Jimmy Budhi & Rekan
Registered Public Accountants

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005
(With Comparative Unaudited Figures
for the Nine-Month Period Ended September 30, 2004)
AND
REPORT OF INDEPENDENT AUDITORS

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DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005 AND 2004
PT ENERGI MEGA PERSADA TBK AND SUBSIDIARIES

In order to fulfill the Bapepam 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	:	Christopher Basil Newton
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta 12710, Indonesia
	Domicile as stated in ID Card	:	Jl. Permata Intan III Blok R No. 5, Permata Hijau, Jakarta, Indonesia
	Phone number	:	(021) 536 3422
	Position	:	President Director
2.	Name	:	Thomas Leo Soulsby
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta 12710, Indonesia
	Domicile as stated in ID Card	:	Jl. Pedurenan No. 2 RT 03/RW 04 Cilandak, Jakarta Selatan, Indonesia
	Phone number	:	(021) 789 2087
	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;
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, December 21, 2005

President Director | Director

ENAM RIBU RUPIAH 6000 Tgl. METERAI TEMPEL

Christopher Basil Newton | **Thomas Leo Soulsby**

Report of Independent Auditors

Report No. 160/2005

The Stockholders and Boards of Commissioners and Directors
PT Energi Mega Persada Tbk

We have audited the accompanying consolidated balance sheet of PT Energi Mega Persada Tbk (the “Company”) and Subsidiaries as of September 30, 2005, and the related consolidated statements of income, changes in equity and cash flows for the nine-month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company and Subsidiaries for the nine-month period ended September 30, 2004 were not audited and are presented for comparative purposes only.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Energi Mega Persada Tbk and Subsidiaries as of September 30, 2005 and the results of their operations and their cash flows for the nine-month period then ended, in conformity with accounting principles generally accepted in Indonesia.

JIMMY BUDHI & REKAN
Registered Public Accountants

Jimmy S. Budhi
License No. 03.1.0835

December 21, 2005

NOTICE TO READERS

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005
(With Comparative Unaudited Figures for September 30, 2004)
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

ASSETS

	Notes	2005	2004 (Unaudited)
CURRENT ASSETS			
Cash and cash equivalents	2d,4	706,795,226	62,980,198
Trade receivables	2e,5	159,794,102	23,109,320
Other receivables	2e,6	359,082,046	53,829,754
Inventories	2f,7	188,979,202	83,853,314
Prepaid expenses and advances	2g,8	115,418,336	248,520,065
Prepaid tax	2q,24a	309,708	1,325,929
Total Current Assets		1,530,378,620	473,618,580
NON-CURRENT ASSETS			
Due from related parties	2h,9	408,454,191	-
Restricted time deposits	2i,10	270,300,115	-
Fixed assets - net of accumulated depreciation Rp 1,131,695 thousand in 2005 and Rp 169,477 thousand in 2004	2j	6,075,619	613,458
Oil and gas properties - net of accumulated depreciation, depletion and amortization Rp 743,847,102 thousand in 2005 and Rp 512,037,482 thousand in 2004	2k,11	2,580,457,340	766,543,309
Abandonment and site restoration fund	29	70,976,957	41,993,432
Deferred tax assets	2q,24e	17,159,544	3,636,724
Reimbursement of Subsidiary's dividend tax paid	3	227,280,630	-
Other assets	2m,12	56,363,987	12,488,383
Total Non-current Assets		3,637,068,383	825,275,306
TOTAL ASSETS		5,167,447,003	1,298,893,886

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005
(With Comparative Unaudited Figures for September 30, 2004)
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

LIABILITIES AND EQUITY

	Notes	2005	2004 (Unaudited)
CURRENT LIABILITIES			
Trade payables	13	38,477,828	36,914,206
Other payables	14	87,396,936	27,481,655
Accrued expenses	2u,15	174,377,933	29,544,276
Taxes payable	2q,24b	144,768,934	46,323,335
Current maturities of long-term loans	16	195,889,959	25,217,500
Total Current Liabilities		640,911,590	165,480,972
NON-CURRENT LIABILITIES			
Long-term loans - net of current maturities	16	2,825,972,802	65,382,100
Due to related parties	2h,9	399,593,034	415,845,420
Deferred tax liabilities	2q,24e	355,618,635	186,108,671
Employee benefit obligation	2p,26	12,884,008	11,005,141
Abandonment and site restoration obligation	29	78,709,428	46,108,475
Subsidiary's dividend tax liability	3	227,280,630	-
Total Non-current Liabilities		3,900,058,537	724,449,807
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b	(736,716)	631,862
EQUITY			
Capital stock - Rp 100 par value per share in 2005 and 2004 Authorized - 15,000,000,000 shares in 2005 and 2004 Issued and paid-up - 9,491,445,177 shares in 2005 and in 2004	17	949,144,518	949,144,518
Additional paid-in capital	2n,18	158,420,946	158,420,946
Difference in value from restructuring transactions of entities under common control	2c,19	(793,336,425)	(793,336,425)
Translation adjustments	2t	84,104,709	39,450,624
Retained earnings		228,879,844	54,651,582
Total Equity		627,213,592	408,331,245
TOTAL LIABILITIES AND EQUITY		5,167,447,003	1,298,893,886

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005
(With Comparative Unaudited Figures for the Nine-Month Period Ended September 30, 2004)
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	2005	2004 (Unaudited)
NET SALES	2o,20	1,055,158,651	475,288,645
COST OF GOODS SOLD	2o,21	(597,545,210)	(283,442,230)
GROSS PROFIT		457,613,441	191,846,415
OPERATING EXPENSES	2o,22		
Selling		1,688,475	16,522,520
General and administrative		92,956,613	29,139,643
		94,645,088	45,662,163
INCOME FROM OPERATIONS		362,968,353	146,184,252
OTHER INCOME (CHARGES)			
Overhead cost recovery	29	18,263,700	13,287,897
Gain on foreign exchange - net	2t	19,791,632	9,970,996
Interest income		2,668,746	3,818,936
Financing charges	23	(121,418,190)	(21,403,095)
Others - net		4,069,136	(2,581,915)
Other Income (Charges) - Net		(76,624,976)	3,092,819
INCOME BEFORE TAX EXPENSE		286,343,377	149,277,071
TAX EXPENSE	2q,24c		
Current tax		(53,143,591)	(26,488,251)
Deferred tax		(78,663,408)	(72,233,452)
Total		(131,806,999)	(98,721,703)
INCOME BEFORE MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES		154,536,378	50,555,368
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES	2b	(806,820)	(256,918)
NET INCOME		153,729,558	50,298,450
BASIC EARNINGS PER SHARE (in full amount)	2r,25	16.20	7.68

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005
(With Comparative Unaudited Figures for the Nine-Month Period Ended September 30, 2004)
(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	Capital stock	Additional paid-in capital	Equity proforma from restructuring transactions of entities under common control	Difference in value from restructuring transactions of entities under common control	Translation adjustments	Retained earnings	Total equity
Balance as of January 1, 2004		200,777,778	-	(514,766,413)	(107,541,921)	(5,211,539)	4,353,132	(422,388,963)
Conversion of promissory notes to paid-in capital	17	463,623,390	-	-	-	-	-	463,623,390
Initial public offering	2n,17	284,743,350	-	-	-	-	-	284,743,350
Additional paid-in capital	18	-	158,420,946	-	-	-	-	158,420,946
Elimination of subsidiaries' equity from transactions of entities under common control		-	-	514,766,413	-	-	-	514,766,413
Difference in value from restructuring transactions of entities under common control	2c,19	-	-		(685,794,504)	-	-	(685,794,504)
Translation adjustments	2s	-	-		-	44,662,163	-	44,662,163
Net income for the period		-	-		-	-	50,298,450	50,298,450
Balance as of September 30, 2004 (Unaudited)		949,144,518	158,420,946	-	(793,336,425)	39,450,624	54,651,582	408,331,245
Balance as of January 1, 2005		949,144,518	158,420,946	-	(793,336,425)	42,186,219	75,150,286	431,565,544
Translation adjustments	2s	-	-	-	-	41,918,490	-	41,918,490
Net income for the period		-	-	-	-	-	153,729,558	153,729,558
Balance as of September 30, 2005		949,144,518	158,420,946	-	(793,336,425)	84,104,709	228,879,844	627,213,592

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

	Notes	2005	2004 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	5,20	980,030,221	448,604,573
Cash paid to suppliers, contractors and employees		(621,227,957)	(514,499,016)
Cash generated (used in) from operations		358,802,264	(65,894,443)
Financing charges paid	23	(116,350,630)	(21,403,095)
Corporate income and dividend tax paid	24b,24c	(37,065,301)	(14,681,766)
Net Cash Provided by (Used in) Operating Activities		205,386,333	(101,979,304)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,668,746	3,818,933
Acquisition of oil and gas properties	11	(796,233,334)	(373,838,080)
Increase in other assets		-	(11,925,707)
Net Cash Used in Investing Activities		(793,564,588)	(381,944,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Placement of restricted time deposits	10	(202,476,305)	-
Proceeds from long-term and short-term loans	16	2,141,821,107	-
Increase (decrease) of due to related parties	9	(514,451,883)	125,295,673
Proceeds from issuance of capital stock		-	418,806,890
Payment of bank loans		(140,129,487)	(9,170,000)
Net Cash Provided by Financing Activities		1,284,763,432	534,932,563
NET INCREASE IN CASH AND CASH EQUIVALENTS		696,585,177	51,008,405
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		10,210,049	11,971,793
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	706,795,226	62,980,198

The accompanying Notes to Consolidated Financial Statements are an integral part of the consolidated financial statements.

(Figures in table are expressed in thousand Rupiah, 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. 28 dated July 30, 2004 of Lena Magdalena, SH, notary in Jakarta, concerning the changes in articles 17, 21 and 26 regarding the Company's year-end, location and announcement of the general meetings of the stockholders and changes in the Articles of Association. The amendment has been approved by Department of Justice and Human Rights of the Republic Indonesia No. C-20685.HT.01.04.TH.2004 on August 16, 2004.

In accordance with the article 3 of the Company's Articles of Association, the scope of its activities comprises, among others; trading, services and mining, and making direct and indirect investments through Subsidiaries.

The Subsidiaries of the Company are engaged in oil and gas exploration, and their activities are located in Riau province, Sidoarjo and Kangean Island in East Java province. The Company's head office is located at Wisma Mulia, 33rd Floor, Jl. Gatot Subroto, Kav. 42, Jakarta.

The Company started its commercial operations in February 2003.

b. *Public Offering of Shares of the Company*

On May 26, 2004, the Company obtained the effective notice of the Chairman of the Capital Market Supervisory Agency (Bapepam) in its letter No. S.1480/PM/2004 for its public offering of 2,847,433,500 shares. On June 7, 2004, these shares were listed on the Jakarta Stock Exchange.

c. *Structure of the Company and its Subsidiaries*

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

Subsidiaries	Domicile	Percentage of Ownership 2005 (%)	Percentage of Ownership 2004 (%)	Start of Commercial Operations	Total Assets (Rp) 2005	Total Assets (Rp) 2004
RHI Corporation (RHI)	Delaware, USA	100	100	1984	1,070,935,819	527,050,739
Kondur Petroleum SA (KPSA) *)	Panama	100	100	1995	1,071,088,734	527,075,608
PT Imbang Tata Alam (ITA)	Indonesia	96	96	2001	382,970,656	229,177,307
Kalila Energy Ltd, (KEL)	Hong Kong	100	100	1997	962,572,005	503,109,057
Pan Asia Ltd, (PAN)	Hong Kong	99.99	99.99	1997	33,754,463	35,794,424
Lapindo Brantas Inc, (LBI) *)	Delaware, USA	100	100	1999	892,562,197	403,148,092
Energi Mega Pratama, Inc. (EMP Inc)	British Virgin Islands	100	-	2003	3,085,653,663	-
EMP Exploration (Kangean), Ltd, (EEKL) *)	England	100	-	1987	915,062,772	-
EMP Kangean, Ltd, (EKL) *)	Delaware, USA	100	-	1987	1,277,882,229	-
Malacca Brantas Finance, B.V. (MBF)	Netherlands	100	-	-	1,306,198,554	-

*) *Indirect ownership interest through Subsidiaries*

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

All the Subsidiaries of the Company, except MBF, whose activities comprises of industry, financial and commercial, are operators and holders of working interest of the following oil and gas production blocks through Production Sharing Contracts (PSC) with *Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* (BPMIGAS) as follows:

Working Area	Maturity of Contract	Owned by	Percentage of Ownership (%) 2005	2004
Malacca PSC	2020	Kondur Petroleum S.A. (KPSA)	34.46	34.46
		PT Imbang Tata Alam	26.03	26.03
Brantas PSC	2020	Lapindo Brantas Inc.	50	50
Kangean PSC	2030	EMP Exploration (Kangean) Ltd.	40	-
		EMP Kangean Ltd.	60	-

d. Boards of Commissioners, Directors and Employees

As of September 30, 2005 and 2004, the members of the Company's boards of Commissioners and Directors are as follows:

		2005	2004
Board of Commissioners:			
President Commissioner	:	Suyitno Padmosukismo	Suyitno Padmosukismo
Independent Commissioner	:	A. Qoyum Tjandranegara	A. Qoyum Tjandranegara
Commissioner	:	Rennier Abdul Rachman Latief	Roosmania Kusmuljono
Board of Directors:			
President Director	:	Christopher Basil Newton	Rennier Abdul Rachman Latief
Director	:	Muhamad Suluhudin Noor	Muhamad Suluhudin Noor
Director	:	Nazamudin Latief	Nazamudin Latief
Director	:	Norman Hafiz Harahap	Norman Hafiz Harahap
Director	:	Thomas Leo Soulsby	Thomas Leo Soulsby
Director	:	-	Purwanto

The above compositions were based on the decision of the Shareholders Annual General Meetings (AGM) on May 30, 2005 and March 20, 2004, which were notarized by Notarial Deed No. 20 of Lena Magdalena S.H. dated May 30, 2005 and March 20, 2004, respectively.

Total remuneration paid to the Commissioners and Directors of the Company for the nine-month period ended September 30, 2005 amounted to Rp 17,765,892,816.

As of September 30, 2005 and 2004, the Company and its Subsidiaries had approximately 850 employees and 675 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of Consolidated Financial Statements*

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

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting. The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah (“Rp”), while the measurement basis is historical cost, except for certain accounts that are measured on the basis described in the related accounting policies.

The consolidated statements of cash flows are prepared using the direct method, cash flows are 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.

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 Subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 one business entity.

Subsidiaries use the proportionate consolidation method in recording and presenting their participating shares in Joint Ventures under Production Sharing Contracts (PSC). The financial statements of these Subsidiaries reflect their participating interest in the PSC’s.

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

c. *Business Acquisitions*

Acquisitions are accounted for using the purchase method in accordance with the requirements of Statement of Financial Accounting Standard (PSAK) No. 22, "Business Combination". On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill and amortized using the straight-line method over five years. 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. Goodwill of the acquired oil and gas companies is reported under Oil and Gas Properties account and is amortized over the life of the PSC using the Unit of Production Method. 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 years.

Acquisitions of Subsidiaries that represent a restructuring transaction of entities under common control are accounted for in accordance with PSAK No. 38, "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. Based on PSAK No. 38 (Revised 2004), the balance of "Difference in Value from Restructuring Transactions of Entities under Common Control" can be realized to gain or loss from the time the common control no longer exists between the entities that entered into the transaction.

d. *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and in banks and investment with maturities of three months or less that can be used freely to finance their operating activities.

e. *Allowance for Doubtful Accounts*

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

f. *Inventories*

Inventories of spare-parts, chemicals and fuels are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. The net realizable value is determined based on the estimated selling price less the estimated cost of completion and the estimated costs necessary to effect of the sale.

Inventory purchased under the term of the PSC become the property of BPMIGAS when landed in Indonesia. Non-capital inventories are charged to BPMIGAS during the year they are purchased trough cost recovery.

Allowance for obsolete and/or slow moving inventories is provided, if any, based on a review of the conditions of inventories at the end of the period.

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

g. *Prepaid Expenses*

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

h. *Transaction with Related Parties*

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

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

(2) associated companies;

(3) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise 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 reporting enterprise);

(4) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the reporting enterprise, 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 reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

i. *Restricted Funds*

Time deposits that are restricted in use are presented under non-current assets, as well as restricted cash in banks that will be used to pay currently maturing obligations.

j. *Fixed Assets*

Fixed assets are stated at cost, less accumulated depreciation.

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

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

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.

Based on PSAK No. 48, "Impairment of Asset Values", the Company and its Subsidiaries conduct a review of carrying value of fixed assets for impairment and possibility for decrease of fixed assets to fair value whenever events or changes in circumstances as stated in PSAK 48 occur, which indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the current year statement of income.

k. *Oil and Gas Properties*

The Company and its Subsidiaries follow 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.

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 of proven reserves as of the balance sheet date using prices based on current economic and operating conditions, (2) the cost of unproven properties, (3) major development projects not being amortized, and (4) the lower of cost or estimated fair value of unproven properties included in cost being amortized. Any excess over the cost is charged to expense and separately disclosed during the related year.

All capitalized costs of oil and gas properties, including the estimated future costs of developing proven reserves, are amortized using the unit-of-production method based on the total estimated proven reserves. Investments in unproven properties and major development projects are not amortized until proven reserves associated with the projects can be determined or until impairment occurs. If the result of an assessment indicates that the properties are impaired, the amount of the impairment is added to the costs to be amortized.

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.

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 income.

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

In accordance with the revised PSAK No. 26 (Revised 1997), "Borrowing Cost", interest cost and foreign exchange differences incurred from borrowings and other costs incurred 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.

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

m. *Deferred Charges*

Loan issuance costs that are considered to have a benefit for more than one year are deferred and amortized over the period benefited.

n. *Shares Issuance Costs*

Shares issuance costs are presented as part of additional paid-in capital and are not amortized.

o. *Revenue and Expense Recognition*

Revenue is recognized when the crude oil and gas are delivered and title has passed. Expenses are recognized when incurred (accrual basis).

p. *Employee Benefits*

In July 2004, the Indonesian Institute of Accountants issued PSAK 24 (Revised 2004), “Employee Benefits”, which regulates the accounting and disclosure for employee benefits and covers not only retirement benefits but also short-term (e.g. paid annual leave, paid sick leave) and other long-term benefits (e.g. long-service leave, post-employment medical benefits). PSAK 24 (Revised 2004) replaced PSAK 24 issued in 1994, which covered only retirement benefit cost. The Company has implemented early adoption of PSAK 24 (Revised 2004) commencing from 2004 and, as required by this standard, the Company has restated the 2003 consolidated financial statements.

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

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

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

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

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

Current tax expense of the Subsidiaries that are engaged in exploration and production of oil and gas based on PSC is determined based on the taxable income in the related period using the prevailing tax rates as stated in PSC.

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

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by 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 the current tax assets and liabilities are presented.

r. *Earnings per Share*

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

s. *Segment Information*

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

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

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

Assets and liabilities that relate jointly to two 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.

t. *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 rates of exchange prevailing at that date. The resulting gains or losses are credited or charged to current operations.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

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

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 revenues and expenses are translated at the average rates of exchange for the period. Resulting translation adjustments are shown as part of Equity as "Translation Adjustments". The conversion rates used by the Company and Subsidiaries on September 30, 2005 and 2004 are as follows:

	2005 (full amount)	2004 (full amount)
Currency		
US$	10,310	9,170
HK$	1,329	1,176
Euro	12,419	11,302

u. *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. ACQUISITION OF SUBSIDIARIES

On May 23, 2005, the Company acquired 100% equity interest of A. Bohl Vastgoed B.V., a company that is incorporated in Amsterdam - Netherlands, from a third party. On June 24, 2005, A Bohl Vastgoed B.V. changed its name to Malacca Brantas Finance B.V. (MBF).

In 2004, the Company acquired equity interests in PT Imbang Tata Alam (ITA) (96%), Pan Asia Ltd. (PAN), Hong Kong (99.99%), Kalila Energy Ltd. (KEL), Hong Kong (100%) and Energi Mega Pratama Inc. (EMP, Inc.), British Virgin Islands (100%), from entities under common control. ITA, PAN and KEL were acquired on February 27, 2004, April 19, 2004, and May 6, 2004, respectively, before the Company's initial public offering of its shares. The acquisition of EMP Inc., which was made on November 8, 2004 has been approved by independent stockholders on September 30, 2004 as stated in the Extraordinary Meeting of independent stockholders of the Company.

KEL and PAN have 100% ownership in Lapindo Brantas Inc. (LBI), a Subsidiary that is located in Delaware, United States of America (USA). The Subsidiary has an obligation to calculate and pay its income taxes according to Tax Regulation in the USA. LBI has not filed its 2004 USA tax returns due to certain adjustments made in respect to operating expenses that were capitalized as deferred cost and amortization of the deferred cost. Estimated income tax expense as of September 30, 2005 and 2004, are US$ 1,375,854 and US$ 949,667, respectively, calculated by the Company's management. These amounts were included in the consolidated financial statements. The independent tax consultants estimated the income tax by assuming that the US Internal Revenue Service (IRS) would accept such recalculation. The estimated tax amount could be different, should IRS disagree with such assumption and calculation.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

3. ACQUISITION OF SUBSIDIARIES *(Continued)*

The difference between the acquisition cost of shares and net book value of the above acquired Subsidiaries was recorded as "Difference in Value from Restructuring Transactions of Entities under Common Control".

Before the Company acquired Energi Mega Pratama Inc, (EMP Inc.), a company incorporated in the British Virgin Islands, on August 4, 2004, EMP Inc. acquired 100% shares of BP Exploration (Kangean) Ltd. and BP Kangean Ltd. from British Petroleum (BP). Combined, the two companies have a 100% working interest in the Kangean Block. Acquisition cost of these companies amounted to US$ 97,789,832. Based on the fair value assessment performed by an independent appraiser, the fair value of the purchased companies ranged from US$ 79.59 million to US$ 156.76 million, subject to whether the Kangean PSC can be extended or not. Subsequently, the Subsidiaries obtained the extension of the Kangean PSC until 2030. BP Exploration (Kangean) Ltd. and BP Kangean Ltd. have subsequently changed their names into EMP Exploration (Kangean) Ltd. and EMP Kangean Ltd, respectively.

The acquisitions of EMP Exploration (Kangean) Ltd. and EMP Kangean Ltd. were recorded by EMP Inc. using the purchase method. Fair values of net assets of these acquired companies were, accordingly, stated at acquisition costs while the difference between the net book value and their fair values were attributed to oil and gas properties. Details of the fair values of net assets as of the acquisition dates are as follows:

	EMP Exploration (Kangean) Ltd	EMP Kangean Ltd	Total
Cash on hand and in banks	-	6,383,135	6,383,135
Trade receivable	4,293,696	7,041,688	11,335,384
Inventories	395,772	593,658	989,430
Due from related parties	168,107	-	168,107
Deferred tax assets	-	3,289,723	3,289,723
Oil and gas properties	68,663,525	80,405,923	149,069,448
Right to reimburse prior years dividend tax	14,062,507	7,982,171	22,044,678
Tax payable	(3,800,755)	(5,667,465)	(9,468,220)
Accrued expenses	(253,252)	(343,941)	(597,193)
Deferred tax liabilities	(6,266,751)	-	(6,266,751)
Due to related parties	(21,876,791)	(32,092,365)	(53,969,156)
Prior years dividend tax payable	(14,062,507)	(7,982,171)	(22,044,678)
Other payable	(692,162)	(936,457)	(1,628,619)
Post-employment benefits obligation	(1,515,456)	-	(1,515,456)
Fair value of net assets	39,115,933	58,673,899	97,789,832

The acquisition cost was financed by EMP Inc. through loans obtained from CMA and CSFB (see Note 16).

At the time of the acquisition, these Subsidiaries have recorded dividend tax payable and penalties amounting to US$ 22,044,678. Based on the sales and purchase agreement, EMP Inc. has a right to reimbursement from BP the payment of the tax payable if paid by EMP Inc. EMP Inc. recognized this right to reimbursement as an identifiable asset and was accordingly included in the value of the acquired net assets.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS

	2005	2004 (Unaudited)
Cash on hand	520,669	746,870
Cash in banks		
Rupiah		
Citibank N.A.	2,523,529	3,693,336
PT Bank International Indonesia Tbk	1,968,953	220,734
PT Bank Mandiri (Persero) Tbk	479,998	394
PT Bank Pan Indonesia Tbk	322,613	243,546
PT Bank Negara Indonesia (Persero) Tbk	145,127	512,956
Deutsche Bank	58,908	-
PT Bank Mega Tbk	14,443	38,130
Standard Chartered Bank	5,564	-
PT Bank Danamon Indonesia Tbk	513	459
United States Dollar		
PT Bank Mega Tbk	377,736,559	1,782,538
Citibank N.A.	60,720,280	44,030,872
Standard Chartered Bank	20,398,526	49,435
PT Bank International Indonesia Tbk	5,793,794	640,599
PT Bank Mandiri (Persero) Tbk	5,621,388	8,558,315
PT Bank Negara Indonesia (Persero) Tbk	1,905,336	-
Deutsche Bank	50,000	-
PT Bank Danamon Indonesia Tbk	36,053	895,984
Fortis Bank	21,643	-
Hong Kong Dollar		
Citibank N.A.	94,829	66,030
Euro		
Fortis Bank	226,511	-
Time deposits		
PT Bank Internasional Indonesia Tbk	-	1,500,000
PT Bank Mega Tbk	154,650,000	-
Fortis Bank	73,499,990	-
Total	706,795,226	62,980,198

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

5. TRADE RECEIVABLE

a. By Debtor - Third Parties

	2005	2004 (Unaudited)
Local debtors		
PT Perusahaan Gas Negara (Persero) Tbk	42,725,730	20,622,068
PT Petrokimia Gresik	37,160,395	-
PT Perusahaan Listrik Negara (Persero)	18,306,954	-
BPMIGAS	-	2,487,252
Foreign debtor		
Itochu Petroleum Co (S) Pte. Ltd.	61,601,023	-
Total	159,794,102	23,109,320

b. By Age Category

	2005	2004 (Unaudited)
Up to 30 days	121,735,980	21,915,439
Over 31 - 60 days	38,058,122	1,193,881
Total	159,794,102	23,109,320

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 accounts receivable are fully collectible.

Receivables from EMP Inc., LBI, KPSA and ITA totaling US$ 9,524,062 and US$ 2,951,347 as of September 30, 2005 and 2004, respectively, are pledged as collateral for the bank loans (see Note 16).

6. OTHER RECEIVABLES

	2005	2004 (Unaudited)
Paceworks International Ltd.	194,810,543	-
Reimbursable value added tax	78,492,995	27,084,845
Receivable from suppliers	36,801,450	2,877,353
Loan to employee	32,859,800	998,769
Overhead receivables	14,458,940	11,219,096
Reimbursable to BPMIGAS	-	9,702,273
Others	1,658,318	1,947,418
	359,082,046	53,829,754

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

6. OTHER RECEIVABLES *(Continued)*

Paceworks International Ltd. (PI) is a Company that assist MBF in financial general strategic and planning activity for obtaining capital expenditure fund. Receivable from PI represents MBF's reserve cash call which had been transferred on August 2, 2005 (see Note 16).

Reimbursable value added tax represents value added tax that has been paid by Subsidiaries, in accordance with the terms of PSC agreement, which is reimbursable from BPMIGAS.

Overhead receivables represent expenditures and expenses advanced by Subsidiaries, which will be chargeable to other participants.

7. INVENTORIES

	2005	2004 (Unaudited)
Spare-parts	180,056,922	78,521,439
Fuel	6,980,232	3,111,326
Chemicals	1,942,048	2,220,549
Total	188,979,202	83,853,314

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

8. PREPAID EXPENSES AND ADVANCES

	2005	2004 (Unaudited)
Prepaid expenses		
Drilling	82,372,700	797,326
Project	16,040,366	672,215
Rental	8,564,727	2,825,229
Insurance	1,344,274	754,439
Interest	-	1,789,048
Housing	1,136,693	480,113
Others	1,824,278	300,679
Advances		
BPMIGAS	3,868,642	344,134
Advance for capital purchase	-	238,368,000
Employee	-	1,209,058
Others	266,656	979,824
Total	115,418,336	248,520,065

As stated in Sale and Purchase Agreement dated July 30, 2004, the Company paid an advance on purchase of Energi Mega Pratama Inc. (EMP Inc.) to Oceanpro Ltd. of US$ 26 million equivalent to Rp 238,368,000, the acquisition of EMP Inc. Transaction value is accounted in accordance with the agreement amounting to US$ 165 million, wherein assets and liabilities on the end of transaction date of EMP Inc will be measured in payment process. (see Note 3).

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

9. DUE FROM / TO RELATED PARTIES

Due from Related Parties

This account represents receivable from PT Energi Timur Jauh (ETJ), which was appointed as cash manager by KPSA, a subsidiary, based on the agreement dated August 1, 1998. Being a cash manager, ETJ is the authorized signatory of KPSA bank accounts and makes payment on expenses in behalf of KPSA (see Notes 27b and 29b). Also, funds received by ETJ from KPSA are used to pay the loan of PT Ladinda Petroindo (Ladinda) to PT Bank International Indonesia Tbk amounting to US$ 28 million. The loan was used by LBI to finance the development of a new area in Brantas Block, Sidoarjo, Jawa Timur and was used as collateral.

Due to Related Parties

	2005	2004 (Unaudited)
PT Brantas Indonesia (BI) (formerly PT Energi Daya Persada)	200,082,436	-
PT Kondur Indonesia (KI) (formerly PT Energi Bumi Persada)	199,510,598	-
Energi Timur Jauh	-	415,845,420
Total	399,593,034	415,845,420

Amounts due to BI and KI, Company's stockholders, represent net of due from and due to related parties that were transferred in 2004 and 2003 in accordance with the acquisition of Subsidiaries under common control.

On 2004, a part of due to ETJ represents incurred costs that shall be charged to KPSA and LBI in relation with ETJ as cash manager. Amounts due to and due from ETJ at 2005 and 2004 are recorded in net value (after offset) in financial statements.

10. RESTRICTED TIME DEPOSITS

	2005	2004 (Unaudited)
Bank of New York, Singapore	140,298,302	-
Credit Suisse First Boston (CSFB), Singapore	130,001,813	-
Total	270,300,115	-

Restricted time deposit in Bank of New York, Singapore was placed pursuant to the cash and accounts management agreement between MBF, LBI, KPSA and ITA with Bank of New York, Singapore to serve as collateral for credit facility received from Merrill Lynch on July 27, 2005 (see Note 16).

Time deposit in CSFB, Singapore was placed pursuant to the Cash and Accounts Management Agreement (CAMA) between Energi Mega Pratama Inc., a subsidiary, and CSFB, which will serve as collateral for the loan obtained from CSFB as required in the credit facility agreement dated May 19, 2005 (see Note 16). Time deposits mature on a monthly basis and earn interest at a rate of LIBOR less 0.25% or zero, whichever is higher.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

11. OIL AND GAS PROPERTIES

	2005					
	January 1	Acquisitions	Additions	Deductions	Translation adjustment	September 30
Cost	2,528,071,108	-	796,233,334	-	-	3,324,304,442
Accumulated depreciation, depletion and amortization	499,191,228	-	179,121,897	-	65,533,977	743,847,102
Net Book Value	2,028,879,880					2,580,457,340

	2004 (Unaudited)					
	January 1	Acquisitions	Additions	Deductions	Translation adjustment	September 30
Cost	758,523,501	231,412,500	288,644,790	-	-	1,278,580,791
Accumulated depreciation, depletion and amortization	320,446,461	-	78,920,839	-	112,670,182	512,037,482
Net Book Value	438,077,040					766,543,309

Depreciation, depletion and amortization for the nine-month periods ended September 30, 2005 and 2004, of Rp 179,121,897 and Rp 78,920,839, respectively, were charged to cost of goods sold (see Note 21).

For the nine-month period ended September 30, 2005, the additions consisted of costs of development and exploration amounting to US$ 5.5 million and capitalization of borrowing cost of the Credit Suisse First Boston loan obtained on May 19, 2005 amounting to US$ 9.6 million to finance the Kangean PSC acquisition (see Note 16).

For the nine-month period ended September 30, 2004, the acquisitions principally consisted of the oil and gas properties of the newly acquired Subsidiaries, ITA and KEL, totaling US$ 5,959,503, while the addition represents costs of development and exploration amounting to US$ 9.6 million.

Company and Subsidiaries' management believes that the net book values of oil and gas properties do not exceed their estimated recoverable value, therefore, no impairment of assets was provided.

The oil and gas properties as well as inventories were insured by PT Tugu Pratama Indonesia against risk of loss and damage. As of September 30, 2005 and 2004, total sum insured was US$ 259,359,218 and US$ 256,546,699, respectively (see Note 7). The Company and Subsidiaries' managements believe that these sums insured are adequate to cover the possibilities of loss on insured assets.

12. OTHER ASSETS

	2005	2004 (Unaudited)
Deferred charges	31,820,424	-
Security deposit	11,746,811	2,562,873
Post employment fund	5,646,024	2,900,161
Employee cooperative	4,262,458	4,262,458
Others	2,888,270	2,762,891
Total	56,363,987	12,488,383

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

12. OTHER ASSETS *(Continued)*

Deferred charges represent issuance costs such as arranger fee, commission fee and legal fee for obtaining credit facilities from Merrill Lynch, which are considered to have a benefit more than one year and are deferred and amortized over the beneficial period of three (3) years (see Note 16).

13. TRADE PAYABLE

a. By Creditors

	2005	2004 (Unaudited)
Third Parties		
PT Imeco Inter Sarana	4,639,500	-
PT Imeco Inter Sarana	2,138,851	-
PT Caltex Pacific Indonesia	1,407,608	-
PT Sinopun Perkasa	1,342,445	-
PT Calmarine	1,246,054	-
PT Duta Energi Semesta	1,176,825	772,302
PT Perdana Karya	887,043	-
PT Airfast Indonesia	779,195	-
PT Kriya Ekatama	-	3,655,140
PT Sanggar Cipta Kreasitama	-	1,513,848
PT Halliburton Logging Service Indonesia	-	1,380,470
PT Reda Pump Indonesia	-	1,327,165
Others (below Rp 500 million)	24,860,307	28,265,281
Total	38,477,828	36,914,206

b. By Age Category

	2005	2004 (Unaudited)
Up to 30 days	29,049,579	35,731,753
Over 31 - 60 days	233,034	-
Over 60 days	9,195,215	1,182,453
Total	38,477,828	36,914,206

c. By Currency

	2005	2004 (Unaudited)
US Dollar	37,554,062	36,731,905
Rupiah	923,766	182,301
Total	38,477,828	36,914,206

Credit terms for the purchase of goods and services, both from local and foreign suppliers, ranges between 30 - 90 days.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

14. OTHER PAYABLES

	2005	2004 (Unaudited)
Over lifting	61,839,930	26,576,765
Take or pay	19,779,210	-
Employee cooperative	903,764	-
Employee	264,946	-
Others	4,609,086	904,890
Total	87,396,936	27,481,655

15. ACCRUED EXPENSES

	2005	2004 (Unaudited)
Production	54,480,356	5,802,776
Interest	36,705,816	-
Drilling	30,053,988	13,179,858
Support cost	20,035,364	2,324,281
Project	15,695,597	1,547,465
Geological and geophysical	13,742,769	4,680,496
Employee salaries and benefit	2,398,023	473,236
Professional fee	558,335	354,297
Office relocation	106,235	1,113,474
Others	601,450	68,393
Total	174,377,933	29,544,276

16. LONG-TERM LOANS

	2005	2004 (Unaudited)
Credit Suisse First Boston (US$ 173 million)	1,783,630,000	-
Merrill Lynch (US$ 120 million)	1,237,199,995	-
PT Bank Mandiri (Persero) Tbk US$ nil in 2005 and US$ 9,880 million in 2004	-	90,599,600
PT Bank Niaga Tbk	1,032,766	-
Total	3,021,862,761	90,599,600
Current maturities	(195,889,959)	(25,217,500)
Long-term Loan - Net	2,825,972,802	65,382,100

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

16. LONG-TERM LOANS *(Continued)*

Credit Suisse First Boston (CSFB)

On August 3, 2004, EMP Inc. obtained a credit facility from CSFB amounting to US$ 95 million to finance the acquisition of 100% shares in BP Exploration (Kangean) Ltd. and BP Kangean Ltd. (see Note 3). The loan is secured by the receivables (see Note 5) and shares of the Subsidiary and bears interest at 6% above LIBOR per annum and shall be payable in 60 monthly installments commencing from the date of availment. The loan has not been recorded in consolidated financial statements on September 31, 2004 becouse the acquisition of EMP Inc held on November 8, 2004 (see Note 3).

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

The credit facility is divided into the following 4 Tranches:

Tranche	Date	Amount (full amount)
First	June 20, 2005	US$ 115,000,000
Second	September 30, 2005	60,000,000
Third	December 31, 2005	65,000,000
Fourth	March 31, 2006	35,000,000
		AS$ 275.000.000

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

In relation to the above credit facility agreement, the Company is required to have capital infusion of not less than US$ 60 million to be effectives not later than April 2006.

Merrill Lynch

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 US$ 120 million to be used as:

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

Series A Notes of US$ 25 million and Series B Notes US$ 95 million bear interest at 8.5% above LIBOR and at 8% above LIBOR, respectively. Notes will mature on July 2, 2008 with three-monthly interest payment starting October 27, 2005.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

16. LONG-TERM LOANS *(Continued)*

Collateral used for this credit facility is as follows:
- Corporate guarantees from ITA, LBI and KPSA.
- Stocks, directly or indirectly owned by ITA, LBI and KPSA.
- Collection Accounts, Debt Service Account, and Reserve Account
- Receivables of ITA, LBI and KPSA.
- Inter-company loan between MBF with ITA, LBI , KPSA
- Proceeds of claim of insurance contract in reference to operational obstacle at Malacca Straits Block and Brantas Block.

For Series B Notes, MBF entered into Stock Appreciation Rights (SAR) agreement that includes a Call Option with the shareholders 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 20 days before the issuing date of the notes).

Subsequently, MBF transferred the loan to ITA, LBI and KPSA (Company's Subsidiaries) based on an agreement signed by each party on July 27, 2005. The loan received by each subsidiary is as follows:

Type of Loan	ITA (US$)	LBI (US$)	KPSA (US$)	Total (US$)
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
Tranche C	-	-	-	-
Total	27,033,814	60,597,550	32,368,636	120,000,000

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

a. Interest date and maturity date

Type of Loan	Interest Rate	Maturity Date
Tranche A	LIBOR plus 8.5%	36 months from the date of the agreement
Tranche B	LIBOR plus 8.0%	36 months from the date of the agreement
Tranche C	LIBOR plus 3.5% - 4.5%	60 months from the date of the agreement

b. Term of Repayment

Type of Loan	Term of Repayment
Tranche A	Single installment on maturity date
Tranche B	Single installment on maturity date
Tranche C	a. 1%-1.25% of total principal shall be payable on each of the first 12 payment dates b. 10% of the principal shall be payable on each of the 13 to 16 payment dates c. 15% of the principal shall be payable on each of the 17 to 19 payment dates d. The remaining outstanding principal shall be payable on maturity date

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

17. CAPITAL STOCK

	2005 and 2004		
Name of Stockholder	Number of Shares (full amount)	Percentage of Ownership (%)	Total Paid-up Capital (Rp)
PT Kondur Indonesia	2,941,355,362	30.99	294,135,536
PT Brantas Indonesia	2,941,355,362	30.99	294,135,536
Julianto Benhayudi	314,388,667	3.31	31,438,867
Rennier Abdul Rachman Latief	446,912,286	4.71	44,691,229
Public:			
Above 5%			
CSFB Singapore	1,400,000,000	14.75	140,000,000
Below 5%	1,447,433,500	15.25	144,743,350
Total	9,491,445,177	100.00	949,144,518

Based on deed No.2 dated February 14, 2003 of Rita Imelda Ginting, notary in Jakarta, the Company decided to increase the authorized capital from Rp 500 million to Rp 800.8 billion, change the nominal value of share of Rp 1 million per share to Rp 100 per share, and increase the issued and paid-up capital from Rp 200 million to Rp 200.8 billion. The changes in the authorized capital have been approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decision letter No.C-5378.HT.01.04.TH.2004 dated March 4, 2004. The deed was accepted and recorded in the database of the Administration System for Legal Entities Directorate General of Law Administration Department of Justice and Human Rights of the Republic of Indonesia No.C-UM.02.11.2758 dated March 11, 2004.

Based on Extraordinary General Stockholders Meeting dated February 27, 2004, as stated in deed No. 25 dated March 17, 2004 of Lena Magdalena, S.H. notary in Jakarta, the stockholders approved the issuance of 384,970,667 shares with nominal value Rp 100 per share by converting the Company's due to Julianto Benhayudi and Rennier Abdul Latief (RARL) amounting to Rp 31,278,866,700 and Rp 193,846,647,300, respectively.

Based on Extraordinary General Stockholders Meeting dated March 18, 2004, as stated in deed No. 36 dated March 25, 2004 of Lena Magdalena, S.H. notary in Jakarta, the stockholders approved the issuance of 4,251,263,232 shares with nominal value Rp 100 per share by converting promissory notes of RARL, BI and KI amounting to Rp 37,433,028,600, Rp 193,846,647,300 and Rp 193,846,647,300, respectively.

Based on the General Stockholders Meeting No. 40 dated March 30, 2004 of Lena Magdalena, S.H., notary in Jakarta, the stockholders approved to:

- Increase the authorized capital of the Company to Rp 1.5 trillion.
- Change the Company's status from a private company into a public company.
- Conduct a public offering through the capital market of 2,850,000,000 new shares.
- Delegate to the Company's Directors to conduct necessary actions in relation to the Initial Public Offering (IPO).
- Change the Company's name from PT Energi Mega Persada to PT Energi Mega Persada Tbk.

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

17. CAPITAL STOCK *(Continued)*

The changes in the capital stock were approved by the Minister of Justice and Human Rights of the Republic of Indonesia in his decision letter No. C-08031 HT.01.04.TH.2004 dated April 2, 2004. The deed was accepted and recorded in the database of the Administration System for Legal Entities Directorate General of Law Administration Department of Justice and Human Rights of the Republic of Indonesia No. C-08309 HT.01.04.TH.2004 dated April 7, 2004.

On May 26, 2004, the Company obtained the effective notice from the Chairman of the Capital Market Supervisory Agency (Bapepam) regarding the public offering of 2,847,433,500 shares of the Company's shares of stock.

18. ADDITIONAL PAID-IN CAPITAL

	2005 and 2004		
	Excess of Price over Par Value of Shares	Issuance Cost of Shares	Amount
Issuance of 2,847,433,500 (full amount) Shares through public offering	170,846,010	12,425,064	158,420,946

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

	2005 and 2004		
	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
Kalila Energy Limited	(537,838,356)	1,000,000	538,838,356
Pan Asia Enterprise	10,891,647	74,800,000	63,908,353
PT Imbang Tata Alam	(43,635,241)	38,400,000	82,035,241
Energi Mega Pratama Inc.	238,407,446	239,420,000	1,012,554
Total	(239,716,425)	553,620,000	793,336,425

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

20. NET SALES

The following are the details of oil and gas sales:

	2005	2004 (Unaudited)
Itochu Petroleum Co, (S) Pte, Ltd,	421,267,833	287,714,974
PT Perusahaan Gas Negara (Persero) Tbk	276,120,989	182,645,011
PT Petrokimia Gresik (Persero)	206,593,613	-
BP Singapore Pte, Ltd,	90,800,367	-
PT Perusahaan Listrik Negara (Persero)	59,426,979	-
BPMIGAS	948,870	4,928,660
Total	1,055,158,651	475,288,645

21. COST OF GOODS SOLD

	2005	2004 (Unaudited)
Production costs	224,830,321	124,619,776
Depreciation, depletion and amortization (see Note 11)	179,121,897	78,920,839
Production support	148,813,795	51,459,261
Workover	44,779,197	28,442,354
Total	597,545,210	283,442,230

22. OPERATING EXPENSES

	2005	2004 (Unaudited)
Selling		
Promotion and advertising	1,688,475	16,522,520
General and administrative		
Salaries and employee benefits	36,679,115	14,486,869
Professional fees	22,881,884	3,548,350
Office expenses	8,248,354	2,684,278
Rental	6,463,840	3,144,940
Tax	5,973,302	10,245
Traveling	4,065,745	2,194,152
Representation and donation	3,503,216	1,822,792
Service	1,870,548	11,623
Depreciation	867,241	-
Others (below Rp 500 million)	2,403,368	1,236,394
	92,956,613	29,139,643
Total	94,645,088	45,662,163

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

23. FINANCING CHARGES

	2005	2004 (Unaudited)
Interests on bank loan/financing charges	121,418,190	15,191,721
Interest on loan from related parties	-	6,032,611
Interest on early payment of selling oil	-	178,763
Total	121,418,190	21,403,095

24. TAXATION

a. Prepaid Tax

This account represents Value Added Tax - Input from Company amounting to Rp 309,708 and Rp 1,325,929 for September 30, 2005 and 2004, respectively.

b. Tax Payable

	2005	2004 (Unaudited)
Corporate income and dividend tax	126,884,779	43,497,891
Income tax		
Article 4 (2)	1,373,994	-
Article 21	2,780,216	812,489
Article 23	4,758,251	1,706,216
Value added tax	8,971,694	306,739
Total	144,768,934	46,323,335

c. Tax Expense

Details of tax expense of the Company and its Subsidiaries are as follows:

	2005	2004 (Unaudited)
Current tax		
Subsidiaries	53,143,591	26,488,251
Deferred tax		
Subsidiaries	92,965,278	75,462,175
The Company	(14,301,870)	(3,228,723)
Sub-total	78,663,408	72,233,452
Total	131,806,999	98,721,703

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

24. TAXATION *(Continued)*

d. Current Tax

Reconciliation between income before tax as shown in the consolidated statements of income and estimated taxable income (fiscal losses) for the nine-month period ended September 30, 2005 and 2004, calculated with the effective tax rate, are as follows:

	2005	2004 (Unaudited)
Income before income tax expense per consolidated statements of income	286,343,377	149,277,071
Add (deduct):		
Income of Subsidiaries before tax	(337,884,026)	(162,115,672)
Income before estimated corporate income tax - Company	(51,540,649)	(12,838,601)
Timing differences		
Employee benefits	384,612	-
Permanent differences		
Representation and donations	1,146,471	944,099
Interest income already subjected to final tax	(11,165)	-
Others	3,337,489	1,132,097
	4,472,795	2,076,196
Estimated fiscal loss of the Company	(46,683,242)	(10,762,405)
Estimated cumulative fiscal losses beginning of period	(7,174,154)	(1,360,005)
Cumulative tax loss carried forward - Company	(53,857,396)	(12,122,410)

e. Deferred Tax

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

	January 1, 2004	Translation adjustments	Credited (charged) to statements of income	September 30, 2004	January 1, 2005	Translation adjustments	Credited (charged) to statements of income	September 30, 2005
Deferred tax assets								
Employee benefits	1,802,512	148,998	(1,951,510)	-	3,745,712	306,396	(3,049,783)	1,002,325
Fiscal loss	408,001	-	3,228,723	3,636,724	2,152,246	-	14,004,973	16,157,219
Depreciation, depletion and amortization	(56,915,409)	(4,744,107)	61,659,516	-	(51,559,416)	(6,579,101)	58,138,517	-
Non-capital inventory	(1,137,476)	(94,866)	1,232,342	-	(1,156,057)	(200,741)	1,356,798	-
Unrecoverable charges	93,511,535	7,871,447	(101,382,982)	-	55,656,660	5,259,679	(60,916,339)	-
Total	37,669,163	3,181,472	(37,213,911)	3,636,724	8,839,145	(1,213,767)	9,534,166	17,159,544

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

24. TAXATION *(Continued)*

	January 1, 2004	Translation adjustments	Credited (charged) to statements of income	September 30, 2004	January 1, 2005	Translation adjustments	Credited (charged) to statements of income	September 30, 2005
Deferred tax liabilities								
Employee benefits	1,919,109	159,663	2,860,415	4,939,187	3,968,224	305,475	279,883	4,553,582
Depreciation, depletion and amortization	(122,542,438)	(10,176,496)	(79,589,737)	(212,308,671)	(220,543,262)	(26,785,175)	(126,014,679)	(373,343,116)
Non-capital inventory	(18,876,315)	(1,572,653)	(745,239)	(21,194,207)	(21,765,262)	(2,601,061)	(6,854,924)	(31,221,247)
Unrecoverable charges	-	-	42,455,020	42,455,020	-	-	44,392,146	44,392,146
Total	(139,499,644)	(11,589,486)	(35,019,541)	(186,108,671)	(238,340,300)	(29,080,761)	(88,197,574)	(355,618,635)
Deferred expenses			(72,233,452)				(78,663,408)	

25. BASIC EARNINGS PER SHARE

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

Earnings

	2005	2004 (Unaudited)
Net earnings used for calculation (in full amount)	153,729,558,122	50,298,450,944

Number of shares

	2005	2004 (Unaudited)
	(Shares)	(Shares)
Weighted average number of shares for the calculation of basic earnings per share	9,491,445,177	6,547,398,618
Basic earnings per share (in full amount)	16.20	7.68

The Company did not calculate diluted earnings per share since the Company has no shares that have a potential dilutive effect for the nine-month periods ended September 30, 2005 and 2004.

26. PENSION PLANS AND EMPLOYEE BENEFITS

Pension plans and retirement benefit liabilities (assets) balances for the nine-month period ended September 30, 2005 and 2004 are computed by an actuary in accordance with PSAK No. 24 (Revised 2004) regarding "Employee Benefits".

Pension Plans

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

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

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

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

Employee Benefits

The Company and its Subsidiaries provide employee benefits for all their permanent employees based on Employment Working Agreement/Company Policy. No funding has been made by the Company and its Subsidiaries, except by KPSA & 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 consolidated statements of income in respect of these employment benefits are as follows:

	2005	2004 (Unaudited)
Current service cost	5,788,301	4,385,375
Interest costs	5,621,279	2,422,295
Expected return on plan assets	(2,595,529)	(1,260,598)
Net actuarial losses recognized	642,035	703,571
Past service cost	-	1,366
Total	9,456,086	6,252,009

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

	2005	2004 (Unaudited)
Present value of employee benefit obligation	81,026,512	41,104,450
Fair value of employee benefit plan assets	(52,399,704)	(23,735,285)
Funding status	28,626,808	17,369,165
Unrecognized actuarial loss	(15,742,800)	(6,364,024)
Employee benefits obligation	12,884,008	11,005,141

Movements in the net liability recognized in the consolidated balance sheets are as follows:

	2005	2004 (Unaudited)
Beginning of the period	16,854,500	6,980,723
Contribution for the period	(11,946,776)	(2,227,591)
Benefit paid	(1,479,802)	-
Amount charged to consolidated statement of income	9,456,086	6,252,009
End of the period	12,884,008	11,005,141

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

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

The actuarial computation of employee benefit obligations (assets) for the nine-month period ended September 30, 2005 and 2004 were prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its report dated December 1, 2005. The computation used the Projected Unit Credit Method with the following assumptions:

	2005 and 2004
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	Production Unit Method
Normal retirement age	56 years (all employees are assumed to retiree at normal retirement age)

27. NATURE OF ACCOUNT AND TRANSACTIONS WITH RELATED PARTIES

Nature of Relationship

a. PT Brantas Indonesia (formerly PT Energi Daya Persada) and PT Kondur Indonesia (formerly PT Energi Bumi Persada), are the Company's stockholders (see Note 17).

b. PT Energi Timur Jauh is a company whose management is the same as the Company.

Transactions with Related Parties

In the normal course of business, the Company and its Subsidiaries entered into non-trade transactions with related parties, mainly advance payments and payment of expenditures on behalf of related parties.

These transactions are exempted transactions of the conflict of interest transactions, as stipulated in Bapepam Rules Number IX.E.1 Point 3c.1.

28. SEGMENT INFORMATION

Primary Segment

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

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

28. SEGMENT INFORMATION *(Continued)*

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

	2005			
	Trading	Mining	Elimination	Consolidated
SALES				
External sales	-	1,055,158,651	-	1,055,158,651
RESULT				
Segment result	-	457,613,441	-	457,613,441
Unallocated expenses				(94,645,088)
Income from operations				362,968,353
Financing cost				(121,418,190)
Other income				44,793,214
Income before tax expense				286,343,377
Tax expenses				(131,806,999)
Income before minority interest				154,536,378
Minority interest				(806,820)
Net income				153,729,558
OTHER INFORMATION				
Assets				
Segment assets	1,480,567,059	6,842,085,161	(3,172,364,761)	5,150,287,459
Unallocatable assets				17,159,544
Consolidated total assets				5,167,447,003
Liabilities				
Segment liabilities	(161,366,412)	(5,994,940,626)	1,970,955,546	(4,185,351,492)
Unallocatable liabilities				(355,618,635)
Consolidated total liabilities				(4,540,970,127)
Capital expenditure	-	796,233,334	-	796,233,334
Depreciation, depletion and amortization	-	174,121,897	-	174,121,897

	2004 (Unaudited)			
	Trading	Mining	Elimination	Consolidated
SALES				
External sales	-	475,288,645	-	475,288,645
RESULT				
Segment result	-	191,846,415	-	191,846,415
Unallocated expenses				(45,662,163)
Income from operations				146,184,252
Financing cost				(21,403,095)
Other income				24,495,914
Income before tax expense				149,277,071
Tax expenses				(98,721,703)
Income before minority interest				50,555,368
Minority interest				(256,918)
Net income				50,298,450

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

28. SEGMENT INFORMATION *(Continued)*

	2004 (Unaudited)			
	Trading	Mining	Elimination	Consolidated
OTHER INFORMATION				
Assets				
Segment assets	1,333,602,854	1,121,559,397	(1,159,905,089)	1,295,257,162
Unallocatable assets				3,636,724
Consolidated total assets				1,298,893,886
Liabilities				
Segment liabilities	(158,009,501)	(855,935,492)	310,122,885	(703,822,108)
Unallocatable liabilities				(186,108,671)
Consolidated total liabilities				(889,930,779)
Capital expenditure	-	520,057,290	-	520,057,290
Depreciation, depletion and amortization	-	78,920,839	-	78,920,839

Secondary Segment

The Company and its Subsidiaries' are operating in the main geographical area, which is 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:

	Sales based on geographical market	
	2005	2004 (Unaudited)
Geographical market		
Domestic		
East Java	537,524,935	182,645,011
Jakarta	7,629,438	-
International		
Singapore	510,004,278	292,643,635
Total	1,055,158,651	475,288,646

29. COMMITMENTS

a. Production Sharing Contract (PSC)

The Subsidiaries entered into an agreement in the exploration and production of crude oil and gas contract area based on PSC with BPMIGAS. A Summary of significant provisions of the PSC is as follows:

29. COMMITMENTS *(Continued)*

1. Sales

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

   Of the crude oil remaining after deducting operating costs and investment credit, the Subsidiaries are entitled to receive, depending upon the type and daily level of production, the remaining crude oil and condensate production and the remaining revenues from the sales of gas, out of which they are required to pay their own Indonesian income taxes at the PSC effective rates including income tax and dividend tax.

2. Domestic Market Obligation

   The Subsidiaries are required to supply their pro-rata share of current Indonesian domestic crude oil requirements (Domestic Market Obligation - DMO) up to certain percentage of their equity oil production using the market price. The Subsidiaries receive the prevailing market price per DMO barrel for the first 60 months from commencement of commercial production from each new field in each respective contract area.

3. Cost Recovery

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

4. Compensation, Assistance and Production Bonuses

   The Subsidiaries shall pay bonus and assistance to BPMIGAS for equipment and services ranging between US$ 2 million - US$ 4 million within 30 days after the production of petroleum has reached between 250 million - 325 million barrels. Such bonus payments shall be borne solely by the Subsidiaries and shall not be included in the recoverable operating costs.

5. 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.

6. 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 September 30, 2005 and 2004, the estimated site restoration liabilities amounted to US$ 7.6 million and US$ 5 million and the provision funding amounted to US$ 6.9 million and US$ 4.6 million, respectively.

29. COMMITMENTS *(Continued)*

7. Participation

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

b. Agreement with ETJ

KPSA, a Subsidiary, appointed ETJ as operational and administrative coordinator, provider of general and administrative assistance and as cash manager for the period commencing on August 1, 1998 until July 31, 1999, which shall be automatically extended unless terminated by either party.

Based on the agreement, ETJ shall assist KPSA in keeping the required books of accounts and other records applicable in Indonesia for oil and gas industries. ETJ shall also deliver to KPSA a monthly report of operational and administrative matters and activities and provide access to duly authorized parties of KPSA 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 KPSA's bank accounts, without limitation, in making payment of expenditures on behalf of KPSA. ETJ shall arrange the use of KPSA funds as necessary and use any of KPSA 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 KPSA and update them on a regular basis.

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

c. Drilling Integrated Project Management Service

EMP Inc. obtained approval from BPMIGAS through its letter No. R-71/BPD3000/2005-S1 dated August 11, 2005 to execute drilling integrated project management service performed by PT Jasa Karya Utama as the contractor with contract amount of US$ 10,362,800.

30. CONTINGENT LIABILITIES

The Company's operations are subject to Indonesian laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, which may restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, require remedial measures to prevent pollution resulting from the Company's 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 ensue that the area surrounding any onshore well is restored to its original state insofar as this is possible after the operator has ceased to operate on the site.

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

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

31. OPERATING HAZARDS AND UNSECURED RISKS

The Company and its Subsidiaries' operations are subject to hazards and risks inherent in drilling for and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowout, cratering, pipeline ruptures and spills, and which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Company and its Subsidiaries. Additionally, certain natural gas and oil operations of the Company and its Subsidiaries' are subject to tropical weather disturbances, some of which can be severe enough to cause substantial damage to facilities and possibly interrupt production. As protection against operating hazards, the Company and its Subsidiaries maintain insurance coverage against some, but not all for the potential losses. The Company and Subsidiaries' coverage for the oil and gas exploration and production activities include, but is not limited to, loss of wells, blowouts and certain cost of pollution control, physical damage on certain assets, employer's liability, comprehensive general liability, automobile and worker's compensation.

The Company and its Subsidiaries maintain coverage for their drilling rigs, equipment and machinery for their replacement value and insure against third party liability and worker's compensations. However, they do not insure these assets against business interruption or loss of revenues following damage to or loss of a drilling rig, except in respect of an offshore rig where a term of the refinancing for such rig is that insurance coverage be in place for the benefit of the lender.

32. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

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

33. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At September 30, 2005 and 2004 the Company and its subsidiaries had monetary assets and liabilities in foreign currencies as follows:

		2005		2004	
		Foreign Currency (full amount)	Equivalent in Rupiah	Foreign Currency (full amount)	Equivalent in Rupiah
Assets					
Cash on hand and in banks	US$	43,834,304	451,931,674	6,046,054	55,442,312
	HK$	71,351	94,829	70,956	83,429
	Euro	18,238	226,511		
Restricted time deposits	US$	26,217,276	270,300,115	-	-
Trade receivable	US$	15,498,943	159,794,102	2,520,100	23,109,320
Others receivable	US$	33,390,906	344,260,238	-	-
Prepaid expense	US$	-	-	26,000,000	238,368,000
Abandonment and site restoration fund	US$	6,884,283	70,976,957	4,579,436	41,993,432
Total Assets			1,297,584,426		358,996,493

(Figures in table are expressed in thousand Rupiah, unless otherwise stated)

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

		2005		2004	
		Foreign Currency (full amount)	Equivalent in Rupiah	Foreign Currency (full amount)	Equivalent in Rupiah
Liabilities					
Trade payable	US$	3,642,489	37,554,062	4,005,660	36,731,905
Bank loan	US$	18,999,996	195,889,959	2,750,000	25,217,500
Others payable	US$	8,418,003	86,789,606	2,931,363	26,880,597
Accrued expenses	US$	16,683,740	172,009,360	3,078,764	28,232,264
Tax payable	US$	14,011,026	144,453,680	4,987,731	45,737,491
Due to related parties	US$	38,757,811	399,593,034	45,348,465	415,845,420
Long-term loans	US$	274,000,004	2,824,940,037	7,130,000	65,382,100
Site restoration obligation	US$	7,634,280	78,709,428	-	-
Total Liabilities			3,939,939,166		644,027,277
Net Liabilities			(2,642,354,740)		(285,030,784)

34. SUBSEQUENT EVENTS

1. The Company entered into sales and purchase agreement with PT Mitra Andalan Mandiri ("MAM" as seller) on October 25, 2005 as follows:

    - 2,598,830 shares or 99.99% of all issued shares of PT Tunas Harapan Perkasa ("THP" as target company) that are owned by MAM. THP owns 100% of shares of Costa International Group Ltd. ("Costa"), Kalila (Bentu) Ltd. ("Bentu") and Kalila (Korinci Baru) Ltd. ("Korinci Baru") and 99.99% of shares of PT Insani Mitrasani Gelam ("Gelam") and PT Semberani Persada Oil ("Semco"), which are the operators and working interest of Blok Gebang PSC of 50%, 100% of Blok Bentu PSC, 100% of Blok Korinci Baru PSC, 100% of Blok Sungai Gelam TAC, and 100% of Blok Semberah TAC, respectively; and
    - Receivables of MAM to THP's Subsidiaries, which based on the restructuring agreement and debt acknowledgment of MAM and THP's Subsidiaries with principals amounted to US$ 33,497,199 equivalent to Rp 348,203,383,605.

    The agreement above will be effective upon approval from an extraordinary meeting of the Company's shareholders.

2. On November 21, 2005, the Company acquired all of the shares of Stijna Belastingadviseurs B.V. from its sole shareholder, MeesPierson Intertrust B.V. On the same day, the name of Stijna Belastingadviseurs B.V. was changed to "Energi Mega Persada Finance. B.V."

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its Subsidiaries have been approved for issue by the Board of Directors and the Board of Commissioners on December 21, 2005.

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 imprecisely; accordingly, these estimates are expected to change as future information becomes available. There are numerous uncertainties inherent in estimating oil and gas reserves including many factors beyond the control of the Subsidiaries.

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

	Malacca [1]	Brantas [2]	Kangean [3]
	Crude Oil	Gas and Crude Oil [*]	Gas and Condensate [*]
	MBOE	MBOE	MBOE
Proven developed, undeveloped and probable reserves			
Balance as of January 1, 2005	40,855	27,788	277,952
Revision to previous estimation	(1,870)	4,650	-
Production in 2005	(2,594)	(2,471)	(3,824)
Balance as of September 30, 2005	36,391	29,967	274,128
Proven developed and undeveloped reserves			
Balance as of January 1, 2005	27,166	19,655	236,308
Revision to previous estimation	1,143	(2,318)	-
Production in 2005	(2,594)	(2,471)	(3,824)
Balance as of September 30, 2005	25,715	14,866	232,484

[*] 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 June 30, 2005, were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report of October 26, 2005. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the provided and probable reserve categories and sub-classification by the U.S. Society of Petroleum Engineering.

[2] Estimated oil and gas reserves in Brantas Block as of June 30, 2005 were certified by Gaffney, Cline and Associate (GCA), independent petroleum engineering consultants in their report of October 26, 2005. In preparing their report, GCA utilized generally accepted petroleum engineering principles and definitions applicable to the provided and probable reserve categories and sub classification by the U.S. Society of Petroleum Engineering.

[3] Estimated oil and gas reserves in Kangean Block were certified by DeGolyer and MacNoughton (D&M), independent petroleum engineering consultants from United States of America in their report of September 30, 2004 for the Pegerungan Field and April 30, 1995 for the Terang Sirasun Batur Field.