PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED
MARCH 31, 2008 AND 2007 (Unaudited)

PT ENERGI MEGA PERSADA Tbk.

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008 AND 2007
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	:	Christian Victor Ponto
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Jl. Duren Tiga Selatan VII, RT. 003, RW. 02, Kelurahan Duren Tiga, Kecamatan Pancoran Jakarta Selatan
	Phone number	:	(021) 52906250
	Position	:	President Director
2.	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

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, April 28, 2008

Director		Director
	METERAI TEMPEL 6000 ENAM RIBU RUPIAH	
Christian Victor Ponto		**Yuli Soedargo**

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2008 AND 2007 (Unaudited)
(Figures in Rupiah expressed in thousands, unless otherwise stated)

A S S E T S

	Notes	2008 *)	2007 (As restated - see Note 3)
CURRENT ASSETS			
Cash and cash equivalents	2d,4	568,845,717	544,505,108
Restricted cash in bank	2d,5	50,862,507	-
Short-term investment	2e,6	897,564,701	-
Trade receivables	2f,7	173,171,484	97,293,382
Other receivables	2f,8	510,960,165	485,463,559
Inventories	2g,9	366,197,653	530,343,951
Prepaid expenses and advances	2h,10	64,216,609	95,344,590
Total Current Assets		2,631,818,836	1,752,950,590
NON-CURRENT ASSETS			
Due from related parties	2j,11a	1,154,089,987	960,290,996
Restricted time deposits	2k,12,17,18	532,396,943	194,334,666
Fixed assets - net of accumulated depreciation of Rp 10,553,004 in 2008 and Rp 8,016,913 in 2007	2l	7,683,266	5,764,723
Oil and gas properties - net	2m,13	4,652,210,308	5,372,016,654
Site restoration fund	31a,34	109,127,365	89,333,074
Deferred tax assets	2s,26d	488,603,377	293,599,816
Reimbursement of Subsidiary's dividend tax	18	-	201,003,374
Other assets		67,410,393	12,471,837
Total Non-Current Assets		7,011,521,639	7,128,815,140
TOTAL ASSETS		9,643,340,475	8,881,765,730

*) In 2008 total assets, liabilities and equity are presented as percentage of ownership in EMP Inc., a Subsidiary, by applying the proportionate consolidation method (see Note 22).

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

LIABILITIES AND EQUITY

	Notes	2008 *)	2007 (As restated - see Note 3)
CURRENT LIABILITIES			
Trade payables	14	259,725,615	656,626,961
Other payables	15	296,686,206	100,499,929
Accrued expenses	16	503,740,136	172,818,556
Taxes payable	2s,26a	135,545,227	110,283,836
Current maturities of long-term loans	17	2,514,076,451	724,915
Total Current Liabilities		3,709,773,635	1,040,954,197
NON-CURRENT LIABILITIES			
Long-term loans - net of current maturities	17	1,587,929,487	4,995,132,309
Due to related parties	2j,11b	59,867,274	222,603,536
Deferred tax liabilities	2s,26d	420,913,375	344,835,675
Employee benefits obligation	2r,28	37,676,514	36,766,557
Site restoration obligation	31a,34	143,293,830	118,065,936
Subsidiary's dividend tax liability	18	362,698,901	201,003,371
Total Non-current Liabilities		2,612,379,381	5,918,407,384
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b	14,297	13,010
EQUITY			
Capital stock - Rp 100 par value per share			
Authorized - 55,000,000,000 shares			
Issued and paid-in capital - 14,400,813,372 shares	19	1,440,081,337	1,440,081,337
Additional paid-in capital	20	3,354,749,228	3,354,749,228
Difference in value from restructuring transaction of entities under common control	2c,21	(2,634,645,040)	(2,625,400,967)
Difference due to change of equity in Subsidiary	2i,22	1,262,994,439	-
Translation adjustments	2v	(30,938,393)	(72,089,453)
Deficit		(71,068,409)	(174,949,006)
Total Equity		3,321,173,162	1,922,391,139
TOTAL LIABILITIES AND EQUITY		9,643,340,475	8,881,765,730

*) In 2008 total assets, liabilities and equity are presented as percentage of ownership in EMP Inc., a Subsidiary, by applying the proportionate consolidation method (see Note 22).

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 THREE-MONTH PERIODS ENDED
MARCH 31, 2008 AND 2007 (Unaudited)
(Figures in Rupiah expressed in thousands, unless otherwise stated)

	Notes	2008 *)	2007 (As restated - see Note 3)
NET SALES	2q,23	414,086,508	264,651,960
COST OF GOODS SOLD	2q,24	(237,218,634)	(231,322,919)
GROSS PROFIT		176,867,874	33,329,041
OPERATING EXPENSES			
General and administrative	2q,25	(59,816,774)	(41,071,080)
INCOME (LOSS) FROM OPERATIONS		117,051,100	(7,742,039)
OTHER INCOME (CHARGES)			
Interest income		32,287,492	3,426,927
Overhead cost recovery		4,636,343	3,045,589
Gain (loss) on foreign exchange - net	2v	(6,511,796)	6,768,922
Financing charges		(96,469,620)	(55,399,394)
Others - net		(6,696,338)	34,716,006
Other Charges – Net		(72,753,919)	(7,441,950)
INCOME (LOSS) BEFORE TAX		44,297,181	(15,183,989)
TAX BENEFIT (EXPENSE)	2s,26b,26d		
Current		(14,177,947)	(6,599,741)
Deferred		(2,956,974)	39,469,715
Total		(17,134,921)	32,869,974
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		27,162,260	17,685,985
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES	2b	(2,938)	(1,767)
NET INCOME		27,159,322	17,684,218
BASIC EARNINGS PER SHARE (in full amount)	2t,28	1.89	1.23

*) In 2008 total net income is presented as percentage of ownership in EMP Inc., a Subsidiary, by applying the proportionate consolidation method (see Note 22).

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

	Note	Capital Stock	Additional Paid-in Capital	Difference in Value from Restructuring Entities Under Common Control	Changes of Equity in Subsidiary	Translation Adjustments	Deficit	Total Equity
Balance as of January 1, 2007 (As restated - see Note 3)		1,440,081,337	3,354,749,228	(2,625,400,967)	-	(82,072,126)	(192,633,224)	1,894,724,248
Translation adjustments	2v	-	-	-	-	9,982,673	-	9,982,673
Net income for the period		-	-	-	-	-	17,684,218	17,684,218
Balance as of March 31, 2007 (As restated - see Note 3)		1,440,081,337	3,354,749,228	(2,625,400,967)	-	(72,089,453)	(174,949,006)	1,922,391,139
Balance as of January 1, 2008		1,440,081,337	3,354,749,228	(2,634,645,040)	1,262,994,439	27,286,613	(98,227,731)	3,352,238,846
Translation adjustments	2v	-	-	-	-	(58,225,006)	-	(58,225,006)
Net income for the period		-	-	-	-	-	27,159,322	27,159,322
Balance as of March 31, 2008 *)		1,440,081,337	3,354,749,228	(2,634,645,040)	1,262,994,439	(30,938,393)	(71,068,409)	3,321,173,162

*) In 2008 total equity is presented as percentage of ownership in EMP Inc., a Subsidiary, by applying the proportionate consolidation method (see Note 22).

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

	2008 *)	2007 (As restated - see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	433,151,694	472,906,101
Cash paid to suppliers and employees	(122,499,494)	(276,334,124)
Cash provided from operations	310,652,200	196,571,977
Financing charges paid	(105,603,289)	(134,422,277)
Corporate income and dividend tax paid	(17,371,553)	(11,026,644)
Net Cash Flows Provided by Operating Activities	187,677,358	51,123,056
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	32,287,492	3,426,927
Restricted cash in bank	779,506	-
Short-term investment	(174,409,202)	-
Acquisition of fixed assets	(1,972,234)	(999,199)
Acquisition of oil and gas properties	(224,536,351)	(137,916,662)
Decrease (increase) in other assets	19,019,960	1,169,346
Net Cash Flows Used in Investing Activities	(348,830,829)	(134,319,587)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of long-term loan - net	304,913,335	(321,660)
Decrease (increase) of restricted time deposits	15,842,592	(67,488,044)
Movement of due from/to related parties - net	34,722,143	(12,037,125)
Net Cash Flows Provided by (Used in) Financing Activities	355,478,070	(79,846,829)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	194,324,599	(163,043,360)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	455,088,071	620,896,485
Effect of foreign exchange rate changes	(80,566,953)	86,651,981
CASH AND CASH EQUIVALENTS AT END OF PERIOD	568,845,717	544,505,108

*) In 2008 total cash and cash equivalents is presented as percentage of ownership in EMP Inc., a Subsidiary, by applying the proportionate consolidation method (see Note 22).

(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 Ministry of Law and Human Rights of the Republic of Indonesia 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 Kangean Island, East Java Province, Riau, Jambi, North Sumatra, and East Kalimantan Provinces.

The Company commenced its commercial operations in February 2003.

b. *Public Offering of Shares of the Company*

The Company obtained 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 (currently the Indonesia Stock Exchange).

Based on Extraordinary General Meeting of Shareholders (EGMS) dated December 22, 2005, the Company obtained the Effectivity Notice of its Rights Issue I to the public 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 listed the shares of Right Issue I on the Jakarta Stock Exchange (currently the Indonesia Stock Exchange).

c. *Structure of the Company and its Subsidiaries*

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

		Percentage of Ownership (%)			Total Assets (in million Rp)	
Subsidiaries	Domicile	2008	2007	Year of Commercial Operation	2008	2007 (As restated - see Note 3)
RHI Corporation (RHI)	Delaware, USA	100	100	1984	1,596,211	1,313,528
Kondur Petroleum S.A. (KPSA) *)	Panama	100	100	1995	1,596,211	1,313,698

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

1. GENERAL *(Continued)*

Subsidiaries	Domicile	Percentage of Ownership (%) 2008	2007	Year of Commercial Operation	Total Assets (in million Rp) 2008	2007 (As restated - see Note 3)
PT Imbang Tata Alam (ITA)	Indonesia	99.99	99.99	2001	772,916	704,879
Energi Mega Pratama Inc. (EMP Inc.)	British Virgin Islands	50	100	2003	6,576,665	4,426,254
EMP Exploration (Kangean) Ltd. (EEKL) *)	England	100	100	1987	2,087,866	1,426,288
Kangean Energy Indonesia Ltd. (KEIL) (formerly EMP Kangean Ltd.) *)	Delaware, USA	100	100	1987	3,295,965	2,148,714
Kalila Energy Ltd (KEL)	Hong Kong	99.99	99.99	1997	641,957	964,983
Lapindo Brantas, Inc (LBI) *)	Delaware, USA	100	100	1999	646,658	924,099
Pan Asia Enterprise Ltd (PAN)	Hong Kong	99.99	99.99	1997	6,037	9,068
Malacca Brantas Finance, B.V. (MBF)	Netherlands	100	100	2005	1,116,581	1,103,745
Energi Mega Persada Finance B.V. (EMP Finance)	Netherlands	100	100	-	220	213
PT Tunas Harapan Perkasa (THP)	Indonesia	99.99	99.99	2005	2,119,141	1,873,927
PT Semberani Persada Oil (Semco) *)	Indonesia	99.99	99.99	1996	1,250,030	1,368,243
PT Insani Mitrasani Gelam (IMG) *)	Indonesia	99.99	99.99	2004	468,321	413,777
Costa International Group Ltd (Costa) *)	British Virgin Islands	100	100	2002	240,832	245,941
Kalila (Bentu) Ltd (Bentu) *)	British Virgin Islands	100	100	-	453,973	318,405
Kalila (Korinci Baru) Ltd (Korinci Baru) *)	British Virgin Islands	100	100	2007	321,764	296,010
Energy Mega Persada Pte., Ltd. (EMP PL)	Singapore	100	-	-	46	-
Tunas Harapan Perkasa Pte., Ltd. (THPPL)	Singapore	100	-	-	46	46
Enviroco Company Ltd. (ECL)	Sychelles	100	-	2007	897,565	-

**) Indirect ownership interest through Subsidiaries*

Based on the Corporate Management Agreement (CMA) dated July 1, 2007 between the Company and Minarak Labuan Co. (L) Ltd. (MLC), the Company transferred the control over the management of Kalila Energy Ltd. (KEL), Pan Asia Enterprise Ltd. (PAN) and Lapindo Brantas, Inc (LBI) to MLC starting July 1, 2007. In accordance with the transfer of control over KEL, PAN and LBI, the financial statements of KEL, PAN and LBI were no longer consolidated in the Company's consolidated financial statements starting July 1, 2007 (see Note 3).

The Company's EGMS dated March 14, 2008 agreed with respect to the conversion of MLC receivables from KEL and PAN to shares ownership in KEL and PAN by way of issuance of new shares in KEL and PAN. After the conversion, the Company's ownership interest in KEL and PAN will be diluted into 0.0117783% and 0.00099989%, respectively.

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

1. GENERAL *(Continued)*

All the Subsidiaries of the Company, except MBF, EMP Finance, THPPL, EMP PL and ECL 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:

						Quantity of Production *)		
Name of Location	Blocks' Owner	Acquisition Date of Exploration	Due Date	Percentage of Ownership	Quantity of Proven Reserve *)	Current Period	Total Accumulated Production	Ending Proven Reserve
Malacca Strait Block	Kondur Petroleum S.A	August 5, 2000	August 4, 2020	60.49%	248,880	806	216,906	31,974
Kangean Block	Kangean Energy Inconesia (formerly EMP Kangean Ltd)	November 14, 1980	November, 13, 2030	50.00%	320,820	584	196,117	124,703
Sungai Gelam Block	PT Insani Mitra Gelam	May 15, 1997	May 14, 2017	100.00%	1,703	9	709	994
Semberah Block	PT Semberani Persada Oil	November 17, 1995	November 16, 2015	100.00%	10,325	250	1,583	8,742
Gebang Block	Costa International Group Ltd	November 29, 1985	November 28, 2015	50.00%	19,526	27	16,260	3,266
Korinci Baru Block	Kalila (Korinci Baru) Ltd	May 15, 1997	May 14, 2027	100.00%	2,654	263	613	2,041
Bentu Block	Kalila (Bentu) Ltd	May 20, 1991	Mei 19, 2021	100.00%	23,602	-	-	23,602

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

On April 1, 2008 and May 31, 2007, the Company signed the Conditional Sales and Purchase Agreement (CSPA) of acquisition of 75% interest in shares of PT Masagena Agung and PT Indelberg Indonesia Perkasa, respectively (see Notes 36a and 37). The consolidated financial statements do not include adjustments that might result from the outcome of signing the both CSPAs.

d. *Boards of Commissioners, Directors and Audit Committee*

As of March 31, 2008 and 2007, the members of the Company's boards of Commissioners and Directors were as follows:

		2008	2007
Commissioners			
President Commissioner	:	Ari Saptari Hudaya	Suyitno Patmosukismo
Commissioner	:	Suyitno Patmosukismo	Rennier Abdul Rachman Latief
Commissioner	:	Nalinkant Amratlal Rathod	-
Independent Commissioner	:	A. Qoyum Tjandranegara	A. Qoyum Tjandranegara
Independent Commissioner	:	Sulaiman Zuhdi Pane	-
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 composition of the Board of Commissioners as of March 31, 2008 was based on the decision of the EGMS on March 14, 2008, as stated in the Minutes of EGMS Deed No. 44 dated March 14, 2008 of Robert Purba, S.H., Notary in Jakarta.

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

1. GENERAL *(Continued)*

The composition of the Board of Directors as of March 31, 2008 was based on the decision of the EGMS on April 19, 2007, as stated in the Minutes of EGMS Deed No. 48 dated April 20, 2007 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang.

The composition of the Board of Commissioners and Directors as of March 31, 2007 was based on the decision of the EGMS on December 22, 2005, as stated in the Minutes of EGMS Deed No. 46 on December 23, 2005 of Robert Purba, S.H., Notary in Jakarta.

The compositions of the audit committee as of March 31, 2008 and 2007 based on the Minutes of Meeting of the Board of Commissioners dated October 11, 2005 were as follows:

Chairman	:	A. Qoyum Tjandranegara
Members	:	Drs. Hertanto
	:	Toha Abidin

Total remuneration paid to the Commissioners and Directors of the Company for the three-month periods ended March 31, 2008 and 2007 amounted to Rp 2.6 billion and Rp 3.3 billion, respectively.

As of March 31, 2008 and 2007, the Company and its Subsidiaries had approximately 514 and 720 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Indonesia (Indonesian GAAP), Regulation of Capital Market and Financial Institution Supervisory Board (*Bapepam-LK*) and Financial Statements Presentation Guidelines issued by Indonesia Stock Exchange (formerly Jakarta Stock Exchange). Significant accounting policies applied consistently by the Company are as follows:

a. *Basis of Consolidated Financial Statements*

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.

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.

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

Under Statement of Financial Accounting Standards (PSAK) No. 4, "Consolidated Financial Statement", control is presumed to exist when the parent enterprise owns, directly or indirectly through subsidiaries, more than 50% of the voting rights of an enterprise.

Control is still presumed to exist if:

(1) Having more than 50% of the voting rights by virtue of an agreement with other investors;
(2) Having the right to govern the financial and operating policies of the enterprise under the articles of association or an agreement;
(3) Ability to appoint or remove the majority of the members of the management; and
(4) Ability to control the majority of votes of meetings of management.

A subsidiary is excluded from consolidation when:

(1) A control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future; and
(2) It operates under long-term restrictions that significantly impair its ability to transfer funds to the parent enterprise.

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

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.

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

c. *Business Acquisitions*

Acquisitions are accounted for using the purchase method in accordance with the requirements of PSAK No. 22, "Business Combination." On acquisition date, the assets and liabilities of a Subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is 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 years 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.

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.

Long-term investments are usually carried at cost. However, when there is a decline in value of a long-term investment, other than temporarily, the carrying amount is reduced to recognize the decline. Indicators of the value of an investment may be obtained by reference to its market value, the investee's assets and results and the expected cash flows from investment.

In applying the pooling of interest method, the components of the financial statements of the restructured company for the period, during which the restructuring occurred and for other periods presented for comparison purposes, must be presented in such a manner as if the companies were combined from the beginning of the period presented.

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.

Cash in bank that is not freely available to the Company in relation to the accrued production payable is presented as "Restricted Cash in Bank" classified under current asset.

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

e. *Short-Term Investment*

Time deposits and placements with maturities of more than three months that are realizable within one year from balance sheet date are presented as short-term investment and are stated at their nominal value.

f. *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.

g. *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.

h. *Prepaid Expenses*

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

i. *Investment - Change of Equity in Subsidiary*

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

j. *Transactions with Related Parties*

The Company and its Subsidiaries have transactions with certain parties, which 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

k. *Restricted Time Deposits*

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

l. *Fixed Assets*

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

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.

m. *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.

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

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

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

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

Sale of proven and unproven 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 proven reserves of oil and gas, in which case, the gain or loss is recognized in statements of income.

n. *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 period.

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

In compliance with PSAK No. 26 (Revised 1997), "Borrowing Costs," 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.

p. *Shares Issuance Costs*

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

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

q. *Revenue and Expense Recognition*

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

r. *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), "Employee Benefits."

The Company and its Subsidiaries provide defined post-employment benefits for their employees pursuant to the terms of the Employment Work Contract/Company Policy. Subsidiaries, 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.

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 10% 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.

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

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 period using the prevailing tax rates as stated in the PSC and TAC.

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

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 period 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.

t. *Earnings per Share*

In accordance with PSAK No. 56, "Earnings per Share." basic earning per share is computed by dividing net income by the weighted average number of shares outstanding during the period.

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

u. *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 (individual 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.

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

v. *Foreign Currency Transactions and Translation*

The books of accounts of the Company are maintained in Indonesian Rupiah. Transactions during the period 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".

Middle rates of Bank Indonesia prevailing on March 31, 2008 and 2007 were as follows:

	2008 (full amount)	2007 (full amount)
Currency		
USD	9,217	9,118
Euro	14,559	12,184

w. *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.

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 an inflow of economic benefits is probable.

x. *Subsequent Events*

Post period-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 period-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

y. *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. DECONSOLIDATION OF SUBSIDIARIES AND RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Based on the Corporate Management Agreement (CMA) dated July 1, 2007 between the Company and Minarak Labuan Co. (L) Ltd. (MLC), the Company agreed that MLC shall have control over the management of KEL, PAN and LBI, and therefore, the Company hereby grants power and authorizes MLC, unconditionally and irrecovably, 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.

The agreement shall become effective as from the date of the agreement, dated July 1, 2007, whereafter the Company shall no longer hold any function and control over KEL, PAN and LBI. 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 affairs in KEL, PAN and LBI shall be transferred and become under MLC. The agreement may only be terminated in the event that the conversion of receivable be entirely undertaken, by which MLC shall own more than 50% of the total number of shares subscribed in KEL and PAN.

Under the terms of the CMA, the Company no longer has more than 50% of the voting rights, the rights to govern the financial and operating policies, the ability to appoint or remove the majority of the members of the management, or the ability to control the majority of votes of meetings of management of KEL, PAN and LBI.

Since the effective date of the transfer, the financial statements of KEL, PAN and LBI have no longer been consolidated into the consolidated financial statements of the Company. This consolidation change was applied retroactively and, accordingly, the 2007 comparative figures were restated.

Based on the valuation report of Truscel Capital dated January 22, 2007, the fair value of KEL's and PAN's shares as of December 31, 2006 amounted to negative USD 60,654,782 and USD 1,743,282, respectively. Since the permanent impairment of carrying investment value of KEL and PAN has been incurred, accordingly, the Company impaired the carrying investment value of KEL and PAN to nil on December 31, 2006 and recorded a loss on impairment of investment value amounting to Rp 430,645,750 in 2006. Subsequently, based on the valuation report of Truscel Capital dated February 8, 2008, the fair value of KEL's and PAN's shares as of October 31, 2007 amounted to negative USD 65,176,712 and USD 1,758,954, respectively.

Since July 1, 2007, the Company has discontinued taking up further its share of losses in KEL and PAN when its accumulated losses exceeded the carrying amount of the investment. The Company believes that its responsibility is limited to the cost of investment.

The Company has reported the deconsolidation of KEL and PAN to *Badan Pengawas Pasar Modal dan Lembaga Keuangan* (Bapepam-LK) and the management believed that they are in compliance with prevailing regulations relating to this matter. Subsequently, based on EGMS dated March 14, 2008, the stockholders of the Company agreed with the conversion of MLC receivables from KEL and PAN into shares ownership by way of issuance of new shares in KEL and PAN. With the conversion of receivables, the Company's ownership interest in KEL and PAN will be diluted into 0.0117783% and 0.00099989%, respectively.

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

3. DECONSOLIDATION OF SUBSIDIARIES AND RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

Based on the Joint Operating Body (JOB) agreement between Pertamina and Costa International Group Ltd. (Costa) (the "JOB"), Pertamina, is responsible to carry the operating costs of the JOB's operations amounted to its participating interest. Since Pertamina has not made any contributions of its participating interest of 50% of total operating cost, because of the facts that Costa had been bearing all the cash calls to JOB and receiving the amount of the proceeds from sales to cover the operating costs, Costa recognized 100% of the JOB's revenue and expense. Starting 2007, Costa decided to apply the participating method, whereby assets, liabilities, as well as revenue and expenses of the JOB, are recognized according to its share (50%). The change was applied retrospectively, and therefore, the 2007 financials statements were restated.

The restatement of consolidated financial statements also effect on the Subsidiary's deferred taxes.

Following is a summary of the significant accounts in the 2007 consolidated financial statements before and after the restatement:

	March 31, 2007	
	As restated	As previously reported
Total current assets	1,752,950,590	2,101,646,782
Due from related parties	960,290,996	513,623,633
Oil and gas properties	5,372,016,654	6,228,086,939
Deferred tax assets	293,599,816	534,006,702
Total noncurrent assets	7,128,815,140	7,818,955,252
Total assets	8,881,765,730	9,920,602,035
Total current liabilities	1,040,954,198	1,423,666,573
Long-term loans	4,995,132,309	4,995,132,309
Due to related parties	222,603,536	754,577,661
Deferred tax liabilities	344,835,675	344,835,675
Total noncurrent liabilities	5,918,407,383	6,633,200,554
Retained earninng (defisit)	(174,949,006)	479,745,589
Total equity	1,922,391,139	1,863,721,781
Net sales	264,651,960	287,710,684
Operating expenses	41,071,080	43,572,910
Income (loss) from operations	(7,742,038)	23,923,199
Net income	17,684,218	28,540,223
Net earning per share (in full amount)	1.23	1.98

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

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2008	2007 (As restated - see Note 3)
Cash on hand	670,641	645,129
Cash in banks		
Rupiah		
PT Bank Internasional Indonesia Tbk	2,629,916	408,270
PT Bank Negara Indonesia (Persero) Tbk	1,436,982	1,957,005
Citibank N.A.	150,627	5,471,753
PT Bank Mandiri Tbk	26,671	1,009,906
Othes (below Rp 1 billion each)	545,569	531,686
US Dollar		
Citibank N.A.	159,127,078	22,432,026
Credit Suisse	84,529,193	67,336,538
PT Bank Mega Tbk	13,238,534	25,073
PT Bank Internasional Indonesia Tbk	8,491,125	1,569,570
Societe Generale Hongkong	6,113,689	274,406
PT Bank Negara Indonesia (Persero) Tbk	6,021,194	4,082,801
PT Bank Resona Perdania	188,977	1,336,584
PT Bank Mandiri (Persero) Tbk	89,864	1,933,166
Othes (below Rp 1 billion each)	856,488	823,739
Euro		
Fortis Bank	66,348	160,408
Time deposits		
Rupiah		
PT Bank Internasional Indonesia Tbk	3,872,848	3,872,848
PT Bank Mega Tbk	3,000,000	3,000,000
US Dollar		
PT Bank Mega Tbk	276,510,000	273,540,000
PT Bank Internasional Indonesia Tbk	1,279,973	8,206,200
Other investment		
PT Danatama Makmur	-	145,888,000
Total	568,845,717	544,505,108

A short-term investment placed in PT Danatama Makmur amounting to USD 16 million in 2007 for a term of 30 days is subject to extension upon written instruction from the Company and its Subsidiaries. All income earned from the investment will be credited to the Company and its Subsidiaries account less any necessary expenses incurred including taxes, commissions, and discounts.

Interest rates of time deposits were as follows:

	2008	2007
United States Dollar	2.25% - 3.75%	2.25% - 3.75%
Rupiah	7.25% - 7.50%	9.25% - 12.75%

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

5. RESTRICTED CASH IN BANK

This account represents a current account placed in Hongkong Shanghai Banking Corporation (HSBC) which used as escrow account in respect with HSBC as Trustee pursuant to Gas Sales Purchase Agreement (GSA) dated July 7, 2005 (see Note 31d).

Balance of the account as of December 31, 2007 represents a fund available for payment of Gas Transportation Fees (GTF) to PT Pertamina (Persero) that has not yet been transferred for the gas delivered for the period from August 2005 to November 2006, and includes interest income, was credited by bank for the period December 2005 until March 2008.

6. SHORT-TERM INVESTMENT

This account represents the placement of a time deposit in Riseley Management Limited (RML) by ECL amounting to USD 97 million. Based on the placement agreement with RML, ECL earns interest at the rate of 7% above LIBOR and may terminate the deposit at any time during the period of the agreement. The agreement will expire on 18 (eighteen) months after placement date, or otherwise may be extended, subject to written instruction by the Subsidiary.

7. TRADE RECEIVABLES

This account consists of:

a. *By Debtor - Third Parties*

	2008	2007 (As restated - see Note 3)
Local debtors		
PT Pertamina (Persero)	106,031,024	81,779,493
PT Perusahaan Listrik Negara (Persero)	16,110,678	229
PT Petrokimia Gresik (Persero)	8,818,955	8,526,264
PT Riau Andalan Pulp & Paper	6,813,663	-
Foreign debtors		
Petro Diamond Co,, Ltd,	35,397,164	612,546
Itochu Petroleum Co., Pte., Ltd.	-	6,374,850
Total	173,171,484	97,293,382

b. *By Age Category*

	2008	2007 (As restated - see Note 3)
Up to 30 days	83,705,328	67,117,986
31 - 60 days	57,411,434	26,241,908
Over 60 days	32,054,722	3,933,488
Total	173,171,484	97,293,382

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

7. TRADE RECEIVABLES *(Continued)*

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 of Subsidiaries as of March 31, 2008 and 2007 were pledged as collateral for the long-term loans (see Note 17).

8. OTHER RECEIVABLES

This account consists of:

	2008	2007 (As restated - see Note 3)
Reimbursable value added tax	163,753,692	125,844,701
Receivable from delivered gas	93,386,146	70,266,788
Receivable from vendors	37,136,818	58,401,725
Receivable from employees	23,403,388	24,646,874
Overhead receivables from PSC participant	3,841,314	2,141,948
Pacework International Ltd. (PI)	-	61,663,648
Others	189,438,807	142,497,875
Total	510,960,165	485,463,559

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.

Receivable from delivered gas represents receivables arising from gas delivered through PGN Offtake Porong for the period from December 2006 to March 2008 (see Note 32). The Company and Subsidiaries did not provide any allowance for doubtful accounts as the management believes that receivables are fully collectible.

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 advisor in accordance with the agreement between PI and MBF (see Note 31c). In 2007, this receivable has been transferred to LBI based on the Restructuring Agreement and Acknowledgement of Indebtedness dated July 18, 2007.

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

9. INVENTORIES

This account consists of capital and non-capital inventories as follows:

	2008	2007 (As restated - see Note 3)
Spare-parts	275,017,240	475,211,068
Fuel	47,584,838	9,417,888
Chemicals and others	43,595,575	45,714,995
Total	366,197,653	530,343,951

Inventories were insured in an insurance package with Oil and Gas Properties (see Note 13).

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

10. PREPAID EXPENSES AND ADVANCES

This account consists of:

	2008	2007 (As restated - see Note 3)
Prepaid expenses		
Rental	5,146,943	7,192,918
Insurance	1,252,938	5,276,637
Service charge	300,516	229,364
Advances		
Project	53,959,113	79,108,375
Others	3,557,099	3,537,296
Total	64,216,609	95,344,590

11. DUE FROM/TO RELATED PARTIES

a. *Due from Related Parties*

	2008	2007 (As restated - see Note 3)
Lapindo Brantas Inc. (LBI)	618,375,921	450,906,640
PT Energi Timur Jauh (ETJ)	535,541,238	509,264,195
Others	172,828	120,161
Total	1,154,089,987	960,290,996

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

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

Due from LBI mainly represents a portion of funds originating from a loan by Merrill Lynch that was received by LBI. MLC guaranteed the receivable from LBI as the new majority owner of LBI (see Note 17).

Due from ETJ mainly represents advances made based on the agreement dated August 1, 1998 (see Note 31b). 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 Internasional Indonesia Tbk. The loan was made available to finance the development in Brantas PSC by LBI, one of the subsidiaries and is guaranteed by LBI's working interest in the Brantas Block.

b. *Due to Related Parties*

	2008	2007 (As restated - see Note 3)
Asian Worldwide Group Ltd. (AWG)	42,343,133	41,888,625
Global Overseas Enterprise Ltd. (GOE)	17,052,241	16,869,082
PT Mitra Andalan Mandiri	464,160	456,099
Kalila Energy Ltd.	-	158,473,559
Pan Asia Enterprise Ltd .	-	4,547,131
Others	7,740	369,040
Total	59,867,274	222,603,536

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.

12. RESTRICTED TIME DEPOSITS

This account consists of:

	2008	2007 (As restated - see Note 3)
Societe Generale Hongkong	372,473,135	-
PT Bank Mega Tbk	74,657,700	-
Bank of New York, Singapore	42,800,556	73,396,868
Credit Suisse, Singapore	42,465,552	120,937,798
Total	532,396,943	194,334,666

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

12. RESTRICTED TIME DEPOSITS *(Continued)*

Time deposits placed with Societe Generale Hongkong represent placement of time deposits in respect to the Share Subscription Agreement dated March 6, 2007, whereby the Company, EMP Inc., Mitsubishi Corporation and Japan Petroleum Exploration Co., Ltd. agreed that EMP Inc. shall keep the proceeds from BP under the term of Amendement Agreement in a separate account to be dedicated to the payment of the Subsidiary's dividend tax only (see Note 18).

Time deposits placed with PT Bank Mega Tbk represent placement of time deposits that are used as a bank guarantee for PT Indelberg Indonesia Perkasa in respect to the Operations Cooperation Agreement with PT Pertamina EP (see Note 36a).

Time deposits in Bank of New York (BONY) represent placement of time deposits pursuant to the Cash and Account Management Agreement 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 17). Time deposits mature on a quarterly basis and earn interest at a rate of LIBOR.

Time deposits in Credit Suisse (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 and will mature on a monthly basis and earn interest at a rate of LIBOR less 0.25%, or zero, whichever is higher. This agreement was terminated on May 16, 2007 (see Note 17).

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 17) and earn interest at a rate of LIBOR.

All restricted time deposits are in US Dollar.

13. OIL AND GAS PROPERTIES

This account was as follows:

	2008	2007 (As restated - see Note 3)
Wells and equipment and their facilities	5,630,882,548	7,657,011,672
Wells and equipment and their facilities in progress	1,166,998,370	518,924,475
Total	6,797,880,918	8,175,936,147
Accumulated depreciation, depletion and amortization	(2,145,670,610)	(2,803,919,493)
Net Book Value	4,652,210,308	5,372,016,654

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

13. OIL AND GAS PROPERTIES *(Continued)*

The detail of movement oil and gas properties based on area of interest:

	2008				
Area of Interest	January 1,	Additions	Deductions	Translation adjustment	March 31,
Malacca PSC	940,702,871	57,002,764	23,977,943	(20,317,039)	953,410,653
Kangean PSC	2,253,110,854	123,754,065	13,050,801	(30,136,865)	2,333,677,253
Gelam TAC	244,581,660	7,802,781	1,384,799	(5,273,034)	245,726,608
Bentu PSC	286,764,052	9,746,438	-	(6,192,060)	290,318,430
Korinci Baru PSC	201,249,253	10,871,172	23,834,376	(4,259,979)	184,026,070
Gebang PSC	14,181,170	(3,216,696)	77,181	(289,896)	10,597,397
Semberah TAC	387,405,325	27,709,496	7,799,433	(8,394,357)	398,921,031
Total	4,327,995,185	233,670,020	70,124,533	(74,863,230)	4,416,677,442
Cost Pool Effect	211,871,514	-	(23,661,352)	-	235,532,866
Net Book Value	4,539,866,699				4,652,210,308

	2007 (As restated - see Note 3)				
Area of Interest	January 1,	Additions	Deductions	Translation adjustment	March 31,
Malacca PSC	785,147,259	(627,635)	28,828,288	8,468,916	764,160,252
Kangean PSC	3,335,125,920	154,885,344	87,694,502	36,375,578	3,438,692,340
Gelam TAC	234,042,628	21,439,965	11,680,260	2,563,193	246,365,526
Bentu PSC	260,592,811	2,512,802	-	2,836,521	265,942,134
Korinci Baru PSC	200,323,584	8,737,066	-	2,194,710	211,255,360
Gebang PSC	13,362,495	115,310	3,066,928	139,018	10,549,895
Semberah TAC	278,290,628	28,409,345	9,735,084	3,062,554	300,027,443
Total	5,106,885,325	215,472,197	141,005,062	55,640,490	5,236,992,950
Cost Pool Effect	113,943,439	-	(21,080,265)	-	135,023,704
Net Book Value	5,220,828,764				5,372,016,654

Depreciation, depletion and amortization for the three-month periods ended March 31, 2008 and 2007 amounting to Rp 46,463,181 and Rp 49,854,389, respectively, were charged to cost of goods sold (see Note 24).

The additions mainly consisted of costs of development and exploration and capitalization of borrowing cost. Total capitalized borrowing cost in December 31, 2007 and 2006 amounted to USD 0.99 million and USD 8.52 million, respectively (see Note 17).

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 March 31, 2008 and 2007, total sums insured were USD 455,211,032 and USD 420,961,947, respectively. Total sums insured after March 31, 2008 as follows:

	Next 3 Months	Next 4 - 6 Months	Next 7 - 9 Months	Next 10 - 12 Month	Next Over12 Months
Inventory and Oil and Gas Properties	USD455 million	USD455 million	-	-	-

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

14. TRADE PAYABLES

This account consists of:

a. *By Creditors*

	2008	2007 (As restated - see Note 3)
PT Jasa Karya Utama	58,708,364	30,834,075
PT Jaya Wijaya Raya	20,367,334	2,505,695
PT Kanaka Dwi Mitra Manunggal	11,388,556	4,197,265
PT Radiant Utama Interinsco	10,405,320	8,345,109
PT Intimas Prima Pratama	9,193,681	7,959,289
PT Duta Energi Semesta	8,249,090	54,024,968
Credit Suisse, Singapura	6,890,700	-
PT Baker Atlas Indonesia	6,415,735	8,874,372
PT Alton International Indonesia	5,850,002	6,825,320
PT Pumpindo Ekamas Pratama	5,709,701	-
PT Dwi Prima Sembada	4,535,002	40,985,595
PT Apexindo Pratama Duta Tbk	3,663,664	20,128,246
PT Sarana Adikarya Utama	1,285,573	6,953,413
PT Baruna Raya Logistics	976,661	12,660,167
PT Perdana Karya	499,374	10,156,749
PT Supraco Indonesia	431,716	6,178,957
PT Inti Brunel Teknindo	356,417	8,022,510
Halliburton Indonesia	322,602	39,413,806
PT Unichem Candi Industri	215,678	7,257,338
PT Wira Insani	77,636	6,542,374
PT Promatcon Tepat Guna	62,218	15,359,841
PT Indoturbine	11,999	46,152,642
PT Kriya Ekatama	-	23,452,808
Dowell Anadril Schlumberger	-	15,833,252
PT Kutilang Paksi Mas	-	9,949,448
Ficorinvest	-	9,370,204
PT Baroid Indonesia	-	8,676,277
PT Medici Citra Nusa	-	7,333,353
PT Aqua Terra Suplindo	-	6,629,714
PT Alhas Jaya Group	-	5,058,839
Others (below Rp 5 billion each)	104,108,592	226,945,335
Jumlah	259,725,615	656,626,961

b. *By Age Category*

	2008	2007 (As restated - see Note 3)
Up to 30 days	68,216,325	80,526,596
31 - 60 days	35,252,588	94,689,984
Over 60 days	156,256,702	481,410,381
Total	259,725,615	656,626,961

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

14. TRADE PAYABLES *(Continued)*

c. By Currency

	2008	2007 (As restated - see Note 3)
US Dollar	229,239,370	627,738,237
Rupiah	30,486,245	28,888,724
Total	259,725,615	656,626,961

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

15. OTHER PAYABLES

This account consists of:

	2008	2007 (As restated - see Note 3)
Overlifting	176,335,916	81,450,339
Others	120,350,290	19,049,590
Total	296,686,206	100,499,929

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

16. ACCRUED EXPENSES

This account consists of:

	2008	2007 (As restated - see Note 3)
Production	188,843,663	64,856,393
Drilling	163,592,795	35,701,917
Support	76,121,078	5,349,378
Interest	64,596,262	43,091,521
Project	1,030,461	11,897
Geological and geophysical	1,150,716	5,066,337
Others	8,405,161	18,741,113
Total	503,740,136	172,818,556

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

16. ACCRUED EXPENSES *(Continued)*

Accrued drilling and production expenses mainly represent expenditures for drilling services in the Malacca PSC Block and development of oil and gas facilities in the Kangean PSC Block.

Accrued production as of March 31, 2008 includes Gas Transportation Fee (GTF) payable to Pertamina for the period August 2005 to March 2008 amounting to USD 6,812,097. As of this report date, Pertamina has not signed the GTF contract with EEKL and KEIL. Therefore, the GTF accrual calculated based on the estimation may differ from the payable amount, when the GTF agreement is finally agreed. The fund for GTF payments that has already been paid by the gas buyer, regarding the gas sales agreement, is deposited in a specific account at HSBC Singapore branch (see Note 5).

17. LONG-TERM LOANS

This account consists of:

	2008	2007 (As restated - see Note 3)
Credit Suisse (USD 152.75 million in 2008 and USD 427.75 million in 2007)	1,407,896,750	3,900,224,500
Merrill Lynch (USD 120 million)	1,106,040,000	1,094,160,000
PMA Capital Management Ltd. (USD 93 million)	857,181,000	-
Japan Petroleum Exploration Co., Ltd. (USD 39.62 million)	365,159,026	-
Mitsubishi Corporation (USD 39.62 million)	365,159,026	-
PT Bank Permata Tbk	430,435	425,812
PT Bank Niaga Tbk	139,701	1,046,912
Total	4,102,005,938	4,995,857,224
Less Current Maturities	(2,514,076,451)	(724,915)
Long-term Loans - Net	1,587,929,487	4,995,132,309

Credit Suisse (CS)

The loan from CS as of March 31, 2008 represents the loan obtained by Semco. While on March 31, 2007, the loans from CS were those obtained by EMP Inc. and Semco amounting to USD 275,000,000 and USD 152,750,000, respectively.

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, EEKL shares, KEIL shares (formerly EKL), receivables, and sales contract of EMP Inc. and subsidiaries' oil and gas. The loan is due in five (5) years with a three (3) year grace period.

On May 16, 2007, EMP Inc. fully paid the loan amounting to USD 275 million.

17. LONG-TERM LOANS *(Continued)*

On October 27, 2005, Semco obtained a credit facility from CS amounting to USD 52.75 million. 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 are THP and Operating Companies' shares, receivable of IMG and Semco and 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.

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 reinsurance 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 irrevocable 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.

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.

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

17. LONG-TERM LOANS *(Continued)*

- Receivables of ITA, LBI and KPSA.
- Inter-company loan between MBF with ITA, LBI and 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).

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 are similar to the terms of loan from MBF and Merril Lynch.

PMA Capital Management Ltd. (PMA)

At October 18, 2007, ECL has entered into a term loan facility from PMA as a facility agent with maximum of USD 108 million. This loan will be used for the subsidiary's general working capital purpose. The loan bears interest at 7% above LIBOR per annum and is secured by the entire EMP Inc. shares and ECL shares owned by the Company. The loan is due in 18 months from date of first drawn of the facility.

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

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

a. Loan facilities for the Company

   MC and Japex agreed to provide a loan facility to the Company for 50% of KEIL and EEKL's expended capital expenditures for the period from July 1, 2006 to May 16, 2007, capped at a combined total of 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 six (6) months, has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter.

17. LONG-TERM LOANS *(Continued)*

b. Loan facilities for EEKL and KEIL

MC and Japex agreed to provide a loan facility to EEKL and KEIL in respect of subsidiary'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. These loans will become due on June 30, 2017, bear interest at LIBOR plus 3.75% for time deposits for six (6) months, have a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter.

c. Loan facility for EMP Inc.

In addition to the above, MC, 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 semi-annual installments 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 six months and will be repaid by semi-annual installments starting December 2007.

PT Bank Permata Tbk

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

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 in 36 monthly installments.

18. SUBSIDIARY'S DIVIDEND TAX LIABILITY

This account represents the EEKL and KEIL dividend tax and penalty liability 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. In 2007, EMP Inc. has received the reimbursement amounting to USD 39,351,080 based on BP's calculation and adjusted the balance of dividend tax liability in accordance with such calculation accordingly.

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

19. CAPITAL STOCK

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

	2008		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Kondur Indonesia	3,753,183,184	26.06%	375,318,318
PT Brantas Indonesia	2,909,456,811	20.20%	290,945,681
Julianto Benhayudi	314,488,667	2.18%	31,448,867
Rennier Abdul Rachman Latief	151,751,786	1.06%	15,175,179
Public (below 5% each)	7,271,982,924	50.49%	727,198,292
Total	14,400,813,372	100.00%	1,440,081,337

	2007		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Kondur Indonesia	4,741,855,486	32.93%	474,185,548
PT Brantas Indonesia	4,065,387,024	28.22%	406,538,702
Julianto Benhayudi	314,488,667	2.18%	31,448,867
Rennier Abdul Rachman Latief	246,912,286	1.72%	24,691,228
Public (below 5% each)	5,032,169,909	34.95%	503,216,992
Total	14,400,813,372	100.00%	1,440,081,337

20. ADDITIONAL PAID-IN CAPITAL

This account consists of:

	2008	2007
Sale of the Company shares through public offering		
Proceeds from issuance of 4,909,368,195 shares in 2006 and 2,847,433,500 in 2005	4,235,802,870	4,235,802,870
Share issuance cost	(105,373,472)	(105,373,472)
The balance is recognized as paid-up capital	(775,680,170)	(775,680,170)
Net	3,354,749,228	3,354,749,228

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

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

This account consists of:

	2008		
	Net Book Value	Acquisition Cost	Difference in Value from Restructuring Transactions of Entities Under Common Control
RHI Corporation	92,458,079	200,000,000	(107,541,921)
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	165,058,249	2,609,113,573	(2,444,055,324)
Total	452,288,533	3,086,933,573	(2,634,645,040)

	2007 (As restated - see Note 3)		
	Net Book Value	Acquisition Cost	Difference in Value from Restructuring Transactions of Entities Under Common Control
RHI Corporation	92,458,079	200,000,000	(107,541,921)
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	165,058,249	2,599,869,500	(2,434,811,251)
Total	452,288,533	3,077,689,500	(2,625,400,967)

22. DIFFERENCE DUE TO CHANGE OF EQUITY IN SUBSIDIARY

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

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

23. NET SALES

This account consists of:

	2008	2007 (As restated - see Note 3)
PT Pertamina (Persero)	171,712,165	38,870,360
Petro Diamond Co., Ltd.	165,513,759	-
PT Perusahaan Listrik Negara (Persero)	24,586,741	-
PT Perusahaan Gas Negara (Persero) Tbk	18,288,300	63,979,758
PT Riau Andalan Pulp & Paper	17,405,642	-
PT Petrokimia Gresik (Persero)	16,579,901	10,428,330
Itochu Petroleum Co., Pte., Ltd.	-	151,373,512
Total	414,086,508	264,651,960

24. COST OF GOODS SOLD

This account consists of:

	2008	2007 (As restated - see Note 3)
Production	118,962,783	103,782,974
Production support	67,456,985	69,579,067
Depreciation, depletion and amortization	46,463,181	49,854,389
Workover	4,335,685	8,106,489
Total	237,218,634	231,322,919

25. OPERATING EXPENSES

This account consists of:

	2008	2007 (As restated - see Note 3)
Salaries, allowance and employee benefits	14,983,815	19,945,608
Professional fees	29,688,830	9,789,107
Rental	3,099,691	2,779,513
Representation and donation	4,098,733	3,056,717
Office expense	2,646,252	1,715,796
Business traveling	1,868,918	1,562,527
Depreciation	613,487	611,836
Others (below Rp 500 million each)	2,817,048	1,609,976
Total	59,816,774	41,071,080

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

26. TAXATION

a. *Taxes Payable*

This account consists of:

	2008	2007 (As restated - see Note 3)
Corporate income and dividend tax	12,922,557	12,845,463
Income tax		
Article 4 (2)	368,900	196,462
Article 21	2,236,681	7,229,352
Article 23	19,690,914	31,225,734
Article 26	35,912,262	20,876,495
Value added tax	55,709,176	37,910,330
Others	8,704,737	-
Total	135,545,227	110,283,836

EEKL and KEIL are registered as UK and USA tax residents, respectively. No UK and USA tax liability was recognized as of March 31, 2008 based on the Subsidiaries' calculation.

RHI has no taxable income; hence the management believes that RHI has no income tax liability as of March 31, 2008.

The estimated income tax of KEIL and RHI assumes that the US IRS will accept such 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 March 31, 2008 and 2007, respectively.

On November 28, 2006, the Directorate General of Taxation issued SKPKB for corporate income tax and income tax article 26 (4) for Costa for the years 1997, 1998, 2000, 2001 and 2002 totaling 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 Administration Court opposing such SKPKB. As of this report date, the Tax Service Office has rejected the Objection Letter. However, the completion of the lawsuit is under process.

In October and November 2007, Bentu has received tax assessment letters for interest penalty on late payment of value added tax and article 23 witholding tax assessment letters amounting to Rp 4,153,062 and Rp 3,054, respectively. While in June 2007, the Directorate General of Taxation issued an additional tax assessment letter of value added tax of IMG amounting to Rp 1,384,078. The Subsidiaries provided the provisions for those tax assessment letters in 2007.

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

26. TAXATION *(Continued)*

b. *Tax Benefit (Expense)*

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

	2008	2007 (As restated - see Note 3)
Current tax		
The Company	-	-
Subsidiaries	(14,177,947)	(6,599,741)
Deferred tax		
The Company	14,113,680	5,522,518
Subsidiaries	(17,070,654)	33,947,197
Sub-total	(2,956,974)	39,469,715
Total	(17,134,921)	32,869,974

c. *Current Tax - The Company*

Reconciliation between income (loss) before tax as shown in the consolidated statements of income and estimated taxable income (fiscal losses) of the Company for the three-month periods ended March 31, 2008 and 2007, calculated with the effective tax rate, is as follows:

	2008	2007 (As restated - see Note 3)
Income (loss) before tax per consolidated statement of income	44,297,181	(15,183,988)
Deduct: Income (loss) before tax - the Subsidiaries	94,824,974	(30,289,938)
Income (loss) before tax - the Company	(50,527,793)	15,105,950
Timing difference:		
Employee benefits	748,996	358,320
Permanent differences:		
Representation and donation	3,460,738	2,435,065
Interest income subject to final tax	(1,988,605)	(1,347,859)
Others	2,010,062	2,215,240
Total	4,231,191	3,302,446
Estimated fiscal loss - the Company	(46,296,602)	18,766,716
Estimated cumulative fiscal losses beginning of year	(261,377,664)	(276,592,404)
Cumulative tax loss carried forward - the Company	(307,674,266)	(257,825,688)

No provision for current income tax was made for the three-month periods ended March 31, 2008 and 2007 because the Company is still in a fiscal loss position.

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

26. TAXATION *(Continued)*

d. Deferred Tax

Details of the Company and Subsidiaries' deferred tax assets and liabilities were as follows:

	2008			
	January 1,	Translation Adjustments	Credited (Charged) to Income Statements	March 31,
Deferred Tax Assets				
Employee benefit	6,438,039	(120,313)	576,182	6,893,908
Fiscal loss	61,852,018	-	13,888,091	75,740,109
Depreciation, depletion and amortization	(612,692,030)	13,162,563	(5,265,585)	(604,795,052)
Non-capital inventory	(32,908,780)	714,136	(1,938,008)	(34,132,652)
Unrecovered charges	1,068,212,218	(22,548,129)	(767,025)	1,044,897,064
Total	490,901,465	(8,791,743)	6,493,655	488,603,377
Deferred Tax Liabilities				
Employee benefit	7,269,820	(157,508)	370,160	7,482,472
Depreciation, depletion and amortization	(390,489,389)	8,434,846	(13,979,246)	(396,033,789)
Non-capital inventory	(37,302,537)	782,022	4,158,457	(32,362,058)
Total	(420,522,106)	9,059,360	(9,450,629)	(420,913,375)
Deferred Tax Expense			(2,956,974)	

	2007 (As restated - see Note 3)			
	January 1,	Translation Adjustments	Credited (Charged) to Income Statements	March 31,
Deferred Tax Assets				
Employee benefit	7,142,903	62,913	1,028,834	8,234,650
Fiscal loss	83,038,648	-	(5,585,701)	77,452,947
Depreciation, depletion and amortization	(605,646,348)	(6,700,634)	(57,678,680)	(670,025,662)
Non-capital inventory	(63,425,095)	(668,014)	10,097,088	(53,996,021)
Unrecovered charges	840,114,051	9,299,968	82,519,883	931,933,902
Total	261,224,159	1,994,233	30,381,424	293,599,816
Deferred Tax Liabilities				
Employee benefit	5,519,158	62,254	1,096,611	6,678,023
Depreciation, depletion and amortization	(317,910,982)	(3,430,047)	11,481,155	(309,859,874)
Non-capital inventory	(37,746,950)	(417,398)	(3,489,476)	(41,653,824)
Total	(350,138,774)	(3,785,191)	9,088,290	(344,835,675)
Deferred Tax Benefit			39,469,715	

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

27. BASIC EARNINGS PER SHARE

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

	2008	2007 (As restated - see Note 3)
Earnings		
Net earnings used for calculation	27,154,322	17,684,218
Number of shares		
Weighted average number of shares for the calculation of basic earnings per share (in full amount)	14,400,813,372	14,400,813,372
Basic earnings per share (in full amount)	1.89	1.23

The Company did not calculate diluted earnings per share since the Company had no shares that had a potential dilutive effect for the three-month periods ended March 31, 2008 and 2007.

28. PENSION PLANS AND EMPLOYEE BENEFITS

Pension Plans

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

Pension plans for KPSA and ITA are managed by PT Tugu Mandiri, the contribution amounting to 9% of employee's salary, of which 6% is paid by the Company and 3% by the employee. While for KEIL the pension plans are managed by Manulife, the contribution amounting to 8% of employee's salary, of which 6% is paid by the Company and 2% 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:

	2008	2007 (As restated - see Note 3)
Current-service cost	3,532,173	2,229,357
Interest cost	2,541,279	2,003,914
Expected return on plan assets	(1,040,931)	(970,316)
Net actuarial losses recognized	717,018	3,186,444
Past-service cost	77,069	(33,048)
Total	5,826,608	6,416,351

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

28. 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:

	2008	2007 (As restated - see Note 3)
Benefit obligation	106,313,684	97,283,740
Fair value of employee benefit plan assets	(54,610,322)	(52,093,325)
Funding status	51,703,362	45,190,415
Unrecognized actuarial loss	(14,096,944)	(8,508,429)
Unrecognized past-service liability	70,096	84,571
Employee benefits obligation	37,676,514	36,766,557

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

	2008	2007 (As restated - see Note 3)
Balance at beginning of the year	35,844,174	32,501,528
Contribution for the year	(3,994,268)	(2,151,322)
Benefit paid	-	-
Amount charged to consolidated statement of income	5,826,608	6,416,351
Balance at end of the period	37,676,514	36,766,557

The employee benefits obligations for the Company, KPSA, ITA and KEIL for the three-month periods ended March 31, 2008 and 2007 were based on the Company and Subsidiaries' estimations. The estimations were computed based on the actuarial reports that were prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its reports for the employee benefit for the years ended December 31, 2007 and 2006 dated October 29, 2007 and February 15, 2007, respectively. 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	:	Age 18-45 = 1% per annum and age > 46 = 0%
Normal retirement age	:	56 years (all employees are assumed to retire at normal retirement age)

The employee benefits obligation for Costa for the three-month periods was based on the Subsidiary's estimation. The estimation was computed based on the actuarial reports that were prepared by PT Dian Artha Tama, an independent actuarial firm, in its reports for employee benefits for the years ended December 31, 2007 and 2006 dated September 24, 2007 and January 22, 2007, respectively.

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

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

The computations used the following assumptions:

Discount rate	: 10% per annum
Future salary increases	: 5% per annum
Mortality rate	: Commissioner Standard Ordinary (CSO) - 1980
Disability rate	: 0.1% of Commissioner Standard Ordinary (CSO) - 1980
Actuarial method	: Projected Unit Credit
Resignation rate	: Age 18-45 = 1% per annum and age > 46 = 0%
Normal retirement age	: 56 years (all employees are assumed to retire at normal retirement age)

The employee benefit obligation for Semco for the three-month periods ended March 31, 2008 and 2007 was based on Subsidiary's estimation. The estimation was computed based on the actuarial reports that were prepared by PT Padma Radya Aktuaria, an independent actuarial firm, in its reports for the years ended December 31, 2007 and 2006 dated February 29, 2008 and January 22, 2007, respectively. The computations used the following assumptions:

Discount rate	: 10% per annum
Future salary increases	: 5% per annum
Mortality rate	: 100% TM 12
Normal retirement age	: 56 years old

Korinci Baru, Bentu, and IMG did not calculate estimated employee benefits since the management believed that the amount is immaterial.

29. NATURE OF RELATIONSHIP WITH RELATED PARTIES

Nature of relationship

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

b. 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.

30. 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:

	2008			
	Trading	Mining	Elimination	Consolidated
SALES				
External sales	-	414,086,508	-	414,086,508

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

30. SEGMENT INFORMATION *(Continued)*

	2008			
	Trading	Mining	Elimination	Consolidated
RESULT				
Segment result	-	176,867,874	-	176,867,874
Unallocated expenses				(59,816,774)
Income from operations				117,051,100
Financing charges				(96,469,620)
Other income-net				23,715,701
Income before tax				44,297,181
Tax expense - net				(17,134,921)
Income before minority interest				27,162,260
Minority interest				(2,937)
Net income				27,159,322
OTHER INFORMATION				
Assets				
Segment assets	6,631,376,178	9,582,117,305	(7,058,756,385)	9,154,737,098
Unallocated assets				488,603,377
Consolidated total assets				9,643,340,475
Liabilities				
Segment liabilities	(659,468,466)	(7,137,959,435)	1,896,188,260	(5,901,239,641)
Unallocated liabilities				(420,913,375)
Consolidated total liabilities				(6,322,153,016)
Capital expenditure	-	233,670,020	-	233,670,020
Depreciation, depletion, and amortization	610,462	46,466,205	-	47,076,667

	2007 (As restated - see Note 3)			
	Trading	Mining	Elimination	Consolidated
SALES				
External sales	-	264,651,960	-	264,651,960
RESULT				
Segment result	-	33,329,041	-	33,329,041
Unallocated expenses				(41,071,079)
Loss from operations				(7,742,038)
Financing charges				(59,834,374)
Other income-net				52,392,424
Loss before tax				(15,183,988)
Tax benefits - net				32,869,974
Income before minority interest				17,685,986
Minority interest				(1,767)
Net income				17,684,218

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

30. SEGMENT INFORMATION *(Continued)*

	2007 (As restated - see Note 3)			
	Trading	Mining	Elimination	Consolidated
OTHER INFORMATION				
Assets				
Segment assets	5,048,410,352	9,207,931,514	(5,668,175,952)	8,588,165,914
Unallocated assets				293,599,816
Consolidated total assets				8,881,765,730
Liabilities				
Segment liabilities	(506,941,365)	(8,217,488,124)	2,109,903,583	(6,614,525,906)
Unallocated liabilities				(344,835,675)
Consolidated total liabilities				(6,959,361,581)
Capital expenditure	-	215,472,197	-	215,472,197
Depreciation, depletion, and amortization	582,489	53,423,334	-	54,005,823

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:

	2008	2007 (As restated - see Note 3)
Domestic		
Jakarta	171,712,166	38,870,360
East Java	59,454,941	74,408,088
Riau	17,405,642	-
International		
Singapore	165,513,759	151,373,512
Total	414,086,508	264,651,960

31. COMMITMENTS

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

The Subsidiaries entered into agreements for the exploration and production of crude oil and gas contract area based on PSC with BPMIGAS or TAC with PT Pertamina (Persero). A summary of the significant provisions of the PSC and TAC are as follows:

31. COMMITMENTS *(Continued)*

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. Entitlement to Production

   Crude oil produced, net of cost recovery and investment credit is allocated at 73.2143% for Pertamina and 26.7857% for the Subsidiaries before consideration of tax and adjustment in domestic market obligation, if any. Pertamina's share of production from its properties in the TAC contract area represents the entitlement of Pertamina to a portion of the crude oil production. Costs related to the oil production are recoverable from Pertamina.

3. Domestic Market Obligation

   The Subsidiaries are required to supply the domestic market in Indonesia with a portion of the share of the crude oil to which the Subsidiaries are entitled. This portion is not to exceed 25% of the total quantity of crude oil produced from the contract area. For the initial period of sixty months starting from the month of the first delivery of crude oil produced and saved from each field in the contract area, the fee per barrel for the quantity of crude oil supplied to the domestic market from each field shall be equal to the net realized Indonesian Crude Price. Subsequent to the initial period of sixty months, crude oil production supplied to the domestic market in Indonesia is priced at 15% of the Indonesian crude oil price.

   Nonetheless, if for any year, the recoverable operating costs exceed the difference of the total sales proceeds from crude oil produced minus the investment credit, the Subsidiaries shall be relieved from this supply obligation for such year.

4. Cost Recovery

   The Subsidiaries shall recover all operating costs whether capital or non-capital cost out of the sales proceeds or other disposition of the required quantity of crude oil equal in value to such operating costs with a maximum of 65% per annum of crude oil produced and saved hereunder and not used in petroleum operations.

5. 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.

31. COMMITMENTS *(Continued)*

6. Compensation, Assistance and Production Bonuses

   The Subsidiaries shall pay bonus and assistance to BPMIGAS for equipment and services, ranging between USD 50,000 - 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.

7. 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.

8. 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.

9. 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 March 31, 2008 and 2007, the estimated site restoration liabilities amounted to USD 12.1 million and USD 9.9 million, respectively and the provision funding amounted to USD 11.8 million and USD 9.8 million, respectively.

10. Participation

    BPMIGAS shall have the right to demand from the Subsidiaries a 10% working interest from total rights and obligations in the contract. 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.

11. Interest Recovery

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

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.

31. COMMITMENTS *(Continued)*

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. *The Subsidiaries' Sale and Purchase Gas Agreements*

(1) KEIL and EEKL

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

a. PT Perusahaan Listrik Negara (Persero), which shall expire on the earlier of: March 31, 2027, or the volume of 368.7 TBTU having been fullfiled;
b. PT Petrokimia Gresik (Persero), which shall expire on the earlier of: June 30, 2018, or the volume of 241.86 BSCF having been fullfiled;
c. Pertamina/PT Pertagas, which shall expire on the earlier of: March 31, 2019, or the volume of 221 TBTU having been fullfiled; and
d. PT Indogas Kriya Dwiguna, which shall expire on the earlier of following: February 6, 2021, or the volume of 79.2 TBTU having been fullfiled.

On July 7, 2005, EEKL, KEIL and BPMIGAS as sellers; have entered into the Gas Sales Purchase Agreements (the GSAs) with PT Pembangkitan Jawa Bali, PT Perusahaan Gas Negara (Persero) Tbk, and PT Petrokimia Gresik as buyers. Pursuant to GSA, the Trustee (HSBC) shall receive, hold, manage and disburse amounts paid by buyers under the GSAs.

31. COMMITMENTS *(Continued)*

(2) Bentu

a. 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.

As the approval from PLN's shareholders had been received, the parties agreed to effective the agreement at December 22, 2006.

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

(3) Semco

On October 31, 2005, PT Pertamina (Persero) signed the Sales and Purchase Gas Agreement with PT Perusahaan Listrik Negara (Persero) in the amount of 79,026 BBTU from Semberah field (Semco), which shall end on November 16, 2015, or when total contract volume has been reached, whichever occurs earlier.

e. *Joint Operating Agreement (JOA)*

In 1985, Japan Petroleum Exploration Co., Ltd. (Japex) signed the Production Sharing Contract (PSC) Agreement with Pertamina to conduct the exploration and production on Gebang Block, whereas both have working interest of 50% each. Based on the agreement, Japex will provide all fund to finance the exploration and production activities including the Pertamina's working interest. Therefore, Pertamina agreed to reimburse the realized cost funded by Japex for its working interest. The reimbursement is paid through the proceed from Pertamina's interest on the sales of oil and gas in Gebang Block.

On December 20, 1985, Japex transferred its right and obligation in respect with Gebang Block operations to Japex North Sumatra Ltd (JNS).

Subsequently in 2002, Costa entered into the Sale and Purchase Agreement with JNS, which stipulated the transferring of JNS's working interest to Costa in Gebang Block. As a result of the transferring agreement, the reimbursement right for the fund used on Pertamina's interest was transferred to Costa accordingly.

32. CONTINGENCIES

The Company and 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 Subsidiaries are in compliance with current applicable environmental laws and regulations.

EEKL and KEIL Gas Sales to PGN

In November 2006, the East Java Gas Pipeline (EJGP), which was transporting the gas from EEKL and KEIL to the customer suffered a blow-out due to the mud incident in Sidoarjo. In accordance with the governmental instruction, EEKL and KEIL delivered gas to PT Petrokimia Gresik (PKG) and PT Perusahaan Gas Negara (Persero) Tbk (PGN) through PGN's Offtake Porong, at that time solely utilized to transport the gas from Santos-operated Maleo field located in Madura Offshore PSC.

The minutes of meeting dated January 25, 2007 between EEKL, KEIL, Santos, PGN, BPMIGAS and other suppliers and customers in East Java specifically states that the quantity of gas delivery by EEKL and KEIL to PGN will be measured based on the meter reading at PGN's Offtake Porong and Santos Maleo's field.

Regarding the delivery by EEKL and KEIL to PGN, Santos claimed that all gas delivered by EEKL and KEIL to PGN for the period December 2006 to June 2007 should be considered as delivery by Santos and PGN should pay to Santos for all gas delivered. Santos shall repay EEKL and KEIL in kind of gas equivalent for the quantity of gas delivered by EEKL and KEIL after EJGP resumes normal operations. EEKL and KEIL's position is that they shall be entitled to receive the payment for all the gas delivered by EEKL and KEIL.

The quantity of gas delivery by EEKL and KEIL through the EJGP was measured by PT Pertamina (Persero) as the owner and operator of EJGP, but PGN has not signed the Volume of Gas Delivery Statement due to the difference of opinion between EEKL, KEIL and Santos. PGN will not make any payment for the gas delivery by EEKL and KEIL unless EEKL, KEIL and Santos agree on who shall be paid for the gas delivered by EEKL and KEIL.

As of June 30, 2007, the agreement between EEKL, KEIL and PGN for the Sales and Purchase of Gas had already expired. The continuing delivery of gas to PGN was based on extraordinary circumstances under the direction of BPMIGAS.

As of this report date, no new sales and purchase of gas agreement has been signed by the parties.

32. CONTINGENCIES *(Continued)*

The sales of gas for the period December 2006 to January 2007 with a volume of 1,157,988.38 MMBTU at a price of USD 2.59 per MMBTU with the total price amounting to USD 2,999,189.90 had already been paid to Santos by PGN. As of December 31, 2007, total receivable of EEKL and KEIL amounting to USD 16,604,225, including the amount of USD 2,999,189.90 paid by PGN to Santos. According to minutes of meeting dated February 1, 2008 between PGN, Pertamina and KEIL, all parties agreed on the volume sent by EEKL and KEIL to PGN, which up to December 31, 2007, was 8,395,870 MMBTU. There was difference of 90,058 MMBTU less than the volume booked by EEKL and KEIL. There was no difference for delivered gas volume for period Januari - March 2008.

As of this report date, the amount is considered past due and with the difference in the volume as of December 31, 2007; no provision for probable losses will be recognized as the management believes that the whole account is collectible. Any losses or gain that will result from any mode of settlement that both parties agree to in the future will be recognized in the books at the date the transaction is consummated.

33. OPERATING HAZARDS AND UNSECURED RISKS

The Company and its Subsidiaries' operations are subject to hazards and inherent risks 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 insured 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.

34. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

Under the renewal and extension of Production Sharing Contract with government (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 by BPMIGAS for a commercial discovery.

As of this report date, regulation for mechanism of site restoration obligations has not yet been issued by the government. Even so centain Subsidiaries have provided provision for abandonements and site restoration. The amount of annual provision is calculated by estimating all restoration costs divided by the PSC period.

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

34. ABANDONMENT AND SITE RESTORATION OBLIGATIONS *(Continued)*

The movements of site restoration obligation were as follows:

	2008				
Area of Interest	January 1,	Addition	Deduction	Translation adjustment	March 31,
Malacca PSC	110,094,616	4,199,699	-	(2,379,267)	111,915,048
Kangean PSC	28,084,258	3,913,731	-	(619,207)	31,378,782
Total	138,178,874				143,293,830

	2007				
Area of Interest	January 1,	Addition	Deduction	Translation adjustment	March 31,
Malacca PSC	85,644,627	4,127,989	-	939,329	90,711,945
Kangean PSC	18,040,000	9,098,991	-	215,000	27,353,991
Total	103,684,827				118,065,936

35. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of March 31, 2008 and 2007, the Company and its Subsidiaries had monetary assets and liabilities denominated in foreign currencies as follows:

	2008		2007 (As restated - see Note 3)	
	Foreign Currency	Equivalent in Rupiah	Foreign Currency	Equivalent in Rupiah
Assets				
Cash and cash equivalents	USD 60,344,500	556,195,256	USD 57,901,702	527,947,721
	Euro 4,557	66,348	Euro 13,165	160,408
Restricted cash in bank	USD 5,518,336	50,862,507	USD -	-
Temporary investment	USD 97,381,437	897,564,701	USD -	-
Restricted time deposits	USD 57,762,498	532,396,943	USD -	-
Trade receivables	USD 18,788,270	173,171,483	USD 10,670,474	194,334,666
Other receivables	USD 33,164,891	305,680,796	USD 36,737,441	334,971,984
Due from related parties	USD125,114,887	1,153,183,913	USD105,318,161	960,290,996
Site restoration fund	USD 11,839,792	109,127,365	USD 9,797,442	89,333,074
Reimbursement of Subsidiary's dividend tax	USD -	-	USD 22,044,678	201,003,374
Total Assets		3,778,249,312		2,308,042,223

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

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

	2008		2007 (As restated - see Note 3)	
	Foreign Currency	Equivalent in Rupiah	Foreign Currency	Equivalent in Rupiah
Liabilities				
Trade payables	USD 24,871,000	229,239,370	USD 68,846,000	627,738,237
Other payables	USD 32,080,521	295,686,161	USD 11,022,146	100,499,931
Accrued expenses	USD 54,653,373	503,740,136	USD 18,953,560	172,818,556
Due to related parties	USD 6,495,310	59,867,274	USD 24,413,636	222,603,536
Long-term loans	USD 444,985,982	4,101,435,802	USD 547,750,000	4,994,706,497
Site restoration obligation	USD 15,546,689	143,293,830	USD 12,948,666	118,065,936
Subsidiary dividend tax liability	USD 39,351,080	362,698,901	USD 22,044,678	201,003,371
Total Liabilities		5,695,961,474		6,437,436,062
Net Liabilities		(1,917,712,162)		(4,129,393,839)

36. OTHER SIGNIFICANT INFORMATION

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

a. *The Strategic Alliance with PT Indelberg Indonesia Perkasa*

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

(i) At least 3 years period after the effectiveness of the Operations Cooperation Agreement (OCA) dated April 25, 2007 and the approval from PT Pertamina EP for the transfer of shares is obtained, or

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

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

As of this report date, approval from PT Pertamina EP has not yet obtained. Management is still reviewing the effect of the transaction on the Company's consolidated financial statements. The consolidated financial statements do not include adjustments that might result from the outcome of signing the CSPA.

36. OTHER SIGNIFICANT INFORMATION *(Continued)*

b. *New Shares Subscription on EMP Inc.*

On March 6, 2007, the Company signed binding agreements with Mitsubishi Corporation (MC) and Japan Petroleum Exploration Co., Ltd. (Japex) whereby MC and Japex will assume new subscription shares in EMP Inc. Based on these agreements, MC 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 amounts 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 receivables from and payables to companies in the Company's group; and

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

Based on the Agreement, the Company and EMP Inc. shall use their best endeavors to reschedule payment of the outstanding trade account payables. In such circumstances, 50% of the amount in the Debt Service Reserve Account (DSRA) at before Closing Date shall be retained by EMP Inc. for part of payment of these amounts, and the other 50% shall be dividend (additional) to the Company. If, the rescheduled payment cannot be made, the Company shall ensure those payables are cleared on or prior to Closing Date and the total amount in the DSRA shall be available as dividend to the Company. Based on the amendment letter dated May 10, 2007, it has been agreed that the amount to be retained by EMP Inc. as part payment of trade account payables should be USD 5 million.

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

- The approval from the Company's stockholders at a general meeting of stockholders and the Bapepam-LK in respect of 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, Definitive Agreement and other completion agreements.

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

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

Based on the EMP Inc's director resolution dated February 21, 2008, EMP Inc declared the final dividend to the Company in respect with the Agreement amounting to USD 7,791,944.22.

36. OTHER SIGNIFICANT INFORMATION *(Continued)*

c. *New Accounting Standard Pronouncements*

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

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

The Company is evaluating the impact on the consolidated financial statements as a result of the adoption of the above new accounting standards.

37. SUBSEQUENT EVENT

The Conditional Sales and Purchase Agreement on PT Mosesa Petroleum

On April 1, 2008, the Company has signed a Conditional Sales and Purchase Agreement (CSPA) with PT Masagena Agung (MGA) whereby the Company has agreed that the Company will acquire 75% shares of PT Mosesa Petroleum (MP) owned by MGA at an agreed price of USD 11,800,000. The parties agreed this agreement will be effective upon the completion of the following terms and conditions:

(i) MGA and MP have convened a general meeting of shareholders (GMS) approving the sale of MP's shares to the Company, and;

(ii) The Company shall be obligated to announce the plan to purchase the shares in 1 (one) newspaper before invitation of MP's GMS which shall be done in accordance with the Company Laws.

On April 2, 2008, the Company has informed the plan to purchase the shares to Indonesia Stock Exchange and make an announcement of this plan in the several newspapers in Indonesia.

MP has working interest of 71.25% in Tonga Block PSC which located in North Sumatera for the period of 30 years starting from January 16, 2007.

38. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements for March 31, 2007 have been reclassified to conform to the presentation of accounts in the consolidated financial statement for March 31, 2008.

39. 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 April 28, 2008.

RESERVE ESTIMATION

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

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

	Malacca 1)	Kangean 2)	Gelam 3)	Semberah 4)	Gebang 5)	Korinci 6)	Bentu 7)
	Crude Oil	Crude Oil, Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Crude Oil, Gas and Condensate *)	Gas	Gas
Proven developed undeveloped and probable reserves							
Balance as of January 1, 2007	31,177	243,435	4,993	22,233	1,021	12,595	48,273
Revision to previous estimation	-	-	-	-	-	-	-
Production during the period	(768)	(833)	(41)	(63)	(32)	-	-
Balance as of March 31, 2007	30,409	242,602	4,952	22,170	989	12,595	48,273
Balance as of January 1, 2008	32,460	240,513	4,876	21,586	900	12,238	48,273
Revision to previous estimation	7,420	(375)	(1,473)	(1,132)	5,693	-	-
Production during the period	(806)	(584)	(9)	(250)	(27)	(263)	-
Balance as of March 31, 2008	39,074	239,554	3,394	20,204	6,566	11,975	48,273

RESERVE ESTIMATION *(Continued)*

	Malacca [1]	Kangean [2]	Gelam [3]	Semberah [4]	Gebang [5]	Korinci [6]	Bentu [7]
	Crude Oil	Crude Oil, Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Crude Oil, Gas and Condensate *)	Gas	Gas
Proven developed and undeveloped reserves							
Balance as of January 1, 2007	20,516	135,207	864	6,381	29	2,661	23,602
Revision to previous estimation	-	-	-	-	-	-	-
Production during the period	(768)	(833)	(41)	(63)	(32)	-	-
Balance as of March 31, 2007	19,748	134,374	823	6,318	-	2,661	23,602
Balance as of January 1, 2008	28,049	132,285	747	5,734	-	2,304	23,602
Revision to previous estimation	4,731	(6,998)	256	3,258	3,293	-	-
Production during the period	(806)	(584)	(9)	(250)	(27)	(263)	-
Balance as of March 31, 2008	31,974	124,703	994	8,742	3,266	2,041	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 January 31, 2008, were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated April 2008.

2) Estimated oil and gas reserves in Kangean Block were certified by:
   - Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants, as of January 31, 2008, in their report dated April 2008 for the Pagerungan Field, the Pagerungan Utara Field, the Rancak Field and the Sepanjang Field; and
   - Sproule International, independent petroleum engineering consultants, as of July 31, 2006, in their report dated November 3, 2006 for the Terang Field, Sirasun Field and Batur Field.

RESERVE ESTIMATION *(Continued)*

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

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

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

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

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