	USD	6,498,330	59,232,278	USD	6,503,990	75,283,686
Long-term loans	USD	368,417,512	3,358,125,620	USD	589,256,403	6,820,642,867
Abandonment and site restoration obligations	USD	12,803,328	116,702,335	USD	12,640,736	146,316,520
Total Liabilities			4,306,889,939			8,414,702,330
Net Liabilities			905,022,609			3,938,862,500

37. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these consolidated financial statements that were completed on April 29, 2010.

RESERVE ESTIMATION

The following information on gross proven developed, undeveloped and probable reserve quantities are estimates only, and do not purport to reflect realizable values or fair market values of Subsidiaries' oil and gas reserves. The Subsidiaries emphasize that reserve estimates are inherently imprecise; accordingly, these estimates are expected to change as future information becomes available. There are numerous uncertainties inherent in estimating oil and gas reserves including many factors beyond the control of the Subsidiaries.

Management believes that the reserve quantities shown below are reasonable estimates based on available engineering and geological data, as follows:

	Malacca Strait [1]	Kangean [2]	Gelam [3]	Semberah [4]	Gebang [5]	Korinci [6]	Bentu [7]
	Crude Oil *)	Crude Oil, Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Crude Oil, Gas and Crude Oil *)	Gas	Gas
	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE
Proven developed, undeveloped dan probable reserves							
Balance as of January 1, 2009	36,599	238,058	3,331	19,394	6,471	11,195	48,273
Production during the period	(900)	(747)	(71)	(246)	(29)	(308)	-
Balance as of March 31, 2009	35,699	237,311	3,260	19,148	6,442	10,887	48,273
Balance as of January 1, 2010	33,251	235,743	3,151	18,523	6,381	10,227	48,273
Production during the period	(685)	(493)	(23)	(181)	(12)	(155)	-
Balance as of March 31, 2010	32,566	235,250	3,128	18,342	6,369	10,072	48,273
Proven developed dan undeveloped reserves							
Balance as of January 1, 2009	29,499	123,207	931	7,932	3,170	1,261	23,602
Production during the period	(900)	(747)	(71)	(246)	(29)	(308)	-
Balance as of March 31, 2009	28,599	122,460	860	7,686	3,141	953	23,602
Balance as of January 1, 2010	26,151	120,892	751	7,061	3,080	293	23,602
Production during the period	(685)	(493)	(23)	(181)	(12)	(155)	-
Balance as of March 31, 2010	25,466	120,399	728	6,880	3,068	138	23,602

*) *Units for gas and condensate have been converted from Billion Cubic Feet (BCF) and Million Barrels of Oil (MMBO) to Thousand Barrels Oil Equivalent (MBOE).*

RESERVE ESTIMATION (*Continued*)

1) Estimated oil and gas reserves in the Malacca Strait Block as of January 31, 2008, were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.

2) Estimated oil and gas reserves in Kangean Block were certified by:
   Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants, as of January 31, 2008, in their report dated May 26, 2008 for the Pagerungan Field, Pagerungan Utara Field, Rancak Field and Sepanjang Field;

   Sproule International, independent petroleum engineering consultants, as of July 31, 2006, in their report dated November 3, 2006 for the Terang Field, Sirasun Field and Batur Field.

3) Estimated oil and gas reserves in Gelam Block as of January 31, 2008 were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.

4) Estimated oil and gas reserves in Semberah Block as of January 31, 2008 were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.

5) Estimated oil and gas reserves in Gebang Block as of January 31, 2008 were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.

6) Estimated oil and gas reserves in Korinci Block as of September 2005 were certified by Malkewicz Hueni and Associates (MHA), independent petroleum engineering consultants in their report dated September 13, 2005.

7) Estimated oil and gas reserves in Bentu Block as of September 2005 were certified by Malkewicz Hueni and Associates (MHA), independent petroleum engineering consultants in their report dated September 13, 2005.