PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2007 (Unaudited)
(With Comparative Figures for The Six-Month Period
Ended June 30, 2006 (Audited))

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES

TABLE OF CONTENTS

PT ENERGI MEGA PERSADA Tbk.

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
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	:	Yuli Soedargo
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Taman Kebon Jeruk J-XI/16 R.T. 003/R.W. 021 Kel. Srengseng, Kec. Kembangan, Jakarta Barat
	Phone number	:	(021) 52906250
	Position	:	Director
2.	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	:	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, July 30 , 2007

Director		Director
Yuli Soedargo	ENAM RIBU RUPIAH 6000 METERAI TEMPEL	**Imam Pria Agustino**

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2007 (Unaudited)
(With Comparative Figures for June 30, 2006 (Audited))
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	2007 *)	2006
		Rp	Rp
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,4	947,627,391	713,462,966
Trade receivables	2e,5	270,612,072	258,934,518
Other receivables	2e,6	505,803,227	393,621,509
Inventories	2f,7	438,268,182	475,507,438
Prepaid expenses and advances	2g,8	59,428,710	148,745,770
Prepaid tax	25a	-	7,990,061
Total Current Assets		2,221,739,582	1,998,262,262
NON-CURRENT ASSETS			
Due from related party	2i,9a	520,305,682	387,479,249
Restricted time deposits	2j,10	164,461,504	201,537,086
Fixed assets - net of accumulated depreciation of Rp 8,650,731 in 2007 and Rp 4,848,138 in 2006	2k	5,208,105	8,451,894
Oil and gas properties - net	2l,11	4,823,427,398	4,613,623,652
Site restoration fund	30a,33	94,182,802	74,895,964
Deferred tax assets	2r,25e	374,241,671	247,892,167
Reimbursement of Subsidiary's dividend tax paid	16	356,284,678	205,015,505
Other assets		40,875,580	29,842,265
Total Non-current Assets		6,378,987,420	5,768,737,782
TOTAL ASSETS		8,600,727,002	7,767,000,044

*) Total assets as of June 30, 2007 only presented 50% of total assets of EMP Inc resulting from dilution of percentage of ownership in EMP Inc in 2007.

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2007 (Unaudited)
(With Comparative Figures for June 30, 2006 (Audited))
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	2007 *)	2006
		Rp	Rp
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payables	12	347,962,328	203,529,220
Other payables	13	142,716,894	55,464,555
Accrued expenses	14	229,578,177	292,655,399
Taxes payable	2r,25b	141,990,669	142,183,437
Current maturities of long-term loans	15	752,553	245,287,500
Total Current Liabilities		863,000,621	939,120,111
NON-CURRENT LIABILITIES			
Long-term loans - net of current maturities	15	2,866,076,654	3,920,966,719
Due to related parties	2i,9b	893,374,806	416,424,386
Deferred tax liabilities	2r,25e	287,708,695	343,742,437
Estimated obligation on probable losses	2v,35a	71,235,676	-
Employee benefits obligation	2q,27	48,081,216	30,811,547
Site restoration obligation	30a,33	112,290,795	91,664,358
Subsidiary's dividend tax liability	16	356,284,675	205,015,502
Total Non-current Liabilities		4,635,052,517	5,008,624,949
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b	13,043	12,373
EQUITY			
Capital stock - Rp 100 par value per share			
Authorized - 55,000,000,000 shares			
Issued and paid-up - 14,400,813,372 shares	17	1,440,081,337	1,440,081,337
Additional paid-in capital	18	3,354,749,228	3,354,749,228
Difference in value from restructuring transactions of entities under common control	2c,19	(3,386,000,442)	(3,376,756,375)
Difference due to change of equity in subsidiary	2h,20	1,217,422,535	-
Translation adjustments	2u	(27,223,608)	(19,011,831)
Retained earnings		503,631,771	420,180,252
Total Equity		3,102,660,821	1,819,242,611
TOTAL LIABILITIES AND EQUITY		8,600,727,002	7,767,000,044

*) Total liabilities and equity as of June 30, 2007 only presented 50% of total liabilities and equity of EMP Inc resulting from dilution of percentage of ownership in EMP Inc in 2007.

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 (Unaudited)
(With Comparative Figures for the Six-Month Period Ended June 30, 2006 (Audited))
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	2007 *)	2006
		Rp	Rp
NET SALES	2p,21	488,051,627	832,327,014
COST OF GOODS SOLD	2p,22	(354,725,739)	(499,144,531)
GROSS PROFIT		133,325,888	333,182,483
OPERATING EXPENSES			
General and administrative	2p,23	(81,639,471)	(133,997,763)
INCOME (LOSS) FROM OPERATIONS		51,686,417	199,184,720
OTHER INCOME (CHARGES)			
Overhead cost recovery		18,217,690	17,240,509
Gain (loss) on foreign exchange - net	2u	508,083	(3,393,161)
Interest income		16,833,035	17,659,157
Financing charges	24a	(151,039,222)	(74,630,416)
Gain on insurance claim	2p,24b	-	57,312,635
Others - net		61,602,867	(22,808,622)
Other Charges - Net		(53,877,547)	(8,619,898)
INCOME (LOSS) BEFORE TAX		(2,191,130)	190,564,822
TAX BENEFIT (EXPENSE)	2r,25c		
Current tax		(22,270,150)	(19,792,725)
Deferred tax		76,889,368	1,209,040
Total		54,619,218	(18,583,685)
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		52,428,088	171,981,137
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES	2b	(1,683)	(1,013)
NET INCOME		52,426,405	171,980,124
BASIC EARNINGS PER SHARE (in full amount)	2s,26	3.64	12.51

*) Net income for the six-month period ended June 30, 2007 only presented 50% of net income of EMP Inc resulting from dilution of percentage of ownership in EMP Inc in 2007.

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUIT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 (Unaudited)
(With Comparative Figures for the Six-Month Period Ended June 30, 2006 (Audited)
(Figures in table are expressed in thousand Rupiah, unless otherwise state

	Notes	Capital Stock	Additional Paid-in Capital	Equity Proforma From Restructuring Transactions of Entities under Common Control	Difference in Value from Restructuring Transactions of Entities under Common Control	Difference Due to Changes of Equity in Subsidiary	Translation Adjustment	Retained Earnings	Total Equity
		Rp	Rp	Rp	Rp	Rp	Rp	Rp	Rp
Balance as of January 1, 2006		949,144,518	158,420,946	54,886,877	(793,336,425)	-	75,488,874	248,200,128	692,804,918
Right Issue I	1b	490,936,819	3,196,328,282	-	-	-	-	-	3,687,265,101
Elimination of Subsidiaries' equity from restructuring transaction of entities under common control	2c	-	-	(54,886,877)	-	-	-	-	(54,886,877)
Difference in value from restructuring transactions of entities under common control	2c,19	-	-	-	(2,583,419,950)	-	-	-	(2,583,419,950)
Translation adjustments	2u	-	-	-	-	-	(94,500,705)	-	(94,500,705)
Net income for the period		-	-	-	-	-	-	171,980,124	171,980,124
Balance as of June 30, 2006		1,440,081,337	3,354,749,228	-	(3,376,756,375)	-	(19,011,831)	420,180,252	1,819,242,611
Balance as of January 1, 2007		1,440,081,337	3,354,749,228	-	(3,376,756,375)	-	(36,112,510)	451,205,366	1,833,167,046
Difference in value from restructuring transactions of entities under common control	2c,19	-	-	-	(9,244,067)	-	-	-	(9,244,067)
Difference due to change of equity in subsidiary	2h,20	-	-	-	-	1,217,422,535	-	-	1,217,422,535
Translation adjustments	2u	-	-	-	-	-	8,888,902	-	8,888,902
Net income for the period		-	-	-	-	-	-	52,426,405	52,426,405
Balance as of June 30, 2007 *)		1,440,081,337	3,354,749,228	-	(3,386,000,442)	1,217,422,535	(27,223,608)	503,631,771	3,102,660,821

*) Total Equity for the six-month period ended June 30, 2007 only presented 50% of total equity of EMP Inc resulting from dilution of percentage of ownership in EMP Inc in 2007.

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2007 (Unaudited)
(With Comparative Figures for the Six-Month Period Ended June 30, 2006 (Audited))
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	2007 *)	2006
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	537,970,289	859,896,358
Cash paid to suppliers and employees	(707,396,455)	(957,757,943)
Cash used in operations	(169,426,166)	(97,861,585)
Financing charges paid	(285,747,338)	(214,888,423)
Corporate income and dividend tax paid	(33,549,746)	(22,411,139)
Net Cash Used in Operating Activities	(488,723,250)	(335,161,147)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	16,832,856	17,659,157
Proceeds from insurance claim	-	57,312,634
Acquisition of fixed assets	(994,018)	(1,216,984)
Acquisition of oil and gas properties	(388,066,210)	(1,030,186,026)
Decrease (Increase) in other assets	7,774,734	(301,785)
Net Cash Used in Investing Activities	(364,452,638)	(956,733,004)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of capital stock of Subsidiary	1,217,422,535	-
Proceed from issuance of capital stock of the Company	-	3,780,213,425
Payment of stock issuance costs	-	(92,948,408)
Proceeds (payments) of long-term loan - net	(2,080,863,675)	938,050,000
Increase of restricted time deposits	(37,614,882)	(621,861)
Payment of loan of acquired subsidiaries	-	(348,203,384)
Acquisition of Subsidiaries	-	(2,599,869,500)
Increase (decrease) of due from/to related parties	80,342,365	34,041,611
Net Cash Provided by (Used in) Financing Activities	(820,713,657)	1,710,661,883
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,673,889,545)	418,767,732
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	858,434,789	323,123,189
Effect of dilution of percentage of ownership in Subsidiary	1,764,105,863	-
Effect of foreign exchange rate charges	(1,023,716)	(28,427,955)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	947,627,391	713,462,966

*) Total cash and cash equivalent as of June 30, 2007 only presented 50% of total cash and cash equivalent of EMP Inc resulting from dilution of percentage of ownership in EMP Inc in 2007.

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

(Figures in Rupiah expressed in thousands, unless otherwise stated)

1. GENERAL

a. *Establishment and General Information*

PT Energi Mega Persada Tbk (the "Company") was established 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 Minister of Justice and Human Rights of the Republic of Indonesia in his 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 Notarial Deed No. 48, dated April 20, 2007 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang concerning the change of the Company's Articles of Association articles 21 (3). The Amendment has been received by the Law and Human Rights Departement in their Letter No. W29.HT.01.04-583 dated April 23, 2007.

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.

The Company's head office is located at Wisma Mulia, 33rd Floor, Jl. Jend. Gatot Subroto, Kav. 42, Jakarta. The Subsidiaries of the Company are engaged in oil and gas exploration, and its activities are located in Sidoarjo and Kangean Island in East Java Province, Riau, Jambi, North Sumatra, and East Kalimantan Provinces.

The Company commenced its commercial operations in February 2003.

b. *Initial Public Offering of Shares of the Company*

The Company obtaining the effective notice of its initial public offering from the Chairman of the Capital Market Supervisory Agency (Bapepam) in his letter No. S.1480/PM/2004 dated May 26, 2004. On June 7, 2004, the shares were listed on the Jakarta Stock Exchange.

The Company's Extraordinary General Meeting of Shareholders (EGMS) dated December 22, 2005, as recorded in Notarial Deed No. 40 of Robert Purba S.H., Notary in Jakarta, approved the Rights Issue I to the Company's shareholders in connection with the Exercise Rights (ER) of 4,909,368,195 shares with nominal value Rp 100 (full amount) per share, which were offered at Rp 770 (full amount) per share totaling Rp 3,780,213,510,150 (full amount). On January 25, 2006, the Company completed the Rights Issue I.

c. *Structure of the Company and its Subsidiaries*

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

Subsidiaries	Domicile	Percentage of Ownership 2007	Percentage of Ownership 2006	Year of Commercial Operation	Total Assest (In million Rp) 2007	Total Assest (In million Rp) 2006
					Rp	Rp
RHI Corporation (RHI)	Delaware, USA	100%	100%	1984	1,424,677	1,212,841
Kondur Petroleum SA (KPSA) *)	Panama	100%	100%	1995	1,424,677	1,207,502

*) Indirectly ownership interest through Subsidiaries

(Figures in Rupiah expressed in thousands, unless otherwise stated)

1. GENERAL *(Continued)*

Subsidiaries	Domicile	Percentage of Ownership 2007	Percentage of Ownership 2006	Year of Commercial Operation	Total Assest (In million Rp) 2007	Total Assest (In million Rp) 2006
					Rp	Rp
PT Imbang Tata Alam (ITA)	Indonesia	99,99%	99,99%	2001	656,921	520,036
Pan Asia Enterprise Ltd. (PAN)	Hong Kong	99,99%	99,99%	1997	9,004	32,131
Kalila Energy Ltd. (KEL)	Hong Kong	99,99%	99,99%	1997	578,142	978,085
Lapindo Brantas Inc. (LBI) *)	Delaware, USA	100%	100%	1999	537,550	923,796
Energi Mega Pratama, Inc. (EMP Inc)	British Virgin Island	50%	100%	2003	2,737,569	3,839,348
EMP Exploration (Kangean), Ltd (EEKL) *)	England	100%	100%	1987	1,573,270	1,248,556
Kengean Energy Indonesia Ltd (KEIL) (Formerly EMP Kangean, Ltd) *)	Delaware, USA	100%	100%	1987	2,351,303	1,883,592
Malacca Brantas Finance, B.V. (MBF)	Nerthelands	100%	100%	2005	1,102,193	1,125,069
Energi Mega Persada Finance B.V. (EMP Finance)	Nerthelands	100%	100%	-	212	213
PT Tunas Harapan Perkasa (THP)	Indonesia	99,99%	99,99%	-	1,901,980	1,308,905
PT Semberani Persada Oil (Semco) *)	Indonesia	99,99%	99,99%	1996	1,365,572	458,099
PT Insani Mitrasari Gelam (IMG) *)	Indonesia	99,99%	99,99%	2004	452,783	354,886
Costa International Group Limited (Costa) *)	British Virgin Island	100%	100%	2002	294,151	148,409
Kalila (Bentu) Limited (Bentu) *)	British Virgin Island	100%	100%	-	317,802	283,050
Kalila (Korinci-Baru) Limited (Korinci Baru) *)	British Virgin Island	100%	100%	2007	304,768	208,904
Energy Mega Persada Pte., Ltd. (EMP PL)	Singapore	100%	-	-	-	-
Tunas Harapan Perkasa Pte., Ltd. (THPPL)	Singapore	100%	-	-	46	-

All the Subsidiaries of the Company, except MBF, EMP Finance, THPPL and EMP PL, are holders of working interest 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) with PT Pertamina (Persero) ("Pertamina") as follows:

Working area and maturity of contract	Owned by	Percentage of Ownership
		%
Malacca PSC, year 2020	Kondur Petroleum S.A.	34.46
	PT Imbang Tata Alam	26.03
Brantas PSC, year 2020	Lapindo Brantas Inc.	50
Kangean PSC, year 2030	EMP Exploration (Kangean) Ltd	40
	Kangean Energy Indonesia Ltd (Formerly EMP Kangean Ltd)	60
Gelam TAC, year 2017	PT Insani Mitrasani Gelam	100
Bentu PSC, year 2021	Kalila (Bentu) Limited	100
Korinci PSC, year 2027	Kalila (Korinci-Baru) Limited	100
Gebang PSC, year 2015	Costa International Group Limited	50
Semberah TAC, year 2015	PT Semberani Persada Oil	100

MBF, EMP Finance, THPPL and EMP PL are involved in financial and commercial activities.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

1. GENERAL *(Continued)*

On May 31, 2007, the Company signed the Conditional Sales and Purchase Agreement of acquisition of 75% interest in shares of PT Indelberg Indonesia Perkasa (IIP). IIP has a Operations Cooperation Agreement with PT Pertamina EP to operate the Suci operating area for periods 20 years from April 25, 2007 (see Note 35b).

d. *Employees, Boards of Commissioners and Directors*

As of June 30, 2007 and 2006 the members of the Company's boards of Commissioners and Directors were as follows:

		2007	2006
Board of Commissioners			
President commissioner	:	Ari Saptari Hudaja	Suyitno Patmosukismo
Independent commissioner	:	A. Qoyum Tjandranegara	A. Qoyum Tjandranegara
Commissioner	:	Suyitno Patmosukismo	Rennier Abdul Rachman Latief
Commissioner	:	Nalinkant Amratlal Rathod	-
Board of Directors			
President Director	:	Christian Victor Ponto	Christopher Basil Newton
Director	:	Yuli Soedargo	Yuli Soedargo
Director	:	Imam Pria Agustino	Faiz Shahab
Director	:	-	Norman Hafiz Harahap
Director	:	-	Thomas Leo Soulsby

The compositions of Board of Commissioners as of June 30, 2007 were based on the decision of the EGMS on May 11, 2007, as stated in the Summary of EGMS Deed No. 37 dated May 11, 2007 of Robert Purba S.H., Notary in Jakarta.

The compositions of Board of Directors as of June 30, 2007 were based on the decision of the EGMS on April 19, 2007, as stated in the Summary of EGMS Deed No. 48 dated April 20, 2007 of Humberg Lie, S.H., S.E., Mkn., Notary in Tangerang.

The compositions of Board of Commissioners and Directors as of June 30, 2006 were based on the decision of the EGMS on December 22, 2005, as stated in the Summary of EGMS Deed No. 46 on December 23, 2005 of Robert Purba S.H., Notary in Jakarta.

Total remuneration paid to the Commissioners and Directors of the Company for the six-month periods ended June 30, 2007, and 2006 amounted to Rp 13.80 billion and Rp 25.76 billion, respectively.

As of June 30, 2007, and 2006, the Company and its Subsidiaries had approximately 567 and 713 employees, respectively.

1. GENERAL *(Continued)*

e. *LBI Going Concern Issue*

The accompanying consolidated financial statements include the financial statements of LBI, which have been prepared assuming that LBI will continue as a going concern. LBI has a net capital deficiency due to the large-scale impact of the Banjar Panji-1 (BJP-1) (see Note 35a). Furthermore, it is probable that LBI may have liquidity problems as a result of negative cash flows arising from the costs of containment of mud in BJP-1, as well as costs that may be incurred arising from social, economic and legal liability that may result in negative cash flows. Based on the valuation report of Truscel Capital dated January 22, 2007, the fair value of KEL's and PAN's shares, intermediate shareholders of LBI, as of December 31, 2006, amounted to negative USD 60,654,782 and negative USD 1,743,282, respectively. The valuation report was prepared based on the estimated total losses of the BJP-1 incident of USD 183.3 million.

Minarak Labuan Co. (L) Ltd., a Bakrie Group representative, has confirmed its intention to make available adequate funds for LBI as and when required to settle the expenses related to BJP-1 with the purpose to maintain the LBI as a going concern. As of June 30, 2007, LBI obtained additional funding from the Bakrie Group amounting to USD 53.9 million.

Based on the Corporate Management Agreement dated July 1, 2007 between the Company and Minarak Labuan Co. (L) Ltd (ML) stated that the Company transferred the control over the management of KEL, PAN and LBI to ML since July 1, 2007 (the Effective Date). In accordance with the transfer control over KEL, PAN and LBI, the financial statement of KEL, PAN and LBI was no longer consolidated to the Company's consolidated financial statements since July 1, 2007 (see Note 36).

The consolidated financial statements do not include any adjustments that might result from the outcome of the uncertainty relating to the going concern of LBI and transferring of the management control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of Consolidated Financial Statements*

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia.

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting, with the measurement basis being historical cost, except for certain accounts that are measured on the basis described in the related accounting policies.

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

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

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

b. *Principles of Consolidation*

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

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

- the Company has 50% or less ownership, but the Company has the ability to control.

The financial statements of Subsidiaries are consolidated commencing from the date on which control is acquired and cease to be consolidated from the date on which control is transferred out of the Company. The results of acquired or disposed of Subsidiaries during the year are included in the consolidated statements of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The Subsidiary's financial statements which jointly controlled over the joint venturers under a contractual arrangement are consolidated by using proportionate consolidation method from the commencement date of jointly controlled. 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 which have been agreed by the venturers in accordance whih the contractual arrangement.

The interest of the minority shareholders is stated as the minority's proportion of the historical cost of the net assets. The minority interest is subsequently adjusted for the minority's share of movements in equity. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

All inter-company transactions and account balances are eliminated to reflect the financial position and the results of operations of the Company and its Subsidiaries as a single business entity.

c. *Business Acquisitions*

Acquisitions are accounted for using the purchase method in accordance with the requirements of Statement of Financial Accounting Standard (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 recognized as goodwill. Goodwill from the acquisition of oil and gas properties is recorded in the oil and gas properties and amortized using the unit of production method during the year 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 the acquired 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.

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

Acquisitions of Subsidiaries that represent a restructuring transaction of entities under common control are accounted for in accordance with PSAK No. 38 (Revised 2004), "Accounting for Restructuring Transactions of Business 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 their book values. The difference between the transfer price and the Company's interest in the subsidiary's book values, if any, is recorded as "Difference in Value from Restructuring Transactions of Entities under Common Control" and presented as a separate component in the Company's Equity. Accordingly, the consolidated financial statements prior to acquisitions are restated, wherein the beginning balance of equity of the Subsidiary is presented separately as proforma equity arising from restructuring transactions of entities under common control. The balance of "Difference in Value from Restructuring Transactions of Entities under Common Control" can be realized to 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 investment with maturities of three months or less that can be used freely to finance operating activities.

e. *Receivables*

Receivables are stated at face value less allowance for doubtful accounts. The level of this allowance is based on management's evaluation of collection experience and other factors that may affect collectibility.

Allowance for doubtful accounts is provided based on a review of the status of the individual receivable accounts at the end of the period.

f. *Inventories*

Inventories of spare-parts, chemicals and fuel are classified into capital and non-capital inventories. Capital inventories represent spare-parts, chemicals, and fuel that are consumed or used as components of construction or 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 inventories are charged when used.

Inventory purchased under the terms of the PSC and TAC becomes the property of BPMIGAS or Pertamina when landed in Indonesia.

Inventories of spare-parts, chemicals and fuel are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Provision for obsolete and/or slow-moving inventories is provided based on review of the condition of the inventories at the end of the period.

g. *Prepaid Expenses*

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

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

h. *Investment – Change of Equity in Subsidiary*

Change in the value of investment due to changes in the equity of Subsidiary arising from capital transaction of such Subsidiary with other parites are recognized in equity as "Difference Due to Change of Equity in Subsidiary", and recognized as income or expense in the period the investments are disposed of.

i. *Transactions with Related Parties*

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

(1) Enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);

(2) Associated companies;

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

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

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

All significant transactions with related parties are disclosed in the notes to the consolidated financial statements.

j. *Restricted Time Deposits*

Time deposits that are restricted in use are presented under non-current assets.

k. *Fixed Assets*

Fixed assets are stated at cost, less accumulated depreciation and any impairment in value.

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

Depreciation is computed using the straight-line method based on the estimated useful life of the asset as follows:

	Years
Machinery and equipment	4
Transportation and office equipment	4

The costs of maintenance and repairs are charged to expense as incurred; expenditures that extend the useful life of the asset or result in an increase of future economic benefits such as increase in capacity and improvement in the quality of output or standard of performance are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current operations.

l. *Oil and Gas Properties*

The Company and its 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, 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 unproved properties and major development projects not being amortized, and (3) the lower of cost or estimated fair value of unproved properties included in cost being amortized. Any excess over the cost is charged to expense and separately disclosed during the year.

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

The Company and its 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.

There is no inventory of oil and gas owned by the Company since the total production of oil and gas shall be shared based on an agreed formula between the Subsidiaries and BPMIGAS or Pertamina (see Note 30a).

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

Sale of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly change the relationship between capitalized costs and proved reserves of oil and gas, in which case, the gain or loss is recognized in statements of income.

m. *Impairment of Assets Value*

In compliance with PSAK No. 48, "Impairment of Asset Values", asset values are reviewed for any impairment and possible write-down to fair values whenever events on changes in circumstances indicate that their carrying values may not be fully recovered. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the statement of income of the current year.

n. *Capitalization of Borrowing Cost and Foreign Exchange Losses*

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 their intended use.

o. *Shares Issuance Costs*

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

p. *Revenue and Expense Recognition*

Revenue is recognized on the basis of the entities' interest in a producing field ('entitlements' method) when the crude oil and/or gas are delivered and title has passed. Revenue earned under a PSC and TAC is recognized on a net entitlements basis according to the terms of the PSC and TAC. Expenses are recognized when incurred (accrual basis). Claim from insurance will be recognized as income upon collection.

q. *Employee Benefits*

Liabilities relating to employee benefits covering retirement benefits, short-term (e.g. paid annual leave, paid sick leave) and other long-term benefits (e.g. long-service leave, post-employement medical benefits) are computed based on the provision stated in PSAK No. 24 (Revised 2004). Korinci Baru, Bentu and IMG, the Subsidiaries, did not calculate estimated employee benefits since the amount is not material.

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

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

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

The benefit obligation recognized in the balance sheet represents the present value of the defined obligation, adjusted for unrecognized actuarial gains and losses, unrecognized past service cost and fair value of the plan assets.

r. *Income Tax*

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

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

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

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

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

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

s. *Earnings per Share*

In accordance with PSAK No. 56, "Earnings per Share," basic earnings per share are computed by dividing net income by the weighted average number of 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.

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

t. *Segment Information*

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

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

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment, which are subject to risks and returns that are different from those of components operating in other economic environments.

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

u. *Foreign Currency Transactions and Translation*

The books of accounts of the Company are maintained in Indonesian Rupiah. Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rates prevailing at that date. The resulting gains or losses are credited or charged to current operations.

The books of accounts of the Subsidiaries are maintained in United States Dollar. For consolidation purposes, assets and liabilities of the Subsidiaries at balance sheet date are translated into Rupiah using the exchange rates at balance sheet date, while revenue and expenses are translated at the average exchange rates for the period. Resulting translation adjustments are shown as part of Equity as "Translation Adjustments". The middle rates of Bank Indonesia prevailing on June 30, 2007 and 2006 were as follows:

	2007 (full amount)	2006 (full amount)
Currency		
USD	9,054	9,300
Euro	12,163	11,822

v. *Provisions and Contingencies*

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

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

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

w. *Subsequent Events*

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

x. *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ACQUISITIONS OF SUBSIDIARIES

The Company (acquirer) entered into a Sales and Purchase Agreement (SPA) with PT Mitra Andalan Mandiri ("MAM," as seller) on October 25, 2005 as follows:

i. 2,598,830 shares or 99.99% of all issued shares of THP that are owned by MAM amounting to Rp 2,599,869,500,000 (full amount). THP owns 100% shareholding in Costa, Bentu and Korinci Baru and 99.99% shareholding in IMG and Semco. Except for Costa, all of these subsidiaries are the operators and the owners of 100% working interest in Bentu Block PSC, Korinci Baru Block PSC, Sungai Gelam Block TAC, and Semberah Block TAC. Costa owns a 50% working interest in Gebang Block PSC and has significant authorities in the operational activity within the Joint Operating Body (JOB), in which Pertamina acts as the operator.

ii. Trade receivables of MAM to THP's subsidiaries, which were based on the restructuring and debt acknowledgment agreement of MAM and THP's subsidiaries amounting to USD 33,497,199 or equivalent to Rp 348,203,383,605 (full amount).

The Company's Extraordinary General Meeting of Shareholders (EGMS) approved the above acquisition on December 22, 2005.

On January 25, 2006, the Company completed the Rights Issue I. The acquisition became effective on January 25, 2006 whereas the proceed was used to pay the transaction with MAM mention above.

The acquisition represents a transaction of entities under common control, and was therefore accounted for as restructuring transactions of entities under common control in accordance with PSAK No. 38.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2007	2006
	Rp	Rp
Cash on hand	940,488	522,777
Cash in banks		
Rupiah		
Citibank N.A.	19,546,084	3,279,891
Deutsche Bank	2,223,093	53,504
PT Bank Negara Indonesia (Persero) Tbk	1,393,558	625,902
PT Bank Internasional Indonesia Tbk	1,000,938	1,169,230
PT Bank Pan Indonesia Tbk	374,307	364,829
PT Bank Mandiri (Persero) Tbk	228,797	585,979
PT Bank Mega Tbk	90,728	35,416,177
Hongkong Shanghai Bank Corporation	24,005	24,496
Others (below Rp 100 million each)	84,696	56,462
United State Dollar		
Citibank N.A.	87,858,806	46,572,554
Credit Suisse	61,244,116	39,252,110
PT Bank Internasional Indonesia Tbk	13,209,800	11,366,626
Societe Generale Hongkong	1,256,109	11,791,117
PT Resona Perdania	1,226,845	1,343,737
PT Bank Mega Tbk	1,192,120	7,231,214
Fortis Bank	630,892	961,625
PT Bank Negara Indonesia (Persero) Tbk	612,071	1,732,697
PT Bank Mandiri (Persero) Tbk	81,073	19,526,624
PT Bank Syariah Mandiri	-	1,762,171
Others (below Rp 100 million each)	71,801	146,031
Euro		
Fortis Bank	192,716	165,730
Time Deposits		
Rupiah		
PT Bank Internasional Indonesia Tbk	3,872,848	-
PT Bank Mega Tbk	3,000,000	381,500,000
PT Bank Central Asia Tbk	-	138,450,000
United State Dollar		
PT Bank Mega Tbk	334,998,000	-
Deutsche Bank	181,080,000	-
PT Bank Internasional Indonesia Tbk	32,005,500	-
Citibank N.A.	18,108,000	-
PT Bank Mandiri (Persero) Tbk	-	5,868,653
Hongkong Shanghai Bank Corporation	-	3,692,830
Short-term Investment		
PT Danatama Makmur	181,080,000	-
Total	947,627,391	713,462,966

Investments with PT Danatama Makmur amounting to USD 20,000,000 for a term of 30 days subject to extension upon written instruction from the Company and Subsidiary. All income earned from the investment will be credited to the Company and Subsidiary account less any necessary expenses incurred including taxes, commissions, and discounts.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS *(Continued)*

The interest rates of time deposits and short-term investments were as follows:

	2007	2006
Dollar Amerika Serikat	2.25 - 4.75	2.25 - 3.75
Rupiah	7.06 - 8.75	9.25 - 12.75

5. TRADE RECEIVABLES

This account consists of:

a. *By Debtor - Third Parties*

	2007	2006
	Rp	Rp
Local Debtors		
PT Pertamina (Persero)	73,094,659	43,789,639
PT Perusahaan Gas Negara (Persero) Tbk	62,752,576	17,502,133
PT Petrokimia Gresik	5,069,721	56,232,362
PT Perusahaan Listrik Negara (Persero)	1,270,745	-
Petrochina International Java Ltd.	676,144	3,010,271
PT Indogas Kriya Dwiguna	-	375,977
Foreign Debtors		
Itochu Petroleum Co. Pte. Ltd.	127,444,104	-
Petro Diamond Co. Ltd.	304,123	63,050,374
Mitsubishi Corporation	-	74,973,762
Total	270,612,072	258,934,518

b. *By Age Category*

	2007	2006
	Rp	Rp
Up to 30 days	167,500,432	157,461,776
Over 31 -60 days	42,874,760	72,400,425
Over 60 days	60,236,880	29,072,317
Total	270,612,072	258,934,518

All trade receivables are in US Dollar. The Company and its 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 June 30, 2007, are pledged as collateral for the long-term loans (see Note 15).

(Figures in Rupiah expressed in thousands, unless otherwise stated)

6. OTHER RECEIVABLES

This account consists of:

	2007	2006
	Rp	Rp
Reimbursable Value Added Tax	138,006,428	200,859,022
Overhead receivables from PSC	82,006,601	42,045,575
Pacework International Ltd	61,230,826	62,894,487
Receivable from suppliers	24,348,659	18,747,277
Receivable from employees	27,727,005	30,271,610
Advances to BPMIGAS and Pertamina	1,778,988	3,292,498
Others	170,704,720	35,591,950
Total	505,803,227	393,702,419
Allowance for doubtful accounts	-	80,910
Net	505,803,227	393,621,509

Reimbursable Value Added Tax represents value added tax that has been paid by Subsidiaries and is reimbursable from BPMIGAS or Pertamina in accordance with the terms of PSC and TAC agreements.

Paceworks International Ltd. (PI) is a company that assists MBF in general financial strategy and planning activity for obtaining capital expenditure funds (fund raising). Receivable from PI represents a portion of funds originating from a loan by Merrill Lynch, which was temporarily transferred to PI in line with its capacity as financial advisory in accordance with the agreement between PI and MBF (see Note 30c).

Others balance mainly represents part of net balance of receivable from EMP Inc, KEIL and EEKL due to proporsionate consolidation to such Subsidiaries.

7. INVENTORIES

This account consists of:

	2007	2006
	Rp	Rp
Spare parts	429,636,907	459,208,149
Chemicals	1,576,702	5,124,735
Fuel	7,054,573	11,174,554
Total	438,268,182	475,507,438

Inventories were insured in an insurance package with Oil and Gas Properties (see Note 11).

Based on the evaluation of the inventory condition at year-end, management believes that no provision for obsolete and slow-moving inventories was required.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

8. PREPAID EXPENSES AND ADVANCES

This account consists of:

	2007	2006
	Rp	Rp
Prepaid expenses		
Rental	6,385,599	9,138,298
Insurance	5,521,228	3,841,501
Service charge	311,992	303,377
Advances		
Project	16,896,841	110,503,323
Others	30,313,050	24,959,271
Total	59,428,710	148,745,770

9. DUE FROM/TO RELATED PARTIES

a. *Due from Related Parties*

	2007	2006
	Rp	Rp
PT Energi Timur Jauh (ETJ)	519,805,682	386,899,877
Others	500,000	579,372
Total	520,305,682	387,479,249

Due from ETJ mainly represents advances made based on the agreement dated August 1, 1998 (see Note 30b). Out of the funds advanced to ETJ, an amount of USD 28 million was paid by KPSA to ETJ for the settlement of the loan obtained by Ladinda from PT Bank International Indonesia Tbk. The loan was made available to finance the development in Brantas PSC by LBI, a Subsidiary and is guaranteed by LBI's working interest in the Brantas Block.

b. *Due to Related Parties*

	2007	2006
	Rp	Rp
Minarak Labuan Co (L) Ltd	271,620,000	-
PT Brantas Indonesia (BI)	173,035,633	177,221,246
PT Kondur Indonesia (KI)	172,533,458	177,737,065
PT Bakrie Capital Indonesia	144,286,360	-
Enercorp Corporation	72,432,000	-
Asian Worldwide Group Ltd (AWG)	41,594,307	42,724,437
Global Overseas Enterprise Ltd (GOE)	16,750,677	17,205,798
PT Mitra Andalan Mandiri	948,395	1,016,230
Others	173,976	519,610
Total	893,374,806	416,424,386

(Figures in Rupiah expressed in thousands, unless otherwise stated)

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

On December 29, 2006, the Company obtained an unsecured and non-interest bearing loan from PT Bakrie Capital Indonesia (BCI) amounting to USD 13 million which will mature on December 29, 2007. On the same date, the Company entered into a novation agreement with KEL and PAN whereby the Company assigned its loan from BCI to KEL and PAN at the amount of USD 12.5 million and USD 0.5 million, respectively.

Subsequently, BCI assigned its receivables from KEL and PAN to Minarak Labuan Co (L) Ltd. (ML) based on the Receivables Purchases Agreement dated December 29, 2006.

On December 29, 2006, LBI obtained an unsecured and non-interest bearing loan from Enercorp Limited (EL) amounting to USD 30 million, which will mature on December 29, 2007. On the same date, LBI entered into a novation agreement with KEL and PAN whereby LBI assigned USD 17 million out of the total amount of the loan from EL to KEL and PAN at the amount of USD 16.5 million and USD 0.5 million, respectively.

Subsequently, EL assigned its receivables from KEL and PAN to ML at the amount of USD 17 million based on the Receiveable Purchase Agreement dated December 29, 2006.

During 2007, LBI obtained additional loan from BCI amounting to USD 15.9 million which used for operational expenditures of LBI.

As of June 30, 2007, the balance of amounts due to ML, BCI and EL amounted to USD 30 million, USD 15.9 million and USD 8 million, respectively.

Amounts due to BI and KI, Company's stockholders, represent net of due from and due to related parties that were transferred in 2004 in accordance with the acquisition of Subsidiaries under common control, which had been executed before the Company's initial public offering.

Due to AWG and GOE represent payables from taking over the working interest in Bentu PSC and Korinci Baru PSC from Petroz Korinci Baru Ldc. and Petroz Bentu Ldc. on August 7, 2005. Due to AWG and GOE represent payables arising before acquisition of THP.

10. RESTRICTED TIME DEPOSITS

This account consists of:

	2007	2006
	Rp	Rp
PT Bank Mega Tbk	73,337,400	-
Credit Suisse (CS), Singapore	36,615,538	107,682,190
Bank of New York, Singapore	54,508,566	93,854,896
Total	164,461,504	201,537,086

Time deposits placed with Bank Mega represent placement of time deposits which used as a guarantee for bank guarantee issuance for PT Indelberg Indonesia Perkasa in respect with the Operations Cooperation Agreement with PT Pertamina EP (see Note 35b).

(Figures in Rupiah expressed in thousands, unless otherwise stated)

10. RESTRICTED TIME DEPOSITS *(Continued)*

Time deposits in CS represent placement of time deposits pursuant to:

a. The Cash and Account Management Agreement (CAMA) between EMP Inc. and CS, which will serve as collateral for the loan obtained from CS on May 19, 2005. Time deposits mature on a monthly basis and earn interest at a rate of LIBOR less 0.25%, or zero, whichever is higher. This agreement has terminated at May 16, 2007 (see Note 15).

b. The Credit Agreement between Semco and CS, which will serve as collateral for the loan obtained from CS on October 27, 2005 (see Note 15) and earn interest at a rate of LIBOR.

Time deposits in Bank of New York, Singapore (BONY) represents placement of time deposits pursuant to the CAMA between MBF, LBI, KPSA and ITA with BONY to serve as collateral for credit facility received from Merrill Lynch on July 27, 2005 (see Note 15). Time deposits mature on a quarterly basis and earn interest at a rate of LIBOR.

11. OIL AND GAS PROPERTIES

The movements of this account were as follows:

	2007				
	January 1	Addition	Deduction	Translation adjustment	June 30
	Rp	Rp	Rp	Rp	Rp
Cost	7,188,486,296	516,147,927	(2,618,035,110)	26,391,794	5,112,990,907
Accumulated depreciation, depletion and amortization	1,197,854,253	67,388,214	(985,198,528)	9,519,570	289,563,509
Net Book Value	5,990,632,043				4,823,427,398

	2006				
	January 1	Addition	Deduction	Translation adjustment	June 30
	Rp	Rp	Rp	Rp	Rp
Cost	4,832,562,487	1,216,529,883	-	(262,286,394)	5,786,805,976
Accumulated depreciation, depletion and amortization	1,045,884,801	143,195,081	-	(15,897,558)	1,173,182,324
Net Book Value	3,786,677,686				4,613,623,652

Depreciation, depletion and amortization for the six-months periods ended June 30, 2007 and 2006 amounting to Rp 67,388,214 and Rp 143,195,081, respectively, were charged to cost of goods sold (see Note 22).

(Figures in Rupiah expressed in thousands, unless otherwise stated)

11. OIL AND GAS PROPERTIES *(Continued)*

Deductions of oil and gas properties in 2007 represents affect of proportionate consolidation of 50% EMP Inc's oil and gas properties.

The oil and gas properties, as well as inventories were insured with several third party insurance companies, against risk of loss and damage. As of June 30, 2007 and 2006, total sums insured were USD 390,846,735 and USD 290,587,016, respectively.

12. TRADE PAYABLES

This account consists of:

a. *By Creditors*

	2007	2006
	Rp	Rp
PT Jasa Karya Utama	57,671,397	59,845,832
PT Medici Citra Nusa	26,200,385	274,907
PT Indoturbine	22,321,731	-
PT Wijaya Karya	15,078,901	-
PT Sarana Adikarya Utama	10,464,035	-
PT Duta Energi Semesta	8,456,901	9,665,049
PT Adhi Karya	8,215,941	-
PT Pertamina EP	8,123,800	309,109
PT Brantas Abipraya	7,308,094	-
Credit Suisse	6,890,700	-
PT Alton International Indonesia	6,777,412	13,377,243
PT Saripari Geosains	6,768,578	-
PT Dwi Prima Sembada	5,859,577	5,759,266
PT Pilar Dwi Perkasa	5,347,320	-
PT Jaya Wijaya Raya	5,244,531	2,627,078
PT Radiant Utama	3,677,197	-
PT Unichem Candi Industri	3,420,460	-
PT Rezeki Usaha Prima	3,384,612	-
PT Inti Brunel Teknindo	3,345,300	5,508,718
PT Kutilang Paksi Mas	337,409	7,877,100
PT Elnusa Drilling Services	36,488	3,734,759
PT Batam Dwi Karya	-	7,979,954
PT Daya Alam Tehnik Inti	-	3,426,118
Others (below Rp 3 billion each)	133,031,561	83,144,087
Total	347,962,328	203,529,220

(Figures in Rupiah expressed in thousands, unless otherwise stated)

12. TRADE PAYABLES *(Continued)*

b. By Age Category

	2007	2006
	Rp	Rp
Up to 30 days	60,808,791	104,297,130
Over 31 - 60 days	27,939,710	15,966,568
Over 60 days	259,213,827	83,265,522
Total	347,962,328	203,529,220

c. By Currency

	2007	2006
	Rp	Rp
US Dollar	273,759,988	167,363,565
Rupiah	74,202,340	36,165,655
Total	347,962,328	203,529,220

Credit terms for the purchase of goods and services, both from local and foreign suppliers, ranged from 30 to 90 days.

13. OTHER PAYABLES

This account consists of:

	2007	2006
	Rp	Rp
Overlifting	97,994,474	19,663,185
Take or pay	1,065,335	3,594,940
Others	43,657,085	32,206,430
Total	142,716,894	55,464,555

Overlifting represents liability to BPMIGAS and Pertamina on differences between lifting of oil and gas and the Subsidiaries' entitlement.

Take or pay liabilities represent payments received by EEKL and KEIL from PT Perusahaan Gas Negara (Persero) Tbk (PGN) in 1999 and 2000 arising from underlifting of natural gas volumes based on the provision of the gas sales agreement between EEKL, KEIL and PGN. Since 2005 such liabilities were paid through deduction from the invoice amount EEKL and KEIL to PGN.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

14. ACCRUED EXPENSES

This account consists of:

	2007	2006
	Rp	Rp
Drilling	102,506,598	104,606,581
Production	60,115,950	71,407,485
Interest and financing	50,830,856	85,067,518
Support	2,185,561	16,058,307
Project	1,605,662	9,243,860
Geological and geophysical	2,705,642	3,824,179
Others	9,627,908	2,447,469
Total	229,578,177	292,655,399

Accrued drilling and production expenses mainly represents expenditure for integrated drilling service in the Brantas PSC Block and development of oil and gas facilities and offshore drilling in the Kangean PSC Block.

15. LONG-TERM LOANS

This account consists of:

	2007	2006
	Rp	Rp
Credit Suisse (USD 152.75 million in 2007 and USD 327.75 million in 2006)	1,382,998,500	3,048,075,000
Merill Lynch (USD 120 million)	1,086,480,000	1,115,999,995
Mitsubishi Corporation (USD 21.87 million)	198,025,853	-
Japan Petroleum Exploration Co., Ltd. (USD 21.87 million)	198,025,853	-
PT Bank Niaga	876,178	1,520,077
PT Bank Permata Tbk	422,823	467,102
PT Bank International Indonesia	-	192,045
Total	2,866,829,207	4,166,254,219
Less Current Maturity	(752,553)	(245,287,500)
Long-term Loans - Net	2,866,076,654	3,920,966,719

Credit Suisse (CS)

The loan from CS as of June 30, 2007 represent the loan obtained by Semco. While on June 30, 2006, the loans from CS obtained by EMP Inc. and Semco amounting to USD 275,000,000 and USD 52,750,000, respectively.

15. LONG-TERM LOANS *(Continued)*

On May 19, 2005, EMP Inc. entered into another credit facility agreement with CS, whereby CS agreed to provide a loan of a maximum USD 275 million, of which USD 78.5 million was used to settle the outstanding balance of the existing CS facility, and the remaining USD 196.5 million was used to finance the development of Kangean PSC Block. The loan bears interest at 7% above LIBOR per annum and is secured by the entire EMP Inc. shares, EMP Exploration (Kangean Ltd.) shares, EMP Kangean Ltd. shares, receivables, and sales contract of EMP Inc. and subsidiaries' oil and gas. The loan is due in 5 years with a 3-year grace period.

Interest will be paid on a monthly basis within 60 months after the first drawdown has been made, and the principal repayment will be on a monthly basis within 24 months from the grace period.

The loan agreement relating to the above facility contains covenants that, among others, require EMP Inc. to increase its equity amount to USD 60 million no later than 18 months after the first utilization date and to maintain certain financial ratios computed based on EMP Inc.'s financial statements.

On May 16, 2007, EMP Inc had full repaid this loan amounting to USD 275 million.

On October 27, 2005, Semco obtained a credit facility from CS amounting to USD 52.75 million to be used as follows:

(1) repayment of Semco's loan of USD 19 million obtained from PT Bank Mandiri (Persero) Tbk and IMG's loan of USD 7.8 million obtained from PT Bank Syariah Mandiri;
(2) funding for capital expenditures for the Operating Companies (Korinci Baru, IMG, Semco and Costa) amounting to USD 9 million; and
(3) funding for inter-company loan.

The loan bears interest at 5% above LIBOR for the first six (6) months, 7% above LIBOR for the following three (3) months and 9% above LIBOR up to maturity.

The loan period is three (3) years with two installments. The first installment is due on the ninth month, while the second installment on the thirty-sixth month, both amounting to USD 26,375,000. The first installment was paid on August 16, 2006.

Collateral used for this credit facility is as follows:

- THP and Operating Companies' shares.
- Receivable of IMG and Semco.
- Work contract of Operating Companies.

On August 16, 2006, Semco obtained an additional loan from CS amounting to USD 126,375,000, which may only be used for the following purposes:

(1) Paying fees and expenses due under the credit facility;
(2) Making payments of the outstanding loan and unpaid interest obtained from loan Tranche A;
(3) Deposit into the debt service account;
(4) Funding for capital expenditures of THP and Operating Companies.

15. LONG-TERM LOANS *(Continued)*

The loan bears interest at 5% above LIBOR for the first twelve (12) months and 9% above LIBOR up to the maturity date. The total loan will be due on August 15, 2008.

Collateral used for this credit facility is as follows:

- First ranking pledge of 100% of the issued share capital of the following: THP, Korinci Baru, Bentu, IMG, Semco and Costa (THP and Operating Companies);
- Corporate guarantees of THP and Operating Companies;
- Work contracts of Operating Companies;
- Irrevocable payment instructions in relation to payments under all existing and future contracts from Operating Companies;
- Assignment of all proceeds of insurance policies and reinsureance policies maintained by or on behalf of each of THP and Operating Companies where the beneficiary is THP or Operating Companies; and
- Security over bank accounts, assignments of dividends and irrecovable payment instructions over dividends from the Subsdiaries.

Merrill Lynch, Singapore (ML)

On July 27, 2005, MBF obtained a credit facility, Equity Collateralized Leveraged Securities (ECOLES) that consists of Series A Notes & Series B Notes from Merrill Lynch, Singapore (as placing agent) amounting to USD 120 million to be used as follows:

- payment for the LBI loan from PMA Investment Advisory Ltd. and ITA's loan from PT Bank Mandiri (Persero) Tbk;
- funding for the development and exploration of oil and gas fields in Malacca Straits PSC Block and Brantas PSC Block; and
- funding for the operations of ITA, LBI and KPSA.

Series A Notes of USD 25 million and Series B Notes USD 95 million bear interest at 8.5% above LIBOR and at 8% above LIBOR, respectively. Notes will mature on July 2, 2008 with three (3) monthly interest payments starting October 27, 2005.

Collateral used for this credit facility is as follows:

- Corporate guarantees from ITA, LBI and KPSA.
- Stocks, directly or indirectly owned by the Company.
- Collection Accounts, Debt Service Account, and Reserve Account.
- Receivables of ITA, LBI and KPSA.
- Inter-company loan between MBF with ITA, LBI dan KPSA
- Proceeds of claim of insurance in reference to operational obstacles in Malacca Straits PSC Block and Brantas PSC Block.

MBF entered into Stock Appreciation Rights (SAR) agreement that includes a Call Option with the holders of Series B Notes. The call option will be paid in cash by MBF for the difference between the Settlement Price and the Company's basic share price (based on the weighted average price of shares during the 20 days prior to the issuance date of the notes).

(Figures in Rupiah expressed in thousands, unless otherwise stated)

15. LONG-TERM LOANS *(Continued)*

Subsequently, MBF transferred the loan to ITA, LBI and KPSA based on an agreement signed by each party on July 27, 2005. The loan received by each Subsidiary was as follows:

Type of Loan	ITA (USD)	LBI (USD)	KPSA (USD)	Total (USD)
Tranche A	5,632,045	12,624,490	6,743,466	25,000,001
Tranche B	21,401,769	47,973,060	25,625,170	94,999,999
Total	27,033,814	60,597,550	32,368,636	120,000,000

Specific terms and conditions applying to the loan obtained by ITA, LBI and KPSA were as follows:

a. Interest date and maturity date

Type of Loan	Interest Rate	Maturity Date
Tranche A	LIBOR plus 8.5%	36 months from the date of the agreement
Tranche B	LIBOR plus 8.0%	36 months from the date of the agreement

b. Term of Repayment

The repayment will be executed at the date of maturity.

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

In accordance with the term sheet agreed under the Share Subscription Agreement (SSA) dated March 6, 2007, Mitsubishi 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

Mitsubishi and Japex each 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 USD 21.55 million as stipulated in the Facility Agreements dated May 16, 2007. This loan will be due on June 30, 2017, bears interest at LIBOR plus 3.75% for time deposits for 6 months, has a 5 year repayment grace period and will be repaid by semiannual installment thereafter.

b. Loan facilities for EEKL and KEIL

Mitsubishi and Japex each agreed to provide a loan facility to EEKL and KEIL in respect of company's funding obligations for capital expenditures, capped at a combined total of USD 215 million as stipulated in the Carry Agreement dated May 16, 2007. This loan will due on June 30, 2017, bears interest at LIBOR plus 3.75% for time deposits for 6 months, has a 5 year repayment grace period and will be repaid by semiannual installment thereafter.

15. LONG-TERM LOANS *(Continued)*

c. Loan facility for EMP Inc

In addition to the above, Mitsubishi, Japex and the Company agreed to provide a loan facility to EMP Inc to finance operating expenditures capped at USD 30 million as stipulated in the Loan Agreement dated May 25, 2007. This loan will be due on May 16, 2009, bears interest at LIBOR plus 4.25% for time deposits for 6 months and will be repaid by semiannual installment starting December 2007.

Subsequently, in accordance with a Loan Agreement dated May 25, 2007, EMP Inc agreed to provide a loan facility to EEKL and KEIL to finance operating expenditure, capped at USD 30 million (consisting of USD 18 million for KEIL and USD 12 million for EEKL). This loan will be due on May 16, 2009, bears interest at LIBOR plus 4.25% for time deposits for 6 months and will be repaid by semiannual installment starting December 2007.

PT Bank Niaga Tbk

In 2005, the Company obtained a credit facility from PT Bank Niaga Tbk. with a maximum amount of Rp 2.02 billion to be used for the purchase of Company vehicles. The loan bears interest at 6.93% - 9.62% per annum and is collateralized by the vehicles. The loan will be paid on a 36 monthly installment basis.

PT Bank Permata Tbk

On February 8, 2005, IMG obtained a credit facility from PT Bank Permata Tbk. for the purchase of Company vehicles. The loan bears interest at 8.8% per annum over its 5-year period.

16. SUBSIDIARY'S DIVIDEND TAX LIABILITY

This account represents the EEKL and KEIL dividend tax and penalty liability totaling USD 20,044,678 which recorded at the time of acquisition of both Subsidiaries. Based on the Sales and Purchase Agreement, EMP Inc has a right for reimbursement from BP for the payment of the tax payable if this is paid by EMP Inc. EMP Inc recognized this right for reimbursement as an identifiable asset and thus accordingly include it in the value of the acquired net assets.

Based on the Company's estimation, dividend tax liability and its penalty until June 30, 2007 was amounting to USD 39,351,080. On June 30, 2007, EEKL and KEIL adjusted the balance of dividend tax liability in accordance to the estimation.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

17. CAPITAL STOCK

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

	2007		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capital
			Rp
PT Kondur Indonesia	4,658,521,486	32.35%	465,852,149
PT Brantas Indonesia	4,006,587,640	27.82%	400,658,764
Julianto Benhayudi	314,488,667	2.18%	31,448,867
Rennier Abdul Rachman Latief	184,912,286	1.29%	18,491,228
Public (below 5% each)	5,236,303,293	36.36%	523,630,329
Total	14,400,813,372	100.00%	1,440,081,337

	2006		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capita
			Rp
PT Kondur Indonesia	4,752,855,486	33.01%	475,285,549
PT Brantas Indonesia	4,510,969,242	31.32%	451,096,924
Rennier Abdul Rachman Latief	446,912,286	3.11%	44,691,229
Julianto Benhayudi	314,488,667	2.18%	31,448,866
Public (below 5% each)	4,375,587,691	30.38%	437,558,769
Total	14,400,813,372	100.00%	1,440,081,337

Based on the Meeting Statement deed No. 45 dated January 25, 2006 of Robert Purba, S.H., Notary in Jakarta, the shareholders agreed to change the Articles of Association due to the increase in the authorized capital stock of the Company to Rp 5,500,000,000,000 (full amount).

18. ADDITIONAL PAID-IN CAPITAL

This account consists of:

	Balance
	Rp
Sale of the Company shares through public offering	
Proceeds from issuance 2,847,433,500 shares	455,589,360
Share issuance cost	(12,425,064)
The balance is recognized as paid-up capital	(284,743,350)
Net	158,420,946
Sale of the Company shares through right issue I	
Proceeds from issuance 4,909,368,195 shares	3,780,213,510
Share issuance cost	(92,948,408)
The balance is recognized as paid-up capital	(490,936,820)
Net	3,196,328,282
Balance of additional paid-in capital as of June 30, 2007 and 2006	3,354,749,228

(Figures in Rupiah expressed in thousands, unless otherwise stated)

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

	2007		
	Net Book Value	Acquisition Cost	Difference in value from restructuring transactions of entities under common control
	Rp	Rp	Rp
RHI Corporation	92,458,079	200,000,000	(107,541,921)
Kalila Energy Limited	(537,838,356)	1,000,000	(538,838,356)
Pan Asia Enterprise	10,891,647	74,800,000	(63,908,353)
PT Imbang Tata Alam	(43,635,241)	38,400,000	(82,035,241)
Energi Mega Pratama Inc.	238,407,446	239,420,000	(1,012,554)
PT Tunas Harapan Perkasa	16,449,550	2,609,113,577	(2,592,664,027)
Total	(223,266,875)	3,162,733,577	(3,386,000,452)

	2006		
	Net Book Value	Acquisition Cost	Difference in value from restructuring transactions of entities under common control
	Rp	Rp	Rp
RHI Corporation	92,458,079	200,000,000	(107,541,921)
Kalila Energy Limited	(537,838,356)	1,000,000	(538,838,356)
Pan Asia Enterprise	10,891,647	74,800,000	(63,908,353)
PT Imbang Tata Alam	(43,635,241)	38,400,000	(82,035,241)
Energi Mega Pratama Inc.	238,407,446	239,420,000	(1,012,554)
PT Tunas Harapan Perkasa	16,449,550	2,599,869,500	(2,583,419,950)
Total	(223,266,875)	3,153,489,500	(3,376,756,375)

20. DIFFERENCE DUE TO CHANGE OF EQUITY IN SUBSIDIARY

In 2007, EMP Inc issued 26,000,010 new shares to Mitsubishi Corporation (Mitsubishi) and Japan Petroleum Exploration Co., Ltd. (Japex) resulting to 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 this account and is presented as part of the Company's equity.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

21. NET SALES

This account consists of:

	2007	2006
	Rp	Rp
Itochu Petroleum Co., Pte., Ltd.	295,947,925	-
PT Perusahaan Gas Negara (Persero) Tbk	89,519,635	132,785,049
PT Pertamina (Persero)	80,551,718	65,008,491
PT Petrokimia Gresik (Persero)	20,167,042	139,037,779
PT Perusahaan Listrik Negara (Persero)	1,453,140	25,446,521
Petrochina International Java Ltd.	298,809	2,977,902
PT Indogas Kriya Dwiguna	113,358	371,935
Mitsubishi Corporation	-	404,326,924
Petro Diamond Co. Ltd	-	62,372,413
Total	488,051,627	832,327,014

22. COST OF GOODS SOLD

This account consists of:

	2007	2006
	Rp	Rp
Production costs	208,718,068	183,611,389
Depreciation, depletion and amortization	67,388,215	143,195,081
Production suport	60,637,194	151,924,796
Workover	17,982,262	20,413,265
Total	354,725,739	499,144,531

23. OPERATING EXPENSES

This account consists of:

	2007	2006
	Rp	Rp
Salaries and employee benefits	46,985,632	46,191,442
Professional fees	8,882,840	58,737,333
Rental	6,002,433	7,225,407
Representation and donation	4,622,133	4,224,191
Tax	4,508,687	2,982,728
Business traveling	2,965,767	1,702,079
Depreciation	1,171,503	698,213
Office expenses	945,197	4,558,774
Management fee	-	1,756,803
Others (below Rp 500 million each)	5,555,279	5,920,793
Total	81,639,471	133,997,763

(Figures in Rupiah expressed in thousands, unless otherwise stated)

24. OTHER INCOME (CHARGES)

a. *Financing Charges*

This account consists of:

	2007 Rp	2006 Rp
Interest on loan	144,153,530	71,279,945
Others	6,885,693	3,350,471
Total	151,039,223	74,630,416

b. *Income from Insurance Claim*

On January 27, 2006, KEIL and EEKL, Subsidiaries, received the insurance claim from PT Tugu Pratama Indonesia amounting to Rp 57,312,635 (USD 6,158,737) in relation to damage to the pipeline in the Pagerungan field in the North Bali Sea in 2002.

25. TAXATION

a. *Prepaid Tax*

This account represents value added tax – net.

b. *Taxes Payable*

	2007 Rp	2006 Rp
Corporate income and dividend tax	55,076,544	66,356,140
Income tax		
Article 4 (2)	143,943	174,630
Article 21	7,390,933	4,484,282
Article 23	30,073,122	14,451,447
Article 26	16,603,140	8,020,005
Value Added Tax	1,466,696	48,696,933
Interest and penalty tax	31,236,291	-
Total	141,990,669	142,183,437

KEL and PAN owns 84.24% shares and 15.76% shares, respectively, in Lapindo Brantas Inc. (LBI). LBI established and domiciled in Delaware, United States of America (USA) and LBI has an obligation to calculate, pay and file the corporate income tax return to US Tax Authority under US Tax Laws. LBI has not filed its 2005, 2004 and 2003 annual corporate income tax returns due to the adjustments made in respect to operating expenses that pertained to capitalization and amortization of deferred cost pior to 2003. Due to the delay, LBI has appointed an independent US Tax advisor to calculate the tax liability and estimation of interest and tax penalty.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

25. TAXATION *(Continued)*

The LBI's estimated income tax liability for the six-month periods ended June 30, 2007 and 2006, is USD nil, and USD 0.9 million. As of December 31, 2006 the estimated interest and penalty is USD 3,449,999 (Rp 31.23 billion).

EEKL and KEIL are registered as UK and USA tax residents, respectively. EEKL and KEIL recognized dividend tax in Indonesia at the rate of 20% and 10%, and recognized the under-provision of USD 20,268,926 and USD 6,319,642, respectively for the period from 1998 to 2003. An accrual of USD 9,729,084 and USD 3,303,428 for penalties in relation to the late payments of such dividend tax as of December 31, 2006 was recognized by EEKL and KEIL, respectively. EEKL and KEIL did not calculate any penalty for the period starting January 1, 2007 to June 30, 2007. Estimated income tax expense for EEKL and KEIL was amounting to USD nil as of June 30, 2007 and 2006.

RHI has no taxable income, hence the management believes that RHI has no tax liability as of June 30, 2007.

The estimated income tax of LBI, KEIL and RHI assumes that the US IRS will accept such recalculation. The estimated income tax could be different, should the IRS disagree with such assumption and calculation.

MBF and EMP Finance are registered in the Netherlands.

The MBF and EMP Finance's estimated income tax liability is USD nil as of June 30, 2007 and 2006.

c. *Tax Benefit (Expense)*

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

	2007	2006
	Rp	Rp
Current tax		
The Company	-	-
Subsidiaries	(22,270,150)	(19,792,725)
Subtotal	(22,270,150)	(19,792,725)
Deferred tax		
The Company	(42,376,579)	47,817,024
Subsidiaries	119,265,946	(46,607,984)
Subtotal	76,889,367	1,209,040
Total	54,619,217	(18,583,685)

(Figures in Rupiah expressed in thousands, unless otherwise stated)

25. TAXATION *(Continued)*

d. *Current Tax – The Company*

Reconciliation between income (loss) before tax as shown in the consolidated statements of income and estimated taxable income (fiscal losses) for the six-month periods ended June 30, 2007 and 2006, calculated with the effective tax rate, were as follows:

	2007	2006
	Rp	Rp
Income (loss) before tax per consolidated statement of income	(2,191,129)	190,564,822
Deduct: Income before tax - the Subsidiaries	11,172,040	343,932,339
Add: Devidend from Subsidiary	152,070,364	-
Income (loss) before tax - the Company	138,707,195	(153,367,517)
Timing difference:		
Employee benefits	716,641	395,161
Permanent differences:		
Representation and donations	3,744,142	643,912
Interest income already subjected to final tax	(5,791,990)	(7,310,454)
Others	4,595,917	643,977
Total	2,548,069	(6,022,565)
Estimated taxable income (fiscal loss) of the Company	141,971,905	(158,994,921)
Estimated cumulative fiscal losses beginning of period	(276,592,404)	(56,306,379)
Cumulative tax loss carried forward - the Company	(134,620,499)	(215,301,300)

e. *Deferred Tax*

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

	2007			
	January 1	Translation adjustment	Credited (charged) to income	June 30
	Rp	Rp	Rp	Rp
Deferred tax assets				
Employee benefit	8,410,893	40,316	2,397,744	10,848,953
Fiscal loss	146,717,761	-	(42,547,541)	104,170,220
Depreciation, depletion and amortization	(245,270,536)	(1,313,561)	(35,186,088)	(281,770,185)
Non-capital inventory	(43,284,661)	(135,223)	6,083,157	(37,336,727)
Unrecovered charges	493,266,835	2,550,674	82,511,901	578,329,410
Total	359,840,292	1,142,206	13,259,173	374,241,671
Deferred tax liabilities				
Employee benefit	2,570,688	24,902	2,178,278	4,773,868
Depreciation, depletion and amortization	(317,911,029)	(1,546,320)	(184,985,149)	(504,442,498)
Non-capital inventory	(27,547,141)	(146,249)	(2,107,907)	(29,801,297)
Unrecovered charges	(7,251,293)	467,553	248,544,972	241,761,232
Total	(350,138,775)	(1,200,114)	63,630,194	(287,708,695)
Deferred Tax Benefit			76,889,367	

(Figures in Rupiah expressed in thousands, unless otherwise stated)

25. TAXATION *(Continued)*

	2006			
	January 1	Translation adjustment	Credited (charged) to income	June 30
	Rp	Rp	Rp	Rp
Deferred tax assets				
Employee benefit	529,094	(105,939)	1,059,690	1,482,845
Fiscal loss	80,622,288	-	47,704,446	128,326,734
Depreciaton, depletion, and amortization	(120,320,521)	8,460,730	(243,291,323)	(355,151,114)
Non-capital inventory	(5,655,606)	59,671	(863,319)	(6,459,254)
Unrecoverable charges	217,429,493	(16,363,004)	278,626,467	479,692,956
Total	172,604,748	(7,948,542)	83,235,961	247,892,167
Deferred tax liabilities				
Employee benefit	5,115,030	(413,259)	1,977,706	6,679,477
Depreciaton, depletion, and amortization	(262,331,418)	13,153,927	(91,087,737)	(340,265,228)
Non-capital inventory	(40,591,221)	2,684,461	(4,969,656)	(42,876,416)
Unrecoverable charges	22,119,517	(1,452,553)	12,052,766	32,719,730
Total	(275,688,092)	13,972,576	(82,026,921)	(343,742,437)
Deferred Tax Benefit			1,209,040	

f. *Tax Assessment Letters*

Lapindo Brantas Inc. (LBI)

Based on Tax Assessment Underpayment Letters (SKPKB) No. 00006/201/03/081/06 dated August 8, 2006, the Directorate General of Taxation had assessed underpayment for income tax article 21 for the year 2003 amounting to Rp 371,907,408 (full amount). On October 16, 2006, LBI submitted their objection letter No. 925/FN/CS/L06 opposing the fiscal tax correction for national benefit in kind. On November 6, 2006, the Directorate General of Taxation issued a compulsory Letter No. SP-0082/WPJ.07KP. 1004/2006, stating that LBI has to pay their tax underpayment.

Based on SKPKB No. 00141/201/03/617/06 dated September 1, 2006, the Directorate General of Taxation had assessed underpayment for income tax article 21 for LBI for the year 2003 amounting to Rp 25,430,392 (full amount). On September 29, 2006, LBI submitted its objection letter No.9040/FN/CS/L06 opposing the fiscal tax correction for national benefit in kind. That objection letter was rejected by the Directorate General of Taxation by its decision letter No. KEP-47/WPJ24/BD0303/2006 dated December 26, 2006.

Costa International Group Ltd.

On November 28, 2006, the Directorate General of Taxation had issued SKPKB for corporate income tax and income tax article 26 (4) for Costa for the years 1997, 1998, 2000, 2001 and 2002 totaling to USD 8,860,992.

On February 27, 2007, Costa submitted their Objection Letter to the Tax Service Office and filed the lawsuit to the State Adminstration Court opposing such SKPKB. As of March 1, 2007, there has no reply from the Tax Office regarding this matter.

Management believes that the Subsidiaries will have favorable outcomes from all the objection and lawsuit proceedings.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

26. BASIC EARNINGS PER SHARE

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

	2007	2006
	Rp	Rp
Earnings		
Net earnings used for calculation	52,426,405	171,980,124
Number of shares		
Weighted average numebr of shares for the calculation of basic earnings per share	14,400,813,372	13,742,574,061
Basic earnings per share (in full amount)	3.64	12.51

The Company did not calculate diluted earnings per share since the Company had no shares that had a potential dilutive effect for the six-month periods ended June 30, 2007 and 2006

27. PENSION PLANS AND EMPLOYEE BENEFITS

Pension Plans

The Company's Subsidiaries (KPSA and ITA) provide defined contribution pension plans covering all their permanent employees.

Pension plans are managed by PT Tugu Mandiri, the contribution amounting to 9% of employee's salary, of which 6% is paid by the Company and 3% by the employee.

Employee Benefits

The Company and its Subsidiaries provide post-employment benefits for all of its 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 Strait Malacca Employees Foundation and Trust Fund Agreement with several banks.

Amounts recognized in respect of these employee benefits were as follows:

	2007	2006
	Rp	Rp
Current service cost	4,224,175	5,197,967
Interest cost	4,474,150	4,323,681
Expected return on plan assets	(6,762,862)	(1,940,633)
Net actuarial losses recognized	6,111,496	4,078,312
Past service cost	(49,234)	-
Total	7,997,725	11,659,327

(Figures in Rupiah expressed in thousands, unless otherwise stated)

27. PENSION PLANS AND EMPLOYEE BENEFITS *(Continued)*

The amounts included in the consolidated balance sheets, arising from the Company and certain Subsidiaries obligations in respect of these employment benefits were as follows:

	2007 Rp	2006 Rp
Benefit obligation	103,174,556	104,270,371
Fair value of employee benefit plan assets	(52,093,325)	(51,456,574)
Funding status	51,081,231	52,813,797
Unrecognized actuarial loss	(3,083,991)	(22,002,227)
Unrecognized past service liability	83,976	-
Employee benefits obligation	48,081,216	30,811,570

Amounts recognized in consolidated balance sheets in respect of these employment benefits were as follows:

	2007 Rp	2006 Rp
Beginning of the period	40,048,845	26,059,675
Contribution for the period	34,645	(6,848,557)
Benefit paid	-	(58,896)
Amount charged to consolidated statement of income	7,997,726	11,659,325
Total	48,081,216	30,811,547

The actuarial computations of employee benefits obligations as of June 30, 2006 for the Company, KPSA, LBI and EMP Inc. were prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its reports dated May 24, 2006. The computations used the following assumptions:

Discount rate	: 10% 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	: Old 18-45 = 1% per annum and old > 46 = 0%
Normal retirement age	: 56 years (all employees are assumed to retire at normal retirement age)

The actuarial computations of employee benefits obligation for June 30, 2006 Costa were prepared by PT Dian Artha Tama, an independent actuarial firm, in its reports dated May 24, 2006, 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	: Old 18-45 = 1% per annum and old > 46 = 0%
Normal retirement age	: 56 years (all employees are assumed to retire at normal retirement age)

(Figures in Rupiah expressed in thousands, unless otherwise stated)

27. PENSION PLANS AND EMPLOYEE BENEFITS *(Continued)*

Semco did not make employee benefits computation for the six-month period ended June 30, 2006 because the amount is not material.

The Company and Subsidiaries did not make employee benefits computation for the six-month period ended June 30, 2007 because the amount is not material.

28. NATURE OF RELATIONSHIP WITH RELATED PARTIES

Nature of relationship

a. PT Brantas Indonesia and PT Kondur Indonesia are the Company's stockholders.

b. Minarak Labuan Co. (L) Ltd., Enercorp Ltd., PT Bakrie Capital Indonesia, PT Energi Timur Jauh, Asian Worldwide Group Ltd., Global Overseas Enterprise and PT Mitra Andalan Mandiri are companies whose indirect stockholders are the same as the indirect stockholders of the Company.

29. SEGMENT INFORMATION

Primary Segment

For management purposes, the Company and its Subsidiaries are currently organized into two (2) business divisions consisting of trading 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 was as follows:

	2007			
	Trading	Mining	Elimination	Consolidated
	Rp	Rp	Rp	Rp
SALES				
External sales	-	488,051,627	-	488,051,627
RESULT				
Segment result	-	133,325,888	-	133,325,888
Unallocated expenses				(81,639,471)
Income from operations				51,686,417
Financing cost				(151,039,222)
Other income				97,161,675
Income before tax				(2,191,130)
Tax benefit - net				54,619,218
Income before minority interest				52,428,088
Minority interest				(1,683)
Net income				52,426,405

(Figures in Rupiah expressed in thousands, unless otherwise stated)

29. SEGMENT INFORMATION *(Continued)*

	2007			
	Trading	Mining	Elimination	Consolidated
	Rp	Rp	Rp	Rp
OTHER INFORMATION				
Assets				
Segment assets	7,141,601,434	8,222,874,425	(7,137,990,528)	8,226,485,331
Unallocated assets				374,241,671
Consolidated total assets				8,600,727,002
Liabilities				
Segment liabilities	(618,818,698)	(7,124,388,040)	2,532,862,294	(5,210,344,444)
Unallocated liabilities				(287,708,695)
Consolidated total liabilities				(5,498,053,139)
Capital expenditure	-	519,147,927	-	519,147,927
Depreciation, depletion, and amortization	-	67,388,214	-	67,388,214

	2006			
	Trading	Mining	Elimination	Consolidated
	Rp	Rp	Rp	Rp
SALES				
External sales	-	832,327,014	-	832,327,014
RESULT				
Segment result	-	333,182,483	-	333,182,483
Unallocated expenses				(133,997,763)
Income from operations				199,184,720
Financing cost				(74,630,416)
Other income				66,010,518
Income before tax				190,564,822
Tax benefits				(18,583,685)
Income before minority interest				171,981,137
Minority interest				(1,013)
Net income				171,980,124
OTHER INFORMATION				
Assets				
Segment assets	5,236,355,143	8,834,544,095	(6,551,791,361)	7,519,107,877
Unallocated assets				247,892,167
Consolidated total assets				7,767,000,044
Liabilities				
Segment liabilities	(86,580,646)	(7,931,714,715)	2,414,292,738	(5,604,002,623)
Unallocated liabilities				(343,742,437)
Consolidated total liabilities				(5,947,745,060)
Capital expenditure	-	1,216,529,883	-	1,216,529,883
Depreciation, depletion, and amortization	-	143,195,081	-	143,195,081

(Figures in Rupiah expressed in thousands, unless otherwise stated)

29. SEGMENT INFORMATION *(Continued)*

Secondary Segment

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

Sales Based on Market

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

	2007	2006
	Rp	Rp
Domestic		
Jakarta	80,665,076	65,008,491
East Java	111,438,626	297,269,349
International		
Singapore	295,947,925	470,049,174
Total	488,051,627	832,327,014

30. COMMITMENTS

a. *Production Sharing Contract (PSC) and Technical Assistance Contract (TAC)*

The Subsidiaries entered into agreements in the exploration and production of crude oil and gas contract area based on PSC with BPMIGAS or TAC with Pertamina . A summary of significant provisions of the PSC is as follows:

1. Sales

The oil and gas production shall be shared based on an agreed formula between the Subsidiaries and BPMIGAS.

After deducting first tranche petroleum and recoverable operating cost, the Subsidiaries are required to pay their own Indonesian income tax for the revenues from the remaining crude oil and gas at the PSC effective rates, consisting of income tax and dividend tax.

2. Domestic Market Obligation

The Subsidiaries are required to supply the Indonesian domestic crude oil requirements (Domestic Market Obligation - DMO) up to a certain percentage of oil production using the market price. The Subsidiaries receive the prevailing market price per DMO barrel for the first 60 months from commencement of commercial production from each new field in each respective contract area. After the period of 60 months, the selling price will be lower than market price.

3. Cost Recovery

Recoverable costs are distinguished between capital and non-capital costs and are recoverable only from production revenues derived from the related contract area.

30. COMMITMENTS *(Continued)*

4. Investment Credit

   The Subsidiaries are entitled to recover an investment credit of the capital investment cost directly required for developing crude oil production facilities of new producing field from Tertiary or pre-Tertiary reservoir rock out of deduction from gross production before recovering operating costs and tax deductions, commencing in the earliest production year.

5. Compensation, Assistance and Production Bonuses

   The Subsidiaries shall pay bonus and assistance to BPMIGAS for equipment and services, ranging between USD 50 thousand - USD 25 million within 30 - 60 days after the production of petroleum has reached between 3 million - 325 million barrels. Such bonus payments shall be borne solely by the Subsidiaries and shall not be included in the recoverable operating costs.

6. Exclusion of Areas

   The Subsidiaries have the obligation to relinquish certain areas to BPMIGAS within a certain period based on the agreement between the Subsidiaries and BPMIGAS. This obligation shall not apply to any part of the surface area of any field in which petroleum has been discovered.

7. Claim Insurance

   Operating cost shall include premium paid for insurance normally required to be carried for petroleum operation, together with all expenditures incurred or paid in settlement of any and all losses, claims, damages, judgment and other expenses.

8. Abandonment and Site Restoration

   The Subsidiaries are required to perform an environmental baseline assessment on the contract area at the commencement of their activities. Upon the expiration or termination or relinquishment of part of the contract area, or abandonment of any fields, the Subsidiaries are required to remove all equipment and installations that have been installed in the contract area, and perform all necessary site restoration activities. As of June 30, 2007 and 2006, the estimated site restoration liabilities amounted to USD 12.4 million and USD 9.8 million, respectively and the provision funding amounted to USD 10.4 million and USD 8.0 million, respectively.

9. Participation

   BPMIGAS shall have the right to demand from the Subsidiaries a 10% working interest in the total rights and obligations under the PSC. In consideration for the acquisition of the 10% working interest, BPMIGAS shall reimburse the Subsidiary an amount equal to a certain percentage of the cumulative operating costs that the Subsidiary has incurred over a determined period and of the amount of the bonus and assistance for procurement of equipment or services paid to BPMIGAS as referred to in the PSC.

10. Interest Recovery

    Interest on loans for capital investments in petroleum operations not exceeding the prevailing commercial rates for capital investments in petroleum operations may be recovered as a component of operating costs with the approval of Pertamina.

30. COMMITMENTS *(Continued)*

b. *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 period commencing on August 1, 1998 until July 31, 1999, which shall be automatically extended unless terminated by either party.

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.

c. *Financial Advisory and Financial Management*

Based on the agreement between PI and MBF dated July 28, 2005, MBF appointed PI in connection with the general strategic and financial planning activities of MBF in respect to funding MBF's capital expenditure. PI will provide advisory services and financial arrangement to MBF. In accordance with the agreement PI will arrange to channel MBF funds received from its creditors to other companies within the Company's group.

d. *Agreement with PT Perusahaan Listrik Negara (Persero) (PLN)*

On May 17, 2005, Bentu entered into an agreement with 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.

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.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

30. COMMITMENTS *(Continued)*

On August 1, 2006, Bentu and PLN signed the Mutual Agreement on Delivery and Taking of the Gas since approval from PLN's shareholders to carry out the agreement had not yet been received. The Mutual Agreement stated, among others, that since July 15, 2006 or on any other agreed date, Bentu based on the reasonable endeavor principle will deliver the gas in the the daily delivery amount in accordance with the nominations agreed by both parties up to December 31, 2006 or until the conditions precedent have been met, whichever occurs earlier. This agreement was effective since December 22, 2006 as the approval from PLN's shareholder has been received.

e. The Subsidiaries' Sale and Purchase Gas Agreements

(1) KEIL and EEKL

On December 2005, KEIL and EEKL entered Sales and Purchase Gas Agreement with:

a. PT Perusahaan Listrik Negara (Persero) in the amount of 368.7 TBTU, which shall end on December 31, 2024;
b. PT Perusahaan Gas Negara (Persero) in the amount of 6.38 TBTU, which shall end on June 30, 2007;
c. PT Petrokimia Gresik (Persero) in the amount of 241.86 BSCF, which shall end on December 31, 2015;
d. PT Pembangkitan Jawa Bali in the amount of 12.99 BBTU, which shall end on September 30, 2007;
e. Pertamina in the amount of 221 TBTU, which shall end on December 31, 2016; and
f. PT Indogas Kriya Dwiguna in the amount of 79.2 TBTU, which shall end on December 31, 2017.

(2) LBI

On December 3, 2003, LBI signed the Gas Sales Agreement with PT Perusahaan Gas Negara (Persero) Tbk which shall end on December 31, 2007. Total gas deliver as follows:

Year Contract	Period	Total
		MMCFD
I	July 19, 2003 - December 31, 2003	50
II	Januari 1, 2004 - December 31, 2004	80
III	Januari 1, 2005 - December 31, 2005	80
IV	Januari 1, 2006 - December 31, 2006	60
V	Januari 1, 2007 - December 31, 2007	40

(3) Semco

On September 30, 2005, PT Pertamina (Persero) signed the Gas Sales and Purchase 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 total contract volume has reached, whichever occurs earlier.

30. COMMITMENTS *(Continued)*

f. *Joint Operating Agreement (JOA)*

In 1985, Japan Petroleum Exploration Co., Ltd. (Japex) approved the JOA. Under the JOA, Costa as the successor of Japex and Japan North Sumatera (JNS), as the assistant operator of the Joint Operating Body, (Gebang) (JOB-G) will recover its participating interest share of all operating costs and one half (1/2) of the amount of the reimbursement having been made by Costa pursuant to the reimbursement out of the sale proceeds or other disposition of the required quantity of its participating interest share of crude oil equal in value to such operating cost and reimbursement that is produced and saved and not used in the petroleum operation.

The intent is that the Operator shall neither have gain nor loss as a result of being the assistant operator that wholly finances the JOB-G activities.

31. CONTINGENT LIABILITIES

The Company and its Subsidiaries' operations are subject to Indonesian laws and regulations governing 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 in certain lands lying within wilderness, wetlands and other protected areas, require remedial measures to prevent pollution resulting from the Company and 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.

Banjar Panji Incident

The Company considers the following as contingent liabilities as of June 30, 2007:

- The Company has recognized a provision for probable losses of Banjar Panji-1 incident based on an estimate (see Note 35). As the mud flow is currently still continuing and due to the complexity of the ongoing issue, the ultimate outcome of the measures that are being and will be undertaken to handle the incident is currently still uncertain. Due to these uncertainties, the estimate was made upon certain assumptions based on information currently available, which upon resolution of the uncertainties may ultimately need to be revised and may result in ultimate costs that may differ significantly from those presently estimated.

- All costs incurred relating to the incident are accounted for as recoverable from the Government based on the Production Sharing Contract ("PSC") of the Brantas Block. Given the extraordinary nature of the incident, the Government may not approve the cost recovery requests from LBI, in which case, the matter could be disputed through a court proceeding. As of March 7, 2007, LBI has not filed costs recovery relating to this incident to the Government.

31. CONTINGENT LIABILITIES *(Continued)*

- Based on the Joint Operating Agreement all costs incurred are to be shared with the other partners of the Block, namely PT Medco E&P Brantas ("Medco") and Santos Brantas Pty. Ltd. ("Santos"), according to their respective working interest holdings. In connection with this on October 13, 2006, Medco filed arbitration before the American Arbitration Association against LBI, in which Medco seeks to be excused from its obligation to pay its participating share of the costs associated with the BJP-1 incident, plus recover its attorney's fees and costs related to the arbitration. The amount Medco is seeking to avoid paying is presently in the USD 10 million. LBI filed its answer on December 22, 2006 denying Medco's claims and asserting certain counterclaims including disparagement of reputation, failure to meet payment obligations under the Joint Operating Agreement governing operation on the Brantas Block, and breach of contractual confidentiality obligations. On May 8, 2007, Medco has revoked the arbitration. LBI also has revoked the counterclaims on May 9, 2007, therefore the arbitration process was discontinued.

- The LBI is currently undergoing an investigation by the Authorities on the possibility of the occurrence of willful misconduct and/ or negligence by a person(s) that caused the mudflow and/ or caused pollution and/or environmental damages.

- Yayasan Lembaga Bantuan Hukum Indonesia (YLBHI) and Yayasan Wahana Lingkungan Hidup (WALHI) has filed a lawsuit to the Central Jakarta dan South Jakarta District Court (the Court) on December 8, 2006 and January 18, 2007, respectively, under the Negligent Tort against several parties including LBI. As of the date of this report, no decision has yet been rendered by the Court regarding the case filed.

- Due to the large scale impact of the incident, it is probable that the costs of the containment of mud in BJP-1, as well as costs that may be incurred arising from social, economic and legal liability associated with the incident are beyond the financial capability of LBI. Management is of the opinion that, with LBI being a limited liability company established in Delaware, U.S.A., the shareholders and the ultimate shareholders of LBI will not be held liable for LBI's debts and obligations or for the consequences of LBI's actions, unless final and binding judgment of the court of law decides otherwise, in which case, a court of competent jurisdiction would have to find, based on a preponderance of the evidence, that the Company has engaged in unlawful conduct.

The lawsuit filed against the Company and its Subsidiaries which were disclosed in mention above were based on lawsuit filed as of June 30, 2007 as confirmed by the Company's independent legal consultant.

Lawsuits and class actions against LBI may arise if LBI fails to settle potential obligation to residents pursuant to its public commitments and or fails to pay certain damages due to losses incurred by businesses relating to the BJP-1 incident. As of June 30, 2007, LBI has been working to meet, negotiate and settle claims to prevent the possibility of a lawsuit or class action suit.

It is not currently possible to determine the impact of the above contingent liabilities on the Company. Management of the Company and LBI are of the opinion that the ultimate outcome of the above cases will be favorable to LBI and to the Company.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

32. 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 insurance coverage against some, but not all for the potential losses. The Company and Subsidiaries' coverage for the oil and gas exploration and production activities include, but is not limited to, loss of wells, blowouts and certain cost of pollution control, physical damage on certain assets, employer's liability, comprehensive general liability, automobile and worker's compensation.

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 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.

33. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

Under the renewal and extension of PSC signed by Kondur Petroleum S.A. - IJV, and Kangean Energy Indonesia Ltd. - IJV (formerly EMP Kangean Ltd – IJV) with BPMIGAS, the Subsidiaries are required to provide for abandonment of all exploration wells and the restoration of their drill sites, together with all estimates of money required for the funding of any abandonment and site restoration program established in conjunction with an approved plan of development for a commercial discovery. Expenditures incurred in the abandonment of exploratory wells and the restoration of their drill sites shall be charged as operating cost in accordance with PSC, calculated based on the total estimated cost of abandonment and site restoration for each discovery divided by the total estimated number of economic years of each discovery. The estimates shall be reviewed on an annual basis and shall be adjusted each year as required.

34. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of June 30, 2007 and 2006 the Company and its Subsidiaries had monetary assets and liabilities denominated in foreign currencies as follows:

	2007			2006		
	Foreign Currency		Equivalent in Rupiah	Foreign Currency		Equivalent in Rupiah
Assets						
Cash on hand and in banks	US$	101,757,085	915,167,799	US$	28,735,108	267,236,506
	Eur(	15,844	192,720	Euro	15,214	165,729
Restricted time deposits	US$	18,164,513	164,461,504	US$	22,207,943	201,537,086
Trade receivables	US$	29,888,676	270,612,072	US$	28,532,729	258,934,518
Other receivables	US$	55,865,168	505,803,227	US$	16,003,780	145,234,303
Abandonment and site restoration fund	US$	10,402,342	94,182,802	US$	8,252,999	74,895,964
Total Assets			1,950,420,124			948,004,106

(Figures in Rupiah expressed in thousands, unless otherwise stated)

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

	2007			2006		
	Foreign Currency		Equivalent in Rupiah	Foreign Currency		Equivalent in Rupiah
Liabilities						
Trade payables	US$	30,236,358	273,759,988	US$	17,996,082	167,363,565
Other payables	US$	15,762,856	142,716,894	US$	6,097,293	55,332,933
Tax payables	US$	9,533,116	86,312,832	US$	7,135,069	66,356,140
Accrued expenses	US$	25,356,547	229,578,177	US$	5,884,175	53,398,891
Due to related parties	US$	98,671,836	893,374,806	US$	45,886,985	416,424,386
Long-term loans	US$	316,493,285	2,865,530,206	US$	447,750,000	4,164,075,000
Estimate obligation on probable losses	US$	7,867,868	71,235,676	US$	-	-
Site restoration obligation	US$	12,402,341	112,290,795	US$	10,100,756	91,664,358
Subsidiary's dividend tax liability	US$	39,351,080	356,284,675	US$	22,044,678	205,015,502
Total Liabilities			5,031,084,049			5,219,630,775
Net Liabilities			(3,080,663,925)			(4,271,626,669)

35. OTHER SIGNIFICANT INFORMATION

Other significant information in relation to the operational activities of the Company and its Subsidiaries is as follows:

a. *Banjar Panji Incident*

BJP-1 exploration well is located in the Brantas PSC in the Sidoarjo, East Java province and operated by Lapindo Brantas Inc. (LBI), which has a 50% working interest in the PSC. The other working interest partners are PT Medco E&P Brantas (Medco) (32%) and Santos Brantas Pty. Ltd. (18%).

On May 29, 2006, a large volume of steam, hot water and mud broached to the surface approximately 200 meters from Lapindo Brantas Inc. (LBI)'s BJP-1 exploration well. Prior to the broach, on May 27, 2006 LBI experienced well control issues at the well, which occurred on the same day as a 6.2 Richter-scale earthquake struck Yogyakarta. Correlation between the well and the broach has not been established. Since that date, LBI has been involved in mitigating the impacts of the mud flow to the surrounding area and has made tremendous efforts in trying to stop the mud flow and manage the surface impact. On September 8, 2006, the President of the Republic of Indonesia issued Presidential Decree No. 13 pertaining to the "National Task Force to Overcome the Mudflow in Sidoarjo," which requires LBI, to bear all the costs incurred in overcoming the incident.

As of this report date, the relief wells were temporarily suspended due to land subsidence within the area. On December 4, 2006, LBI issued a letter to the National Team, proposing a land settlement of (1) Rp1 million/m2 for Land; (2) Rp 1.5 million/m2 for Buildings; and (3) Rp 120,000/m2 for Rice Fields. The land settlement has the following conditions: (1) The agreed purchase price must first be approved by the Regent of Sidoarjo; (2) The sale-purchase transaction can only be performed based on the official land ownership certificates; (3) The acquisition payment will be made before a two-year lease period ends; (4) All transactions must be carried out based on the applicable laws and regulations (Brantas PSC, Oil & Gas law, etc.) For those people who choose and meet the criteria for relocation, they will be relocated to Kawasan Sidoarjo Baru, a future residential area that is soon to be developed.

35. OTHER SIGNIFICANT INFORMATION *(Continued)*

LBI has appointed PT Quality Management Services (QMS) to prepare an estimate of the total costs based on the information available when preparing the financial statement as of December 31, 2006. QMS estimate that total costs to handle the mud flow amounted to USD 183.7 million until December 31, 2007.

Up to March 5, 2007, LBI had received all of the insurance claim of BJP-1 from PT Tugu Pratama Indonesia amounted to USD 25,000,000.

Total estimated obligation on probable losses on gross basis amounted to USD 15,735,736. This represents the QMS estimated costs of USD 183,700,000 less total costs incurred of USD 140,474,264 and expected results from insurance claim of USD 27,490,000. LBI recorded such liability amounting to USD 7,867,868, representing its participant's share of 50% as of June 30, 2007.

As the mud flow is currently still continuing and due to complexity of the ongoing issue, the ultimate outcome of the measures that are being and will be undertaken to handle the incident is currently still uncertain. Due to these uncertainties, the above estimation was made under certain assumptions based on information currently available, which upon resolution of the uncertainties may ultimately need to be revised and may result in ultimate costs that differ significantly from those presently estimated.

The Company applies the "full cost" method, and under this method, the 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 the Statement of Financial Reporting Standard (PSAK) No. 29, and, therefore, cost centers are established on a country-by-country basis. The full cost method regards the costs of unsuccessful acquisition and exploration activities as necessary for the discovery of reserves. All of those costs are incurred with the knowledge that many of the Company's prospects will not result directly in the discovery of reserves. However, the Company expects that the benefits obtained from those prospects that prove to be successful, together with the benefits from past discoveries will be adequate to recover the costs of all activities, both successful and unsuccessful. Thus, all costs in acquiring, exploring, and developing properties within one cost center (i.e. a country), including those related to the BJP-1 incident, are capitalized when incurred and are amortized as mineral reserves in the cost center are produced, subject to a limitation that the capitalized costs do not exceed the value of those reserves (i.e. ceiling test).

As of June 30, 2007, there was no excess cost over the ceiling test that should be charged as an expense in the consolidated statements of income.

As of this report date, the management has not been able to determine the ultimate outcome of all the measures to be undertaken before the incident is completely overcome, and therefore, could not determine the contingency provisions that provide all costs relating to BJP-1. As information becomes known, further loss contingency provisions, if any, may be established, and these may create excess costs over the ceiling test that should be charged to consolidated statement of income in the year in which they become known.

35. OTHER SIGNIFICANT INFORMATION *(Continued)*

b. *Acquisition of PT Indelberg Indonesia Perkasa*

On May 31, 2007, the Company signed the Conditional Sales and Purchase Agreement with Eka Sinto Kasih Tjia (ESK) and Ir. Utaryo Suwanto (USW) whereas agreed the Company will acquire 75% ownership interest in PT Indelberg Indonesia Perkasa (IIP) owned by ESK and USW with agreed price of USD 10,000 upon the completion of either one either following conditions:

(i) At least 3 years period after the effectiveness of the OCA date of April 25, 2007 is exceeded and the approval from PT Pertamina EP is obtained, or

(ii) IIP has obtained the approval from PT Pertamina EP to takeover the share.

In the agreement stipulates among other a condition for IIP to issue a bank guarantee amounting to USD 8,100,000 which subsequently will be used for IIP.

IIP has the Operations Cooperation Agreement (OCA) with PT Pertamina EP dated April 25, 2007 to operate exploration and production of oil and gas in Suci operating area, East Java. In the OCA agreement stipulates among others a condition to issue a bank guarantee amounting to USD 8,100,000 for the period 3 years starting the date of OCA agreement.

As of this report date, the management is still reviewing the affect of the transaction to the Company's consolidated financial statements. The consolidated financial statements is not included adjustments that might result from the outcome of the signing the Conditional Sales and Purchase Agreement.

c. *New Shares Subscription on EMP Inc.*

On March 6, 2007, the Company has signed binding agreements with Mitsubishi Corporation (Mitsubishi) and Japan Petroleum Exploration Co., Ltd. (Japex) wherein Mitsubishi and Japex will assume new subscription shares in EMP Inc. Based on these agreements, Mitsubishi and Japex will assume, in aggregate, an indirect 50% working interest in the Kangean PSC block, as well as agreeing to carry a substantial portion of the remaining development capital expenditure for Kangean PSC block. The total subscription proceeds from this transaction will amount to USD 360 million.

The total proceeds from share subscription of USD 360 million will be used for the following items:

(i) Repay credit facility under the Credit Facility Agreement dated May 19, 2005 between EMP Inc, the Company, Credit Suisse – Singapore Branch and several financial institutions which represent part of Credit Suisse syndication. The payment consists of total principal plus accrued interest, settlement value and agent fee totalling approximately USD 292 million.

(ii) Repay all EMP Inc, KEIL and EEKL's recivables from and payables to companies in the Company group at December 31, 2006 in the amount of approximately USD 48 million; and

(iii) The remaining balance will be paid by EMP Inc to the Company in the form of devidend payment based on the declaration of dividend payment at before Closing date.

35. OTHER SIGNIFICANT INFORMATION *(Continued)*

Based on the Agreement, the Company and EMP Inc shall use their best endeavors to reschedule payment of the outstanding amount of trade account payables. In such circumstances, 50% of the amount in the Debt Service Reserve Account (DSRA) at before Closing date shall retained by EMP Inc for part of payment of these amounts, and the other 50% shall be dividend up (additional) to the Company. If, reschedule payment is unable, therefore the Company shall ensure those payables are cleared on or prior to Closing date, the total amount in the DSRA shall be available to be dividend up to the Company. Based on the amendment letter dated May 10, 2007, it has been agreed that the amount should be retained by EMP Inc as part of payment of trade account payables was amounting to USD 5 million.

The completion of transaction shall depend upon the following conditions precedent have been fulfilled:

- The approval from the Company's stockholders at general meeting of stockholders and the Abeam in respect with the transaction.

- Receipt of a letter from the facility agent acknowledging that on payment by EMP Inc of the facility amount, EMP Inc's debt will be discharged in full under the credit facility agreement.

- Termination of the old joint operating agreement (JOA) and execution of new JOA, Shareholders Agreement, Definitif Agreement and other completion agreements.

The transaction involves Mitsubishi and Japex subscribing for new shares in EMP Inc to dilute the Company's current 100% shareholding to 50%.

Based on opinion of legal consultant Hadiputranto, Hadinoto & Partner dated May 15, 2007, stated that the specific condition precedent as stipulated in the agreement dated March 6, 2007 has been satisfied. Therefore, the transaction of EMP Inc's new shares issuance was effective on May 16, 2007.

36. SUBSEQUENT EVENTS

Transfer of management control over KEL, Pan and LBI

Based on the Corporate Management Agreement dated July 1, 2007 between the Company and Minarak Labuan Co. (L) Ltd (ML) stated that the Company agreed that ML shall have the control over the management of KEL, PAN and LBI, and therefore, the Company hereby grants power and authorize, unconditionally and irrecovably, ML in order to perform any acts or actions, instructions, supervision and all the right as reasonably held by a party that controls a company, either in its capability as the shareholders or in connection with a particular arrangement, and for such purpose, the Company acknowledges such power and authority vested in accordance with the agreement shall also cover the representative or such other parties so appointed or designated by ML.

(Figures in Rupiah expressed in thousands, unless otherwise stated)

36. SUBSEQUENT EVENTS *(Continued)*

The agreement shall become effective as from the date of the agreement, dated July 1, 2007, therefor the Company shall no longer hold any function and control over KEL, PAN and LBI thereafter. Subsequently as from the effective date, the entire function for the control over all matters, including but not limited to the business, financial and operational activities as well as personnel affair in KEL, PAN and LBI shall be transferred and become under ML.

The agreement may only be terminated in the event that the receivables conversion may entirely be undertaken, by which ML shall own the shares in KEL and PAN more than 50% of the whole number of shares subscribed in KEL and PAN.

The aforementioned KEL, PAN and LBI's financial statements as of and for the six-month period ended June 30, 2007 were consolidated into the Company's consolidated financial statements based on its 100% ownership. The pro forma summary of the consolidated financial statements of the Company if the control transfer on June 30, 2007 were as follows:

	Proforma Summary Consolidated Financial Statements
	Rp
Current assets	1,989,074,439
Non-current assets	6,743,426,934
Total assets	8,732,501,373
Current liabilities	519,177,413
Non-current liabilities	4,105,068,809
Total liabilities	4,624,246,222
Equity	4,208,243,108
Net sales	449,060,887
Net income	67,533,400

37. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements for 2006 have been reclassified to conform to the presentation of accounts in the consolidated financial statement for 2007.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its Subsidiaries have been approved for release by the Boards of Directors and Commissioners on July 30, 2007.

RESERVE ESTIMATION

The following information on gross proved 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 1)	Brantas 2)	Kangean 3)	Gelam 4)	Semberah 5)	Gebang 6)	Korinci 7)	Bentu 8)
	Crude Oil	Gas and Crude Oil *)	Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Gas and Crude Oil *)	Gas	Gas
	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE
Proved developed undeveloped and probable reserves								
Balance as of January 1, 2006	34,529	28,574	211,923	5,116	22,399	335	12,595	48,273
Revision to previous estimation	-	-	(16,667)	-	-	882	-	-
Production during the period	(875)	(632)	(941)	(16)	(44)	(58)	-	-
Balance as of June 30, 2006	33,654	27,942	194,315	5,100	22,355	1,159	12,595	48,273
Balance as of January 1, 2007	31,177	26,935	243,434	4,993	22,233	1,021	12,595	48,273
Production during the period	(1,513)	(583)	(1,501)	(73)	(199)	(63)	-	-
Balance as of June 30, 2007	29,664	26,352	241,933	4,920	22,034	958	12,595	48,273

RESERVE ESTIMATION *(Continued)*

	Malacca 1)	Brantas 2)	Kangean 3)	Gelam 4)	Semberah 5)	Gebang 6)	Korinci 7)	Bentu 8)
	Crude Oil	Gas and Crude Oil *)	Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Gas and Crude Oil *)	Gas	Gas
	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE	MBOE
Proved developed and undeveloped reserves								
Balance as of January 1, 2006	34,529	28,574	211,922	5,116	22,399	335	12,595	48,273
Revision to previous estimation	-	-	-	-	-	882	-	-
Production during the period	(875)	(632)	(941)	(16)	(44)	(58)	-	-
Balance as of June 30, 2006	33,654	27,942	210,981	5,100	22,355	1,159	12,595	48,273
Balance as of January 1, 2007	20,516	10,955	135,207	864	6,381	29	2,661	23,602
Production during the period	(1,513)	(583)	(1,501)	(73)	(199)	(63)	-	-
Balance as of June 30, 2007	19,003	10,372	133,706	791	6,182	(34)	2,661	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).

1) Estimated oil and gas reserves in the Malacca Block as of September 30, 2005, were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 5, 2006. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the proved and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

2) Estimated oil and gas reserves in Brantas Block as of September 30, 2005 were certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants in their report dated May 5, 2006. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the proved and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

RESERVE ESTIMATION *(Continued)*

3) Estimated oil and gas reserves in Kangean Block were certified by DeGolyer and MacNoughton (D&M), independent petroleum engineering consultants from United States of America in their report dated September 30, 2004 for the Pegerungan Field and by Sproule per July 31, 2006 for the Terang Sirasun Batur Field.

4) Estimated oil and gas reserves in Gelam Block as of September 30, 2005 were certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants in their report on February 2006. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the proved and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

5) Estimated oil and gas reserves in Semberah Block as of September 30, 2005 were certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants in their report on March 2006. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the proved and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

6) Estimated oil and gas reserves in Gebang Block as of January 1, 2006 were certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants in their report dated March 16, 2006. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the proved and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

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

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