

Jimmy Budhi & Rekan

Registered Public Accountants

**PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2008 AND 2007
AND
REPORT OF INDEPENDENT AUDITORS**

**PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
TABLE OF CONTENTS**

	Page
DIRECTORS' STATEMENT LETTER	
REPORT OF INDEPENDENT AUDITORS	
FINANCIAL STATEMENTS	
1. Consolidated Balance Sheets	1
2. Consolidated Statements of Income	3
3. Consolidated Statements of Changes in Shareholders' Equity	4
4. Consolidated Statements of Cash Flows	5
5. Notes to the Consolidated Financial Statements	6
6. Supplementary Information (Unaudited)	55



PT ENERGI MEGA PERSADA Tbk.

**DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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:

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


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, December 23, 2008



Christian V. Ponto
President Director 

Report of Independent Auditors

Report No. 154/KAK/I/2008

The Shareholders, Boards of Commissioners and Directors
PT Energi Mega Persada Tbk

We have audited the accompanying consolidated balance sheets of PT Energi Mega Persada Tbk (the "Company") and Subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards established by the Indonesian Institute of Certified Public 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and Subsidiaries as of September 30, 2008 and 2007, and the consolidated results of their operations and their cash flows for the nine-month periods then ended, in conformity with accounting principles generally accepted in Indonesia.



Jimmy Budhi & Rekan

Registered Public Accountants

As explained in Note 3, the financial statements of Kalila Energy Ltd., Pan Asia Enterprise Ltd. and Lapindo Brantas, Inc. were no longer consolidated into the accompanying consolidated financial statements of the Company for the nine-month period ended September 30, 2007.

As explained in Note 4, for comparative purpose, the Company and Subsidiaries restated retroactively the 2007 consolidated financial statements relating to adjustments on Subsidiaries' employee benefits obligation.

JIMMY BUDHI & REKAN

Registered Public Accountants



Koenta Adji Koerniawan

License No. 98.1.0266

December 23, 2008

NOTICE TO READERS

The accompanying consolidated financial statements are intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not that of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.



PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

ASSETS

	Notes	2008	2007 (As restated - see Note 4)
CURRENT ASSETS			
Cash and cash equivalents	2d,6	514,363,555	541,822,834
Restricted cash in bank	2d,7	73,577,509	49,666,367
Short-term investment	2e,8	1,176,114,775	-
Trade receivables	2f,9	223,652,087	165,413,520
Other receivables	2f,10	407,917,716	304,545,677
Inventories	2g,11	444,522,073	379,503,607
Other current assets	2h,12	54,975,349	59,080,668
Total Current Assets		2,895,123,064	1,500,032,673
NON-CURRENT ASSETS			
Due from related parties	2j,13a	1,249,159,958	1,099,678,114
Restricted long-term cash equivalents	2k,14,19,20,31	784,222,093	629,344,475
Fixed assets - net of accumulated depreciation of Rp 1,862,963 in 2008 and Rp 9,422,334 in 2007	2l	2,515,054	6,178,246
Oil and gas properties - net of accumulated depreciation, depletion and amortization Rp 3,583,819,258 in 2008 and Rp 2,037,923,394 in 2007	2m,15	5,379,229,635	3,930,169,520
Site restoration fund	34a,37	111,033,572	101,966,605
Deferred tax assets	2s,29d	583,122,448	441,466,293
Other assets		120,417,721	15,646,588
Total Non-Current Assets		8,229,700,481	6,224,449,841
TOTAL ASSETS		11,124,823,545	7,724,482,514

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

LIABILITIES AND EQUITY

	Notes	2008	2007 (As restated - see Note 4)
CURRENT LIABILITIES			
Trade payables	16	314,799,042	213,487,673
Other payables	17	305,188,547	63,564,861
Accrued expenses	18	445,366,740	193,271,150
Taxes payable	2s,29a	196,909,958	88,000,857
Current maturities of long-term loans	19	56,661,876	2,492,784,151
Total Current Liabilities		1,318,926,163	3,051,108,692
NON-CURRENT LIABILITIES			
Long-term loans - net of current maturities	19	5,329,428,199	462,170,349
Due to related parties	2j,13b	60,921,776	59,511,191
Deferred tax liabilities	2s,29d	484,518,196	338,234,051
Employee benefits obligation	2r,14,31	110,662,316	88,962,931
Site restoration obligation	34a,37	149,616,980	124,809,092
Subsidiaries' dividend tax liabilities	20	369,034,425	359,550,814
Total Non-Current Liabilities		6,504,181,892	1,433,238,428
TOTAL LIABILITIES		7,823,108,055	4,484,347,120
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b,21	36,180,154	14,429
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	22	1,440,081,337	1,440,081,337
Additional paid-in capital	2p,23	3,354,749,228	3,354,749,228
Difference in value from restructuring transaction of entities under common control	2c,24	(2,634,645,040)	(2,634,645,040)
Difference due to change of equity in Subsidiary	2i,25	1,262,994,439	1,261,714,335
Translation adjustments	2v	11,809,899	(53,704,222)
Deficit		(169,454,527)	(128,074,673)
Total Equity - Net		3,265,535,336	3,240,120,965
TOTAL LIABILITIES AND EQUITY		11,124,823,545	7,724,482,514

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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

	Notes	2008	2007
NET SALES	2q,26	1,360,205,399	726,425,844
COST OF GOODS SOLD	2q,27	(742,635,972)	(581,557,854)
GROSS PROFIT		617,569,427	144,867,990
OPERATING EXPENSES	2q,28	(210,788,211)	(152,233,568)
INCOME (LOSS) FROM OPERATIONS		406,781,216	(7,365,578)
OTHER INCOME (CHARGES)	2q		
Interest income		93,897,435	24,717,699
Overhead cost recovery		18,072,946	10,145,456
Financing cost		(531,914,891)	(187,187,167)
Gain (loss) on foreign exchange - net	2v	(1,104,733)	110,304
Others		(34,034,647)	25,778,282
Other Charges - Net		(455,083,890)	(126,435,426)
LOSS BEFORE TAX		(48,302,674)	(133,801,004)
TAX BENEFIT (EXPENSE)	2s,29b,29d		
Current		(52,327,210)	(24,154,188)
Deferred		28,189,604	243,302,460
Total		(24,137,606)	219,148,272
INCOME (LOSS) BEFORE MINORITY INTEREST IN NET LOSS (INCOME) OF SUBSIDIARIES		(72,440,280)	85,347,268
MINORITY INTEREST IN NET LOSS (INCOME) OF SUBSIDIARIES	2b, 21	1,213,484	(3,069)
NET INCOME (LOSS)		(71,226,796)	85,344,199
BASIC EARNINGS (LOSS) PER SHARE (in full amount)	2t,30	(4.95)	5.93

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007

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

	Notes	Capital Stock	Additional Paid-in Capital	Difference in Value from Restructuring Transactions of Entities Under Common Control	Difference Due to Changes of Equity in Subsidiary	Translation Adjustments	Deficit	Total Equity
Balance as of January 1, 2007		1,440,081,337	3,354,749,228	(2,625,400,967)	-	(82,072,126)	(192,633,224)	1,894,724,248
Deferred tax adjustment on dividend received	2s,29d	-	-	-	-	-	(20,785,648)	(20,785,648)
Difference in value from restructuring transactions of entities under common control	24	-	-	(9,244,073)	-	-	-	(9,244,073)
Difference due to change of equity in Subsidiary	2i,25	-	-	-	1,261,714,335	-	-	1,261,714,335
Translation adjustments	2v	-	-	-	-	28,367,904	-	28,367,904
Net income for the period		-	-	-	-	-	85,344,199	85,344,199
Balance as of September 30, 2007		<u>1,440,081,337</u>	<u>3,354,749,228</u>	<u>(2,634,645,040)</u>	<u>1,261,714,335</u>	<u>(53,704,222)</u>	<u>(128,074,673)</u>	<u>3,240,120,965</u>
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	-	-	-	-	(15,476,714)	-	(15,476,714)
Net loss for the period		-	-	-	-	-	(71,226,796)	(71,226,796)
Balance as of September 30, 2008		<u>1,440,081,337</u>	<u>3,354,749,228</u>	<u>(2,634,645,040)</u>	<u>1,262,994,439</u>	<u>11,809,899</u>	<u>(169,454,527)</u>	<u>3,265,535,336</u>

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,328,789,981	930,001,149
Cash paid to supplier and employees	(483,722,159)	(890,448,062)
Cash provided from operations	845,067,822	39,553,087
Financing charges paid	(568,892,134)	(314,946,977)
Corporate income and dividend tax paid	(39,203,023)	(41,426,553)
Proceeds from reimbursement of Subsidiary's dividend tax	-	359,550,818
Net Cash Flows Provided by Operating Activities	236,972,665	42,730,375
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	93,897,435	24,717,699
Increase in short-term investment	(452,959,276)	-
Acquisition of fixed assets	(253,002)	(1,479,975)
Acquisition of oil and gas properties	(962,367,313)	(502,213,997)
Increase in other assets	(33,987,370)	(2,005,404)
Net Cash Flows Used in Investing Activities	(1,355,669,526)	(480,981,677)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in restricted cash in bank	(21,935,496)	(49,666,367)
Increase in restricted long-term cash equivalents	(238,368,984)	(450,944,931)
Proceeds from issuance of Subsidiary's capital stock - net	-	1,261,714,335
Proceeds (payments) of long-term loans - net	1,503,888,315	(2,019,456,633)
Movement of due from/to related parties - net	(64,759,777)	(314,516,589)
Net Cash Flows Provided by (Used in) Financing Activities	1,178,824,058	(1,572,870,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,127,199	(2,011,121,487)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	455,088,071	620,896,485
Effect of dilution of percentage of ownership in Subsidiary	-	1,823,897,745
Effect of foreign exchange rate changes	(851,715)	108,150,091
CASH AND CASH EQUIVALENTS AT ENDING OF THE PERIOD	514,363,555	541,822,834

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

(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 in the Republic of Indonesia based on notarial deed No. 16 dated October 16, 2001 of H. Rakhmat Syamsul Rizal, S.H., Notary in Jakarta. The deed of establishment was approved by the 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 has been amended several times. The latest amendment is based on the notarial deed No. 116 dated July 28, 2008 of Humbert Lie, S.H., S.E., MKn., Notary in Tangerang, in order to comply with the Laws of the Republic of Indonesia No. 40 of year 2007 concerning Limited Liability Companies and Regulation of Capital Market and Financial Institution Supervisory Board (Bapepam-LK) No. IX.J.1 The latest amendment is based on the Bapepam-LK’s Chairman’s Decision letter No. Kep-179/BL/2008 dated May 14, 2008 concerning the principles of the Articles of Association for companies conduct and equity public offering and public companies. The Company’s amended Articles of Association are currently under process of obtaining approval from the Ministry of Law and Human Rights of the Republic of Indonesia.

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, Jalan Jenderal Gatot Subroto No. 42, Jakarta. The Subsidiaries of the Company are engaged in oil and gas exploration, and their activities are located in Kangean Island, East Java Province, Riau, Jambi, North Sumatra and East Kalimantan Provinces.

The Company commenced its commercial operations in February 2003.

b. *Public Offering of Shares of the Company*

The Company obtained the effective notice for its initial public offering from the Chairman of Bapepam-LK in his letter No. S.1480/PM/2004 dated May 26, 2004. On June 7, 2004, the shares were listed on the Indonesia Stock Exchange (formerly the Jakarta Stock Exchange).

Based on the Extraordinary General Meeting of Shareholders (EGMS) dated December 22, 2005, the Company affected its first right issue (Rights Issue I) of 4,909,368,195 shares of nominal value Rp 100 (full amount) per share, which was offered at Rp 770 (full amount) per share totaling Rp 3,780,213,510,150 (full amount). The Company received the effective notice from the Chairman of Bapepam-LK, on January 25, 2006 to list the shares of the Right Issue I on the Indonesia Stock Exchange.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

1. GENERAL (Continued)

c. Structure of the Company and its Subsidiaries

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

Subsidiaries	Domicile	Percentage of Ownership (%)		Year of Commercial Operation	Total Assets (in million Rp)	
		2008	2007		2008	2007
RHI Corporation (RHI)	Delaware, USA	100	100	1984	2,014,661	1,340,214
Kondur Petroleum S.A (KPSA) *	Panama	100	100	1995	2,014,661	1,340,214
Malacca Brantas Finance, B.V. (MBF)	Netherlands	100	100	2005	578,840	1,106,734
Energi Mega Persada Finance B.V. (EMP Finance)	Netherlands	100	100	-	249	218
Costa International Group Ltd (Costa) *	British Virgin Islands	100	100	2002	211,366	238,061
Kalila (Bentu) Ltd (Bentu) *	British Virgin Islands	100	100	-	721,444	396,303
Kalila (Korinci Baru) Ltd (Korinci Baru) *	British Virgin Islands	100	100	2007	389,544	306,731
Energy Mega Persada Pte., Ltd. (EMP PL)	Singapore	100	100	-	47	-
Tunas Harapan Perkasa Pte., Ltd. (THPPL)	Singapore	100	100	-	47	46
Enviroco Company Ltd. (ECL)	Seychelles	100	-	2007	1,049,980	-
EMP Holding Singapore Pte Ltd (EMP HS)	Singapore	100	-	2008	4,080,673	-
PT Imbang Tata Alam (ITA)	Indonesia	99.99	99.99	2001	942,097	714,318
PT Tunas Harapan Perkasa (THP)	Indonesia	99.99	99.99	2005	2,382,982	1,906,770
PT Semberani Persada Oil (Semco) *	Indonesia	99.99	99.99	1996	1,681,195	1,131,422
PT Insani Mitrasani Gelam (IMG) *	Indonesia	99.99	99.99	2004	457,275	485,373
PT Mosesa Petroleum (MP)	Indonesia	75	-	-	178,054	-
Energi Mega Pratama Inc. (EMP Inc.)	British Virgin Islands	50	50	2003	3,865,369	2,849,646
EMP Exploration (Kangean) Ltd. (EEKL) *	UK	50	50	1987	2,408,717	1,652,077
Kangean Energy Indonesia Ltd. (KEIL) *	Delaware, USA	50	50	1987	3,752,403	2,476,333

**) Indirect ownership interest through Subsidiaries*

On March 6, 2007, EMP Inc. issued new shares that are to be assumed by Mitsubishi Corporation (MC) and Japan Petroleum Exploration Co., Ltd. (Japex). After the issuance, the Company's shareholding in EMP Inc. was diluted to 50% and the Company recorded its investment in EMP Inc. using the proportionate consolidation method effective January 1, 2007 (see Note 39b).

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

1. GENERAL (Continued)

Based on the Corporate Management Agreement (CMA) dated July 1, 2007 between the Company and Minarak Labuan Co. (L) Ltd. (MLC), the Company transferred 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. Consequently, the financial statements of KEL, PAN and LBI were no longer consolidated into the Company's consolidated financial statements (see Note 3).

The Company's EGMS on March 14, 2008 approved the conversion of KEL and PAN liabilities to MLC to share ownership in KEL and PAN by way of issuance of new shares. Effective from April 15, 2008, MLC became the owner of KEL and PAN and the Company's shareholding in KEL and PAN was diluted from 99.99% for both companies to 0.0117783% and 0,00099989%, respectively (see Note 3).

On April 1, 2008, the Company signed the Conditional Shares Sales and Purchase Agreement (CSPA) with PT Masagena Agung (MGA) whereby it was agreed that the Company would acquire 75% ownership interest in PT Mosesa Petroleum (MP) owned by MGA at an agreed price of US\$ 11,800,000 (see Note 5).

On May 31, 2007, the Company signed the Conditional Shares Sales and Purchase Agreement (CSPA) to acquire 75% interest in shares of PT Indelberg Indonesia Perkasa (IIP) (see Note 39a).

All Subsidiaries of the Company, except MBF, EMP Finance, THPPL, EMP PL, ECL and EMP HS are 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") holders of working interests of the following oil and gas production blocks

Name of Location	Blocks' Owner	Acquisition Date of Exploration	Due Date	Working Interest	Quantity of Proven Reserve*)	Quantity of Production *)		Ending Proven Reserve
						Current Year	Total - Accumulated Production	
Malacca Strait Block	Kondur Petroleum S.A.	August 5, 2000	August 4, 2020	60.49%	248,881	2,418	218,519	30,362
Kangean Block	Kangean Energy Indonesia Ltd.	November 14, 1980	November 13, 2030	50%	320,821	1,591	197,125	123,696
Sungai Gelam Block	PT Insani Mitra Gelam	May 15, 1997	May 14, 2017	100%	1,703	30	730	973
Semberah Block	PT Semberani Persada Oil	November 17, 1995	November 16, 2015	100%	10,325	786	2,119	8,206
Gebang Block	Costa International Group Ltd	November 29, 1985	November 28, 2015	50%	19,525	89	16,322	3,203
Korinci Baru Block	Kahila (Korinci Baru) Ltd	May 15, 1997	May 14, 2027	100%	2,654	801	1,151	1,503
Bentu Block	Kalila (Bentu) Ltd	May 20, 1991	May 19, 2021	100%	23,602	-	-	23,602
Tonga Block	PT Mosesa Petroleum	January 17, 2007	January 16, 2037	71.25%	-	-	-	-

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

Tonga Block has a prospective resource of 90 MMBOE (Unaudited).

No production from Bentu Block and Tonga Block as of September 30, 2008.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

1. GENERAL (Continued)

d. Boards of Commissioners, Directors and Audit Committee

As of September 30, 2008 and 2007, the members of the Company's Boards of Commissioners and Directors were as follows:

	2008	2007
<u>Commissioners</u>		
President Commissioner	: Ari Saptari Hudaya	Ari Saptari Hudaya
Commissioner	: Suyitno Patmosukismo	Suyitno Patmosukismo
Commissioner	: Nalinkant Amratlal Rathod	Nalinkant Amratlal Rathod
Independent Commissioner	: A. Qoyum Tjandranegara	A. Qoyum Tjandranegara
Independent Commissioner	: Sulaiman Zuhdi Pane	-
<u>Directors</u>		
President Director	: Christian Victor Ponto	Christian Victor Ponto
Director	: Yuli Soedargo	Yuli Soedargo
Director	: Imam Pria Agustino	Imam Pria Agustino

The composition of the Board of Commissioners as of September 30, 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.

The composition of the Board of Commissioners as of September 30, 2007 was based on the decision of the EGMS on May 11, 2007, as stated in the Minutes of EGMS Deed No. 37 dated May 11, 2007 of Robert Purba, S.H., Notary in Jakarta.

The composition of the Board of Directors as of September 30, 2008 and 2007 was based on the decision of the EGMS on April 19, 2007, as stated in the Minutes of Annual GMS Deed No. 48 dated April 20, 2007 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang.

The composition of the Audit Committee as of September 30, 2008 and 2007 based on the Minutes of Meeting of the Board of Commissioners dated October 11, 2005 was as follows:

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

Total remuneration paid to the Commissioners and Directors of the Company for the nine-month periods ended September 30, 2008 and 2007 amounted to Rp 18.76 billion and Rp 17.60 billion, respectively.

As of September 30, 2008 and 2007, the Company and its Subsidiaries had approximately 537 and 594 employees, respectively.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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) and Financial Statements Presentation Guidelines issued by Bapepam-LK. 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 include 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.

Under Statement of Financial Accounting Standards (PSAK) No. 4, “Consolidated Financial Statements”, control is presumed to exist when the parent company owns, directly or indirectly through subsidiaries, more than 50% of the voting rights of an enterprise. Even when a company owns 50 percent or less of the voting rights of an enterprise, control exists when one of the following conditions is met:

- (1) Having more than 50% of the voting rights by virtue of an agreement with other investors;
- (2) Having the right to govern the financial and operating policies of the 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

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.

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 within the period of PSC or TAC.

When the cost of acquisition is less than the interest in the fair values of the identifiable assets and liabilities acquired as at the date of acquisition (i.e. discount on acquisition), fair values of 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

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 or the investee's assets, results of operations or expected cash flows.

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 freely used 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 assets.

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. Trade and Other Receivables

Trade and other receivables are stated at face value less allowance for doubtful accounts. The allowance for doubtful accounts is provided 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 and other inventories that were 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 expensed when used.

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

Inventories 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

h. Prepaid Expenses

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

i. Investment - Change of Equity in Subsidiary

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

j. Transactions with Related Parties

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

- (1) Enterprises that, through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (including holding companies, subsidiaries and fellow subsidiaries);
- (2) Associated companies;
- (3) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, and close members of the family of any such individual (close members of a family are defined as those members who are able to exercise influence or can be influenced by such individuals, in conjunction with their transactions with the Company);
- (4) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including commissioners, directors and managers of the enterprise and close members of the families of such individuals; and,
- (5) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4) or over which such a person is able to exercise significant influence. This definition includes enterprises owned by the commissioners, directors or major shareholders 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 Long-Term Cash Equivalents

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

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.

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 or 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

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 consolidated 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 or 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 consolidated statement of income of the current period.

o. Capitalization of Borrowing Cost

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

q. Revenue and Expense Recognition

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

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

r. Employee Benefits

Liabilities relating to employee benefits covering retirement benefits, short-term (e.g. paid annual leave and paid sick leave) and other long-term benefits (e.g. long-service leave and post-employment 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 and Subsidiaries' Policy. The Subsidiaries, KPSA, ITA, Bentu and Korinci Baru, also provide post-employment benefits from defined contribution pension plans. The contribution charged to the Subsidiaries is recognized as expense in the current period.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

The cost of providing post-employment benefits is determined using the projected unit credit method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and the 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 consolidated balance sheet represents the present value of the defined obligation, adjusted for unrecognized actuarial gains and losses and unrecognized past-service cost.

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.

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 consolidated 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t. Earnings (Loss) per Share

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

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

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.

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 exchange rate differences are shown as part of Equity as "Translation Adjustments".

The exchange rates prevailing on September 30, 2008 and 2007 were as follows:

	2008	2007
Currency*		
US\$	9,378	9,137
Euro	13,751	12,938

* in full amount.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

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 consolidated 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 Subsidiaries' position at the balance sheet date (adjusting events) are reflected in the consolidated 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.

z. New Accounting Standard Pronouncements

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

- 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 and Subsidiaries are evaluating the impact of the adoption of the above new accounting standards on the consolidated financial statements.

3. DECONSOLIDATION OF SUBSIDIARIES

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 thereby granted power and authorized MLC, unconditionally and irrevocably, to perform any acts or actions, instructions, supervision and all the rights 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 may only be terminated in the event that the conversion of receivable be entirely undertaken (see Note 1c), by which MLC shall own more than 50% of the total number of shares subscribed in KEL and PAN.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

3. DECONSOLIDATION OF SUBSIDIARIES (Continued)

As of the effective date of the transfer, the financial statements of KEL, PAN and LBI were no longer consolidated into the consolidated financial statements of the Company.

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 management believes that the Company's responsibility for the Subsidiaries' losses is limited up to the invested amounts. The Company will resume taking up the Subsidiaries' profits only after its share of the profits equals the share of net losses not recognized.

The Company has reported the deconsolidation to 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 shareholders of the Company agreed with the conversion of MLC receivables to KEL and PAN into share ownership in KEL and PAN 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 was diluted to 0.0117783% and 0.00099989% respectively. The ownership interest in KEL and PAN though conversions of receivables come into effect on April 15, 2008.

4. RESTATEMENT OF CONSOLIDATED FINANCIALS STATEMENTS

The Company has restated its consolidated financial statements for the years ended December 31, 2007. Restatement was made on the Subsidiaries' employee benefits obligation based on revised actuarial valuation report.

Following is a summary of the significant account in the consolidated financial statements as of September 30, 2007 after and before the restatements:

	As Restated	As Previously Reported
Restricted long-term cash equivalents	629,344,475	574,457,088
Total non-current assets	6,224,449,841	6,169,562,453
Total assets	7,724,482,514	7,669,595,127
Employee benefits obligation	88,962,931	34,075,544
Total non-current liabilities	1,433,238,428	1,378,351,041

5. ACQUISITION OF SUBSIDIARY

On April 1, 2008, the Company signed a Conditional Sales and Purchase Agreement (CSPA) with PT Masagena Agung (MGA), whereby it was agreed that the Company would acquire 75% ownership interest in PT Mosesa Petroleum (MP) owned by MGA at an agreed price of US\$ 11,800,000. Both parties agreed that the agreement would become effective upon the completion of either one of the following conditions:

- (i) MGA and MP have held a General Meeting of Shareholders (GMS) to obtain the approval of the sale and purchase of the shares, and;
- (ii) The Company has announced the plan of the acquisition in at least one (1) nationally circulated newspaper before MP's GMS according to Limited Liability Company Law.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

5. ACQUISITION OF SUBSIDIARY (Continued)

On April 2, 2008, the Company submitted and announced the plan of the acquisition to the Indonesia Stock Exchange and in several newspapers in Indonesia. On June 11, 2008, the shareholders of MGA and MP approved the transaction.

The acquisition thus became effective on June 11, 2008.

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

The acquisitions of MP were recorded using the purchase method. Net assets of MP were valued at their fair values, any excess of the cost of acquisition over the fair values of the identifiable assets being attributed to oil and gas properties. Fair values of net assets at acquisition date were as follows:

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

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2008	2007
Cash on hand	534,566	433,055
Bank		
Rupiah		
PT Bank Internasional Indonesia Tbk	1,206,171	752,894
Citibank N.A.	1,104,216	867,268
Others (below Rp 1 billion each)	1,198,379	1,411,065
United States Dollar		
PT Bank Negara Indonesia (Persero) Tbk	79,272,250	830,527
Citibank N.A.	11,185,847	35,428,173
PT Bank Internasional Indonesia Tbk	2,853,402	6,259,149
PT Bank Mega Tbk	698,977	2,098,663
Societe Generale Hongkong	122,828	23,405,697
Deutsche Bank	97,995	92,881,178
Credit Suisse	-	71,084,853
Others (below Rp 1 billion each)	659,885	1,066,105
Euro		
Fortis Bank	39,034	222,246

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

6. CASH AND CASH EQUIVALENTS (Continued)

	2008	2007
Time deposits		
Rupiah		
Citibank N.A.	11,056,592	-
PT Bank Internasional Indonesia Tbk	-	3,872,848
PT Bank Mega Tbk	-	3,000,000
United States Dollar		
PT Bank Mega Tbk	281,340,000	274,110,000
Citibank N.A.	103,158,000	-
PT Bank Internasional Indonesia Tbk	10,455,329	24,099,113
PT Bank Negara Indonesia (Persero) Tbk	9,380,084	-
Total	514,363,555	541,822,834

Interest rates of time deposits were as follows:

	2008	2007
United States Dollar	2.25% - 3.75%	2.25% - 4.75%
Rupiah	7.25% - 7.50%	7.00% - 8.75%

7. RESTRICTED CASH IN BANK

This account represents a current account placed in Hong Kong Shanghai Banking Corporation (HSBC) in US Dollar that is used as an escrow account with HSBC, as Trustee, pursuant to the Gas Sales Purchase Agreement (GSA) dated July 7, 2005 (see Note 34c).

8. SHORT-TERM INVESTMENT

ECL and KPSA placed funds with Riseley Management Ltd (RML) amounted to US\$ 110 million and US\$ 15 million, respectively. Based on the agreements with RML, ECL and KPSA will earn interests of 7% and 9% above LIBOR, respectively, and may terminate the agreement at any time. The agreement will expire in eighteen (18) months from October 22, 2007 and five (5) years from September 15, 2008 for ECL and KPSA, respectively. These agreements may be extended subject to written instruction from ECL and KPSA.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

9. TRADE RECEIVABLES

This account consists of:

a. By Debtor - Third Parties

	2008	2007
Local Debtors		
PT Pertamina (Persero)	144,890,936	73,861,719
PT Perusahaan Gas Negara (Persero) Tbk	39,622,800	63,441,303
PT Perusahaan Listrik Negara (Persero)	17,307,704	17,688,999
PT Petrokimia Gresik (Persero)	9,115,262	10,114,589
PT Riau Andalan Pulp & Paper	5,102,730	-
Foreign Debtor		
Petro Diamond Co., Ltd.	7,612,655	306,910
Total	<u>223,652,087</u>	<u>165,413,520</u>

b. By Age Category

	2008	2007
Up to 30 days	94,611,688	57,355,824
31 - 60 days	79,742,972	42,569,005
Over 60 days	49,297,427	65,488,691
Total	<u>223,652,087</u>	<u>165,413,520</u>

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

Receivables of Subsidiaries as of September 30, 2008 and 2007 were pledged as collateral for the long-term loans (see Note 19).

10. OTHER RECEIVABLES

This account consists of:

	2008	2007
Reimbursable Value-Added Tax (VAT)	177,917,764	162,221,538
Receivable from vendors	23,428,930	29,446,875
Receivable from employees	13,007,402	23,991,383
Overhead receivables from PSC participant	7,498,941	2,652,079
Others	186,064,679	86,233,802
Total	<u>407,917,716</u>	<u>304,545,677</u>

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

11. INVENTORIES

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

	2008	2007
Spare parts	423,244,590	366,147,960
Fuel	8,603,222	11,443,793
Chemicals and others	12,674,261	1,911,854
Total	<u>444,522,073</u>	<u>379,503,607</u>

Inventories were insured in an insurance package with Oil and Gas Properties (see Note 15).

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

12. OTHER CURRENT ASSETS

This account consists of:

	2008	2007
Prepaid expenses		
Rental	4,383,214	5,394,730
Insurance	2,658,961	3,162,634
Service charge	291,685	310,996
Advances		
Project	24,772,803	18,259,441
Others	22,868,686	30,969,012
Prepaid income tax	-	983,855
Total	<u>54,975,349</u>	<u>59,080,668</u>

13. DUE FROM/TO RELATED PARTIES

a. *Due from Related Parties*

	2008	2007
Lapindo Brantas, Inc. (LBI)	663,062,562	565,842,949
PT Energi Timur Jauh (ETJ)	585,900,676	531,322,931
Others	196,720	2,512,234
Total	<u>1,249,159,958</u>	<u>1,099,678,114</u>
Percentage to total assets	<u>11.23%</u>	<u>14.24%</u>

Due from LBI mainly represents a portion of funds originating from a loan by Merrill Lynch (see Note 19). MLC, as the majority owner of LBI, guaranteed the receivable from LBI to the Company.

Due from ETJ mainly from loan based on the agreement dated August 1, 1998 (see Note 34b).

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

13. DUE FROM/TO RELATED PARTIES (Continued)

b. *Due to Related Parties*

	2008	2007
Asian Worldwide Group Ltd. (AWG)	43,082,771	41,975,611
Global Overseas Enterprise Ltd. (GOE)	17,350,104	16,904,234
Others	488,901	631,346
Total	60,921,776	59,511,191
Percentage to total liabilities	0.78%	1.33%

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

14. RESTRICTED LONG-TERM CASH EQUIVALENTS

This account consists of placements at:

	2008	2007 (As Restated - See Note 4)
Societe Generale, Hongkong	383,249,133	362,132,822
Credit Suisse, Singapore	262,190,990	51,922,485
PT Bank Mega Tbk	93,958,182	74,009,700
PT Bank Mandiri (Persero) Tbk	44,823,788	54,887,387
Bank of New York, Singapore	-	86,392,081
Total	784,222,093	629,344,475

The fund placed with Societe Generale represents placement of time deposits in respect of the Share Subscription Agreement (SSA) dated March 6, 2007 whereby the Company EMP Inc. (Subsidiary) MC and Japex agreed that EMP Inc. shall keep the proceeds from BPE and BPA under the term of amendment of SSA in a separate account to be dedicated for the payment of the Subsidiaries' dividend tax only (see Note 20).

The fund placed with Credit Suisse (CS) in 2008 represents placement of fund pursuant to the Cash and Account Management Agreement between the Company, EMP HS, KPSA, ITA, IMG, Semco, Bentu, Korinci, Costa with CS, which will serve as collateral for the loan obtained from CS on September 8, 2008 (see Note 19) and earn similar interest rate provided by CS to other customers.

The fund placed with Credit Suisse (CS) in 2007 represents placement of fund pursuant to the Credit Agreement between Semco and CS, which will serve as collateral for the loan (see Note 19) and earn interest at the rate of LIBOR.

The fund placed with PT Bank Mega Tbk represents placement of fund used for bank guarantees of IIP and MP amounting to US\$ 8.1 million and US\$ 1.9 million, respectively. These bank guarantees were in respect of the Operations Cooperation Agreement between IIP and PT Pertamina EP (see Note 39a) and Production Sharing Contract (PSC) between BPMIGAS and MP.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

14. RESTRICTED LONG-TERM CASH EQUIVALENTS (Continued)

The fund placed with PT Bank Mandiri (Persero) Tbk represents placement of fund made by Subsidiary for employee benefits.

Time deposits in Bank of New York (BONY) represents 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 19). Time deposits mature on a quarterly basis and earn interest at the rate of LIBOR. Loan to Merrill Lynch has been fully paid on July 27, 2008 (see Note 19).

All restricted long-term cash equivalents are in US Dollar.

15. OIL AND GAS PROPERTIES

This account consists as follows:

	2008	2007
Wells and equipment and their facilities	7,285,108,929	5,383,586,780
Wells and equipment and their facilities in progress	1,677,939,964	584,506,134
Total	8,963,048,893	5,968,092,914
Accumulated depreciation, depletion and amortization	(3,583,819,258)	(2,037,923,394)
Net Book Value	5,379,229,635	3,930,169,520

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

<i>Area of Interest</i>	2008				September 30,
	January 1,	Addition	Deduction	Translation Adjustment	
Malacca Straits PSC	940,702,871	262,636,548	85,966,360	(1,591,945)	1,115,781,114
Kangean PSC	2,253,110,854	401,290,256	36,634,405	(4,641,584)	2,613,125,121
Gelam TAC	244,581,660	12,068,974	6,515,632	(985,968)	249,149,034
Bentu PSC	286,764,052	26,509,379	-	(872,704)	312,400,727
Korinci Baru PSC	201,249,253	41,695,233	83,208,870	(1,464,132)	158,271,484
Gebang PSC	14,181,170	949,184	25,589	(48,645)	15,056,120
Semberah TAC	387,405,325	97,835,179	30,516,959	(732,663)	453,990,882
Tonga PSC	-	156,359,804	-	-	156,359,804
Total	4,327,995,185	999,344,557	242,867,815	(10,337,641)	5,074,134,286
Add: Cost pool effect	211,871,514	-	(93,223,835)	-	305,095,349
Net Book Value	4,539,866,699				5,379,229,635

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

15. OIL AND GAS PROPERTIES (Continued)

<i>Area of Interest</i>	2007				
	January 1,	Addition	Deduction	Translation adjustment	September 30,
Malacca Straits PSC	785,147,259	43,793,647	91,650,662	10,031,905	747,322,149
Kangean PSC	3,335,125,920	297,822,947	1,742,010,645	38,662,188	1,929,600,410
Gelam TAC	234,042,628	14,082,809	6,065,800	3,932,730	245,992,367
Bentu PSC	260,592,811	5,058,590	-	3,396,302	269,047,703
Korinci Baru PSC	200,323,584	14,103,622	13,770,898	2,599,492	203,255,800
Gebang PSC	13,362,495	191,834,994	6,718,603	(184,782,404)	13,696,482
Semberah TAC	278,290,628	68,905,423	17,447,823	3,773,598	333,521,826
Total	5,106,885,325	635,602,032	1,877,664,431	(122,386,189)	3,742,436,737
Add: Cost pool effect	113,943,439	-	(73,789,344)	-	187,732,783
Net Book Value	5,220,828,764				3,930,169,520

Depreciation, depletion and amortization for the nine-month periods ended September 30, 2008 and 2007 amounting to Rp 149,643,969 and Rp 84,973,368, respectively, were charged to cost of goods sold (see Note 27).

Deduction of oil and gas properties on Kangean PSC in 2007 amounting to Rp 1.7 trillion represents the effect of proportionate consolidation of 50% EMP Inc.'s oil and gas properties (see Note 39b).

The additions mainly consist of costs of development and exploration, and capitalization of borrowing cost. Total capitalized borrowing cost for the nine-month periods ended September 30, 2008 and 2007 amounted to US\$ 7.8 million and US\$ 14.1 million, respectively (see Note 19).

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 September 30, 2008 and 2007, total sums insured were US\$ 426,767,504 and US\$ 390,846,735, respectively.

Total sums insured after September 30, 2008 are as follows:

	Next 3 Months	Next 4 - 6 Months	Next 7 - 9 Months	Next 10 - 12 Month	Next Over 12 Months
Inventories and Oil and Gas Properties	US\$ 427 million	US\$ 427 million	-	-	-

After six months the Company and Subsidiaries will renew the insurance.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

16. TRADE PAYABLES

This account consists of:

a. *By Creditors - Third Parties*

	2008	2007
PT Jasa Karya Utama	59,615,553	57,671,397
PT Jaya Wijaya Raya	33,866,284	4,372,341
PT Duta Energi Semesta	24,363,259	7,907,722
PT Dwi Prima Sembada	11,099,321	5,646,408
PT Baker Atlas Indonesia	8,721,071	-
PT Radiant Utama Interinsco	7,427,466	4,472,586
Credit Suisse, Singapore	6,890,700	6,890,700
PT Petrolog Multi Usaha Mandiri	6,501,275	-
PT Prime Petro Services	6,283,381	-
PT Pumpindo Ekamas Pratama	6,034,411	-
PT Alton International Indonesia	5,952,188	6,839,542
PT Imeco Inter Sarana	5,831,515	-
Schlumberger Geophnusantara	5,779,891	-
PT Permata Drilling Indonesia	5,035,350	-
PT Agung Patria Wahana	1,756,213	6,838,110
PT Saripari Geosains	956,206	11,303,287
PT Kanaka Dwi Mitra Manunggal	-	6,390,481
Avenir Worldwide Ltd	-	5,482,200
Others (below Rp 5 billion each)	118,684,958	89,672,899
Total	314,799,042	213,487,673

b. *By Age Category*

	2008	2007
Up to 30 days	81,004,042	46,501,979
31 - 60 days	28,752,438	46,376,708
Over 60 days	205,042,562	120,608,986
Total	314,799,042	213,487,673

c. *By Currency*

	2008	2007
US Dollar	283,239,766	185,348,648
Rupiah	31,559,276	28,139,025
Total	314,799,042	213,487,673

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

17. OTHER PAYABLES

This account consists of:

	2008	2007
PT Masagena Agung (MGA)	110,660,400	-
Overlifting	84,512,370	60,763,747
Promissory Note	26,905,482	-
Others	83,110,295	2,801,114
Total	<u>305,188,547</u>	<u>63,564,861</u>

Payable to MGA pertains to liability arising from the acquisition of PT Mosesa Petroleum (MP) amounted to US\$ 11,800,000 (see Note 5).

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

On January 12, 2008, MP issued a Promissory Note to Advance-Lead Strategy Ltd. amounting to US\$ 2.8 million and bearing interest at 8% that will due on December 31, 2008.

18. ACCRUED EXPENSES

This account consists of:

	2008	2007
Production	161,188,193	83,752,918
Drilling	146,196,727	33,224,764
Support	68,137,826	14,675,389
Interest	22,963,631	50,187,103
Others	46,880,363	11,430,976
Total	<u>445,366,740</u>	<u>193,271,150</u>

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

Accrued production on September 30, 2008 includes Gas Transportation Fee (GTF) payable to Pertamina for the period from August 2005 to September 2008 amounting to US\$ 10.13 million. As of September 30, 2008, Pertamina has not signed the GTF contract with EEKL and KEIL. Therefore, the calculated GTF accrual was based on the estimation which may differ from the payable amount when the GTF agreement is finally agreed. The fund for GTF payments related to the Gas Sales Agreement that has already been paid by the gas buyer is deposited in a specific HSBC account at Singapore branch (see Note 7).

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

19. LONG-TERM LOANS

This account consists of:

	2008	2007
Credit Suisse (US\$ 450 million in 2008 and US\$ 152.75 million in 2007)	4,220,100,000	1,395,676,750
Mitsubishi Corporation (US\$ 62.16 million in 2008 and US\$ 25.27 million in 2007)	582,887,284	230,856,180
Japan Petroleum Exploration Co., Ltd. (US\$ 62.16 million in 2008 and US\$ 25.27 million in 2007)	582,887,284	230,856,180
PT Bank Permata Tbk	215,507	698,690
Merrill Lynch (US\$ 120 million)	-	1,096,440,000
PT Bank Niaga Tbk	-	426,700
Total	5,386,090,075	2,954,954,500
Less current maturities	56,661,876	2,492,784,151
Long-tem Loans - Net	5,329,428,199	462,170,349

Credit Suisse (CS), Singapore Branch

On September 8, 2008, EMP HS signed the credit facility agreement with CS, as an arranger, with maximum facilities of US\$ 450 million, which consist of the following agreements:

a. Senior Credit Agreement

EMP HS obtained the loan under this agreement amounting to US\$ 250 million and bears interest at rate of 12% above LIBOR. The loan period is 60 (sixty) months after utilization date. EMP HS may repay all or a portion the loan at any time on or after the date following 24 (twenty-four) months from the utilization date.

b. Junior Credit Agreement

EMP HS obtained the loan under this agreement amounting to US\$ 200 million and bears interest at rate of 9% above LIBOR. The loan period is 60 (sixty) months after utilization date. EMP HS may repay the loan in full at any time after the payment of the Senior facility and 18 (eighteen) months after the utilization date.

The above facilities have been utilized on September 12, 2008 and used for:

- Repayment of the prior loan obtained from CS amounting to US\$ 152.75 million.
- Repayment of the loan, which obtained from PMA Capital Management Ltd on October 18, 2007, amounting to US\$ 108 million.
- Financing the development and exploration of existing assets, and
- Funding the working capital for existing assets.

Collateral used for these credit facilities include the corporate guarantee from the Company and shares of EMP HS, Operating Companies (ITA, KPSA, Semco, IMG, Costa, Bentu and Korinci Baru) and 50% shares of EMP Inc.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

19. LONG-TERM LOANS *(Continued)*

The agreements requires the Company to exercise equity raising by issuance of new shares in the capital of the Company in an amount equal to or greater than US\$ 150 million not later than June 30, 2009. A minimum of US\$ 150 million from the net proceeds of such issuance of shares must be used for any of the purposes as set out below:

- Funding capital expenditure and/or the working capital; and/or
- Refinancing of these facilities in whole or in part.

On October 27, 2005, Semco obtained a credit facility from CS amounting to US\$ 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 is due on the thirty-sixth month, both amounting to US\$ 26,375,000. The first installment was paid on August 16, 2006.

Collateral used for this credit facility includes THP and Operating Companies' (Korinci Baru, Bentu, IMG, Semco and Costa) 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 US\$ 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 from Tranche A loan;
- (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 due on August 15, 2008. This loan was fully paid on August 15, 2008.

Collateral used for additional loan from CS was as follows:

- First ranking pledge of 100% of the issued share capital of the following: THP and Operating Companies (Korinci Baru, Bentu, IMG, Semco and Costa);
- 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;
- Security over bank accounts, assignments of dividends and irrevocable payment instructions over dividends from the Subsidiaries.

The loan of US\$ 152.75 million was fully paid on September 12, 2008.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

19. LONG-TERM LOANS (Continued)

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

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

a. Loan facilities for the Company

MC and Japex agreed to provide a loan facility to the Company for 50% of KEIL and EEKL's expended capital expenditures for the period from July 1, 2006 to May 16, 2007, capped at a combined total of US\$ 21.55 million as stipulated in the Facility Agreements dated May 16, 2007. This loan will due on June 30, 2017, bears interest at LIBOR plus 3.75% for six (6) month term and has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter. As of September 30, 2008, the Company has utilized the loan facility amounting to US\$ 18.77 million.

b. Loan facilities for EEKL and KEIL

MC and Japex agreed to provide a loan facility to EEKL and KEIL in respect of the Subsidiary's funding obligations for capital expenditures, capped and include the loan facility for the Company at a combined total of US\$ 215 million (the Company portion of US\$ 107.5 million) as stipulated in the Carry Agreement dated May 16, 2007. This loan will due on June 30, 2017, bears interest at LIBOR plus 3.75% for six (6) month term and has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter. As of September 30, 2008, EEKL and KEIL have utilized the loan facility amounting to US\$ 99.5 million.

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 US\$ 30 million (the Company portion of US\$ 15 million) as stipulated in the Loan Agreement dated May 25, 2007. This loan will due on May 16, 2009, bears interest at LIBOR plus 4.25% for six (6) month term and will be repaid by semi-annual installments starting December 2007. As of September 30, 2008, EMP Inc. has utilized the loan facility amounting to US\$ 6.05 million.

This loan was used by EMP Inc. to finance operating expenditure of EEKL and KEIL, capped at US\$ 30 million (consisting of US\$ 18 million for KEIL and US\$ 12 million for EEKL). This loan will due on May 16, 2009, bears interest at LIBOR plus 4.25% for six (6) month term 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 vehicles for the Subsidiary. The loan bears interest at 8.8% per annum over its 5-year period.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

19. LONG-TERM LOANS (Continued)

Merrill Lynch (ML), Singapore

On July 27, 2005, MBF obtained a credit facility from Merrill Lynch, Singapore branch, (as placing agent) amounting to US\$ 120 million in the form of the Equity Collateralized Leveraged Securities (ECOLES) consisting of Series A Notes and Series B Notes amounting to US\$ 25 million and US\$ 95 million, respectively, which were used for:

- Repayment of LBI's loan to PMA Investment Advisory Ltd. and ITA's loan to PT Bank Mandiri (Persero) Tbk;
- Financing the development and exploration of oil and gas in Malacca Straits PSC Block and Brantas PSC Block; and
- Financing the working capital of ITA, LBI and KPSA.

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

Collateral used for this credit facility was as follows:

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

Subsequently, MBF transferred the loan obtained from ML 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 (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
Total	27,033,814	60,597,550	32,368,636	120,000,000

Specific terms and conditions apply to the loan obtained by ITA, LBI and KPSA are similar to the terms and conditions of loan from MBF and ML.

The loan of US\$ 120 million was paid in full on July 27, 2008.

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 the Company's vehicles. The loan bears interest at 6.93% - 9.62% per annum and is collateralized by its vehicles. The loan was payable in 36 monthly installments. In 2008, this loan was fully paid.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

19. LONG-TERM LOANS (Continued)

PMA Capital Management Ltd. (PMA)

At October 18, 2007, ECL entered into a term loan facility from PMA as a facility agent of up to a maximum of US\$ 108 million. This loan will be used for the Subsidiary's general working capital purposes. 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. This loan is due in 18 months from date of the first drawdown of the facility.

This loan was fully paid at September 12, 2008.

20. SUBSIDIARIES' 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 Exploration Operating Company Ltd. (BPE) and BP America Production Company (BPA) 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 included it in the value of the acquired net assets. In 2007, EMP Inc. received the reimbursement amounting to US\$ 39,351,080 based on the latest BPE's and BPA's calculation. The fund has been placed with Societe Generale (see Note 14).

As of September 30, 2008, the Directorate General of Taxation has not issued a final decision regarding this liability.

21. MINORITY INTEREST

a. *Minority interest in net assets of Subsidiaries:*

	2008	2007
PT Mosesa Petroleum	36,166,447	-
PT Tunas Harapan Perkasa	13,707	14,429
Total	36,180,154	14,429

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

	2008	2007
PT Mosesa Petroleum	1,215,832	-
PT Tunas Harapan Perkasa	(2,348)	(3,069)
Total	1,213,484	(3,069)

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

22. CAPITAL STOCK

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

Name of Shareholders	2008		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Kondur Indonesia	3,793,183,184	26.34%	379,318,318
PT Brantas Indonesia	3,317,206,597	23.03%	331,720,660
Rennier Abdul Rachman Latief	55,067,472	0.38%	5,506,747
Julianto Benhayudi	50,000	0.01%	5,000
Public (below 5% each)	7,235,306,119	50.24%	723,530,612
Total	14,400,813,372	100.00%	1,440,081,337

Name of Shareholders	2007		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Kondur Indonesia	4,673,191,942	32.45%	467,319,194
PT Brantas Indonesia	3,918,226,595	27.20%	391,822,659
Julianto Benhayudi	314,488,667	2.18%	31,448,867
Rennier Abdul Rachman Latief	165,886,786	1.15%	16,588,679
Public (below 5% each)	5,329,019,382	37.02%	532,901,938
Total	14,400,813,372	100.00%	1,440,081,337

23. ADDITIONAL PAID-IN CAPITAL

As of September 30, 2008 and 2007, this account consists of:

	Difference from the Excess of Price Over the Share Par Value	Share Issuance Cost	Total
Issuance of 7,756,801,695 shares of the Company through:			
Initial Public Offering - 2,847,433,500 shares	170,846,010	12,425,064	158,420,946
Right Issue I - 4,909,368,195 shares	3,289,276,690	92,948,408	3,196,328,282
Total	3,460,122,700	105,373,472	3,354,749,228

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

As of September 30, 2008 and 2007, this account consists of:

	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)

25. DIFFERENCE DUE TO CHANGE OF EQUITY IN SUBSIDIARY

In 2007, EMP Inc. issued 26,000,010 new shares to MC and 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 the Difference Due to Change of Equity in Subsidiary 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.

26. NET SALES

This account consists of:

	2008	2007
Petro Diamond Co., Ltd	735,795,929	-
PT Pertamina (Persero)	404,505,572	206,173,068
PT Perusahaan Listrik Negara (Persero)	75,966,662	24,009,637
PT Petrokimia Gresik (Persero)	51,045,611	38,417,915
PT Riau Andalan Pulp & Paper	50,794,474	-
PT Perusahaan Gas Negara (Persero) Tbk	42,097,151	68,310,536
Itochu Petroleum Co., Pte., Ltd.	-	389,514,688
Total	1,360,205,399	726,425,844

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

27. COST OF GOODS SOLD

This account consists of:

	2008	2007
Production	329,948,488	290,188,760
Production support	227,674,631	123,965,621
Depreciation, depletion and amortization	149,643,969	84,973,368
Workover	35,368,884	82,430,105
Total	742,635,972	581,557,854

28. OPERATING EXPENSES

This account consists of:

	2008	2007
Salaries, allowance and employee benefits	84,206,297	68,442,770
Professional fees	80,263,697	45,096,611
Representation and donation	10,302,335	6,653,621
Rental	9,574,798	9,239,386
Business traveling	6,857,714	4,559,261
Office expenses	4,334,206	3,844,040
Depreciation	1,862,964	1,804,060
Insurance	523,584	1,278,676
Others (below Rp 500 million each)	12,862,616	11,315,143
Total	210,788,211	152,233,568

29. TAXATION

a. *Taxes Payable*

This account consists of:

	2008	2007
Corporate income and dividend tax	29,240,351	-
Income tax		
Article 4 (2)	82,259	182,096
Article 21	7,408,789	8,268,943
Article 22	-	35,537
Article 23	25,053,928	14,895,637
Article 26	47,930,094	21,423,576
VAT	78,337,749	43,195,068
Tax correction and penalty	8,856,788	-
Total	196,909,958	88,000,857

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

29. TAXATION (Continued)

EEKL and KEIL are registered as UK and USA tax residents, respectively. No UK and USA tax liability was recognized as of September 30, 2008 and 2007 based on the Subsidiaries' calculation.

RHI has no taxable income hence the management believes that RHI has no income tax liability as of September 30, 2008 and 2007.

The estimated income tax of KEIL and RHI assumes that the US IRS (Internal Revenue Service) will accept the calculation.

MBF and EMP Finance are registered as tax subjects in the Netherlands. MBF and EMP Finance had no estimated income tax liability as of September 30, 2008 and 2007.

On November 28, 2006, the Directorate General of Taxation issued Tax Assesment Letter on Under Payment (*Surat Ketetapan Pajak Kurang Bayar*) (SKPKB) of corporate income tax and income tax article 26 (4) for Costa for the years 1997, 1998, 2000, 2001 and 2002 totaling US\$ 8,860,992.

On February 27, 2007, Costa submitted their Objection Letter to the Tax Office and filed the lawsuit to the State Administration Court opposing such SKPKB. The Tax Office has rejected the Objection Letter. However, the lawsuit for this case is still under process.

In October and November 2007, Bentu has received tax assessment letters for the interest penalty on late payment of VAT and withholding tax article 23 amounting to Rp 4,153,062 and Rp 3,054, respectively.

On March 7, 2007, IMG received SKPKB of VAT amounting to Rp 6,265,260 from the Directorate General of Taxation, of which Rp 3,174,381 was paid on November 22, 2007. While in June 2007, the Directorate General of Taxation issued an additional tax assessment letter of VAT of IMG amounting to Rp 1,384,078.

The Subsidiaries provided the provisions for these tax assessment letters including its penalties amounting to Rp 8,856,788 in 2008.

b. Tax Benefit (Expense)

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

	2008	2007
Current tax		
The Company	-	-
Subsidiaries	(52,327,210)	(24,154,188)
Deferred tax		
The Company	28,473,730	22,049,299
Subsidiaries	(284,126)	221,253,161
Sub-total	28,189,604	243,302,460
Total	(24,137,606)	219,148,272

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

29. TAXATION (Continued)

c. *Current Tax - The Company*

Reconciliation between loss before tax as shown in the consolidated statements of income and estimated tax losses of the Company for the nine-month periods ended September 30, 2008 and 2007, calculated with the effective tax rate, was as follows:

	2008	2007
Loss before tax per consolidated statements of income	(48,302,674)	(133,801,004)
Deduct:		
Income (loss) before tax - the Subsidiaries	127,408,009	(64,473,671)
Loss before tax - the Company	(175,710,683)	(69,327,333)
Timing difference:		
Employee benefits	485,102	(2,558,001)
Permanent differences:		
Representation and donation	8,316,288	5,459,688
Interest income subject to final tax	(5,988,334)	(10,206,276)
Others	6,613,082	576,257
Total	9,426,138	(6,728,332)
Estimated tax loss - the Company	(166,284,545)	(76,055,665)
Estimated cumulative tax losses beginning of period	(261,377,664)	(276,592,400)
Dividend received	-	69,285,424
Cumulative tax losses ending - the Company	(427,662,208)	(283,362,641)

No provision for current income tax was made for the nine-month periods ended September 30, 2008 and 2007 because the Company was still in a tax loss position.

The Government of Indonesia issued Government Decree (PP) No. 81 year 2007 dated December 27, 2007 regarding Reduction on Income Tax Tariff for Domestic Taxpayer that is a Public Company, effective from January 1, 2008. Accordingly, a public company may obtain reduction of about 5% of the higher tariff of income tax after fulfilling the following conditions: (a) the public owns 40% or more of the issued and fully paid-shares and must consist of at least 300 shareholders; (b) each of the 40% public shareholders should not own more than 5% shareholding; (c) the company should comply with the above terms for at least 6 months within a tax year.

As of September 30, 2008, the Company has implemented the tax reduction rate of 5% in the calculation of the Company's corporate income tax for the nine-month period ended September 30, 2008.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

29. TAXATION (Continued)

d. *Deferred Taxes*

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

	2008			
	January 1,	Translation Adjustments	Credited (Charged) to Statement of Income	September 30,
<u>Deferred Tax Assets</u>				
Unrecovered charges	1,051,544,370	(2,419,064)	152,345,841	1,201,471,147
Tax losses	78,519,866	-	28,504,622	107,024,488
Employee benefits obligation	6,438,039	(2,955)	1,464,848	7,899,932
Depreciation, depletion and amortization	(612,692,030)	1,606,469	(74,861,983)	(685,947,544)
Non-capital inventory	(32,908,780)	(60,139)	(14,356,656)	(47,325,575)
Total	490,901,465	(875,689)	93,096,672	583,122,448
<u>Deferred Tax Liabilities</u>				
Employee benefits obligation	7,269,820	126,545	11,166,326	18,562,691
Depreciation, depletion and amortization	(390,489,389)	654,762	(73,764,946)	(463,599,573)
Non-capital inventory	(37,302,537)	129,671	(2,308,448)	(39,481,314)
Total	(420,522,106)	910,978	(64,907,068)	(484,518,196)
Deferred Tax Benefits credited to the Consolidated Statement of Income			28,189,604	

	2007				
	January 1,	Deduction	Translation Adjustments	Credited (Charged) to Statements of Income and Equity	September 30,
<u>Deferred Tax Assets</u>					
Employee benefits obligation	7,142,912	(1,501,943)	72,274	564,891	6,278,134
Tax losses	83,038,648	-	-	(20,741,251)	62,297,397
Depreciation, depletion and amortization	(605,646,340)	223,102,978	(7,571,174)	(133,665,201)	(523,779,737)
Non-capital inventory	(63,425,094)	28,701,420	(721,938)	2,944,307	(32,501,305)
Unrecovered charges	840,114,043	(279,035,020)	11,072,957	357,019,824	929,171,804
Total	261,224,169	(28,732,565)	2,852,119	206,122,570	441,466,293

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

29. TAXATION (Continued)

	2007				
	January 1,	Deduction	Translation Adjustments	Credited (Charged) to Statements of Income and Equity	September 30,
<u>Deferred Tax</u>					
<u>Liabilities</u>					
Employee benefits obligation	5,519,158	-	75,530	1,237,467	6,832,155
Depreciation, depletion and amortization	(317,910,982)	-	(4,071,086)	16,517,750	(305,464,318)
Non-capital inventory	(37,746,947)	-	(493,966)	(1,360,975)	(39,601,888)
Total	(350,138,771)	-	(4,489,522)	16,394,242	(338,234,051)
Deferred Tax Benefit credited to the Consolidated Statement of Income				243,302,460	
Deferred Tax Expense charged to Equity				20,785,648	

30. BASIC EARNINGS (LOSS) PER SHARE

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

	2008	2007
<u>Earnings (Loss)</u>		
Net earnings (loss) used for calculation	(71,226,796)	85,344,199
<u>Number of shares</u>		
Weighted average number of shares for the calculation of basic earnings (loss) per share	14,400,813,372	14,400,813,372
Basic earning (loss) per share (in full amount)	(4.95)	5.93

The Company did not calculate diluted earnings per share since the Company had no shares that had a potential dilutive effect for the nine-month periods ended September 30, 2008 and 2007.

31. PENSION PLANS AND EMPLOYEE BENEFITS

Pension Plans

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

Pension plans for KPSA and ITA are managed by PT Tugu Mandiri; Bentu and Korinci Baru are managed by PT Asuransi Allianz Life Indonesia. The contributions amounting to 9% of the employee's salary, of which 6% is paid by the Company and 3% is paid by the employee.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

31. PENSION PLANS AND EMPLOYEE BENEFITS (Continued)

The pension plans for KEIL are managed by DPLK Manulife Indonesia. The contributions amounting to 8% of employee's salary, of which 6% is paid by the Company and 2% is paid 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 (see Note 14).

Amounts charged to operating expense were as follows:

	2008	2007
Current-service cost	12,065,186	7,354,535
Interest cost	7,725,732	6,590,447
Expected return on plan assets	2,802	(5,757,843)
Net actuarial losses recognized	1,455,784	4,168,810
Past-service cost	3,448,396	(74,431)
Total	<u>24,697,900</u>	<u>12,281,518</u>

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

	2008	2007 (As Restated - See Note 4)
Benefit obligation	151,602,918	99,118,613
Unrecognized actuarial loss	(23,687,692)	(10,240,429)
Unrecognized past service liability	(17,252,910)	84,747
Employee benefits obligation	<u>110,662,316</u>	<u>88,962,931</u>

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

	2008	2007 (As Restated - See Note 4)
Balance at beginning of the period	89,340,193	84,054,450
Contribution for the period	91,942	(10,323,055)
Asset corrections	1,114,301	3,334,465
Benefits paid	(4,582,020)	(384,447)
Amount charged to consolidated statements of income current period	<u>24,697,900</u>	<u>12,281,518</u>
Balance at ending of the period	<u>110,662,316</u>	<u>88,962,931</u>

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

31. PENSION PLANS AND EMPLOYEE BENEFITS (Continued)

The employee benefits obligations for the Company, KPSA, ITA and KEIL for the nine-month periods ended September 30, 2008 and 2007 were based on the Company and Subsidiaries' estimation that was calculated based on the actuarial reports prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its reports for the years ended December 31, 2008 and 2007 dated November 11, 2008 and October 29, 2007, respectively. The computations used the following assumptions:

Discount rate	: 12% per annum in 2008 (10% per annum in 2007)
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 nine-month periods ended September 30, 2008 and 2007 were based on the Subsidiary's estimation that was calculated based on the actuarial reports prepared by PT Dian Artha Tama, an independent actuarial firm, in its reports for the year ended December 31, 2007 dated September 24, 2007. 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 benefits obligation for Semco for the nine-month periods ended September 30, 2008 and 2007 was based on the Subsidiary's estimation that was calculated based on the actuarial reports 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
Disability rate	: 5% of Mortality rate
Actuarial method	: Projected Unit Credit
Resignation rate	: 1% per annum
Normal retirement age	: 56 years old (all employees are assumed to retire at normal retirement age)

32. NATURE OF RELATIONSHIP WITH RELATED PARTIES

- a. PT Brantas Indonesia and PT Kondur Indonesia are the Company's shareholders.
- b. PT Energi Timur Jauh, Lapindo Brantas Inc., Asian Worldwide Group Ltd. and Global Overseas Enterprise Ltd. are companies whose indirect shareholders are the same as the indirect shareholders of the Company.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

33. 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			Consolidated
	Trading	Mining	Elimination	
NET SALES				
External sales	-	1,360,205,399	-	1,360,205,399
RESULT				
Segment result	-	617,569,427	-	617,569,427
Unallocated expenses				(210,788,211)
Income from operations				406,781,216
Financing cost				(531,914,891)
Other income - net				76,830,001
Loss before tax				(48,302,674)
Tax expense - net				(24,137,606)
Loss before minority interest				(72,440,280)
Minority interest				1,213,484
Net loss				(71,226,796)
OTHER INFORMATION				
Assets				
Segment assets	6,671,414,647	14,617,662,907	(10,747,376,457)	10,541,701,097
Unallocated assets				583,122,448
Consolidated total assets				11,124,823,545
Liabilities				
Segment liabilities	812,253,103	12,027,501,849	(5,501,165,093)	7,338,589,859
Unallocated liabilities				484,518,196
Consolidated total liabilities				7,823,108,055
Capital expenditure	-	999,344,556	-	999,344,556
Depreciation, depletion, and amortization	1,830,038	149,676,896	-	151,506,934

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

33. SEGMENT INFORMATION (Continued)

	2007			Consolidated
	Trading	Mining	Elimination	
NET SALES				
External sales	-	726,425,844	-	726,425,844
RESULT				
Segment result	-	144,867,990	-	144,867,990
Unallocated expenses				(152,233,568)
Loss from operations				(7,365,578)
Financing cost				(187,187,167)
Other income - net				60,751,741
Loss before tax				(133,801,004)
Tax benefit - net				219,148,272
Income before minority interest				85,347,268
Minority interest				(3,069)
Net income				85,344,199
OTHER INFORMATION				
Assets				
Segment assets	6,508,142,797	7,562,205,248	(6,787,331,824)	7,283,016,221
Unallocated assets				441,466,293
Consolidated total assets				7,724,482,514
Liabilities				
Segment liabilities	586,088,454	5,312,922,434	(1,752,897,818)	4,146,113,070
Unallocated liabilities				338,234,051
Consolidated total liabilities				4,484,347,121
Capital expenditure	-	635,602,033	-	635,602,033
Depreciation, depletion, and amortization	1,774,728	85,002,700	-	86,777,428

Secondary Segment

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

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

33. SEGMENT INFORMATION (Continued)

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
Domestic		
Jakarta	404,505,572	206,173,068
East Java	169,109,423	130,738,088
Riau	50,794,475	-
International		
Singapore	735,795,929	389,514,688
Total	1,360,205,399	726,425,844

34. 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 Pertamina . A summary of the significant provisions of the PSC and TAC is as follows:

1. Sales

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

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

2. 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 of Subsidiaries are recoverable from Pertamina.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

34. COMMITMENTS *(Continued)*

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, shall be equal to the net realized Indonesian Crude Oil 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 out of the sales proceeds or by 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.

6. Compensation, Assistance and Production Bonuses

The Subsidiaries shall pay bonus and assistance to BPMIGAS for equipment and services, ranging between US\$ 50,000 until US\$ 25 million within 30 - 60 days after the production of petroleum have reached between 3 million until 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. Insurance Claim

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, valuation and other expenses.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

34. COMMITMENTS *(Continued)*

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, 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, 2008 and 2007, the estimated site restoration obligation amounted to US\$ 16 million and US\$ 13.66 million, respectively, presented as Site Restoration Obligation in consolidated balance sheets and the provision funding amounted to US\$ 11.8 million and US\$ 11.1 million, respectively, presented as Site Restoration Fund in consolidated balance sheets.

10. Participation

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

11. Interest Recovery

Interest on loans for capital investments in petroleum operations that do 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 Jaub (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. As of September 30, 2008, all parties have not terminated yet the agreement.

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 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

34. COMMITMENTS *(Continued)*

c. *The Subsidiaries' Sale and Purchase Gas Agreements*

(1) KEIL and EEKL

On October 30, 2007, KEIL entered into certain amendments of the Sale and Purchase of Gas Agreements that entered 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 have been fulfilled;
- b. PT Petrokimia Gresik (Persero), which shall expire on the earlier of: June 30, 2018, or the volume of 241.86 BSCF have been fulfilled;
- c. Pertamina/PT Pertagas, which shall expire on the earlier of: March 31, 2019, or the volume of 221 TBTU have been fulfilled; and
- d. PT Indogas Kriya Dwiguna, which shall expire on the earlier of following: February 6, 2021, or the volume of 79.2 TBTU have been fulfilled.

On July 7, 2005 EEKL, KEIL (Subsidiaries) and BPMIGAS as sellers entered into Gas sales Agreement (GSA) with PT Pembangkit Jawa Bali, PT Perusahaan Gas Negara (Persero) Tbk, and PT Petrokimia Gresik as buyers. Pursuant to GSA, the buyers shall pay for gas sales to Trustee (HSBC) and the Trustee shall receive, hold, manage and disburse amounts paid by buyers under the GSA (see Note 7).

(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.

Since all conditions precedent have been met, this agreement was effective from 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 have been fulfilled.

(3) Semco

- a. On October 31, 2005, Pertamina 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

34. COMMITMENTS *(Continued)*

- b. On July 22, 2008, Pertamina signed the Sales and Purchase Gas Agreement with Virginia Indonesia Co LLC (VICO) in the amount of 15 MMSCF per day from Semberah field (Semco), which shall valid for 1 year from the date of the agreement.

To support of this agreement, Pertamina and Semco will sign Gas Supply Agreement. As of September 30, 2008, such agreement is still in process.

d. Joint Operating Agreement (JOA)

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

On December 20, 1985, Japex transferred all of working interest on Gebang block to Japex North Sumatera Ltd. (JNS).

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

35. CONTINGENCIES

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

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

EEKL and KEIL Gas Sales to PGN

In November 2006, the East Java Gas Pipeline (EJGP), which was transporting 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 gas from the Santos-operated Maleo field located in Madura Offshore PSC.

Based on the minutes of meeting dated February 1, 2008 between KEIL, Pertamina and PGN, all parties agreed on the volume sent by EEKL and KEIL to PGN, which was 8,395,870 MMBTU as of December 31, 2007.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

35. CONTINGENCIES (Continued)

On July 4, 2008, the Statement of Payment of Gas Delivery was signed by KEIL, which represent delivery on behalf of EEKL, with PGN. In the statement, the following points were agreed:

- All parties agreed that the amount of gas delivered and received by PGN for the period of December 1, 2006 until December 31, 2007 amounted to 8,395,870 MMBTU, as stated in minutes of meeting on February 1, 2008.
- PGN agreed to pay for the gas delivered as stated above after the deduction of Make Up Gas and Initial Fill, which reduced the amount to 7,948,408 MMBTU.
- Both parties agreed the price to be used as US\$ 2.59 for each MMBTU.
- Therefore, PGN payable amounted to US\$ 20,586,376.53, from which PGN will withhold a payment of US\$ 696,695.65 until the Gas Pipeline Compensation Agreement is signed by Pertamina, KEIL and PGN.
- PGN agreed to pay US\$ 19,889,680.88 after the deduction of the payment as stated above.
- Gas delivered from the period of December 31, 2007 up to December 31, 2008 will be paid in accordance with the Future Gas Agreement between PGN and KEIL.

In September 2008, PGN settled its payable amounting to US\$ 19,889,680.88 to KEIL and EEKL in accordance with above agreement.

36. 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, 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 includes, 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.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

37. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

Under the renewal and extension of PSC with BPMIGAS, the Subsidiaries are required to provide for abandonment of all exploration wells and the restoration of their drill sites, together with all estimates of money required for the funding of any abandonment and site restoration program established in conjunction with an approved plan of development for a commercial discovery.

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

The movements of site restoration obligation were as follows:

<i>Area of Interest</i>	2008				September 30,
	January 1,	Addition	Deduction	Translation adjustment	
Malacca Straits PSC	110,094,616	12,585,398	-	(300,937)	122,379,077
Kangean PSC	28,084,258	-	-	(846,355)	27,237,903
Total	138,178,874				149,616,980

<i>Area of Interest</i>	2007				September 30,
	January 1,	Addition	Deduction	Translation adjustment	
Malacca Strait PSC	85,644,827	15,162,586	-	1,159,192	101,966,605
Kangean PSC	18,040,000	4,553,986	-	248,501	22,842,487
Total	103,684,827				124,809,092

38. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of September 30, 2008 and 2007, the Company and Subsidiaries had monetary assets and liabilities denominated in foreign currencies as follows:

	2008		2007 (As Restated - See Note 4)	
	Foreign Currency	Equivalent in Rupiah	Foreign Currency	Equivalent in Rupiah
<u>Assets</u>				
Cash and cash equivalents	US\$ 53,245,718	499,338,339	US\$ 58,176,432	531,558,059
	Euro 2,839	39,034	Euro 17,178	222,246
Restricted cash in bank	US\$ 7,845,757	73,577,509	US\$ 5,435,741	49,666,367
Short-term investment	US\$ 124,412,111	1,176,114,775	US\$ -	-
Restricted long-term cash equivalents	US\$ 82,144,006	770,346,490	US\$ 67,285,950	614,791,729
Trade receivables	US\$ 23,848,591	223,652,087	US\$ 11,160,361	101,972,218
Other receivables	US\$ 28,419,872	266,521,557	US\$ 33,394,291	305,123,635
Due from related parties	US\$ 133,200,986	1,249,158,851	US\$ 120,354,223	1,099,676,537
Site restoration fund	US\$ 11,839,792	111,033,572	US\$ 11,159,747	101,966,604
Total Assets		4,369,782,214		2,804,977,395

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

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

	2008		2007 (As Restated - See Note 4)	
	Foreign Currency	Equivalent in Rupiah	Foreign Currency	Equivalent in Rupiah
<u>Liabilities</u>				
Trade payables	US\$ 30,202,577	283,239,766	US\$ 20,330,190	185,756,948
Other payables	US\$ 32,543,031	305,188,548	US\$ 6,956,863	63,564,861
Accrued expenses	US\$ 47,490,589	445,366,740	US\$ 21,152,583	193,271,150
Due to related parties	US\$ 6,496,244	60,921,776	US\$ 6,513,209	59,511,191
Long-term loans	US\$ 568,267,507	5,329,212,682	US\$ 323,282,162	2,953,829,111
Site restoration obligation	US\$ 15,954,039	149,616,980	US\$ 13,659,745	124,809,091
Subsidiary's dividend tax	US\$ 39,351,080	369,034,425	US\$ 39,351,080	359,550,814
Total Liabilities		6,942,580,917		3,940,293,166
Net Liabilities		2,572,798,703		1,135,315,771

39. OTHER SIGNIFICANT INFORMATION

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

a. *Strategic Alliance with PT Indelberg Indonesia Perkasa*

On May 31, 2007, the Company signed the Conditional Share Sales and Purchase Agreement (CSPA) with Eka Sinto Kasih Tjia (ESKT) and Ir. Utaryo Suwanto (USW) to acquire 75% ownership interest in PT Indelberg Indonesia Perkasa (IIP) owned by ESKT and USW at an agreed price of US\$ 10,000. IIP had the Operating Cooperation Agreement (OCA) with PT Pertamina EP dated April 25, 2007 to operate exploration and production of oil and gas in the Suci operating area, East Java. The OCA agreement stipulates, among others, that IIP require to issue a bank guarantee amounting to US\$ 8,100,000 for the period of three (3) years starting from the date of OCA agreement.

The sales and purchase agreement will be effective 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, or
- (ii) IIP has obtained the approval from PT Pertamina EP for the takeover of the shares.

In the CSPA also stipulates, among others, the Company require to issue a bank guarantee amounting to US\$ 8,100,000, which will subsequently be used for IIP (see Note 14).

As of September 30, 2008 the above conditions have not been met, therefore the consolidated financial statements do not include adjustments that might result from the outcome of signing the CSPA.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

39. OTHER SIGNIFICANT INFORMATION (Continued)

b. New Shares Subscription in 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 share subscriptions 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 amount to US\$ 360 million.

The total proceeds from share subscription of US\$ 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 totaling approximately US\$ 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 payment of these amounts, and the other 50% shall be a 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. 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 US\$ 5 million.

The completion of the transaction shall depend upon the meeting of the following conditions:

- The approval from the Company's shareholders at a general meeting of shareholders and of Bapepam-LK in respect of the transaction.
- Receipt of a letter from the credit facility agent acknowledging that on payment by EMP Inc. of the credit 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%.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007

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

39. OTHER SIGNIFICANT INFORMATION *(Continued)*

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 become 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 of the Agreement amounting to US\$ 7,791,944.22.

40. SUBSEQUENT EVENT

Based on the Company's letter dated October 20, 2008 to Bapepam-LK and Indonesia Stock Exchange, the Company has a plan to buy-back the Company's outstanding shares in the maximum amount of 20% of total issued and paid-in capital stock dated June 30, 2008. As of the audit report date, the buy-back will be carried out within three (3) months starting from the Public Expose letter dated October 20, 2008.

41. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements for September 30, 2007 have been reclassified to conform to the presentation of accounts in the consolidated financial statement for September 30, 2008.

42. 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 December 23, 2008.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2008 AND 2007

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
<i>Proven developed undeveloped and probable reserves</i>							
Balance as of January 1, 2007	31,177	243,434	4,993	22,233	1,021	12,595	48,273
Production during the period	(2,276)	(2,141)	(100)	(427)	(91)	(169)	-
Balance as of September 30, 2007	28,901	241,293	4,893	21,806	930	12,426	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	(2,418)	(1,591)	(30)	(786)	(89)	(801)	-
Balance as of September 30, 2008	37,462	238,547	3,373	19,668	6,504	11,437	48,273

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2008 AND 2007

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
<i>Proven developed and undeveloped reserves</i>							
Balance as of January 1, 2007	20,516	135,207	864	6,381	29	2,661	23,602
Production during the period	(2,276)	(2,141)	(100)	(427)	(29)	(169)	-
Balance as of September 30, 2007	18,240	133,066	764	5,954	-	2,492	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	3,292	-	-
Production during the period	(2,418)	(1,591)	(30)	(786)	(89)	(801)	-
Balance as of September 30, 2008	30,362	123,696	973	8,206	3,203	1,503	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 May 26, 2008.
- 2) Estimated oil and gas reserves in Kangean Block were certified by:
 - Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants, as of January 31, 2008, in their report dated May 26, 2008 for the Pagerungan Field, Pagerungan Utara Field, Rancak Field and Sepanjang Field;
 - Sproule International, independent petroleum engineering consultants, as of July 31, 2006, in their report dated November 3, 2006 for the Terang Field, Sirasun Field and Batur Field.

PT ENERGI MEGA PERSADA Tbk AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION (UNAUDITED)
SEPTEMBER 30, 2008 AND 2007

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 May 26, 2008.
- 4) Estimated oil and gas reserves in Semberah Block as of January 31, 2008 were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.
- 5) Estimated oil and gas reserves in Gebang Block as of January 31, 2008 were certified by Gaffney, Cline and Associates (GCA), independent petroleum engineering consultants in their report dated May 26, 2008.
- 6) Estimated oil and gas reserves in Korinci Block as of September 2005 were certified by Malkewicz Hueni and Associates (MHA), independent petroleum engineering consultants in their report dated September 13, 2005.
- 7) Estimated oil and gas reserves in Bentu Block as of September 2005 were certified by Malkewicz Hueni and Associates (MHA), independent petroleum engineering consultants in their report dated September 13, 2005.