Jimmy Budhi & Rekan

Registered Public Accountants

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007
AND
REPORT OF INDEPENDENT AUDITORS

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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PT ENERGI MEGA PERSADA Tbk.

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
PT ENERGI MEGA PERSADA TBK AND SUBSIDIARIES

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

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, March 27, 2009

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METERAI TEMPEL

Christian V. Ponto
President Director

Report of Independent Auditors

Report No. 021/2009

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 December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial position of PT Energi Mega Persada Tbk and Subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

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 year ended December 31, 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.

The supplementary information included on pages 53 through 55 is not required a part of the basic financial statements, and we did not audit or apply limited procedures to such information and do not express any assurances on such information.

JIMMY BUDHI & REKAN
Registered Public Accountants

Tjiendradjaja Yamin
License No. 09.01.1026

March 27, 2009

NOTICE TO READERS

The accompanying consolidated financial statements are intended to present the financial position, results of operations 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
DECEMBER 31, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

A S S E T S

	Notes	2008	2007 (As restated - see Note 4)
CURRENT ASSETS			
Cash and cash equivalents	2d,6	230,617,986	455,088,071
Short-term investment	2e,7	1,400,072,403	723,155,499
Trade receivables	2f,8	180,414,099	270,434,267
Other receivables	2f,9	506,272,942	412,576,104
Inventory	2g,10	480,703,568	377,908,336
Prepaid expenses and advances	2h,11	57,880,045	57,989,476
Total Current Assets		2,855,961,043	2,297,151,753
NON-CURRENT ASSETS			
Due from related parties	2j,12b	1,485,213,693	1,190,308,248
Restricted long-term cash	2k,13,18,19,31	848,768,788	653,377,573
Fixed assets - net of accumulated depreciation of Rp 8,224,956 in 2008 and Rp 9,979,054 in 2007	2l	1,872,571	6,650,134
Oil and gas properties - net of accumulated depreciation, depletion and amortization of Rp 4,304,708,529 in 2008 and Rp 2,150,166,719 in 2007	2m,14	6,583,378,763	4,539,866,699
Site restoration fund	2n,33a	137,753,693	110,094,616
Deferred tax assets	2t,29d	671,967,080	490,901,465
Other assets		41,706,898	86,430,351
Total Non-Current Assets		9,770,661,486	7,077,629,086
TOTAL ASSETS		12,626,622,529	9,374,780,839

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

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

LIABILITIES AND EQUITY

	Notes	2008	2007 (As restated - see Note 4)
CURRENT LIABILITIES			
Trade payables	15	433,216,737	307,041,608
Other payables	16	334,758,712	111,675,134
Accrued expenses	2z,17	573,948,344	567,762,546
Taxes payable	2t,29a	226,549,871	132,598,825
Current maturities of long-term loans	18	-	2,569,371,593
Total Current Liabilities		1,568,473,664	3,688,449,706
NON-CURRENT LIABILITIES			
Due to related parties	2j,12c	71,191,624	61,363,391
Deferred tax liabilities	2t,29d	619,532,341	420,522,106
Employee benefits obligation	2s,13,31	119,849,071	89,340,193
Site restoration obligation	2n,33a,36	137,753,694	138,178,874
Subsidiary's dividend tax liabilities	19	-	370,647,819
Long-term loans - net of current maturities	18	6,363,120,275	1,254,028,544
Total Non-Current Liabilities		7,311,447,005	2,334,080,927
TOTAL LIABILITIES		8,879,920,669	6,022,530,633
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	2b,20a	35,460,962	11,360
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	21	1,440,081,337	1,440,081,337
Additional paid-in capital	22	3,354,749,228	3,354,749,228
Difference in value from restructuring transaction of entities under common control	2c,23	(2,634,645,040)	(2,634,645,040)
Difference due to change of equity in Subsidiary	2i,24	1,262,994,439	1,262,994,439
Translation adjustment	2w	421,231,949	27,286,613
Deficit		(133,171,015)	(98,227,731)
Total Equity - Net		3,711,240,898	3,352,238,846
TOTAL LIABILITIES AND EQUITY		12,626,622,529	9,374,780,839

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 YEARS ENDED DECEMBER 31, 2008 AND 2007
(Figures in Rupiah expressed in thousands, unless otherwise stated)

	Notes	2008	2007
NET SALES	2r,25	1,859,071,111	1,137,542,666
COST OF GOODS SOLD	2r,26	(1,073,370,865)	(795,209,787)
GROSS PROFIT		785,700,246	342,332,879
OPERATING EXPENSES	2r,27	(203,144,787)	(178,729,400)
INCOME FROM OPERATIONS		582,555,459	163,603,479
OTHER INCOME (CHARGES)	2r		
Interest income		134,192,537	52,762,463
Gain on foreign exchange - net	2w	41,174,023	9,153,712
Overhead cost recovery		28,373,306	16,628,832
Financing cost	28	(760,321,426)	(318,486,261)
Others		(7,386,061)	24,545,282
Other Charges - Net		(563,967,621)	(215,395,972)
INCOME (LOSS) BEFORE TAX BENEFIT (EXPENSE)		18,587,838	(51,792,493)
TAX BENEFIT (EXPENSE)	2t,29b,29d		
Current		(42,220,475)	(44,483,763)
Deferred		(13,243,321)	211,914,018
Net		(55,463,796)	167,430,255
INCOME (LOSS) BEFORE MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES		(36,875,958)	115,637,762
MINORITY INTEREST IN NET LOSS OF SUBSIDIARIES	2b,20b	1,932,674	-
NET INCOME (LOSS)		(34,943,284)	115,637,762
BASIC EARNINGS (LOSS) PER SHARE (in full amount)	2u,30	(2.43)	8.03

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 EQUITY
FOR THE YEARS ENDED DECEMBER 31, 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 - Net
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	2t,29d	-	-	-	-	-	(21,232,269)	(21,232,269)
Difference in value from restructuring transactions of entities under common control		-	-	(9,244,073)	-	-	-	(9,244,073)
Difference due to change of equity in Subsidiary	2i,24	-	-	-	1,262,994,439	-	-	1,262,994,439
Translation adjustments	2w	-	-	-	-	109,358,739	-	109,358,739
Net income for the year		-	-	-	-	-	115,637,762	115,637,762
Balance as of December 31, 2007		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	2w	-	-	-	-	393,945,336	-	393,945,336
Net loss for the year		-	-	-	-	-	(34,943,284)	(34,943,284)
Balance as of December 31, 2008		1,440,081,337	3,354,749,228	(2,634,645,040)	1,262,994,439	421,231,949	(133,171,015)	3,711,240,898

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

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,993,048,691	1,172,655,921
Cash paid to supplier and employees	(805,038,033)	(510,318,685)
Cash provided from operations	1,188,010,658	662,337,236
Financing charges paid	(814,947,588)	(459,899,404)
Corporate income and dividend tax paid	(336,593,056)	(45,639,965)
Proceeds from reimbursement of Subsidiary's dividend tax	-	370,647,822
Net Cash Flows Provided by Operating Activities	36,470,014	527,445,689
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	134,192,537	46,010,884
Decrease (increase) in other assets	44,723,454	(72,789,168)
Proceeds from sale of fixed assets	160,000	-
Acquisition of oil and gas properties	(1,324,528,944)	(833,396,589)
Increase in short-term investment	(676,916,904)	(723,155,499)
Acquisition of fixed assets	(351,268)	(2,612,258)
Net Cash Flows Used in Investing Activities	(1,822,721,125)	(1,585,942,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (payments) of long-term loan - net	1,754,564,829	(1,227,926,496)
Increase in restricted long-term cash	(106,278,281)	(526,530,950)
Movement of due from/to related parties - net	(101,574,232)	(403,294,522)
Proceeds from issuance of Subsidiary's capital stock	-	1,262,994,439
Net Cash Flows Provided by (Used in) Financing Activities	1,546,712,316	(894,757,529)
NET DECREASE IN CASH AND CASH EQUIVALENT	(239,538,795)	(1,953,254,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	455,088,071	620,896,485
Effect of dilution of percentage of ownership in Subsidiary	-	1,695,921,815
Effect of foreign exchange rate changes	15,068,710	91,524,242
CASH AND CASH EQUIVALENTS AT ENDING OF YEAR	230,617,986	455,088,071

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

1. GENERAL

a. *Establishment and General Information*

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

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

(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 (%) 2008	2007	Year of Commercial Operation	Total Assets (Before Elimination) (in million Rp) 2008	2007
RHI Corporation (RHI)	Delaware, USA	100	100	1984	2,657,366	1,573,920
Kondur Petroleum S.A (KPSA) *)	Panama	100	100	1995	2,657,366	1,573,920
Malacca Brantas Finance, B.V. (MBF)	Netherlands	100	100	2005	1,166,280	1,141,072
Energi Mega Persada Finance B.V. (EMP Finance)	Netherlands	100	100	-	290	225
Costa International Group Ltd (Costa) *)	British Virgin Islands	100	100	2002	252,562	255,078
Kalila (Bentu) Ltd (Bentu) *)	British Virgin Islands	100	100	-	898,584	438,709
Kalila (Korinci Baru) Ltd (Korinci Baru) *)	British Virgin Islands	100	100	2007	467,053	313,061
Energy Mega Persada Pte., Ltd. (EMP PL)	Singapore	100	100	-	55	47
Tunas Harapan Perkasa Pte. Ltd. (THPPL)	Singapore	100	100	-	55	47
Enviroco Company Ltd. (ECL)	Sychelles	100	-	2007	1,252,794	723,155
EMP Holding Singapore Pte Ltd (EMP HS)	Singapore	100	-	2008	4,640,194	-
PT Imbang Tata Alam (ITA)	Indonesia	99.99	99.99	2001	1,379,021	854,726
PT Tunas Harapan Perkasa (THP)	Indonesia	99.99	99.99	2005	2,744,919	2,051,715
PT Semberani Persada Oil (Semco) *)	Indonesia	99.99	99.99	1996	1,880,506	1,208,711
PT Insani Mitrasani Gelam (IMG) *)	Indonesia	99.99	99.99	2004	605,651	462,271
PT Mosesa Petroleum (MP)	Indonesia	75	-	-	180,974	-
Energi Mega Pratama Inc. (EMP Inc.)	British Virgin Islands	50	50	2003	4,193,062	3,178,907
EMP Exploration (Kangean) Ltd. (EEKL) *)	England	50	50	1987	1,409,139	1,028,852
Kangean Energy Indonesia Ltd. (KEIL) *)	Delaware, USA	50	50	1987	2,157,108	1,543,232

**) 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 from January 1, 2007 (see Note 38a).

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 effectively starting July 1, 2007. Consequently, commencing July 1, 2007, the financial statements of KEL, PAN and LBI were no longer consolidated in the Company's consolidated financial statements (see Note 3).

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

1. GENERAL *(Continued)*

The Company's EGMS dated 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 to 0.0117783% and 0.00099989%, respectively.

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

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

						Quantity of Production *)		
Name of Location	Blocks' Owner	Acquisition Date of Exploration	Due Date	Working Interest	Quantity of Proven Reserve*)	Current Year	Total Accu-mulated Production	Ending Proven Reserve
Malacca Strait Block	Kondur Petroleum S.A.	August 5, 2000	August 4, 2020	60.49%	248,881	3,281	219,382	29,499
Kangean Block	Kangean Energy Indonesia Ltd.	November 14, 1980	November, 13, 2030	50%	320,821	2,080	197,614	123,207
Sungai Gelam Block	PT Insani Mitrasani Gelam	May 15, 1997	May 14, 2017	100%	1,703	72	772	931
Semberah Block	PT Semberani Persada Oil	November 17, 1995	November 16, 2015	100%	10,325	1,060	2,393	7,932
Gebang Block	Costa International Group Ltd	November 29, 1985	November 28, 2015	50%	19,525	122	16,355	3,170
Korinci Baru Block	Kalila (Korinci Baru) Ltd	May 15, 1997	May 14, 2027	100%	2,654	1,043	1,393	1,261
Bentu Block	Kalila (Bentu) Ltd	May 20, 1991	Mei 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 Barrels Oil Equivalent (MBOE) (see Supplementary Information).*

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

No production from Bentu Block and Tonga Block as of December 31, 2008.

d. <u>*Boards of Commissioners, Directors and Audit Committee*</u>

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

		2008	2007
Commissioners			
President Commissioner	:	Ari Saptari Hudaya	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	-

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

1. GENERAL *(Continued)*

		2008	2007
Directors			
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 December 31, 2008 was based on the decision of the EGMS on March 14, 2008, as stated in the Minutes of EGMS Deed No. 44 dated March 14, 2008 of Robert Purba, S.H., Notary in Jakarta.

The composition of the Board of Commissioners as of December 31, 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 December 31, 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 December 31, 2008 and 2007 was based on the Minutes of Meeting of the Board of Commissioners dated October 11, 2005 and was as follows:

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

Total remuneration paid to the Commissioners and Directors of the Company for the years ended December 31, 2008 and 2007 amounted to Rp 25.37 billion and Rp 20.30 billion, respectively.

As of December 31, 2008 and 2007, the Company and its Subsidiaries had approximately 526 and 626 employees, respectively (Unaudited).

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) issued by the Indonesian Institute of Accountants and Financial Statements Presentation Guidelines issued by Bapepam-LK. Significant accounting policies applied consistently by the Company and its Subsidiaries 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.

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

b. *Principles of Consolidation*

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

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

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

Control is still presumed to exist if:

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

A subsidiary is excluded from consolidation when:

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

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

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

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

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

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

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

c. *Business Acquisitions*

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

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

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

d. *Cash and Cash Equivalents*

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

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.

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

f. *Trade and Other Receivables*

Trade and other receivables are stated at face value less allowance for doubtful accounts. The allowance for doubtful account is provided based on management's evaluation of collection experience, the status of the individual receivable accounts at the end of the year and other factors that may affect collectibility.

g. *Inventories*

Inventories of spare-parts, chemicals and fuel are classified into capital and non-capital inventories. Capital inventories represent spare-parts and other equipment that are consumed or used as components of construction. The capital inventories are capitalized as assets.

Non-capital inventories represent inventories being consumed for the purpose of repair and maintenance of assets or used for operations. The non-capital inventories are charged when used.

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

Inventories 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 year.

h. *Prepaid Expenses*

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

i. *Investment - Change of Equity in Subsidiary*

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

j. *Transactions with Related Parties*

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

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

k. *Restricted Long-Term Cash*

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

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

l. *Fixed Assets*

The Company and its Subsidiaries adopted PSAK 16 (Revised 2007) "Fixed Asset" in the preparation of their consolidated financial statements starting from January 1, 2008. Under this standard, an entity shall choose between the Cost Model or Revaluation Model as the accounting policy for its fixed assets. The Company and its Subsidiaries have chosen the Cost Model as the accounting policy for their fixed assets measurement. The adoption of PSAK 16 (Revised 2007) did not result in changes to the Company's and Subsidiaries' existing relevant accounting policies.

Fixed assets are stated at cost less accumulated depreciation. Cost includes significant expenditures for repair, replacements, betterments, and improvements that increase fixed assets capacity. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. The ranges of useful life by major asset classification are 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 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 year.

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.

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

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

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

n. *Abandonment and Site Restoration Obligation*

The Subsidiaries recognize their obligation for future removal and restoration of oil and gas production facilities, wells, pipelines and related assets in accordance with the provision in the PSC. The Subsidiaries are also required to provide the funding of any abandonment and site restoration program established. The obligations are recognized and expensed on incremental basis commencing from the time of installation of the assets.

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

o. *Impairment of Assets Value*

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

p. *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.

q. *Shares Issuance Costs*

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

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

r. *Revenue and Expense Recognition*

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

s. *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-employement medical benefits) are computed based on the provision stated in PSAK No. 24 (Revised 2004), "Employee Benefits."

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

The cost of providing post-employment benefits is determined using the projected unit credit method. The accumulated unrecognized actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligations and the 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, unrecognized past-service cost and fair value of the plan assets.

t. *Income Tax*

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

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

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

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

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

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the 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 consolidated 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.

u. *Earnings per Share*

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

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

v. *Segment Information*

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

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

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

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

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

w. *Foreign Currency Transactions and Translation*

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

The books of accounts of the Subsidiaries are maintained in United States Dollar. For consolidation purposes, assets and liabilities of the Subsidiaries at balance sheet date are translated into Rupiah using the exchange rates at balance sheet date, while revenue and expenses are translated at the average exchange rates for the year. Resulting exchange rate differences are shown as part of Equity as "Translation Adjustments".

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

	2008 (full amount)	2007 (full amount)
Currency		
US$	10,950	9,419
Euro	15,433	13,760

x. *Provisions and Contingencies*

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

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

y. *Subsequent Events*

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

z. *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.

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

aa. *New Accounting Standard Pronouncements*

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

- PSAK No. 14 (Revised 2008) - Inventories (effective for financial statements for the period commencing from on or after January 1, 2009).
- PSAK No. 50 (Revision 2006) - Financial Instruments: Presentation and Disclosure (effective for financial statements for the period commencing from on or after January 1, 2010).
- PSAK No. 55 (Revision 2006) - Financial Instruments: Recognition and Measurements (effective for financial statements for the period commencing from on or after January 1, 2010).

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

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 hereby grants power and authorizes MLC, unconditionally and irrecovably, 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.

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 to the invested amounts. The Company will resume taking up its investments including its share of those 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 stockholders 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. As of April 15, 2008, the conversion of receivables come into effect.

4. RESTATEMENT OF CONSOLIDATED FINANCIALS STATEMENTS

The Company has restated its consolidated financial statements for the year ended December 31, 2007. Restatement was made on the Subsidiaries' employee benefits obligation based on independent actuarial report, PT Bumi Persada Aktuaria, in its reports dated November 11, 2008.

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

4. RESTATEMENT OF CONSOLIDATED FINANCIALS STATEMENTS *(Continued)*

Following is a summary of the significant account in the consolidated financial statements as of December 31, 2007 after and before the restatements:

	As Restated	As Previously Reported
Restricted long-term cash	653,377,573	548,239,536
Total non-current assets	7,077,629,086	6,972,491,049
Total assets	9,374,780,839	9,378,194,413
Employee benefits obligation	89,340,193	35,844,168
Total non-current liabilities	2,334,080,928	2,337,494,501

5. ACQUISITION OF SUBSIDIARY

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

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

On April 2, 2008, the Company submitted and announced the plan of the acquisition to the Indonesia Stock Exchange and in several newpapers in Indonesia. On June 11, 2008, the stockholders of MP and MGA approved the transaction. The acqusition thus became effective on June 11, 2008.

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

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

	Rp
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)
Total	146,477,336

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

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2008	2007
Cash on hand	489,815	180,962
Banks		
Rupiah		
Citibank N.A.	4,220,641	392,197
PT Bank Internasional Indonesia Tbk	1,166,742	1,126,470
Others (below Rp 1 billion each)	928,306	1,337,996
United States Dollar		
Credit Suisse	58,273,322	81,420,459
Citibank N.A.	45,749,002	32,369,759
PT Bank Negara Indonesia (Persero) Tbk	32,745,934	2,355,636
PT Bank Internasional Indonesia Tbk	7,626,758	20,994,897
PT Bank Mega Tbk	6,925,386	6,859,535
Societe Generale	121,275	6,635,545
Others (below Rp 1 billion each)	289,459	1,149,391
Euro		
Fortis Bank	28,746	95,354
Time deposits		
Rupiah		
Citibank N.A.	18,500,000	-
PT Bank Internasional Indonesia Tbk	-	3,872,848
PT Bank Mega Tbk	-	3,000,000
United States Dollar		
Citibank N.A.	41,062,500	-
PT Bank Negara Indonesia (Persero) Tbk	10,969,467	-
PT Bank Internasional Indonesia Tbk	1,520,633	1,308,022
PT Bank Mega Tbk	-	291,989,000
Total	230,617,986	455,088,071

Interest rates of time deposits were as follows:

	2008	2007
United States Dollar	2.25% - 3.75%	2.25% - 4.75%
Rupiah	7.25% - 13.75%	7.06% - 8.75%

7. SHORT-TERM INVESTMENT

ECL and KPSA signed an investment management service contract with Riseley Management Ltd (RML) to manage ECL and KPSA fund amounting to US$ 104 million and US$ 15 million, respectively. Based on the agreements between RML, ECL and KPSA the funds will earn interest of 7% and 9% above LIBOR, respectively. The agreement will expire eighteen (18) months from October 22, 2007 for ECL and five (5) years from September 15, 2008 for KPSA, respectively. These agreements may be extended or amended subject to written instruction from ECL and KPSA. This account included interest since the placement date until December 31, 2008.

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

8. TRADE RECEIVABLES

This account consists of:

a. *By Debtor - Third Parties*

	2008	2007
Local Debtors		
PT Pertamina (Persero)	75,073,184	86,211,954
PT Perusahaan Gas Negara (Persero) Tbk	49,111,769	78,197,598
PT Perusahaan Listrik Negara (Persero)	26,405,566	26,282,300
PT Petrokimia Gresik (Persero)	9,210,777	7,058,227
PT Riau Andalan Pulp & Paper	5,396,446	3,182,842
Foreign Debtors		
Petro Diamond Co., Ltd.	15,216,357	39,165,662
Itochu Petroleum Co., Pte., Ltd.	-	30,335,684
Total	180,414,099	270,434,267

b. *By Age Category*

	2008	2007
Up to 30 days	77,170,271	87,964,799
31 - 60 days	50,500,895	98,613,792
Over 60 days	52,742,933	83,855,676
Total	180,414,099	270,434,267

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 December 31, 2008 and 2007 were pledged as collateral for the long-term loans (see Note 18).

9. OTHER RECEIVABLES

This account consists of:

	2008	2007
Reimbursable value added tax (VAT)	216,539,825	190,346,262
Underlifting - net	78,177,845	-
Receivable from vendors	71,525,737	96,719,486
Receivable from employees	13,038,028	23,295,085
Others	126,991,507	102,215,271
Total	506,272,942	412,576,104

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

9. OTHER RECEIVABLES *(Continued)*

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

Underlifting represents receivable from BPMIGAS or Pertamina on differences between lifting of oil and gas and the Subsidiaries' entitlement.

10. INVENTORIES

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

	2008	2007
Spare-parts	457,066,221	326,357,412
Fuel	9,339,655	45,421,025
Chemicals and others	14,297,692	6,129,899
Total	480,703,568	377,908,336

Inventories were insured in an insurance package with Oil and Gas Properties (see Note 14).

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

11. PREPAID EXPENSES AND ADVANCES

This account consists of:

	2008	2007
Prepaid expenses		
Rental	4,173,147	4,455,623
Insurance	1,970,311	1,918,772
Service charge	388,710	312,679
Advances		
Project	17,090,143	11,965,597
Others	34,257,734	39,336,805
Total	57,880,045	57,989,476

12. DUE FROM/TO RELATED PARTIES

a. *Nature of Relationship with Related Parties*

PT Energi Timur Jauh, Lapindo Brantas Inc., Asian Worldwide Group Ltd. and Global Overseas Enterprise Ltd. are companies whose indirect stockholders are the same as the indirect stockholders of the Company.

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

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

b. *Due from Related Parties*

	2008	2007
Lapindo Brantas, Inc. (LBI)	777,799,399	620,722,894
PT Energi Timur Jauh (ETJ)	707,157,409	569,408,371
Others	256,885	176,983
Total	1,485,213,693	1,190,308,248
Percentage to total assets	11.76%	12.70%

Due from LBI mainly represents a portion of funds originating from a loan by Merrill Lynch that was received by LBI (see Note 18). MLC as the new majority owner of LBI guaranteed the receivable from LBI. The receivable are not interest bearing and have no difined payment period.

Due from ETJ mainly represents advances made based on the agreement dated August 1, 1998 (see Note 33b). The receivable are not interest bearing and have no defined payment period.

c. Due to Related Parties

	2008	2007
Asian Worldwide Group Ltd. (AWG)	50,291,439	43,271,126
Global Overseas Enterprise Ltd. (GOE)	20,245,299	17,425,958
Others	654,886	666,307
Total	71,191,624	61,363,391
Percentage to total liabilities	0.80%	1.02%

Due to AWG and GOE represent payables from taking over the working interest in Bentu PSC and Korinci Baru PSC from Petroz Korinci Baru Ldc. and Petroz Bentu Ldc. on August 7, 2005. Due to AWG and GOE represent payables that are not interest bearing and have no defined repayment period. Due to AWG and GOE represent payable arising before acquisition of THP.

13. RESTRICTED LONG-TERM CASH

This account consists of placement fund with:

	2008	2007 (As restated - see Note 4)
PT Bank Mega Tbk	349,513,050	76,293,900
Credit Suisse, Singapore	214,339,628	50,992,607
Societe Generale, Hongkong	151,012,994	377,606,247
Hongkong Shanghai Banking Corporation	86,037,365	51,642,013
Yayasan Dana Santunan Pegawai Selat Malaka	47,865,751	53,496,024
Bank of New York, Singapore	-	43,346,782
Total	848,768,788	653,377,573

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

13. RESTRICTED LONG-TERM CASH *(Continued)*

Placement fund with PT Bank Mega Tbk (Bank Mega) in December 31, 2008 represents placement of time deposits that are used to secure bank guarantees issuance for PT Mosesa Petroleum and to secure the Subsidiaries's payables to vendors. While placement fund with Bank Mega on December 31, 2007 represents placement of time deposits that are used to secure bank guarantees issuance in implementation of the Agreement dated May 31, 2007 between the Company and PT Indelberg Indonesia Perkasa.

The fund placed with Credit Suisse (CS) on December 31, 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 and CS, which will serve as collateral for the loan obtained from CS on September 8, 2008 (see Note 18). While the fund placed with CS on December 31, 2007 represents placement of fund pursuant to the Credit Agreement between Semco and CS. The placement will serve as collateral for the loan obtained from CS on October 27, 2005 (see Note 18).

The fund placed with Societe Generale (SC) represents placement of fund in respect of the Share Subscription Agreement (SSA) dated March 6, 2007, whereby the Company, EMP Inc.(Subsidiary), Mitsubishi Corporation and Japan Petroleum Exploration Co., Ltd agreed that EMP Inc. shall keep the proceeds from BP Exploration Operating Company Ltd. and BP America Production Company under the term Amendment Agreement in a separate account to be dedicated for the payment of the Subsidiary's dividend tax (see Note 19).

This account represents a current account placed in Hongkong 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 33c). Balance of the account represents funds available for payment of Gas Transportation Fees (GTF) to PT Pertamina (Persero) that has not yet been transferred for the gas delivered for the period from August 2005 to December 2007.

The Subsidiary placed fund and time deposits with PT Bank Mandiri (Persero) Tbk and other Financial Institution through Yayasan Dana Santunan Pegawai Selat Malaka for employee benefits (see Note 31).

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 18). Loan to Merrill Lynch has been paid in full on July 27, 2008 (see Note 18).

Except the fund placed with PT Bank Mandiri (Persero) Tbk amounting to Rp 12,687,568 and Rp 16,099,228, as of December 31, 2008 and 2007, respectively, all restricted long-term cash are denominated in US Dollar.

14. OIL AND GAS PROPERTIES

This account consists of:

	2008	2007
Wells and equipment and their facilities	8,896,389,726	5,648,653,683
Wells and equipment and their facilities in progress	1,991,697,566	1,041,379,735
Total	10,888,087,292	6,690,033,418
Accumulated depreciation, depletion and amortization	(4,304,708,529)	(2,150,166,719)
Net Book Value	6,583,378,763	4,539,866,699

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

14. OIL AND GAS PROPERTIES *(Continued)*

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

	2008				
Area of Interest	January 1,	Addition	Deduction	Translation Adjustment	December 31,
Malacca Straits PSC	940,702,871	462,325,110	140,009,455	194,741,267	1,457,759,793
Kangean PSC	2,253,110,854	420,601,834	46,350,027	489,289,611	3,116,652,272
Gelam TAC	244,581,660	105,625,490	17,969,218	51,132,820	383,370,752
Bentu PSC	286,764,052	32,800,342	-	50,869,128	370,433,522
Korinci Baru PSC	201,249,253	49,747,605	116,228,983	24,082,682	158,850,557
Gebang PSC	14,181,170	994,862	36,717	2,429,426	17,568,741
Semberah TAC	387,405,325	142,835,896	58,061,720	73,973,832	546,153,333
Tonga PSC	-	156,290,537	-	-	156,290,537
Total	4,327,995,185	1,371,221,676	378,656,120	886,518,766	6,207,079,507
Add: Cost pool effect	211,871,514	-	(164,427,742)	-	376,299,256
Net Book Value	4,539,866,699				6,583,378,763

	2007				
Area of Interest	January 1,	Addition	Deduction	Translation Adjustment	December 31,
Malacca Straits PSC	785,147,259	216,453,738	99,220,912	38,322,786	940,702,871
Kangean PSC	3,335,125,920	564,523,255	1,757,516,877	110,978,556	2,253,110,854
Gelam TAC	234,042,628	24,309,018	24,128,403	10,358,417	244,581,660
Bentu PSC	260,592,811	14,208,587	-	11,962,654	286,764,052
Korinci Baru PSC	200,323,584	22,528,153	30,227,900	8,625,416	201,249,253
Gebang PSC	13,362,495	8,559,532	8,338,713	597,856	14,181,170
Semberah TAC	278,290,628	124,227,453	30,300,655	15,187,899	387,405,325
Total	5,106,885,325	974,809,736	1,949,733,460	196,033,584	4,327,995,185
Add: Cost pool effect	113,943,439	-	(97,928,075)	-	211,871,514
Net Book Value	5,220,828,764				4,539,866,699

Depreciation, depletion and amortization for the years ended December 31, 2008 and 2007 amounting to Rp 214,228,363 and Rp 127,053,232, respectively, were charged to cost of goods sold (see Note 26).

The additions mainly consisted of costs of development and exploration and capitalization of borrowing cost. Total capitalized financing cost for the years ended December 31, 2008 and 2007 amounted to US$ 4.55 million and US$ 15.10 million, respectively (see Note 18).

Deduction from oil and gas properties on Kangean PSC as of December 31, 2007 of Rp 1.7 trillion represents the effect of proportionate consolidation of 50% EMP Inc.'s oil and gas properties (see Notes 1c and 38a).

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 December 31, 2008 and 2007, total sums insured in accordance with working interest owned by Subsidiaries were US$ 330,010,193 and US$ 338,982,209, respectively.

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

14. OIL AND GAS PROPERTIES *(Continued)*

Total sums insured after December 31, 2008 are as follows:

	Next 3 Months (US$)	Next 4 - 6 Months (US$)	Next 7 - 9 Months (US$)	Next 10 - 12 Month (US$)	Next Over 12 Months (US$)
Inventory and oil gas properties	330 million	-	-	-	-

After three months the Subsidiaries will renew the insurance.

15. TRADE PAYABLES

This account consists of:

a. *By Vendors - Third Parties*

	2008	2007
PT Jasa Karya Utama	69,723,251	59,994,718
PT Jaya Wijaya Raya	40,083,808	11,508,020
PT Duta Energi Semesta	34,685,519	8,337,049
Dowell Anadrill Schlumberger	12,737,007	-
PT Dwi Prima Sembada	12,544,531	6,282,204
PT Daya Alam Tehnik Inti	11,279,023	-
PT Alam Jaya Makmur Sejahtera	10,872,995	-
PT BJ Service Indonesia	10,496,304	3,953,305
BP Migas	10,462,658	-
PT Radiant Utama Interinsco	10,328,140	8,494,917
Others (below Rp 10 billion each)	210,003,501	208,471,395
Total	433,216,737	307,041,608

b. *By Age Category*

	2008	2007
Up to 30 days	94,419,014	63,836,123
31 - 60 days	49,618,841	37,433,388
Over 60 days	289,178,882	205,772,097
Total	433,216,737	307,041,608

c. *By Currency*

	2008	2007
US Dollar	388,864,577	274,618,618
Rupiah	44,352,160	32,422,990
Total	433,216,737	307,041,608

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

16. OTHER PAYABLES

This account consists of:

	2008	2007
PT Masagena Agung (MGA)	129,210,000	-
PT Danatama Makmur	43,800,000	37,676,000
Take or pay	40,646,152	-
Advance-Lead Strategy Ltd	31,415,550	-
Overlifting - net	-	71,775,863
Others	89,687,010	2,223,271
Total	334,758,712	111,675,134

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

Payable to PT Danatama Makmur represents promissory notes amounting to US$ 4 million that will mature on January 15, 2009. Subsequently these promissory notes were settled on maturity date.

Take or pay liabilities represent payments received by Bentu from PT Perusahaan Listrik Negara (Persero) (PLN) arising from underlifting of natural gas volume taken by PLN from Korinci Baru field.

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

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

17. ACCRUED EXPENSES

This account consists of:

	2008	2007
Production	222,080,802	240,354,858
Drilling	205,767,915	183,553,377
Support	67,260,272	78,829,878
Interest	45,239,959	55,730,677
Others	33,599,396	9,293,756
Total	573,948,344	567,762,546

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 December 31, 2008 and 2007 includes Gas Transportation Fee (GTF) payable to Pertamina for the period from August 2005 to December 2008 and 2007 amounting to US$ 10,626,022 and US$ 8,398,296, respectively. On February 26, 2009, EEKL and KEIL settled its payable on this gas transportation fee based on the Interim Agreement dated January 14, 2009 between KEIL and PT Pertamina Gas (see Note 39).

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

18. LONG-TERM LOANS

This account consists of:

	2008	2007
Credit Suisse, Singapore (US$ 450 million in 2008 and US$ 152.75 million in 2007)	4,927,500,000	1,438,752,250
Japan Petroleum Exploration Co., Ltd. (US$ 65.55 million in 2008 and US$ 29.05 million in 2007)	717,725,433	273,581,838
Mitsubishi Corporation (US$ 65.55 million in 2008 and US$ 29.05 million in 2007)	717,725,433	273,581,838
PT Bank Permata Tbk	169,409	439,868
Merrill Lynch, Singapore (US$ 120 million)	-	1,130,280,000
PMA Capital Management Ltd (US$ 75 million)	-	706,425,000
PT Bank CIMB Niaga Tbk	-	339,343
Total	6,363,120,275	3,823,400,137
Less Current Maturities	-	2,569,371,593
Long-term Loans - Net	6,363,120,275	1,254,028,544

Credit Suisse (CS), Singapore Branch

The loan from CS amounting to US$ 450 million as of December 31, 2008 represent the loans obtained by EMP HS, while loan from CS amounting to US$ 152.75 million as of December 31, 2007 represent the loan obtain by Semco.

On September 8, 2008, EMP HS entered into the credit facilities arranged by CS as an arranger of up to a maximum 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 that bears interest at 12% above LIBOR. The loan period is sixty (60) months after utilization date. EMP HS may repay the loan at any time on or after the date falling twenty four (24) months after the utilization date in whole or in part.

b. Junior Credit Agreement

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

Both facilities above have been utilized on September 12, 2008, being used for:

a. Repayment prior loan obtained from CS amounting to US$ 152.75 million
b. Repayment of previously obtained loan to PMA Capital Management Ltd.
c. Financing the developement of existing assets, and
d. Funding the working capital for existing assets.

18. LONG-TERM LOANS *(Continued)*

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

These agreements require the Company to exercise an 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. An amount of at least US$ 150 million from the net proceeds of such equity raising exercise must be used for any of the purposes as set out below:

- Funding capital expenditure and/or the working capital; and/or
- Refinancing 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' 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 obtained from loan Tranche A;
(3) Deposit into the debt service account;
(4) Funding for capital expenditures of THP and Operating Companies.

The loan bears interest at 5% above LIBOR for the first twelve (12) months and 9% above LIBOR up to the maturity date. This loan has been fully paid at August 15, 2008.

Collateral used for loan facility from CS are 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 Subsdiaries.

The CS loan obtained by Semco of US$ 152.75 million has been fully paid at September 12, 2008.

18. 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 be due on June 30, 2017, bears interest at LIBOR plus 3.75% for time deposits for six (6) months, has a 5 (five) year repayment grace period and will be repaid by semi-annual installments thereafter.

As of December 31, 2008, the Company has utilized the loan facility amounting to US$ 19.44 million.

b. Loan facilities for EEKL and KEIL

MC and Japex agreed to provide a loan facility to EEKL and KEIL in respect of the Subsidiary's funding obligations for capital expenditures, capped at a combined total of US$ 215 million including the loan facility above for the Company as stipulated in the Carry Agreement dated May 16, 2007. These loans will become due on June 30, 2017, bear interest at LIBOR plus 3.75% for time deposits for six (6) months, have a five (5) year repayment grace period and be repaid by semi-annual installments thereafter.

As of December 31, 2008, EEKL and KEIL have utilized the loan facility amounting to US$ 223.32 million (the Company's interest being US$ 111.66 million).

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. Balance of the loan as of December 31, 2008 and 2007 amounted to Rp 169,409 and Rp 439,868, respectively.

Merrill Lynch, Singapore (ML)

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) consists of Series A Notes and Series B Notes amounting to US$ 25 million and US$ 95 million, respectively to be 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 US$ 95 million bear interest at 8.5% above LIBOR and at 8% above LIBOR, respectively.

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

18. LONG-TERM LOANS *(Continued)*

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

On July 27, 2008, loan to ML obtained by MBF amounting to US$ 120 million has been settled.

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 first drawndown of the facility.

This loan was fully paid at September 12, 2008.

PT Bank CIMB Niaga Tbk

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

In 2008, this loan was fully paid.

19. SUBSIDIARY'S DIVIDEND TAX LIABILITY

On December 31, 2007, 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. and BP America Production Company for the payment of the tax payable if this is paid by EMP Inc. In 2008, EEKL and KEIL resolved these tax liabilities.

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

20. MINORITY INTEREST

This account consists of:

a. Minority interest in net assets of Subsidiaries:

	2008	2007
PT Mosesa Petroleum	35,448,357	-
PT Tunas Harapan Perkasa	12,605	11,360
Total	35,460,962	11,360

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

	2008	2007
PT Mosesa Petroleum	(1,933,921)	-
PT Tunas Harapan Perkasa	1,247	-
Total	(1,932,674)	-

21. CAPITAL STOCK

Composition of shareholders as of December 31, 2008 and 2007 based on registration by PT Ficomindo Buana Registrar was as follows:

	2008		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Bakrie & Brothers Tbk	6,221,151,377	43.20%	622,115,138
PT Brantas Indonesia	551,963,559	3.83%	55,196,356
PT Kondur Indonesia	259,287,582	1.80%	25,928,758
Rennier Abdul Rachman Latief	54,909,500	0.38%	5,490,950
Julianto Benhayudi	50,000	0.00%	5,000
Public (below 5% each)	7,313,451,354	50.79%	731,345,135
Total	14,400,813,372	100.00%	1,440,081,337

	2007		
Name of Stockholder	Number of Shares	Percentage of Ownership	Total Paid-up Capital
PT Kondur Indonesia	3,768,183,184	26.17%	376,818,318
PT Brantas Indonesia	3,505,609,718	24.35%	350,560,972
Julianto Benhayudi	314,488,667	2.18%	31,448,867
Rennier Abdul Rachman Latief	149,992,286	1.05%	14,999,228
Public (below 5% each)	6,662,539,517	46.25%	666,253,952
Total	14,400,813,372	100.00%	1,440,081,337

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

21. CAPITAL STOCK *(Continued)*

The Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in March 1995, and amended by Law No. 40/2007 that was issued in August 2007, requires the establishment of a general reserve from net income amounting to at least 20% of a company's issued and paid-up capital. There is no time limit on the establishment of that reserve. As of December 31, 2008, the Company had not yet established its general reserve.

22. ADDITIONAL PAID-IN CAPITAL

As of December 31, 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

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

As of December 31, 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)

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

24. DIFFERENCE DUE TO CHANGE OF EQUITY IN SUBSIDIARY

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

25. NET SALES

This account consists of:

	2008	2007
Petro Diamond Co., Ltd.	896,401,296	37,694,399
PT Pertamina (Persero)	666,528,369	288,286,932
PT Perusahaan Listrik Negara (Persero)	111,333,672	50,050,834
PT Petrokimia Gresik (Persero)	69,925,342	53,629,047
PT Riau Andalan Pulp & Paper	67,800,072	3,088,226
PT Perusahaan Gas Negara (Persero) Tbk	47,082,360	83,125,513
Itochu Petroleum Co., Pte., Ltd.	-	621,667,715
Total	1,859,071,111	1,137,542,666

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

	2008	2007
Petro Diamond Co., Ltd.	896,401,296	37,694,399
PT Pertamina (Persero)	666,528,369	288,286,932
Itochu Petroleum Co., Pte., Ltd.	-	621,667,715
Total	1,562,929,665	947,649,046

26. COST OF GOODS SOLD

This account consists of:

	2008	2007
Production	488,409,712	387,027,140
Production support	300,701,068	203,190,082
Depreciation, depletion and amortization	214,228,363	127,053,232
Workover	70,031,722	77,939,333
Total	1,073,370,865	795,209,787

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

27. OPERATING EXPENSES

This account consists of:

	2008	2007
Salaries, allowance and employee benefits	120,225,733	96,172,079
Professional fees	34,066,651	30,607,866
Representation and donation	13,277,092	10,699,315
Rental	13,234,132	11,434,368
Office expenses	7,855,009	4,857,452
Business trip	7,474,269	6,006,642
Depreciation	2,411,544	2,464,455
Insurance	715,803	2,187,132
Others (below Rp 500 million each)	3,884,554	14,300,091
Total	203,144,787	178,729,400

28. FINANCING COSTS

This account consists of:

	2008	2007
Interest	495,794,812	267,492,767
Other financing cost	264,526,614	50,993,494
Jumlah	760,321,426	318,486,261

29. TAXATION

a. Taxes Payable

This account consists of:

	2008	2007
Corporate income and dividend tax	19,878,203	16,116,163
Income taxes		
Article 4 (2)	386,113	239,040
Article 21	16,765,624	13,471,959
Article 23	34,640,132	17,137,060
Article 26	46,832,118	31,787,658
Value Added Tax	97,706,261	44,951,434
Tax correction and penalty	10,341,420	8,895,511
Total	226,549,871	132,598,825

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

29. TAXATION *(Continued)*

On November 28, 2006, the Directorate General of Taxation issued Tax Assessment Letter Under Payment (SKPKB) for 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 Service Office and filed the lawsuit to the State Administration Court opposing such SKPKB. As of this report date, the Tax Service Office has rejected the Objection Letter. However, the lawsuit is still under process.

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

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

The Subsidiaries have record the tax under-payment and penalty amounting to Rp 10,341,420 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		
ITA	(25,673,556)	(19,119,446)
KPSA	(16,546,919)	(25,364,317)
Sub-total	(42,220,475)	(44,483,763)
Deferred tax		
The Company	11,647,798	16,037,292
Subsidiaries	(24,891,119)	195,876,726
Sub-total	(13,243,321)	211,914,018
Net	(55,463,796)	167,430,255

c. Current Tax - The Company

Reconciliation between loss before tax benefit (expenses) as shown in the consolidated statements of income and estimated fiscal losses of the Company for the years ended December 31, 2008 and 2007, calculated with the effective tax rate, is as follows:

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

29. TAXATION *(Continued)*

	2008	2007
Income (loss) before tax benefit (expense) per consolidated statement of income	18,587,838	(51,792,493)
Deduct:		
Income before tax benefit (expense) - the Subsidiaries	134,082,822	19,634,413
Loss before tax benefit (expense) - the Company	(115,494,984)	(71,426,906)
Timing difference:		
Employee benefits	896,488	-
Permanent differences:		
Representation and donation	11,475,148	9,176,505
Interest income subject to final tax	(8,150,705)	(12,123,292)
Others	21,432,869	18,814,200
Total	25,653,800	15,867,413
Estimated fiscal loss - the Company	(89,841,184)	(55,559,493)
Estimated cumulative fiscal losses at beginning of year	(261,377,664)	(276,592,400)
Adjustment to cumulative fiscal losses	(8,728,250)	-
Dividend received	-	70,774,229
Estimated cumulative fiscal losses at end of year	(359,947,098)	(261,377,664)

No provision for current income tax was made for the years ended December 31, 2008 and 2007 because the Company was still in a fiscal loss position.

The Government of Indonesia issued Government Decree (PP) No. 81 year 2007 dated December 27, 2007 regarding Discount on Income Tax Tariff for Domestic Taxpayer that is a Public Company, effective from January 1, 2008. Accordingly, a public company may obtain discount of about 5% of higher tariff of income tax after fulfilling the conditions as follows: (1) the public owns 40% or more of the issued and fully paid-shares and must consist of at least 300 parties; (2) each of the 40% public shareholders should not own more than 5% shareholding; (3) the company should comply with the above terms for at least 6 months within a tax year.

As of December 31, 2008, the Company has implemented such tax discount rate of 5% in the calculation of the Company's corporate tax income for the year ended December 31, 2008.

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

29. TAXATION *(Continued)*

d. Deferred Tax

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

	2008			
	January 1,	Translation Adjustments	Credited (Charged) to Consolidated Statement of Income	December 31,
Deferred Tax Assets				
Unrecovered charges	1,068,212,208	203,650,980	252,153,885	1,524,017,073
Fiscal losses	61,852,018	-	11,582,771	73,434,789
Employee benefits	6,438,048	1,085,961	1,504,165	9,028,174
Oil and gas properties	(612,692,030)	(118,812,603)	(148,102,158)	(879,606,791)
Non-capital inventory	(32,908,779)	(7,261,761)	(14,735,625)	(54,906,165)
Total	490,901,465	78,662,577	102,403,038	671,967,080
Deferred Tax Liabilities				
Employee benefits	7,269,820	2,498,675	10,146,642	19,915,137
Oil and gas properties	(390,489,389)	(78,910,456)	(118,945,341)	(588,345,186)
Non-capital inventories	(37,302,537)	(6,952,095)	(6,847,660)	(51,102,292)
Total	(420,522,106)	(83,363,876)	(115,646,359)	(619,532,341)
Deferred Tax Expense			(13,243,321)	

	2007				
	January 1,	Deduction	Translation Adjustments	Credited (Charged) to Consolidated Statements of Income and Equity	December 31,
Deferred Tax Assets					
Unrecovered charges	840,114,043	(279.984.744)	42,343,002	465,739,907	1,068,212,208
Fiscal losses	83,038,648	-	-	(21,186,630)	61,852,018
Employee benefit	7,142,912	(1.507.053)	238,725	563,464	6,438,048
Oil and gas properties	(605,646,340)	223.862.332	(26,203,840)	(204,704,182)	(612,692,030)
Non-capital inventory	(63,425,094)	28.799.109	(1,815,045)	3,532,251	(32,908,779)
Total	261,224,169	(28.830.356)	14,562,842	243,944,810	490,901,465
Deferred Tax Liabilities					
Employee benefit	5,519,158	-	288,925	1,461,737	7,269,820
Oil and gas properties	(317,910,982)	-	(15,802,315)	(56,776,092)	(390,489,389)
Non-capital inventory	(37,746,947)	-	(1,606,893)	2,051,303	(37,302,537)
Total	(350,138,771)	-	(17,120,283)	(53,263,052)	(420,522,106)
Deferred Tax Benefit credited to Statement of Income				211,914,018	
Deferred Tax Expense charged to Equity				21,232,260	

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

30. BASIC EARNINGS (LOSS) PER SHARE

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

	2008	2007
Net earnings (loss) used for calculation	(34,943,284)	115,637,762
Weighted average number of shares for the calculation of basic net earnings (loss) per share	14,400,813,372	14,400,813,372
Basic net earning (loss) per share (full amount)	(2.43)	8.03

The Company did not calculate diluted net earnings (loss) per share since the Company had no effects of dilutive potential ordinary shares for the years ended December 31, 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 contribution amounting to 9% of employee's salary, of which 6% is paid by the Company and 3% by the employee.

The pension plans of KEIL are managed by Manulife. The contribution pension amounting to 8% of employee's salary, of which 6% is paid by the Company and 2% by the employee.

Employee Benefits

The Company and its Subsidiaries provide post-employment benefits for all of its permanent employees based on Employment Working Agreement/Company Policy. No funding has been made by the Company and its Subsidiaries, except by KPSA and ITA, which funds are administrated and managed by the Board of Trustees Contribution Fund of the Strait Malacca Employees Foundation and Trust Fund Agreement with bank (see Note 13).

Amounts charged to operating expenses were as follows:

	2008	2007
Current-service cost	16,050,254	10,351,792
Interest cost	10,910,718	9,093,848
Net actuarial losses recognized	2,005,421	5,599,285
Past-service cost	4,555,680	304,346
Expected return on plan assets	-	(6,795,564)
Total	33,522,073	18,553,707

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

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

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

	2008	2007 (As restated - see Note 4)
Benefit obligation	153,363,560	105,296,122
Unrecognized actuarial loss	(10,690,809)	(16,027,553)
Unrecognized past-service liability	(22,823,680)	71,624
Total	119,849,071	89,340,193

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

	2008	2007 (As restated - see Note 4)
Balance at beginning of the year	89,340,193	84,054,450
Contribution for the period	2,086,241	(12,514,920)
Asset corrections	1,114,303	1,943,103
Benefits paid	(6,213,739)	(2,696,147)
Amount charged to consolidated statements of income	33,522,073	18,553,707
Total	119,849,071	89,340,193

The employee benefits obligations for the Company, KPSA, ITA and KEIL for the years ended December 31, 2008 and 2007 were computed based on the actuarial reports prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its reports 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 years ended December 31, 2008 and 2007 were computed based on the actuarial reports prepared by PT Dian Artha Tama, an independent actuarial firm, in its reports dated November 14, 2008 and September 24, 2007, respectively. The computations used the following assumptions:

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

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

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

The employee benefit obligation for Semco for the years ended December 31, 2008 and 2007 was computed based on the actuarial reports prepared by PT Padma Radya Aktuaria, an independent actuarial firm, in its reports dated December 3, 2008 and February 29, 2008, respectively. The computations used the following assumptions:

Discount rate	: 10% per annum
Future salary increases	: 5% per annum
Mortality rate	: 100% Tabel Mortalita Indonesia 2
Disability rate	: 5% from mortality rate
Actuarial method	: Projected Unit Credit
Normal retirement age	: 56 years old (all employees are assumed to retire at normal retirement age)

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

32. SEGMENT INFORMATION

Primary Segment

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

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

	2008			
	Financing	Mining	Elimination	Consolidated
NET SALES				
External sales	-	1,859,071,111	-	1,859,071,111
RESULT				
Segment result	-	785,700,246	-	785,700,246
Unallocated expenses				(203,144,787)
Income from operations				582,555,459
Financing charges				(760,321,426)
Other income - net				196,353,805
Income before tax				18,587,838
Tax expense - net				(55,463,796)
Loss before minority interest				(36,875,958)
Minority interest				1,932,674
Net loss				(34,943,284)
OTHER INFORMATION				
Assets				
Segment assets	16,350,884,262	8,116,365,438	(12,512,594,251)	11,954,655,449
Unallocated assets				671,967,080
Consolidated total assets				12,626,622,529

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

32. SEGMENT INFORMATION *(Continued)*

	2008			
	Financing	Mining	Elimination	Consolidated
Liabilities				
Segment liabilities	(8,449,468,372)	(7,104,107,440)	7,293,187,484	(8,260,388,328)
Unallocated liabilities				(619,532,341)
Consolidated total liabilities				(8,879,920,669)
Capital expenditure	-	1,324,528,944	-	1,324,528,944
Depreciation, depletion, and amortization	2,411,544	214,228,363	-	216,639,907

	2007			
	Financing	Mining	Elimination	Consolidated
NET SALES				
External sales	-	1,137,542,666	-	1,137,542,666
RESULT				
Segment result	-	342,332,879	-	342,332,879
Unallocated expenses				(178,729,400)
Income from operations				163,603,479
Financing charges				(318,486,261)
Other income - net				103,090,289
Loss before tax				(51,792,493)
Tax benefit - net				167,430,255
Income before minority interest				115,637,762
Minority interest				-
Net income				115,637,762
OTHER INFORMATION				
Assets				
Segment assets	10,794,160,616	5,101,710,354	(7,011,991,596)	8,883,879,374
Unallocated assets				490,901,465
Consolidated total assets				9,374,780,839
Liabilities				
Segment liabilities	(2,491,089,510)	(5,032,330,411)	1,921,441,394	(5,601,978,527)
Unallocated liabilities				(420,552,106)
Consolidated total liabilities				(6,022,530,633)
Capital expenditure	-	833,396,589	-	833,396,589
Depreciation, depletion, and amortization	2,464,455	127,053,232	-	129,517,687

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

32. SEGMENT INFORMATION *(Continued)*

Secondary Segment

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

Sales Based on Market

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

	2008	2007
Domestic		
Jakarta	666,528,369	421,463,279
East Java	228,341,374	53,629,047
Riau	67,800,073	3,088,226
International		
Singapore	896,401,295	659,362,114
Total	1,859,071,111	1,137,542,666

33. COMMITMENTS

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

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

1. Sales

The oil and gas production shall be shared based on an agreed formula between the Subsidiaries and BPMIGAS (for PSC) or Pertamina (for TAC).

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 BPMIGAS (for PSC) or Pertamina (for TAC) and 26.7857% for the Subsidiaries before consideration of tax and adjustment in domestic market obligation, if any. BPMIGAS or Pertamina's share of production from its properties in the PSC or TAC contract area represents the entitlement of BPMIGAS or Pertamina to a portion of the crude oil production. Costs related to the oil production of Subsidiaries are recoverable from BPMIGAS or Pertamina.

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

5. Investment Credit

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

6. Compensation, Assistance and Production Bonuses

   The Subsidiaries shall pay bonus and assistance to BPMIGAS (for PSC) or Pertamina (for TAC) for equipment and services, ranging between US$ 50,000 and US$ 25 million within 30 - 60 days after the production of petroleum has reached between 3 million - 325 million barrels. Such bonus payments shall be borne solely by the Subsidiaries and shall not be included in the recoverable operating costs.

7. Exclusion of Areas

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

8. Claim Insurance

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

33. 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 or termination or relinquishment of part of the contract area, or abandonment of any fields, the Subsidiaries are required to remove all equipment and installations that have been installed in the contract area, and perform all necessary site restoration activities. As of December 31, 2008 and 2007, the estimated site restoration liabilities amounted to US$ 12.58 million (Rp 137.75 billion) and US$ 14.67 million (Rp 138.18 billion), respectively and the provision funding amounted to US$ 12.58 million (Rp 137.75 billion) and US$ 11.69 million (Rp 110.09 billion), respectively.

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 as referred to in the PSC.

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 Jauh (ETJ)

KPSA, IMG, Semco, Costa, Bentu and Korinci Baru, the Subsidiaries, appointed ETJ as operational and administrative coordinator, provider of general and administrative assistance and as cash manager for the period commencing on August 1, 1998 until July 31, 1999, which shall be automatically extended unless terminated by either party. As of December 31, 2008, this agreement is still effective.

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

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

33. COMMITMENTS *(Continued)*

c. The Subsidiaries' Sale and Purchase Gas Agreements

(1) KEIL and EEKL

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

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

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

(2) Bentu

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

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

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

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

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

(3) Semco

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

33. COMMITMENTS *(Continued)*

b. On July 22, 2008, PT Pertamina (Persero) 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 be valid within 1 year from the date of the agreement of gas supply being signed on October 24, 2008.

d. Joint Operating Agreement (JOA)

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

On December 20, 1985 Japex transferred all of 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.

34. 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.

The quantity of gas delivery by EEKL and KEIL through the EJGP was measured by PT Pertamina (Persero) as the owner and operator of EJGP, but PGN has not signed the Volume of Gas Delivery Statement due to the difference of opinion between EEKL, KEIL and Santos. PGN will make payment once those parties have agreed the terms and mechanism of payment.

34. CONTINGENCIES *(Continued)*

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

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 period January 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 the gas delivered as stated above after the deduction of gas make up and initial fill, which reduced the amount to 7,948,408 MMBTU.
- Both parties agreed the price to be used is US$ 2.59 for each MMBTU.
- Therefore, PGN payable amounted to US$ 20,586,376.53, from which PGN will withold 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 the above agreement.

On February 12, 2009, 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:

- The amount of gas delivered and received by PGN for the period starting January 1, 2008 until October 31, 2008 amounted to 4,005,698.44 MMBTU.
- The price to be used is US$ 2.59 for each MMBTU.
- Therefore, PGN payable amounted to US$ 10,374,758.95, from which PGN will withold a payment of US$ 1,063,999.34 until the Gas Pipeline Compensation Agreement is signed by Pertamina, KEIL and PGN.
- PGN estimated to be charged for deficiency of annual minimum delivery by Santos of US$ 400,000.
- PGN agreed to pay US$ 8,910,759.61 after the deduction of the payment and the charged for deficiency of annual minimum delivery as stated above.

In February 2009, PGN settled its payable amounting to US$ 8,910,759.61 to KEIL and EEKL in accordance with the above agreement.

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

35. OPERATING HAZARDS AND UNSECURED RISKS

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

36. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

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

The movements of site restoration obligations based on area of interest were as follows:

	2008				
Area of Interest	January 1,	Addition	Adjustment	Translation Adjustment	December 31,
Malacca Straits PSC	110,094,616	4,722,251	-	18,508,134	133,325,001
Kangean PSC	28,084,258	-	24,978,352	1,322,787	4,428,693
Total	138,178,874				137,753,694

	2007				
Area of Interest	January 1,	Addition	Adjustment	Translation Adjustment	December 31,
Malacca Strait PSC	85,644,827	20,047,086	-	4,402,703	110,094,616
Kangean PSC	18,040,000	8,971,393	-	1,072,865	28,084,258
Total	103,684,827				138,178,874

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

37. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of December 31, 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 (full amount)	Equivalent in Rupiah	Foreign Currency (full amount)	Equivalent in Rupiah
Assets				
Cash and cash equivalents	US$ 18,747,373	205,283,736	US$ 47,253,662	445,082,244
	Euro 1,863	28,746	Euro 6,930	95,354
Short-term investment	US$ 127,860,493	1,400,072,403	US$ 76,776,250	723,155,499
Trade receivables	US$ 16,476,173	180,414,099	US$ 28,711,569	270,434,267
Other receivables	US$ 25,268,958	276,695,000	US$ 21,120,582	198,934,758
Due from related parties	US$ 135,635,861	1,485,212,678	US$ 126,372,996	1,190,307,248
Restricted long-term cash	US$ 75,594,131	827,755,738	US$ 67,658,812	637,278,346
Site restoration fund	US$ 12,580,246	137,753,693	US$ 11,688,567	110,094,615
Total Assets		4,513,216,093		3,575,382,331
Liabilities				
Trade payables	US$ 35,512,747	388,864,577	US$ 29,155,814	274,618,618
Other payables	US$ 30,571,572	334,758,712	US$ 11,856,368	111,675,134
Accrued expenses	US$ 52,415,374	573,948,344	US$ 60,278,431	567,762,546
Due to related parties	US$ 6,501,518	71,191,624	US$ 6,514,852	61,363,392
Long-term loans	US$ 581,091,403	6,362,950,866	US$ 405,841,482	3,822,620,926
Site restoration obligation	US$ 12,522,849	137,453,694	US$ 14,670,228	138,178,874
Subsidiary’s dividend tax liability	US$ -	-	US$ 39,351,080	370,647,819
Total Liabilities		7,869,167,817		5,346,867,309
Net Liabilities		3,355,951,724		1,771,484,978

38. OTHER SIGNIFICANT INFORMATION

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

a. <u>New Shares Subscription in EMP Inc.</u>

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

38. OTHER SIGNIFICANT INFORMATION *(Continued)*

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 totalling 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 above, 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 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 following conditions precedent having been fulfilled:

- The approval from the Company's stockholders at a general meeting of stockholders and of Bapepam-LK in respect of the transaction above.
- 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 shareholding from 100% to 50%.

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

b. Buy-back the Company's Shares

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 share in a maximum amount of 20% of total issued and paid-in capital stock on June 30, 2008. Based on the press release of Bapepam-LK dated October 9, 2008, the buy-back plan should not need the approval of the stockholders. Based on the Company's letter to Bapepam-LK and BEI dated February 13, 2009, the Company stated that it will not buy-back the Company's share.

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

39. SUBSEQUENT EVENT

Based on the Interim Agreement dated January 14, 2009 between KEIL and PT Pertamina Gas (Pertagas) on behalf of PT Pertamina (Persero) as the owner and the operator of the East Java Gas Pipeline (EJGP), the followings terms, among others, were agreed:

- KEIL shall pay the EJGP utilization cost for the period of August 1, 2005 up to July 31, 2008.
- For the gas delivered as of August 1, 2008 onward, invoices and payments of EJGP utilization cost minus compensation guarantee (if any), shall be made on monthly basis.
- The EJGP utilization cost is US$ 0.36 per MMBTU and valid as of August 1, 2005 until BPMIGAS determine tariff for EJGP utilization.
- KEIL and Pertagas shall finalize a mutually agreed Gas Transportation Agreement within six (6) months upon execution of this Interim Agreement.

On February 26, 2009, KEIL has paid the EJGP utilization cost to Pertagas amounting to US$ 18,517,144 (Company portion amounting to US$ 9,258,572) for the period of August 1, 2005 up to December 31, 2008.

40. RECLASSIFICATION OF ACCOUNTS

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

	Previously Reported	Reclassification	After Reclassification
Consolidated Balance Sheet			
Current Assets			
Restricted cash in bank	51,642,013	(51,642,013)	-
Trade receivable	192,236,669	78,197,598	270,434,267
Other receivable	547,683,300	(135,107,196)	412,576,104
Non-Current Assets			
Restricted long-term cash	601,735,560	51,642,013	653,377,573
Long-term loans - net of current maturities	1,310,938,142	(56,909,598)	1,254,028,544
Consolidated Statement of Income			
Operating expenses	219,337,330	(40,607,930)	178,729,400
Other charges - net	174,788,042	40,607,930	215,395,972

41. 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 on March 27, 2009.

RESERVE ESTIMATION

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

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

	Malacca [1)]	Kangean [2)]	Gelam [3)]	Semberah [4)]	Gebang [5)]	Korinci [6)]	Bentu [7)]
	Crude Oil	Crude Oil, Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Crude Oil, Gas and Condensate *)	Gas	Gas
Proven developed undeveloped and probable reserves							
Balance as of January 1, 2007	31,177	243,435	4,993	22,233	1,021	12,595	48,273
Revision to previous estimation	4,352	-	-	-	-	-	-
Production during the year	(3,069)	(2,922)	(117)	(647)	(121)	(357)	-
Balance as of December 31, 2007	32,460	240,513	4,876	21,586	900	12,238	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 year	(3,281)	(2,080)	(72)	(1,060)	(122)	(1,043)	-
Balance as of December 31, 2008	36,599	238,058	3,331	19,394	6,471	11,195	48,273

RESERVE ESTIMATION *(Continued)*

	Malacca 1)	Kangean 2)	Gelam 3)	Semberah 4)	Gebang 5)	Korinci 6)	Bentu 7)
	Crude Oil	Crude Oil, Gas and Condensate *)	Crude Oil	Gas and Crude Oil	Crude Oil, Gas and Condensate *)	Gas	Gas
Proven developed and undeveloped reserves							
Balance as of January 1, 2007	20,516	135,207	864	6,381	29	2,661	23,602
Revision to previous estimation	10,602	-	-	-	92	-	-
Production during the year	(3,069)	(2,922)	(117)	(647)	(121)	(357)	-
Balance as of December 31, 2007	28,049	132,285	747	5,734	-	2,304	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 year	(3,281)	(2,080)	(72)	(1,060)	(122)	(1,043)	-
Balance as of December 31, 2008	29,499	123,207	931	7,932	3,170	1,261	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.

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.