MAZARS

Consolidated Financial Statements
With Independent Auditors' Report
For the Year Ended December 31, 2009
(With Comparative Figures for the Year Ended
December 30, 2008)

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES

TJIENDRADJAJA & HANDOKO TOMO

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PT ENERGI MEGA PERSADA Tbk.

DIRECTORS' STATEMENT LETTER
RELATING TO
THE RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
PT ENERGI MEGA PERSADA TBK AND SUBSIDIARIES

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

1.	Name	:	Imam Pria Agustino
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Jl. Pinang Merah III No. 4. RT. 014 RW. 016. Pondok Pinang – Kebayoran Lama, Jakarta Selatan
	Phone number	:	(021) 52906250
	Position	:	President Director
2.	Name	:	Didit Hidayat Agripinanto
	Office address	:	Wisma Mulia Lt. 32, Jl. Jenderal Gatot Subroto Kav. 42, Jakarta, Indonesia
	Domicile as stated in ID Card	:	Jl. Cipete V No. 3 RT. 008 RW. 03 Kelurahan Cipete Selatan Kecamatan Cilandak Jakarta Selatan
	Phone number	:	(021) 52906250
	Position	:	Director

state that:

1. We are responsible for the preparation and presentation of the consolidated financial statements;
2. The consolidated financial statements have been prepared and presented in accordance with generally accepted accounting principles in Indonesia;
3. a. All information contained in the consolidated financial statements is complete and correct;
   b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts.
4. We are responsible for the Company and Subsidiaries' internal control system.

This statement letter is made truthfully.

Jakarta, March 17,2010

President Director		Director
METERAI TEMPEL 279C8AAF0658185 6000 DJP		
Imam Pria Agustino		**Didit Hidayat Agripinanto**

MAZARS

INDEPENDENT AUDITORS' REPORT

Report No. 040/T/II/2010

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

We have audited the accompanying consolidated balance sheet of PT Energi Mega Persada Tbk (the "Company") and Subsidiaries as of December 31, 2009, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Company for the year ended December 31, 2008, were audited by other independent auditors whose report, dated March 27, 2009, expressed an unqualified opinion on those statements. The other independent auditors' report on the consolidated financial statements included an explanatory paragraph that describing the restatement of the 2007 consolidated financial statements in connection with the adjustments to the employee benefits obligation of Subsidiaries and the deconsolidation of the separate financial statements of Kalila Energy Ltd., Pan Asia Enterprise Ltd., and Lapindo Brantas Inc., which were no longer consolidated for the year ended December 31, 2007, as well as unaudited supplementary information that was not a required part of the basic financial statements.

We conducted our audit 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 audit provides 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, 2009, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in Indonesia.

TJIENDRADJAJA & HANDOKO TOMO
REGISTERED PUBLIC ACCOUNTANTS - NO. KEP-1295/KM.1/2009
JL. SISINGAMANGARAJA NO. 26, 2ND FLOOR - JAKARTA 12120 - INDONESIA
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As disclosed in Note 18 to the consolidated financial statements, in relation to the non-fulfillment of some covenants on the loan agreements, the Company and creditors of the Senior and Junior Loans have agreed on the terms of the Senior and Junior Loans restructuring. Under these restructuring terms, the Company has received a conditional waiver from existing default condition on the Senior and Junior Loans, under which the Company is required to take certain corporate actions in order to reduce the loans and to provide the creditors of Senior and Junior Loans additional control over cash flows, operations and the Company's expenditures. The Company has agreed to use part of the Limited Public Offering II funds for payment of the principal of the Senior and Junior Loans to creditors who choose to accept the early payment, totaling USD250,000,000.

The supplementary information after the notes to consolidated financial statements is not a required part of the basic consolidated financial statements, and we did not audit or apply limited procedures to such information and do not express any assurances on such information.

March 17, 2010

Tjiendradjaja Yamin
Public Accountant License No. 09.1.1026

NOTICE TO READERS

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. The standards, procedures and practices utilized to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying consolidated financial statements and the auditors' report thereon are not intended for use by those who are not informed about Indonesian accounting principles and auditing standards, and their application in practice.

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2009
(With Comparative Figures as of December 31, 2008)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2009	2008
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2d,4	49,102,054	230,617,986
Short-term investments	2e,5	1,114,843,945	1,400,072,403
Trade receivables	2f,6	112,356,005	180,414,099
Other receivables (net of allowance for doubtful accounts of Rp7,895,023 in 2009 and Rp11,856,280 in 2008)	2f,7	303,839,946	509,895,591
Inventories	2g,8	396,485,513	480,703,568
Prepaid expenses and advances	2h,9	33,291,810	57,880,045
Total Current Assets		2,009,919,273	2,859,583,692
NON-CURRENT ASSETS			
Restricted funds	2k,10,18,32	525,188,270	848,768,788
Due from related parties	2j,11b	1,204,934,961	1,485,213,693
Deferred tax assets - net	2u,28d	231,146,632	671,967,080
Fixed assets (net of accumulated depreciation of Rp9,226,759 in 2009 and Rp8,224,956 in 2008)	2l	896,785	1,872,571
Oil and gas properties (net of accumulated depreciation, depletion and amortization of Rp3,848,832,582 in 2009 and Rp4,304,708,529 in 2008)	2m,2q,12	6,103,986,483	6,583,378,763
Abandonment and site restoration fund	2o,35	120,336,020	137,753,694
Other non-current assets	13	55,983,119	38,084,248
Total Non-Current Assets		8,242,472,270	9,767,038,837
TOTAL ASSETS		**10,252,391,543**	**12,626,622,529**

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

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2009
(With Comparative Figures as of December 31, 2008)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2009	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Notes payable	14	33,631,170	31,415,550
Trade payables	15	638,195,723	433,216,737
Other payables	16	270,714,642	174,133,161
Taxes payable	2u,28a	246,194,230	226,549,871
Accrued expenses	2s,17	719,981,158	573,948,344
Current maturities of long-term loans	18	2,350,087,185	-
Total Current Liabilities		4,258,804,108	1,439,263,663
NON-CURRENT LIABILITIES			
Due to related parties	2j,11c	186,473,270	200,401,624
Deferred tax liabilities - net	2u,28d	417,350,478	619,532,341
Employee benefits obligation	2t,30	144,322,621	119,849,071
Abandonment and site restoration obligations	2o,35	120,336,020	137,753,694
Long-term loans - net of current maturities	18	3,350,680,344	6,363,120,275
Total Non-Current Liabilities		4,219,162,733	7,440,657,005
Total Liabilities		8,477,966,841	8,879,920,668
MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES	2b,19a	33,056,142	35,460,962
EQUITY			
Share capital			
Authorized - 55,000,000,000 shares at par value of Rp100 (full amount) each			
Issued and paid - 14,400,813,372 shares	20	1,440,081,337	1,440,081,337
Additional paid-in capital	2r,21	3,354,749,229	3,354,749,229
Difference in value from restructuring transactions of entities under common control	2c,22	(2,634,645,040)	(2,634,645,040)
Difference in the change of equity transaction of a Subsidiary	2i,23	1,262,994,439	1,262,994,439
Translation adjustments	2x	180,809,374	421,231,949
Deficit		(1,862,620,779)	(133,171,015)
Equity - Net		1,741,368,560	3,711,240,899
TOTAL LIABILITIES AND EQUITY		**10,252,391,543**	**12,626,622,529**

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Figures for the Year Ended December 31, 2008)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Notes	2009	2008
NET SALES	2s,24	1,444,368,739	1,859,071,111
COST OF GOODS SOLD	2s,25	1,260,834,863	1,073,370,865
GROSS PROFIT		183,533,876	785,700,246
OPERATING EXPENSES	2s,26	156,432,040	203,144,787
OPERATING INCOME		27,101,836	582,555,459
OTHER INCOME (CHARGES)	2s,27		
Overhead cost recovery		16,824,009	28,373,306
Financing charges - net	27a	(1,267,284,395)	(626,128,889)
Gain (loss) on foreign exchange - net	2x	(48,887,453)	41,174,023
Under-lift adjustment		(26,453,907)	-
Others - net	27b	(118,799,536)	(7,386,061)
Other Charges - Net		(1,444,601,282)	(563,967,621)
INCOME (LOSS) BEFORE INCOME TAX EXPENSE		(1,417,499,446)	18,587,838
INCOME TAX EXPENSE	2u,28c,28d		
Current		47,824,151	42,220,475
Deferred		267,130,987	13,243,321
Total Income Tax Expense		314,955,138	55,463,796
NET LOSS BEFORE MINORITY INTEREST IN NET LOSS OF CONSOLIDATED SUBSIDIARIES		(1,732,454,584)	(36,875,958)
MINORITY INTEREST IN NET LOSS OF CONSOLIDATED SUBSIDIARIES	2b,19b	3,004,820	1,932,674
NET LOSS		**(1,729,449,764)**	**(34,943,284)**
BASIC LOSS PER SHARE (full amount)	2v,29	**(120,09)**	**(2,43)**

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

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Figures for the Year Ended December 31, 2008)
(Expressed in thousands of Rupiah, unless otherwise stated)

	Note	Share Capital	Additional Paid-in Capital	Difference in Value from Restructuring Transactions of Entities Under Common Control	Difference in the Change of Equity Transaction of a Subsidiary	Translation Adjustments	Deficit	Equity - Net
Balance as of January 1, 2008		1,440,081,337	3,354,749,229	(2,634,645,040)	1,262,994,439	27,286,613	(98,227,731)	3,352,238,847
Translation adjustments	2x	-	-	-	-	393,945,336	-	393,945,336
Net loss for 2008		-	-	-	-	-	(34,943,284)	(34,943,284)
Balance as of December 31, 2008		1,440,081,337	3,354,749,229	(2,634,645,040)	1,262,994,439	421,231,949	(133,171,015)	3,711,240,899
Translation adjustments	2x	-	-	-	-	(240,422,575)	-	(240,422,575)
Net loss for 2009		-	-	-	-	-	(1,729,449,764)	(1,729,449,764)
Balance as of December 31, 2009		**1,440,081,337**	**3,354,749,229**	**(2,634,645,040)**	**1,262,994,439**	**180,809,374**	**(1,862,620,779)**	**1,741,368,560**

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

PT ENERGI MEGA PERSADA Tbk
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(With Comparative Figures for the Year Ended December 31, 2008)
(Expressed in thousands of Rupiah, unless otherwise stated)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,512,426,833	1,993,048,691
Cash paid to suppliers, contractors, employees and other operational activities	(945,321,083)	(805,038,033)
Cash generated from operations	567,105,750	1,188,010,658
Financing charges paid	(880,954,761)	(814,947,588)
Income tax paid	(7,441,360)	(336,593,056)
Net Cash Provided by (Used in) Operating Activities	(321,290,371)	36,470,014
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	8,565,154	134,192,537
Net decrease (increase) in short-term investments	96,369,579	(676,916,904)
Acquisition of oil and gas properties	(608,874,397)	(1,324,528,944)
Decrease (increase) in other non-current assets	(17,898,871)	44,723,454
Acquisition of fixed assets	(126,370)	(351,268)
Cash received from sale of fixed assets	-	160,000
Net Cash Used in Investing Activities	(521,964,905)	(1,822,721,125)
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawal (placement) of restricted fund	205,257,656	(106,278,281)
Proceeds from long-term loans	238,338,928	1,754,564,829
Decrease (increase) of due from related parties	77,546,699	(101,428,225)
Decrease of due to related parties	(3,851,000)	(146,007)
Net Cash Provided by Financing Activities	517,292,283	1,546,712,316
NET DECREASE IN CASH AND CASH EQUIVALENTS	(325,962,993)	(239,538,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	230,617,986	455,088,071
Effect of foreign exchange rate changes	144,447,061	15,068,710
CASH AND CASH EQUIVALENTS AT END OF YEAR	**49,102,054**	**230,617,986**

The accompanying notes to consolidated financial statements are an integral part of these 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 Ministry of Justice and Human Rights in its decision letter No. C-14507.HT.01.01.TH.2001 dated November 29, 2001 and published in State Gazette No. 31, Supplement No. 3684 dated April 16, 2002. The Company's Articles of Association have been amended several times, the most recent being based on the Notarial Deed No. 63 dated October 31, 2008 of Humberg Lie, S.H., S.E., MKn., Notary in Tangerang, in order to conform with Republic of Indonesia Law No. 40 of 2007 concerning Limited Liability Companies and Regulation of Capital Market and Financial Institution Supervisory Board (Bapepam-LK) No. IX.J.1 according to the Chairman of Bapepam-LK decision in his letter No. Kep-179/BL/2008 dated May 14, 2008 concerning the principles of articles of association for equity listed companies and public companies. The Company's amended Articles of Association have been approved by the Ministry of Law and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-10395.AH.01.02.year 2009 dated April 1, 2009.

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 business consultant and management services in the oil and gas industry. Currently, the Company is engaged in exploration and trading of oil and gas.

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 province.

The Company started its commercial operations in February 2003.

b. Public Offering of Shares of the Company

On May 26, 2004, the Company obtained the effective notice from the Chairman of Bapepam-LK in his letter No. S.1480/PM/2004, for an initial public offering of 2,847,433,500 shares of par value Rp100 (full amount) per share, which were offered at Rp160 (full amount) per share, totaling Rp455,589,360,000 (full amount). On June 4, 2004, the shares were listed on the Jakarta Stock Exchange (now the Indonesia Stock Exchange).

Based on the Extraordinary General Meeting of Shareholders (EGMS) dated December 22, 2005, the Company effected its first rights issue (Rights Issue I) of 4,909,368,195 shares of nominal value Rp100 (full amount) per share, which were offered at Rp770 (full amount) per share totaling Rp3,780,213,510,150 (full amount). The Company received the effective notice from the Chairman of Bapepam-LK and, on January 25, 2006, listed the shares of the Rights Issue I on the Jakarta Stock Exchange (now the Indonesia Stock Exchange).

Based on the Extraordinary General Meeting of Shareholders (EGMS) dated December 31, 2009, the Company effected its seconds right issue (Rights Issue II) of 26,183,297,040 shares of nominal value Rp100 (full amount) per share, which were offered at Rp185 (full amount) per share totaling Rp4.843.909.952.400 (full amount). The Company also offered 4,909,368,195 series 1 warrants. The Company received the effective notice from the Chairman of Bapepam-LK and, on February 16, 2010, listed the shares and warrants of the Rights Issue II on the Indonesia Stock Exchange.

(Expressed in thousands of Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

c. Structure of the Company and Subsidiaries

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

Subsidiaries	Domicile	Percentage Ownership (Direct and Indirect) (%) 2009	2008	Start of Commercial Operation	Scope of Activities	Total Assets Before Elimination (in million Rp) 2009	2008
RHI Corporation (RHI)	Delaware, USA	100	100	1984	Oil and Gas	2,505,996	2,657,366
Kondur Petroleum SA							
(KPSA) *)	Panama	100	100	1995	Oil and Gas	2,505,996	2,657,366
Malacca Brantas Finance, B.V.					Investment		
(MBF)	The Netherlands	100	100	2005	Company		
Energi Mega Persada Finance, B.V.					Investment	1,000,745	1,166,280
(EMP Finance)	The Netherlands	100	100	-	Company		
Costa International Group Ltd.	British Virgin					249	290
(Costa) *)	Islands	100	100	2004	Oil and Gas	232,780	252,562
Kalila (Bentu) Ltd. (Bentu) *)	British Virgin						
	Islands	100	100	-	Oil and Gas	905,899	898,584
Kalila (Korinci Baru) Ltd.	British Virgin						
(Korinci Baru) *)	Islands	100	100	2007	Oil and Gas	451,638	467,053
Energy Mega Persada Pte., Ltd.					Investment		
(EMPPL)	Singapore	100	100	-	Company	47	55
Tunas Harapan Perkasa Pte., Ltd.					Investment		
(THPPL)	Singapore	100	100	-	Company	47	55
Enviroco Company Ltd. (ECL)	Seychelles	100	100	2007	Investment		
					Company	988,413	1,252,794
EMP Holding Singapore Pte Ltd					Investment		
(EMP HS)	Singapore	100	100	2008	Company	3,695,269	4,640,194
PT Imbang Tata Alam (ITA)	Indonesia	99,99	99,99	2001	Oil	1,207,227	1,378,911
PT Tunas Harapan Perkasa (THP)	Indonesia	99,99	99,99	2005	Oil and Gas	2,519,794	2,744,919
PT Semberani Persada Oil							
(Semco) *)	Indonesia	99,99	99,99	1996	Oil and Gas	1,663,282	1,880,506
PT Insani Mitrasani Gelam							
(IMG) *)	Indonesia	99,99	99,99	2004	Oil and Gas	548,094	605,651
PT Mosesa Petroleum (MP)	Indonesia	75	75	-	Oil and Gas	29,703	180,974
PT Visi Multi Artha (VMA)	Indonesia	70	-	-	Oil and Gas	27,616	-
PT Artha Widya Persada (AWP)	Indonesia	70	-	-	Oil and Gas	34,397	-
Energi Mega Pratama, Inc.	British Virgin						
(EMP Inc.)	Islands	50	50	2003	Oil and Gas	3,241,836	4,193,062
EMP Exploration (Kangean), Ltd.							
(EEKL) *)	UK	50	50	1987	Oil and Gas	1,076,307	1,409,139
Kangean Energy Indonesia Ltd.							
(KEIL) *)	Delaware, USA	50	50	1987	Oil and Gas	1,631,184	2,178,272
Allgold (88) Ltd.	Seychelles	99,99	99,99	-	Investment		
					Company	0.094	0.094
Freemont Capital Group Ltd.	British Virgin				Investment		
	Islands	99,99	99,99	-	Company	-	-

*) *Indirect ownership interest through Subsidiaries*

All the Subsidiaries of the Company, (except MBF, EMP Finance, THPPL, EMP PL, ECL, EMP HS, Allgold and FCG) are holders of working interests in 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 ("BP Migas") or Technical Assistance Contracts (TAC) with PT Pertamina (Persero) ("Pertamina") as follows:

d. Exploration and Exploitation/Development Areas

Exploration Areas

Locations	Location Permit Owner	Date of Acquisition of Exploration Permit	Due Date	Percentage Ownership	Accumulated Exploration Expenditure
Tonga Block	PT Mosesa Petroleum	January 17, 2007	January 16, 2037	71.25%	14,787,841
GMB Tabulako Block	PT Artha Widya Persada	May 5, 2009	May 4, 2039	100%	9,465,088
GMB Sangatta-II Block	PT Visi Multi Artha	May 5, 2009	May 4, 2039	60%	9,175,853

(Expressed in thousands of Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

Exploitation/Development Areas

Location	Name of Block Owner	Acquisition Date of Exploration	Due Date	Percentage Ownership	Quantity of Proven Reserves*)**)	Total Production: Current Period	Total Production: Total Accu-mulated Production	Ending Proven Reserves
Bentu Block	Kalila (Bentu) Ltd.	2004	2021	100%	23,602	-	-	23,602
Semberah Block	PT Semberani Persada Oil	1995	2015	100%	10,325	871	3,264	7,061
Korinci Baru Block	Kalila (Korinci Baru) Ltd.	2004	2027	100%	2,654	968	2,361	293
Sungai Gelam Block	PT Insani Mitrasani Gelam	1997	2017	100%	1,703	180	952	751
Malacca Straits Block	Kondur Petroleum S.A.	1981	2020	60.49%	248,881	3,348	222,730	26,151
Kangean Block	Kangean Energy Indonesia Ltd.	1990	2030	50%	320,821	2,315	199,929	120,892
Gebang Block	Costa International Group Ltd.	1992	2015	50%	19,525	90	16,445	3,080

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

***)Estimated amount of proven reserves have been certified by an independent petroleum consultant (Supplementary Information).*

Tonga Block has a prospective resource of 90 million barrels of oil equivalent (MMBOE) (unaudited).

e. Boards of Commissioners, Directors, Audit Committee and Employees

The composition of the Company's Board of Commissioners and Directors as of December 31, 2009 and 2008 was as follows:

	2009	2008
Board of Commissioners:		
President Commissioner	Ari Saptari Hudaja	Ari Saptari Hudaja
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	Sulaiman Zuhdi Pane
Directors:		
President Director	Imam Pria Agustino	Christian Victor Ponto
Director	Didit Agripinanto Ratam	Yuli Soedargo
Director	Amir Balfas	Imam Pria Agustino

The composition of the Board of Commissioners and Directors as of December 31, 2009 was based on the decision of the General Meeting of Shareholders (GMS) on May 28, 2009, as stated in the Minutes of the GMS Deed No. 78 dated May 28, 2009 of Robert Purba, S.H., Notary in Jakarta.

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 the EGMS Deed No. 44 dated March 14, 2008 of Robert Purba, S.H., Notary in Jakarta.

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

(Expressed in thousands of Rupiah, unless otherwise stated)

1. GENERAL *(Continued)*

The composition of the Audit Committee as of December 31, 2009, based on the Minutes of Meeting of the Board of Commissioners dated September 1, 2009, was as follows:

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

Total remuneration paid to the Commissioners and Directors of the Company for the years ended December 31, 2009 and 2008 amounted to Rp21.56 billion and Rp25.37 billion, respectively.

As of December 31, 2009 and 2008, the Company and Subsidiaries had approximately 524 and 526 employees, respectively (unaudited).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the generally accepted accounting principles and practices in Indonesia which are covered by the Statements of Financial Accounting Standards (PSAK) issued by the Indonesian Institute of Accountants (IAI) and Regulations and Guidelines for Financial Report Presentation set out by Bapepam-LK. The accounting principles applied consistently in the preparation of the consolidated financial statements were as follows:

a. Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements have been prepared on a historical cost basis except for certain accounts that are measured on the basis described in the related accounting policies.

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

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

b. Principles of Consolidation

The consolidated financial statements include all Subsidiaries that are controlled by the Company. Control is presumed to exist when the Company owns, directly or indirectly (through Subsidiaries), more than 50% of the voting rights of the Subsidiaries. Even when the Company owns 50% or less of the voting rights, control exists when one of the following conditions is met:

(1) having more than 50% of the voting rights by virtue of an agreement with other investors;

(2) having the right to govern the financial and operating policies of the Subsidiaries under the articles of association or an agreement;

(3) ability to appoint or remove the majority of the members of the Subsidiaries' management;

(4) ability to control the majority of votes at meetings of management.

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

The minority shareholders' proportionate share in the equity of the consolidated subsidiaries is presented under "Minority Interest in Net Assets of Consolidated Subsidiaries" on the consolidated balance sheets, while the minority shareholders' proportionate share in the net income or loss of consolidated subsidiaries is presented under "Minority Interest in Net Income or Loss of Consolidated Subsidiaries" in the consolidated statements of income.

All significant inter-company transactions and balances have been eliminated.

The financial statements of the Subsidiaries that are involved in joint operations with other venturers under a contractual arrangement are consolidated using the proportionate consolidation method from the commencement date of joint operations in accordance with PSAK No. 12, "Financial Reporting of Interests 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.

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 oil and gas properties and amortized using the unit of production method within the period of the 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 (discount on acquisition), fair values of 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 basis 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 of Entities Under Common Control." Based on this standard, acquisition of a Subsidiary is accounted for using the pooling of interest method, 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. The balance of "Difference in Value from Restructuring Transactions of Entities Under Common Control" can be realized to gain or loss from the time the common control no longer exists between the entities that entered into the transaction.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, and time deposits with maturities of three months or less and not pledged as collateral nor restricted in use.

e. Investments in Securities

Investments in securities classified as available for sale are stated at market value.

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

f. Receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for doubtful accounts. The Company provides an allowance for doubtful accounts based on the assessment of the Company's management on the collectability of the accounts at the end of the year. The writing-off of receivables is based on management's judgment on the recoverability of the accounts and for the recovery of allowance for doubtful accounts.

g. Inventories

Effective January 1, 2009, the Company and Subsidiaries applied PSAK No.14 (Revised 2008), "Inventories" ("Revised PSAK 14"), which supersedes PSAK No. 14 (1994). The adoption of Revised PSAK 14 had no significant impact on the consolidated financial statements.

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

Inventories purchased under the terms of the PSC or TAC become the property of the government of Republic of Indonesia, as represented by BP Migas or Pertamina, when the inventories are landed in Indonesia.

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method. Allowance for inventory obsolescence is provided based on a review of the condition of inventories at the end of the year.

h. Prepaid Expenses

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

i. Change of Equity in a Subsidiary

Changes in the value of the 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 in the Change of Equity Transaction of a Subsidiary," and recognized as income or expense in the period the investment is 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 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 third parties, are disclosed in the notes to consolidated financial statements.

k. Restricted Funds

Time deposits and placements that are restricted in use for more than one year from balance sheet date are presented under non-current assets.

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

l. Fixed Assets

The Company and Subsidiaries applied PSAK No. 16 (Revised 2007), “Fixed Assets” (“Revised PSAK 16”). Based on Revised PSAK 16, an entity shall choose between the cost model and revaluation model as the accounting policy for its fixed assets measurement. The Company and Subsidiaries have chosen the cost model as the accounting policy for their fixed assets measurement.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Machinery and equipment	4
Vehicle and office equipment	4

The assets’ useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction-in-progress is stated at cost and presented as part of “Fixed Assets” in the consolidated balance sheets, which includes borrowing costs incurred to finance the construction during the period of development. The accumulated costs will be reclassified to the appropriate fixed assets account when construction is completed and ready for their intended use.

The cost of repairs and maintenance is charged to the consolidated statements of income as incurred; replacement or major inspection costs are capitalized when incurred if it is probable that future economic benefits associated with the item will flow to the Company and Subsidiaries, and the cost of the item can be measured reliably. An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of income in the year the asset is derecognized.

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 reserves 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.

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

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 amortized until indication of proven reserves associated with the projects can be determined or until impairment occurs.

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 or TAC agreements.

Sales of proven and unproven properties are accounted for as adjustments of capitalized costs with no gain or loss recognized directly, 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 the consolidated statement of income.

Construction-in-progress is stated at cost and presented as part of “Oil and Gas Properties” in the consolidated balance sheets. The accumulated costs will be reclassified to the appropriate oil and gas properties account when construction is completed and ready for their intended use.

n. Leases

The Company and Subsidiaries applied PSAK No. 30 (Revised 2007), “Leases” (“Revised PSAK 30”). Under Revised PSAK 30, leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the lessee are classified as finance leases. Finance leases are capitalized at the inception of the lease at the fair value of the leased assets or at the present value of the minimum lease payments, if the present value is lower than the fair value. Minimum lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant period rate of interest on the remaining balance of the liability. Finance charges are recorded in the consolidated statements of income. Leased assets held by the lessee under finance leases are included in fixed assets and depreciated over the estimated useful life of the assets or the lease term, whichever is shorter, if there is no reasonable certainty that lessee will obtain ownership by the end of the lease term.

Leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item are classified as operating leases.

o. 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 or TAC. The Subsidiaries are also required to provide funding for any abandonment and site restoration program established.

The method for recognition of the obligations and expense adopted by the Subsidiaries are gradually substantially based on PSAK No.16 (Revised 2007).

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

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

p. Impairment of Asset Values

Asset values are reviewed for any impairment and possible write down to fair value whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the current year consolidated statement of income. Recoverable amount is the higher of an asset's net selling price and its value in use.

q. Capitalization of Borrowing Cost

In accordance with PSAK No. 26 (Revised 1997), "Borrowing Cost", interest cost, foreign exchange differences and other costs incurred from borrowings obtained to finance the construction or installation of major facilities are capitalized. Capitalization of these borrowing costs ceases when the acquisition, construction or installation activities are substantially completed and the assets are ready for their intended use.

r. 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 the Initial Public Offering and Rights Issue are presented as "Additional Paid-in Capital" in equity.

s. Revenue and Expense Recognition

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

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

Production costs of un-lifted oil are deferred, matching the costs against revenues.

t. Employee Benefits

The Company and Subsidiaries adopted PSAK No. 24 (Revised 2004), "Employee Benefits" ("Revised PSAK 24") to determine their employee benefits obligation under Labor Law No. 13/2003 dated March 25, 2003 ("the Law"). Under Revised PSAK 24, the cost of employee benefits based on the Law is determined using the "Projected Unit Credit" actuarial valuation method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets at that date. These gains or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees. Past-service cost arising from the introduction of a defined benefit plan or changes in the benefits obligation of an existing plan, are required to be amortized over the period until the benefits concerned become vested.

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

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

u. Income Taxes

Current tax expense is provided based on the estimated taxable income for the year. Current tax expense of Subsidiaries that are domiciled and registered as tax subjects in other countries, is determined based on the taxable income for the year computed using prevailing tax rates in the relevant countries.

Current tax expense of the Subsidiaries that are engaged in exploration and production of oil and gas under a PSC or TAC is determined based on the taxable income in the related year using the prevailing tax rates at the time the PSC or TAC was entered into.

Deferred tax assets and liabilities are recognized for temporary differences between the financial and the tax bases of assets and liabilities at each reporting date. Deferred tax assets are recognized for all deductible temporary differences, to the extent it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Future tax benefits, such as the carry-forward of unused tax losses, are also recognized to the extent that realization of such benefits is probable.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Amendments to tax obligations are recorded when an assessment is received and/or if objected to and/or appealed against by the Company and Subsidiaries, when the result of the objection and/or appeal is determined.

v. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the year.

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

w. Segment Information

Segment information is presented based on PSAK No. 5 (Revised 2000), “Segment Reporting.” The Company and Subsidiaries’ primary reporting segment information is based on business segment, while its secondary reporting segment information is based on geographical segment.

x. Foreign Currency Transactions and Translation

Transactions in currencies other than Indonesian Rupiah are recorded at the prevailing rates of exchange in effect on the dates of the transactions.

As of balance sheet date, all foreign currency monetary assets and liabilities are translated at the middle exchange rates quoted by Bank Indonesia on that date. The resulting net foreign exchange gains or losses are recognized in the current year’s consolidated statement of income.

(Expressed in thousands of Rupiah, unless otherwise stated)

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

If the books of accounts of the Subsidiaries are maintained in United States Dollar ("USD"), for the presentation of consolidation financial statements purposes, assets and liabilities of the Subsidiaries at balance sheet date are translated into Indonesian Rupiah using the middle rates stated by Bank Indonesia, while revenues and expenses are translated at the average rates of exchange. Resulting translation adjustments are shown as part of equity as "Translation Adjustments." The exchange rates used as of December 31, 2009 and 2008 were as follows:

	2009 (full amount)	2008 (full amount)
Currency		
United States Dollar 1/Rupiah	9,400	10,950
European Euro 1/Rupiah	13,510	15,433

y. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in Indonesia requires management to make estimations and assumptions that affect amounts reported therein. Due to the inherent uncertainty in making of estimates, actual results reported in the future periods may be based on amounts that differ from those estimates.

3. ACQUISITIONS AND ESTABLISHMENT OF SUBSIDIARIES

a. PT Mosesa Petroleum

On April 1, 2008, the Company signed a Conditional Sales and Purchase Agreement (CSPA) with PT Masagena Agung (MGA) whereby it was agreed that the Company will acquire a 75% ownership interest in PT Mosesa Petroleum (MP) owned by MGA at an agreed price of USD11,800,000.

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.

The acquisition of MP became effective on June 11, 2008.

MP is the owner of 71.25% working interest in Tonga PSC Block located in North Sumatra for a term of thirty (30) years from the time the contract was signed with BP Migas 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 attributed to oil and gas properties.

(Expressed in thousands of Rupiah, unless otherwise stated)

3. ACQUISITIONS AND ESTABLISHMENT OF SUBSIDIARIES *(Continued)*

Fair value of net assets at acqusition date were as follows:

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

b. PT Visi Multi Artha

On January 21, 2009, PT Visi Multi Artha (VMA) was established based on Notarial Deed No. 8 of Beni Aguselyanto S.H., with authorized capital amounting to Rp4,000,000 consisting of 4,000 shares with par value of Rp1,000 per share, and having fully paid-up capital of Rp1,000,000. On April 15, 2009, the Company acquired 70% ownership of VMA, consisting of 700 shares amounting to Rp700,000.

VMA was established to engage in services, construction, trading, industry, printing, land transportation, overhaul, agriculture and mining.

c. PT Artha Widya Persada

On January 21, 2009, PT Artha Widya Persada (AWP) was established based on Notarial Deed No. 12 of Beni Aguselyanto S.H., with authorized capital amounting to Rp4,000,000 consisting of 4,000 shares with par value of Rp1,000 per share, and having fully paid-up capital of Rp1,000,000. On April 15, 2009, the Company acquired 70% ownership of AWP, consisting of 700 shares amounting to Rp700,000.

AWP was established to engage in services, construction, trading, industry, printing, land transportation, overhaul, agriculture and mining.

4. CASH AND CASH EQUIVALENTS

	2009	**2008**
Cash on hand	573,052	489,815
Cash in banks		
Indonesian Rupiah		
Citibank N.A.	9,088,143	4,220,641
PT Bank Mandiri (Persero) Tbk	5,455,650	59,163
PT Bank Internasional Indonesia Tbk	727,766	1,166,742
Others (below Rp1 billion each)	1,283,582	869,143

(Expressed in thousands of Rupiah, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS *(Continued)*

	2009	2008
United States Dollar		
Citibank N.A.	24,995,271	45,749,002
PT Bank Mega Tbk	3,703,476	6,925,386
PT Bank Internasional Indonesia Tbk	923,623	7,626,758
PT Bank Negara Indonesia (Persero) Tbk	528,649	32,745,934
Credit Suisse	57	58,273,322
Others (below Rp1 billion each)	132,861	410,734
Euro		
Fortis Bank	353,717	28,746
Total Cash in Banks	47,192,795	158,075,571
Cash equivalents		
Time deposits		
Indonesian Rupiah		
Citibank N.A.	-	18,500,000
United States Dollar		
PT Bank Internasional Indonesia Tbk	1,336,207	1,520,633
Citibank N.A.	-	41,062,500
PT Bank Negara Indonesia (Persero) Tbk	-	10,969,467
Total Cash Equivalents	1,336,207	72,052,600
Total	**49,102,054**	**230,617,986**

Time deposits earned interest at the following annual rates:

	2009	2008
United States Dollar	1.50% - 4.00%	2.25% - 3.75%
Indonesian Rupiah	7.00% - 12.50%	7.25% - 13.75%

5. SHORT-TERM INVESTMENTS

The fund placements of Subsidiaries ECL and KPSA with Riseley Management Ltd. (RML) acting as fund manager, is the placement of securities held to maturity. Funds placed by ECL and KPSA with RML amounted to USD104 million and USD15 million, respectively. Expected increases in net asset values for each year are estimated at 7 percent and 9 percent plus LIBOR (London Interbank Offered Rate) for ECL and KPSA, respectively. For KPSA, the fund placement in RML will be due in five (5) years from September 15, 2008. For ECL, the fund placement will be due five (5) days after the submission of a written request for investment withdrawals from the investor to the fund manager, or on June 30, 2010.

(Expressed in thousands of Rupiah, unless otherwise stated)

6. TRADE RECEIVABLES

a. By Customer - Third Parties

	2009	2008
Local customers		
PT Pertamina (Persero)	34,854,810	75,073,184
PT Perusahaan Listrik Negara (Persero)	5,813,437	26,405,566
PT Perusahaan Gas Negara (Persero) Tbk	3,376,806	49,111,769
PT Petrokimia Gresik (Persero)	3,165,106	9,210,777
PT Riau Andalan Pulp & Paper	1,334,175	5,396,446
Foreign customer		
Well Pacific Energy Pte., Ltd.	53,274,364	-
Itochu Petroleum Co (S) Pte., Ltd.	10,286,848	-
Petro Diamond Pte., Ltd.	250,459	15,216,357
Total	**112,356,005**	**180,414,099**

b. By Age Category

	2009	2008
Up to 30 days	107,076,358	77,170,271
Over 31 - 60 days	4,944,130	50,500,895
Over 60 days	335,517	52,742,933
Total	**112,356,005**	**180,414,099**

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

Receivables from Subsidiaries as of December 31, 2009 and 2008 are pledged as collateral for the long-term loans (Note 18).

7. OTHER RECEIVABLES

a. This account consists of receivables from:

	2009	2008
BP Migas	176,409,664	294,717,670
Suppliers	58,990,737	71,525,737
Employees	16,296,543	16,660,677
Others (below Rp10 billion each)	60,038,025	138,847,787
Total	311,734,969	521,751,871
Less allowance for doubtful accounts	(7,895,023)	(11,856,280)
Net	**303,839,946**	**509,895,591**

(Expressed in thousands of Rupiah, unless otherwise stated)

7. OTHER RECEIVABLES *(Continued)*

b. Mutation of allowance for doubtful accounts is as follows :

	2009	2008
Beginning balance	11,856,280	19,811
Allowance for doubtful accounts	312,486	11,836,469
Revision on allowance for doubtful accounts	(4,273,743)	-
Ending Balance	**7,895,023**	**11,856,280**

Receivables from BP Migas represent Subsidiaries' receivables consisting of VAT that are reimbursable from BP Migas and underlifting for oil sales which is in accordance with the PSC or TAC. The balances as of December 31, 2009 and 2008 were Rp176,409,664 and nil, and Rp216,539,825 and Rp78,177,845, respectively.

Receivables from suppliers represent Subsidiaries' receivables for the exploration and exploitation activities carried out by suppliers, which were first funded by the Subsidiaries.

Based on the results of the examination of each receivable, the Company's management believes that the allowance for doubtful accounts as of December 31, 2009 and 2008 was adequate to cover the possible losses on other receivables.

8. INVENTORIES

	2009	2008
Spare-parts	385,845,039	457,066,221
Fuel	1,225,336	9,339,655
Chemicals and others	9,415,138	14,297,692
Total	**396,485,513**	**480,703,568**

Inventories are covered by insurance against losses from fire and other risks under blanket policies insurance package with Oil and Gas Properties (Note 12). Management believes the insurance coverage is adequate to cover possible losses from such risks.

9. PREPAID EXPENSES AND ADVANCES

	2009	2008
Prepaid expenses		
Rental	2,978,411	4,173,147
Insurance	1,400,538	1,970,311
Service charge	-	388,710
Advances		
Project	21,460,033	17,090,143
Others	7,452,828	34,257,734
Total	**33,291,810**	**57,880,045**

(Expressed in thousands of Rupiah, unless otherwise stated)

10. RESTRICTED FUNDS

	2009	2008
PT Bank Mega Tbk	323,495,597	349,513,050
Credit Suisse AG, Singapore Branch (CS)	155,795,616	214,339,628
PT Bank Mandiri (Persero) Tbk	38,765,443	47,865,751
The Hongkong and Shanghai Banking Corporation Ltd., Singapore Branch	7,131,614	86,037,365
Societe Generale, Hongkong Branch	-	151,012,994
Total	**525,188,270**	**848,768,788**

The fund placement with PT Bank Mega Tbk represents placement of time deposits that are used to secure the Subsidiaries' payables to vendors and issuance of bank guarantees as required by the PSC of Subsidiaries.

The fund placed with Credit Suisse AG, Singapore Branch (CS) on December 31, 2009 represents placement of fund pursuant to the Cash and Account Management Agreement (CAMA) 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 (Note 18). Meanwhile, the fund placed with CS on December 31, 2008 represents placement of fund pursuant to the Credit Agreement between Semco and CS. The placement served as collateral for the loan obtained from CS on October 27, 2005 (Note 18).

The fund placed with PT Bank Mandiri (Persero) Tbk on December 31, 2009 represents fund placement through *Yayasan Dana Santunan Pegawai Selat Malaka* (Malacca Strait Employees Foundation) and other financial institution for employee benefits (Note 30) and fund placement as bank guarantee of Subsidiaries as required by their PSC

Pursuant to the Gas Sales and Purchase Agreement (GSA) in 2005 (Note 32d) between Subsidiaries EEKL and KEIL, funds received from gas sales are placed in a restricted account at The Hongkong and Shanghai Banking Corporation Ltd. (HSBC), which is acting as a trustee as provided in the GSA. The funds will paid to the bank accounts of EEKL, KEIL and other participant based on joint instruction from Kangean PSC participants. This bank account is also used for payments for gas transportation to PT Pertamina (Persero).

In accordance with the Share Subscription Agreement (SSA) dated March 6, 2007, between the Company and Subsidiary EMP Inc. with Mitsubishi Corporation and Japan Petroleum Exploration Co. Ltd., funds received from BP Exploration Operating Company Limited and BP America Production Company (previous working interest holders of Kangean work area) in 2007, are to be placed in a restricted account in Societe Generale Hongkong (SG). These funds are dedicated to the payments of corporate and dividend taxes of Subsidiaries EEKL and KEIL. In 2008, EEKL and KEIL already paid all of the corporate and dividend tax and on 2009, all funds placed in this account have already been liquidated.

As of December 31, 2009 and 2008, all restricted funds are denominated in United States Dollar, except for the fund placed in PT Bank Mandiri (Persero) Tbk, through Yayasan Dana Santunan Pegawai Selat Malaka, amounting to Rp9.07 billion and Rp11.11 billion, respectively.

(Expressed in thousands of Rupiah, unless otherwise stated)

11. DUE FROM/TO RELATED PARTIES

a. Nature of Relationship with Related Parties

- The Company, through one or more intermediaries, is under common control with Lapindo Brantas, Inc (LBI), PT Energi Timur Jauh (ETJ), Asian Worldwide Group Ltd.(AWG) and Global Overseas Enterprise Ltd. (GOE).

- PT Masagena Agung (MGA) is a common administrator with PT Mosesa Petroleum (MP), a Subsidiary, in which the Company and MGA own 75% and 25%, respectively.

Due to these relationships it is possible that the terms and conditions of transactions between these parties are not the same as those that would result from transactions between third parties.

b. Due from Related Parties

	2009	2008
LBI	693,457,761	777,799,399
ETJ	510,323,127	707,157,409
Others (each below Rp1 billion)	1,154,073	256,885
Total	**1,204,934,961**	**1,485,213,693**
Percentage to Total Assets	**11.75%**	**11.76%**

Due from LBI mainly represents a portion of funds from a loan from Merrill Lynch in 2007. Minarak Labuan Co. (L) Ltd. (MLC), as the majority owner of LBI, guaranteed the receivable from LBI to the Company. The receivables are non-interest bearing and have no fixed repayment period.

Due from ETJ mainly represents a portion of receivables arising from a loan agreement dated August 1, 1998 (Note 32c). The receivables are non-interest bearing and have no fixed repayment period.

The Company and Subsidiaries did not provide any allowance for doubtful accounts. Management believes these receivables are collectible.

c. Due to Related Parties

	2009	2008
MGA	110,920,000	129,210,000
AWG	43,172,560	50,291,439
GOE	17,379,526	20,245,299
LBI	14,448,010	-
Others (each below Rp1 billion)	553,174	654,886
Total	**186,473,270**	**200,401,624**
Percentage to Total Liabilities	**2.20%**	**2.25%**

Due to MGA represents a payable in relation to the acquisition of PT Mosesa Petroleum (MP) amounting to USD11,800,000 (Note 3). This was already paid in February 2010.

(Expressed in thousands of Rupiah, unless otherwise stated)

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

Due to AWG and GOE represent payables from taking over the working interests in Bentu PSC and Korinci Baru PSC from Petroz Bentu Ldc. and Petroz Korinci Baru Ldc. on August 7, 2005. Due to AWG and GOE represent payables arising before the acquisition of THP. These payables are non-interest bearing and have no fixed repayment period.

Loan to LBI represent payables of Subsidiaries activities that were funded by LBI. These payables are non-interest bearing and have no fixed repayment period.

12. OIL AND GAS PROPERTIES

	2009	2008
Well and equipment and their facilities	8,130,743,247	8,896,389,726
Well and equipment and their facilities in progress	1,822,075,818	1,991,697,566
Total	9,952,819,065	10,888,087,292
Accumulated depreciation, depletion and amortization	(3,848,832,582)	(4,304,708,529)
Net Book Value	**6,103,986,483**	**6,583,378,763**

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

	2009					
Area of Interest	**Location**	**Beginning Balance**	**Addition**	**Deduction**	**Translation Adjustment**	**Ending Balance**
Malacca Strait PSC	Sumatera	1,457,759,793	253,595,353	183,974,526	(213,086,197)	1,314,294,423
Kangean PSC	Jawa Timur	3,116,652,272	134,325,629	58,742,383	(441,467,035)	2,750,768,483
Gelam TAC	Sumatera	383,370,752	20,689,996	51,595,105	(51,276,659)	301,188,984
Bentu PSC	Sumatera	370,433,522	31,367,472	-	(55,470,966)	346,330,028
Korinci Baru PSC	Sumatera	158,850,557	3,712,478	118,786,904	(11,350,887)	32,425,244
Gebang PSC	Sumatera	17,568,741	-	33,881	(3,130,364)	14,404,496
Semberah TAC	Kalimantan	546,153,333	164,898,614	69,201,574	(85,922,435)	555,927,938
Tonga PSC	Sumatera	156,290,537	8,485,780	-	-	164,776,317
Sangatta-II PSC	Kalimantan	-	10,158,841	-	(982,988)	9,175,853
Tabulako PSC	Kalimantan	-	10,479,062	-	(1,013,973)	9,465,089
Total		6,207,079,507	637,713,225	482,334,373	(863,701,504)	5,498,756,855
Add: Cost Pool Effect		376,299,256	-	(228,930,372)	-	605,229,628
Net Book Value		**6,583,378,763**				**6,103,986,483**

	2008					
Area of Interest	**Location**	**Beginning Balance**	**Addition**	**Deduction**	**Translation Adjustment**	**Ending Balance**
Malacca Strait PSC	Sumatera	940,702,871	462,325,110	140,009,455	194,741,267	1,457,759,793
Kangean PSC	Jawa Timur	2,253,110,854	420,601,834	46,350,027	489,289,611	3,116,652,272
Gelam TAC	Sumatera	244,581,660	105,625,490	17,969,218	51,132,820	383,370,752
Bentu PSC	Sumatera	286,764,052	32,800,342	-	50,869,128	370,433,522
Korinci Baru PSC	Sumatera	201,249,253	49,747,605	116,228,983	24,082,682	158,850,557
Gebang PSC	Sumatera	14,181,170	994,862	36,717	2,429,426	17,568,741
Semberah TAC	Kalimantan	387,405,325	142,835,896	58,061,720	73,973,832	546,153,333
Tonga PSC	Sumatera	-	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**

(Expressed in thousands of Rupiah, unless otherwise stated)

12. OIL AND GAS PROPERTIES *(Continued)*

Depreciation, depletion and amortization for the years ended December 31, 2009 and 2008 of Rp253,404,001 and Rp214,228,378, respectively, were charged to cost of goods sold (Note 25).

The additions mainly consisted of cost of development and exploration and capitalization of borrowing cost. Total capitalized financing cost for the years ended December 31, 2009 and 2008 amounted to USD3.07 million and USD4.55 million, respectively.

Oil and gas properties, as well as inventories were insured with several third-party insurance companies to cover any risk of loss and damage, with total sums insured based on the working interest, as of December 31, 2009 and 2008 being USD322,312,935 and USD330,101,193, respectively. Management believes these sums insured are adequate to cover possible losses from such risks.

Based on the evaluation of the management there are no events or changes in circumstances that indicate any impairment of in the value oil and gas properties.

13. OTHER NON - CURRENT ASSETS

	2009	2008
Deferred production cost	25,052,512	8,357,892
Security deposit	17,598,108	24,787,468
Others	13,332,499	4,938,888
Total	**55,983,119**	**38,084,248**

Deferred production cost represents allocation of production cost for crude oil not yet sold at the end of the year.

The security deposit represents placement of deposit for rental office space in Wisma Mulia located at Jenderal Gatot Subroto Street, Kav. 42, Jakarta.

14. NOTES PAYABLE

	2009	2008
Arcadian Venture Ltd. (Arcadian)	18,189,000	-
Advance-Lead Strategy Ltd. (Advance-Lead)	15,442,170	31,415,550
Total	**33,631,170**	**31,415,550**

On September 4, 2009, the Company issued notes payable to Arcadian in the amount of USD1,935,000. These notes payable were due on October 5, 2009 with interest from the issuance date until the due date amounting to USD40,000. These notes payable will automatically roll-over if agreed by both parties. There were no assets pledged for the issuance of these notes payable.

(Expressed in thousands of Rupiah, unless otherwise stated)

14. NOTES PAYABLE *(Continued)*

On December 31, 2008, Subsidiary MP issued notes payable to Advance-Lead in the amount of USD2,869,000 and these notes were due on December 31, 2009 with interest of 15% per annum. On June 3, 2009, these notes payable were partially paid in the amount of USD1,919,000 and MP reissued the notes payable with the principal amount plus interest of previously unpaid notes payable in the amount of USD1,642,784. These notes payable will due on December 31, 2009. These notes payable will automatically roll-over if agreed by both parties. There were no assets pledged for the issuance of these notes payable.

15. TRADE PAYABLES

a. By Creditors - Third Parties

	2009	2008
PT Petroflexx Prima Daya (formerly PT Jaya Wijaya Raya)	68,582,081	40,083,808
PT Jasa Karya Utama	56,569,065	69,723,251
Aircraft Management Ltd.	41,736,000	-
PT Duta Energi Semesta	37,084,915	34,685,519
PT Petrodata System	22,960,414	5,526,011
PT Prime Petro Services	18,477,058	8,340,589
PT Sanggarcipta Kreasitama	17,166,502	722,709
PT Dowell Anadrill Schlumberger	14,434,114	12,737,007
PT Schlumberger Geophnusantara	13,107,345	6,071,081
PT Pertamina (Persero)	12,414,681	10,462,658
PT Bintang Perwira Utama	12,036,151	29,759
PT Emha Tara Navindo	11,621,828	2,619,996
PT Multi Production Solution	11,075,745	-
PT BJ Services Indonesia	10,174,072	10,496
PT Daya Alam Tehnik Inti	9,878,661	11,279,023
PT Dwi Prima Sembada	6,806,972	12,544,531
PT Alam Jaya Makmur Sejahtera	1,486,905	10,872,995
PT Kanaka Dwi Mitra Manunggal	18,783	13,502,746
Others (each below Rp10 billion)	272,564,431	194,004,558
Total	**638,195,723**	**433,216,737**

b. By Age Category

	2009	2008
Up to 30 days	110,725,987	94,419,014
Over 31 - 60 days	55,587,011	49,618,841
Over 60 days	471,882,725	289,178,882
Total	**638,195,723**	**433,216,737**

(Expressed in thousands of Rupiah, unless otherwise stated)

15. TRADE PAYABLES *(Continued)*

c. By Currency

	2009	2008
United States Dollar	503,841,000	388,864,577
Indonesian Rupiah	134,354,723	44,352,160
Total	**638,195,723**	**433,216,737**

16. OTHER PAYABLES

	2009	2008
BP Migas	43,132,035	-
PT Pertamina (Persero) (Pertamina)	37,335,725	-
PT Perusahaan Listrik Negara (Persero) (PLN)	27,222,498	40,646,152
PT Danatama Makmur	-	43,800,000
Others (each below Rp10 billion)	163,024,384	89,687,009
Total	**270,714,642**	**174,133,161**

Payables to BP Migas and Pertamina represent over-lifting payables on oil sales of Subsidiaries in accordance with the PSC or TAC.

Payables to PLN represent payables of Bentu, a Subsidiary, arising from its gas sales agreement.

17. ACCRUED EXPENSES

	2009	2008
Financing cost	468,973,571	45,239,959
Support cost	86,283,174	67,260,272
Production	68,094,077	222,080,802
Drilling	32,481,897	205,767,915
Others (each below Rp10 billion)	64,148,439	33,599,396
Total	**719,981,158**	**573,948,344**

Financing cost represents interest and other financing expenses arising from the Senior and Junior Loans from Subsidiary, EMP HS, to Credit Suisse (CS). These financing cost were already fully paid in 2010 (Notes 18 and 38).

Accrued drilling, production and support costs mainly represent expenditures related to the activities of exploration, development and exploitation of oil and gas of Subsidiaries with working interests in oil and gas.

(Expressed in thousands of Rupiah, unless otherwise stated)

18. LONG-TERM LOANS

	2009	2008
Credit Suisse AG, Singapore Branch (USD450 million in 2009 and 2008)	4,230,000,000	4,927,500,000
Japan Petroleum Exploration Co, Ltd., Japan (USD78.23 million in 2009 and USD65.55 million in 2008)	735,340,172	717,725,433
Kangean Finance Company (USD67.99 million in 2009 and USD nil in 2008)	639,110,982	-
Mitsubishi Corporation, Japan (USD10.23 million in 2009 and USD65.55 million in 2008)	96,229,190	717,725,433
PT Bank Permata Tbk	87,185	169,409
Total	5,700,767,529	6,363,120,275
Current maturities	2,350,087,185	-
Long-term Loans - Net	**3,350,680,344**	**6,363,120,275**

Credit Suisse (CS), Singapore

The loan from CS amounting to USD450 million as of December 31, 2009 and 2008 represent the loans obtained by EMP HS.

On September 8, 2008, EMP HS entered into credit facilities arranged by CS as an arranger and agent of up to maximum of USD450 million which consists of the following agreements:

a. Senior Credit Agreement

EMP HS obtained the loan under this agreement amounting to USD250 million that bears interest at 12% above LIBOR. The loan period is sixty (60) months from the utilization date. EMP HS may repay the loan in whole or in part at any time on or after the date falling twenty-four (24) months after the utilization date.

b. Junior Credit Agreement

EMP HS obtained the loan under this agreement amounting to USD200 million that bears interest at 9% above LIBOR. The loan period is sixty (60) months from the utilization date. EMP HS may repay the loan in full any time after the later of the Senior discharge date and a date falling eighteen (18) months after the utilization date.

On the same date, in accordance with the loans, the Company, EMP HS, Operating Companies (ITA, KPSA, Semco, IMG, Costa, Bentu and Korinci Baru) and intermediate Holdco (RHI and THP) signed a Cash and Account Management Agreement (CAMA) with CS with the terms as follows:

a. Each of EMP HS and Operating Companies shall establish, before or on the date of this agreement, and shall maintain the Transaction Account (Junior Debt Service Reserve Account, Senior Debt Service Reserve Account, Junior Interest Account, Senior Interest Account, Prepayment Account, each Collection Account and Master Collection Account) with Common Account Bank in accordance with the CAMA.
b. Each of EMP HS and Operating Companies undertake to the Junior and Senior Lender that it shall make payments or provide instructions to make payments out of the Transaction Account only in accordance with the terms of the CAMA.
c. The Transaction Account shall be operated by the Common Account Bank (on behalf of EMP HS and the Operating Companies) in accordance with this CAMA.

18. LONG-TERM LOANS *(Continued)*

Both credits above were utilized on September 12, 2008, being used for:
a. Repayment the prior loan obtained from CS amounting to USD152.75 million,
b. Repayment of the previous loan obtained from PMA Capital Management Ltd.,
c. Financing the development of existing assets, and
d. Funding the working capital for existing assets.

Collateral used for these credit facilities includes the Company's guarantee, pledges of EMP HS' shares and 50% of EMP Inc. shares.

In this loan facility agreement, there are restrictions on the Company, as follows:

1. Company and Subsidiaries may not make acquisition or investment, including, without limitation:

   a. acquiring a company or shares or securities or a business;
   b. incorporating a company;
   c. entering into or acquiring any interest in any joint venture, partnership or similar arrangement; or
   d. acquiring an interest in any gas field other than hydrocarbon fields.

   Clauses above do not apply to:

   a. any acquisitions or investments made in the ordinary course of trade;
   b. the entry by a subsidiary into New Supply Contracts in accordance with the provisions of Clause and material contracts as arranged in the loan agreement;
   c. an acquisition or incorporation of a company:
      (i) where such acquisition or incorporation is solely funded by:
         a. the proceeds of an equity raising in the form of an issue of Company's shares
         b. excess cash released to EMP HS, in accordance with Cash and Management Agreement; and
      (ii) for the purposes of conducting hydrocarbon exploration and/or extraction business.

2. Dividends payment limitation

   (1) Company shall not pay dividends or make any distributions if a default has occurred and is outstanding;

   (2) Subject to point (1) above, the Company shall ensure that any dividends or distributions paid to its shareholders in any financial year shall:
      (i) limited to five percent (5%) of its total net income for the immediately preceding financial year;
      (ii) not exceed the aggregate of USD5,000,000 for that financial year.

   Except with the prior written consent of the Majority Lenders.

3. Limitation of Subsidiary Operations

   The Company and Subsidiary shall ensure the provision of floating storage and offloading vessels (FSO) for Kangean PSC Block and conduct an equity raising through rights issue in the capital of Company in the same amount or more than USD150 million before June 30, 2009. At least USD150 million from the net proceeds of the equity raising must be used for the following purposes:

   - Funding of capital expenditures and/or working capital; and/or
   - Refinancing of the whole or a part of the loan facility.

18. LONG-TERM LOANS *(Continued)*

4. Limitation of Financial Ratios

   The Company must ensure that consolidated total debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio at the end of the calculation period shall not exceed:

   - 3.0 : 1 for calculation periods ending December 31, 2008 and June 30, 2009;
   - 2.0 : 1 for calculation periods ending December 31, 2009 and June 30, 2010;
   - 1.0 : 1 for calculation periods ending December 31, 2010 and June 30, 2011;
   - 0.5 : 1 for calculation periods ending after December 31, 2010 and June 30, 2011;

In the end of 2009, the Company and creditors of Senior and Junior Loans have agreed on the terms of the Senior and Junior Loans restructuring. Under these restructuring terms, the Company has received a conditional waiver from existing default condition on the Senior and Junior Loans, under which the Company is required to take certain corporate actions in order to reduce the loans and to provide the Creditors of Senior and Junior Loan additional control over cash flows, operations and Company expenditures.

As part of the restructuring, the Company has agreed to use part of the Limited Public Offering (PUT) II funds for full payment of the principal of the Junior Loan and partial payment of the principal of the Senior Loan to creditors who choose to accept the partial payment, totalling USD250,000,000. The remaining loan principal will be paid in accordance with the agreed repayment schedule for Senior loans of sixty (60) months from the date of loan utilization. EMP HS can settle all or part of the loan at any time on or after twenty four (24) months from the date of utilization.

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 USD21.55 million as stipulated in the Facility Agreements dated May 16, 2007. This loan will be due on June 30, 2017, and bears interest at LIBOR plus 3.75% for time deposits for six (6) months. The loan has a five (5) year repayment grace period and will be repaid by semi-annual installments thereafter.

As of December 31, 2009 and 2008, the Company has utilized the loan facility plus interest, amounting to USD20.47 million and USD19.42 million, respectively.

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 USD430 million including the above loan facility for the Company as stipulated in the Carry Agreement dated May 16, 2007. The loan will become due on June 30, 2017 and bear interest at LIBOR plus 3.75% for time deposits for six (6) months. The loan has a five (5) year repayment grace period and will be repaid in semi-annual installments thereafter.

As of December 31, 2009 and 2008, EEKL and KEIL have utilized the loan facility plus interest amounting to USD271.96 million (the Company's portion being USD135.98 million) and USD223.36 million (the Company's portion being USD111.68 million), respectively.

(Expressed in thousands of Rupiah, unless otherwise stated)

18. LONG-TERM LOANS *(Continued)*

Based on the novation and amendment agreement dated July 17, 2009 between EEKL, KEIL, MC and Kangean Finance Company (KFC), all of the loan facilities EEKL and KEIL from MC have been transferred to KFC. All terms and conditions in the previous loan facilities remain unchanged.

PT Bank Permata Tbk

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

19. MINORITY INTEREST

a. Minority interest in net assets of Subsidiaries

	2009	2008
PT Mosesa Petroleum	32,438,701	35,448,357
PT Visi Multi Artha	300,000	-
PT Artha Widya Persada	300,000	-
PT Tunas Harapan Perkasa	17,441	12,605
Total	**33,056,142**	**35,460,962**

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

	2009	2008
PT Mosesa Petroleum	3,009,656	1,933,921
PT Tunas Harapan Perkasa	(4,836)	(1,247)
Total	**3,004,820**	**1,932,674**

20. CAPITAL STOCK

The Company's shareholders, the number of issued and paid shares and the related balances as of December 31, 2009 and 2008 based on registration by PT Ficomindo Buana Registrar were as follows:

	2009		
Shareholders	**Number of Issued and Paid Shares (full amount)**	**Percentage of Ownership (%)**	**Issued and Paid Share Capital (Rp)**
PT Bakrie & Brothers Tbk	6,224,151,377	43.22	622,415,138
Rennier Abdul Rachman Latief	388,496,500	2.69	38,849,650
PT Kondur Indonesia	257,604,398	1.79	25,760,440
Julianto Benhayudi	50,000	0.01	5,000
PT Brantas Indonesia	49	0.00	4
Public (each below 5%)	7,530,511,048	52.29	753,051,105
Total	**14,400,813,372**	**100.00**	**1,440,081,337**

(Expressed in thousands of Rupiah, unless otherwise stated)

20. CAPITAL STOCK *(Continued)*

	2008		
Shareholders	**Number of Issued and Paid Shares (full amount)**	**Percentage of Ownership (%)**	**Issued and Paid Share Capital (Rp)**
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
Jumlah	**14,400,813,372**	**100.00**	**1,440,081,337**

The ownership by PT Bakrie & Brothers Tbk (BNBR) of 6,221,151,377 shares as of December 31, 2009 and 2008 based on the letter from other shareholders, PT Kondur Indonesia and PT Brantas Indonesia, whereby these companies held 3,517,395,602 shares and 2,703,755,775 shares, respectively, for the benefit of the BNBR. As of December 31, 2009, BNBR directly owned 3,000,000 shares.

21. PAID IN CAPITAL

	Difference from the Excess of Price Over the Share Par Value	**Share Issuance Cost**	**Net**
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 Issues I - 4,909,368,195 shares	3,289,276,691	92,948,408	3,196,328,283
Total	**3,460,122,701**	**105,373,472**	**3,354,749,229**

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

	Dated	**Net Book Value**	**Acquisition Cost**	**Difference in Value from Restructuring Transactions of Entities Under Common Control**
RHI Corporation	February 2003	92,458,079	200,000,000	(107,541,921)
PT Imbang Tata Alam	February 2004	(43,635,241)	38,400,000	(82,035,241)
Energi Mega Pratama Inc,	August 2004	238,407,446	239,420,000	(1,012,554)
PT Tunas Harapan Perkasa	January 2006	165,058,249	2,609,113,573	(2,444,055,324)
Total		**452,288,533**	**3,086,933,573**	**(2,634,645,040)**

(Expressed in thousands of Rupiah, unless otherwise stated)

23. DIFFERENCE IN THE CHANGE OF EQUITY TRANSACTION OF A SUBSIDIARY

In 2007, EMP Inc., issued 26,000,010 new shares to Mitsubishi Corporation and Japan Petroleum Exploration Co., Ltd. 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 in the Change of Equity Transaction of a 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.

24. NET SALES

	2009	2008
Export		
Itochu Petroleum Co. (S) Pte. Ltd.	668,383,781	-
Petro Diamond Co. Ltd.	82,927,171	896,401,296
Well Pacific Energy Pte. Ltd.	58,981,522	-
	810,292,474	896,401,296
Domestic		
PT Pertamina (Persero)	369,497,303	666,528,369
PT Perusahaan Listrik Negara (Persero)	134,553,566	111,333,672
PT Petrokimia Gresik (Persero)	97,139,743	69,925,342
PT Riau Andalan Pulp & Paper	32,885,653	67,800,072
PT Perusahaan Gas Negara (Persero) Tbk	-	47,082,360
	634,076,265	962,669,815
Total	**1,444,368,739**	**1,859,071,111**

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

	2009	2008
Itochu Petroleum Co. (S) Pte. Ltd.	668,383,781	-
PT Pertamina (Persero)	369,497,303	666,528,369
Petro Diamond Co. Ltd.	82,927,171	896,401,296
Total	**1,120,808,255**	**1,562,929,665**

Oil sold for the years ended December 31, 2009 and 2008 amounted to Rp1,069.5 billion and Rp1,421.6 billion, respectively. Gas sold for the years ended December 31, 2009 and 2008 amounted to Rp374.9 billion and Rp437.5 billion, respectively.

(Expressed in thousands of Rupiah, unless otherwise stated)

25. COST OF GOODS SOLD

	2009	2008
Production	589,283,920	488,409,712
Support cost	376,448,779	300,701,068
Depreciation, depletion and amortization (Note 12)	253,404,001	214,228,378
Workover	41,698,163	70,031,707
Total	**1,260,834,863**	**1,073,370,865**

26. OPERATING EXPENSES

	2009	2008
Salaries, allowances and employee benefits	104,061,384	120,225,733
Professional fees	15,896,394	34,066,651
Rent	12,634,862	13,234,132
Representation and donation	8,422,571	13,277,092
Office expenses	5,366,919	7,855,009
Business travelling	2,968,213	7,474,269
Depreciation	1,102,156	2,411,544
Insurance	312,029	715,803
Others (below Rp500 million each)	5,667,512	3,884,554
Total	**156,432,040**	**203,144,787**

27. OTHER INCOME (CHARGES)

a. Financing Cost

	2009	2008
Interest expenses	780,632,646	495,794,812
Other financing cost	495,216,903	264,526,614
Interest income	(8,565,154)	(134,192,537)
Total	**1,267,284,395**	**626,128,889**

b. Others - Net

Others - net for the year ended December 31, 2009 consists of expenses for write-offs of project advances amounting to Rp43,378,254 and others expenses amounting to Rp75,421,282.

(Expressed in thousands of Rupiah, unless otherwise stated)

28. TAXATION

a. Taxes Payable

	2009	2008
Corporate income and dividend tax	60,260,994	19,878,203
Income taxes		
Article 4 (2)	129,231	386,113
Article 21	7,608,386	16,765,624
Article 23	32,305,450	34,640,132
Article 26	42,450,877	46,832,118
Value-Added Tax	94,808,226	97,706,261
Additional tax assessments and penalties	8,631,066	10,341,420
Total	**246,194,230**	**226,549,871**

b. A reconciliation between income (loss) before income tax expense as shown in the consolidated statements of income for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Income (loss) before income tax expense per consolidated statements of income	(1,417,499,446)	18,587,838
Income (loss) of Subsidiaries before income tax expense	(1,227,521,734)	134,082,822
Loss before income tax expense attributable to the Company	(189,977,712)	(115,494,984)
Temporary difference:		
Employee benefits	1,998,490	896,488
Permanent differences:		
Donation and entertainment	5,974,145	11,475,148
Taxes expense	10,298,162	20,978,864
Interest income which subject to final tax	(5,506,471)	(8,150,705)
Others	119,206	454,005
Total	10,885,042	24,757,312
Estimated fiscal loss of the Company	(177,094,180)	(89,841,184)
Estimated cumulative fiscal loss at beginning of year	(359,947,098)	(261,377,664)
Prior fiscal loss adjustment	234,152,784	(8,728,250)
Cumulative Fiscal Loss at End of Year	**(302,888,494)**	**(359,947,098)**

No provision for current income tax was made for the years ended December 31, 2009 and 2008 due to the Company still being in a fiscal loss position.

In these consolidated financial statements, the amount of 2009 fiscal loss is based on the preliminary calculation, as the Company has not yet submitted its annual corporate income tax report.

(Expressed in thousands of Rupiah, unless otherwise stated)

28. TAXATION *(Continued)*

c. Tax Benefit (Expense)

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

	2009	2008
Current tax		
Company	-	-
Subsidiaries	(47,824,151)	(42,220,475)
Sub-total	(47,824,151)	(42,220,475)
Deferred tax		
Company	(29,204,001)	11,647,798
Subsidiaries	(237,926,986)	(24,891,119)
Sub-total	(267,130,987)	(13,243,321)
Total	**(314,955,138)**	**(55,463,796)**

d. Deferred Tax

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

	Balance as of December 31, 2008	Translation Adjustments	Credited (Charged) to Consolidated Statements of Income	Balance as of December 31, 2009
Deferred Tax Assets				
Fiscal loss	73,434,789	-	(29,404,553)	44,030,236
Employee benefits	9,028,174	612,667	42,872,994	52,513,835
Oil and gas properties	(879,606,791)	125,459,849	(9,810,700)	(763,957,642)
Non-capital inventory	(54,906,165)	5,494,096	(37,240,856)	(86,652,925)
Unrecoverable charges	1,524,017,073	(178,505,997)	(360,297,948)	985,213,128
Total	671,967,080	(46,939,385)	(393,881,063)	231,146,632
Deferred Tax Liabilities				
Employee benefits	19,915,137	(4,439,748)	16,749,484	32,224,873
Oil and gas properties	(588,345,186)	73,250,959	103,664,668	(411,429,559)
Non-capital inventory	(51,102,292)	6,620,576	6,335,924	(38,145,792)
Total	(619,532,341)	75,431,787	126,750,076	(417,350,478)
Deferred Tax Benefit			**(267,130,987)**	

(Expressed in thousands of Rupiah, unless otherwise stated)

28. TAXATION *(Continued)*

	Balance as of December 31, 2007	Translation Adjustments	Credited (Charged) to Consolidated Statements of Income	Balance as of December 31, 2008
Deferred Tax Assets				
Fiscal loss	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)
Unrecoverable charges	1,068,212,208	203,650,980	252,153,885	1,524,017,073
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 inventory	(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 Benefit			**(13,243,321)**	

Management believes that the deferred tax assets as of December 31, 2009, can be recovered in future years.

f. On November 28, 2006, the Directorate General of Taxation issued Tax Assessment Letter on Underpayment (SKPKB) for corporate income tax and income tax article 26 (4) for Costa for the years 1997, 1998, 2000, 2001 and 2002 totaling USD8,860,992. On February 27, 2007, Costa submitted its Objection Letter to the Tax Office and filed a lawsuit with the State Administration Court opposing such SKPKB. Up to the completion date of these consolidated financial statements, the Tax Office has rejected the Objection Letter. However, the lawsuit is still under process.

In October and November 2007, Bentu received tax assessment letters for interest penalties on late payments of VAT and witholding tax article 23 amounting to Rp4,153,062 and Rp3,054, respectively.

On March 7, 2007, IMG received SKPKB for VAT amounting to Rp6,265,260 from Directorate General of Taxation, of which Rp3,174,381 has been paid by IMG on November 22, 2007. In June 2007, the Directorate General of Taxation issued an additional tax assessment letter of VAT of IMG amounting to Rp1,384,078.

29. BASIC LOSS PER SHARE

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

	2009	2008
Net loss used for calculation (full amount)	(1,729,449,763,618)	(34,943,284,266)
Weighted average number of shares for shares for the calculation of basic loss per share	14,400,813,372	14,400,813,372
Basic Loss per Share (full amount)	**(120,09)**	**(2,43)**

The Company did not calculate diluted loss per share since the Company has no shares that have a potential dilutive effect for the years ended December 31, 2009 and 2008.

(Expressed in thousands of Rupiah, unless otherwise stated)

30. EMPLOYEE BENEFITS OBLIGATIONS

Pension Plans

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

Pension plans for KPSA and ITA are managed by PT Tugu Mandiri, while 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 Subsidiaries and 3% by the employee. Pension plan for KEIL is managed by Manulife, the contribution amounting to 8% of employee’s salary, of which 6% is paid by the Subsidiary and 2% by the employee.

Employee Benefits

The Company and Subsidiaries provide post-employment benefits for all of their permanent employees based on Employment Working Agreement/Company Policy. No funding has been made by the Company and Subsidiaries, except by KPSA and ITA, which funds are administered and managed by the Board of Trustees Contribution Fund of the Malacca Strait Employees Foundation and Trust Fund Agreement with several banks.

Employee benefits expense was as follows:

	2009	2008
Current-service cost	12,290,120	16,050,254
Interest costs	17,637,661	10,910,718
Net actuarial losses (gains) recognized	274,897	2,005,421
Past-service cost	2,342,466	4,555,680
Total	**32,545,144**	**33,522,073**

Employee benefits obligations was as follows:

	2009	2008
Present value of employee benefits obligation	168,157,062	153,363,560
Unrecognized actuarial loss	(3,290,833)	(10,690,809)
Unrecognized past-service liability	(20,543,608)	(22,823,680)
Employee Benefits Obligation	**144,322,621**	**119,849,071**

Movements of employee benefits obligation were as follows:

	2009	2008
Beginning of the year	119,849,071	89,340,193
Amount charged to consolidated statements of income	32,545,144	33,522,073
Benefits paid	(8,005,851)	(6,213,739)
Contributions	(65,743)	2,086,241
Asset correction	-	1,114,303
End of The Year	**144,322,621**	**119,849,071**

(Expressed in thousands of Rupiah, unless otherwise stated)

30. EMPLOYEE BENEFITS OBLIGATIONS *(Continued)*

The employee benefits obligations for the Company, KPSA, ITA and KEIL as of December 31, 2009 were computed based on the actuarial reports prepared by PT Bumi Persada Aktuaria, an independent actuarial firm, in its reports dated February 19, 2010, February 4, 2010 and February 4, 2010. Meanwhile, the employee benefits obligations as of December 31, 2008 were calculated based on the actuarial report of PT Bumi Persada Aktuaria, in its report dated November 11, 2008. The computations used the following assumptions:

Discount rate	:	11% per annum
Future salary increases	:	10% per annum
Mortality rate	:	Commissioner Standard Ordinary (CSO) - 1980
Disability rate	:	10% of Commissioner Standard Ordinary (CSO) - 1980
Actuarial method	:	Projected Unit Credit
Resignation rate	:	Age 15-29 = 6% per annum, age 30-34 = 3% per annum, age 35-39 =1,8% per annum, age 40-50 = 1,2% per annum per annum, age 51-52 = 0,6% per annum and age > 52 = 0%
Normal retirement age	:	56 years (all employees are assumed to retire at normal retirement age)

The employee benefits obligation for Costa as of December 31, 2009 and 2008 were calculated based on the actuarial reports of PT Dian Artha Tama, an independent actuarial firm, in its reports dated February 8, 2010 and November 14, 2008, 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 > 46-55 = 0%
Normal retirement age	:	56 years (all employees are assumed to retire at normal retirement age)

The employee benefits obligation for Semco as of December 31, 2009 was computed based on the actuarial report of PT Bumi Persada Aktuaria, an independent actuarial firm, in its report dated February 19, 2010. Meanwhile, the employee benefits obligation as of December 31, 2008 was computed based on the actuarial report of PT Padma Radya Aktuaria, an independent actuarial firm, in its report dated December 3, 2008. The computations used the following assumptions:

Discount rate	:	11% per annum for 2009 (13% per annum for 2008)
Future salary increases	:	10% per annum for 2009 (10% per annum for 2008)
Mortality rate	:	Commissioner Standard Ordinary (CSO) - 1980 for 2009 (100% Tabel Mortalita Indonesia 2 for 2008)
Disability rate	:	10% of Commissioner Standard Ordinary (CSO) - 1980 for 2009 (5% of Tabel Mortalita Indonesia 2 for 2008)
Actuarial method	:	Projected Unit Credit
Resignation rate	:	Age 15-29 = 6% per annum, age 30-34 = 3% per annum, age 35-39 =1,8% per annum, age 40-50 = 1,2% per annum, age 51-52 = 0,6% per annum and age > 52 = 0% for 2009 (1% per annum for 2008)
Normal retirement age	:	56 years (all employees are assumed to retire at normal retirement age)

(Expressed in thousands of Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION

Primary Segment

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

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

	2009			
	Financing	**Mining**	**Elimination**	**Consolidated**
NET SALES				
External sales	-	1,444,368,739	-	1,444,368,739
RESULT				
Segment result	-	183,533,876	-	183,533,876
Unallocated expenses				(156,432,040)
Income from operations				27,101,836
Financing charges				(1,267,284,395)
Other charges - net				(177,316,887)
Loss before tax benefit				(1,417,499,446)
Tax benefit - net				(314,955,138)
Loss before minority interest				(1,732,454,584)
Minority interest				3,004,820
Net Loss				**(1,729,449,764)**
OTHER INFORMATION				
Assets				
Segment assets	5,087,329,422	15,141,815,072	(10,207,899,583)	10,021,244,911
Unallocated assets				231,146,632
Consolidated Total Assets				**10,252,391,543**
Liabilities				
Segment liabilities	(875,304,198)	(13,904,040,154)	6,718,727,988	(8,060,616,364)
Unallocated liabilities				(417,350,477)
Consolidated Total Liabilities				**(8,477,966,841)**
Capital expenditure	-	608,874,397	-	608,874,397
Depreciation, depletion and amortization	1,102,156	253,404,001	-	254,506,157

(Expressed in thousands of Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION *(Continued)*

	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 charges - net				196,353,805
Loss before tax benefit				18,587,838
Tax benefit - 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**
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	214,228,378	-	216,639,922

Secondary Segment

The Company and Subsidiaries' are operating in two main geographical areas, domestic and international.

(Expressed in thousands of Rupiah, unless otherwise stated)

31. SEGMENT INFORMATION *(Continued)*

Sales Based on Market

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

	2009	2008
Geographical market		
Domestic		
Jakarta	369,497,302	666,528,369
East Java	231,693,310	228,341,374
Riau	32,885,653	67,800,073
International		
Singapore	810,292,474	896,401,295
Total	**1,444,368,739**	**1,859,071,111**

32. COMMITMENTS

The Company has significant agreements and commitments as follows:

a. Acquisition of 10% working interest at PSC Masela Block

Pursuant to and subject to the satisfaction of the conditions set forth in the Masela Farm-Out Agreement (FOA) dated November 4, 2009, the Company will indirectly, through EMP EI, acquire the 10% working interest of Masela PSC.

As consideration for the assignment of the Acquired Assets, EMP EI will pay Inpex Masela Ltd a fixed sum of USD77.25 million with adjustment, which is calculated before closing date, according to the Masela FOA.

The Masela FOA sets out the conditions precedent that must be satisfied in order for the acquisition to be completed. These conditions precedent include, are follows:

- Inpex Masela Ltd. has receive necessary written approvals for the farm-out of the Acquired Assets to EMP EI from BP Migas, including the consent of the Japan Oil, Gas and Metals National Corporation, a shareholder of Inpex Masela Ltd.;
- Inpex Masela Ltd. has received payment of acquisition cost;
- Inpex Masela Ltd. already received design of Joint Operating Agreement;
- Inpex Masela Ltd. already received notice from EMP EI that it has completed its due diligence in respect of the Acquired Assets and wishes to proceed with the assignment of the Acquired Assets.

The assignment of the Acquired Assets pursuant to the Masela FOA will be completed (the “Acquisition Closing”) once all conditions precedent to the completion of the Acquisition have been satisfied and Inpex Masela delivers to EMP EI an interim statement setting forth the estimated adjustments relating to the consideration of the Acquisition. Upon the Acquisition Closing, the parties will date the document assigning the Acquired Assets to EMP EI and complete the Masela JOA by dating it.

As of reporting date, the acquisition transaction has not yet been fully completed.

32. COMMITMENTS *(Continued)*

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

The general concept of the PSC and TAC, are that the Contractor (in this case, the Subsidiaries) bear all risks and costs of exploration until commencement of commercial production. The contractor receives a share of production to meet cost recovery.

1. Relinquishments

   The Contractor is required to relinquish certain contract areas to BP Migas (for PSC) and Pertamina (for TAC) within certain periods based on the agreement between the contractor and BP Migas.

2. Entitlement of Production

   The entitlement production of oil and gas received after deduction of First Tranche Petroleum (FTP), recoverable costs and investment credit, is allocated between the Government and Contractor before the impact of tax, and after adjustment for the Domestic Market Obligation (DMO).

   Under the sharing concept, the oil to be shared between the Government and Contractor is made up of:
   - cost recovery
   - investment credit
   - equity to be split

3. Cost Recovery

   The Contractor can recover of the costs of oil and gas production. Costs that are allowed to be recovered are as follows:

   a. Current year operational cost, including costs of exploration of other fields in PSC and TAC area, intangible costs of exploration and development wells and inventories costs when landed in Indonesia. The Contractor also receives a partial reimbursement of overhead costs, limited to 2% of the total expenditure, which can be taken into account in a quarterly report and approved by BP Migas;

   b. Depreciation of capital cost in the amount of 50%, 25%, 12,5% and 10% using the declining balance method for assets used at least in one (1) day during the current year. Title of the capital goods passes to the government on landing in Indonesia, but the Contractor can claim depreciation on those capital items; and

   c. Unrecouped operating and depreciation expenses from previous years. If the current production is not sufficient to make such payment, these expenses can be carried forward to subsequent years without a time limit.

   The main component of expenses that the Contractor is not entitled to recover is bonuses paid to the government and certain financing costs. However such bonuses are tax deductible.

4. Investment Credit

   An investment credit is allowed on direct development and production of capital costs incurred on a project basis, as negotiated and approved by BP Migas.

32. COMMITMENTS *(Continued)*

5. Interest Recovery

   Interest recovery is one incentive for the supply of capital for certain projects approved by BP Migas. The recovery of interest expenses can be carried out during the depreciating assets project.

   Details and the amount on the planning and funding should be included in the annual budget expense of operations report and approved of BP Migas.

6. Management and Head Office Overheads

   Some general and administrative cost (other than direct charges) relating to head office overheads can be allocated to the PSC and TAC operation, based on the methodology approved by BP Migas. This overhead allocation method must be applied consistently and is subject to periodic review and audit by BP Migas. Some PSC arrangements cap this overhead at a flat two percent (2%) of total PSC operating cost. For PSC already producing, BP Migas will perform an audit of overhead of head office on a yearly basis.

7. Equity Shares

   Any oil that remains after investment credit and cost recovery is split between BP Migas and the Contractor on the schedule of profit sharing after tax of 85/15 for oil and 70/30 for gas for the shares of BP Migas and the Contractor, respectively.

8. FTP

   The Contractor and government are entitled to take a quantity of petroleum equal to 20% of the production of each year before any deduction for recovery of operating costs, to be split according to their respective equity shares as stated in the contracts.

9. Domestic Market Obligation

   According to the terms of PSC and TAC, after commercial production commences, the Contractor should fulfill its obligation to supply the domestic market in Indonesia. In general practice, the Contrctor is required to supply a maximum of 25% of total oil production from the contract area.

   Generally for the first five years after the contract area commences, the Contractor is paid by BP Migas in full for the DMO oil. For the subsequent years, however, the prices will be reduced to 10% of price for subsequent years.

   Historically, there has been no DMO obligation associated with gas production; however, such matter has now been introduced.

10. Valuation of Oil

    To determine the sharing of production and for tax purposes, oil is valued on the basis of a basket of average Indonesian Crude Prices (ICP), the value being calculated by BP Migas on a monthly basis.

    Under a PSC, the Contractor receives oil or in-kind product for settlement of its cost and share of equity, thus making it necessary to determine a price to convert oil to United States Dollar in order to calculate the cost recovery.

32. COMMITMENTS *(Continued)*

11. Over/Under-Lifting

Lifting variances will occur each year between Contractor and Government. These over/ under-lifting are settled in cash with the government and can be considered to be sales or purchases of oil or gas, respectively. The individual members of the PSC may in turn have over/under-lifting between themselves, which will be settled, according to joint venture agreements, generally in cash or from production in the following year.

12. Abandonment and Site Restoration

PSC contract that were signed after 1995 must include in their budget provision for clearing, cleaning and restoring sites upon completion of work. These cash funds are set aside in a non-refundable account for abandonment and site restoration, but are cost recoverable and tax deductible.

13. VAT Reimbursement

The Contractor follows Law No.22, which stipulates that it is the obligation of Pertamina (now BP Migas) to “assume and discharge all other Indonesian taxes other than income tax including VAT, transfer tax, import and export duties on material equipment and supplies brought into Indonesia by Contractors and Sub-contractors”.

c. 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 respective periods from the following dates:

- from January 1, 1998 until December 31, 1998 for KPSA;
- from January 1, 2004 until December 31, 2004 for IMG;
- from January 1, 2003 until December 31, 2007 for Semco;
- from May 22, 2002 until May 21, 2003 for Costa; and
- from February 7, 2005 until February 6, 2006 for Bentu and Korinci Baru.

Extensions of the agreement will be automatically carried out unless terminated by both parties.

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 the Subsidiaries’ bank accounts, without limitation, in making payments 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 the Subsidiaries. All interest arising from Subsidiaries’ funds in ETJ’s bank account shall be credited to Subsidiaries.

32. COMMITMENTS *(Continued)*

d. The Subsidiaries' Gas Sale and Purchase Agreements

(1) KEIL and EEKL

On July 7, 2005, EEKL, KEIL and BP Migas (as sellers) signed Gas Sale and Purchase Agreements (the GSAs) with PT Pembangkit Jawa Bali, PT Perusahaan Gas Negara (Persero) Tbk, and PT Petrokimia Gresik as buyers. Pursuant to the GSAs, 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 (Note 10).

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

a. PT Perusahaan Listrik Negara (Persero), which shall expire on the earlier of: March 31, 2027, or the volume of 368.7 trillion British thermal units (TBTU) having been fulfilled;

b. PT Petrokimia Gresik (Persero), which shall expire on the earlier of: June 30, 2018, or the volume of 241.86 billion standard cubic feet (BSCF) having been fulfilled;

c. Pertamina/PT Pertagas, which shall expire on the earlier of: March 31, 2019, or the volume of 221 TBTU having been fulfilled; and

d. PT Indogas Kriya Dwiguna, which shall expire on the earlier of following: February 6, 2021, or the volume of 79.2 TBTU having been fulfilled.

(2) Bentu

a. On May 17, 2005, Bentu entered into an agreement with PT Perusahaan Listrik Negara (Persero) (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 BP Migas,
- Bentu has signed the Trustee and Paying Agent agreement with BP Migas 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 having been fulfilled, all parties agreed that the agreement became effective.

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

b. On October 30, 2007, Bentu entered into a Gas Sale and Purchase Agreement 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 fulfilled.

(3) Semco

a. On September 30, 2005, PT Pertamina (Persero) signed a Gas Sale and Purchase Agreement with PT Perusahaan Listrik Negara (Persero) in the amount of 79,026 billion British thermal units (BBTU) from the Semberah field, which shall end on November 16, 2015, or when total contract volume has been reached, whichever occurs earlier.

32. COMMITMENTS *(Continued)*

b. On July 22, 2008, PT Pertamina (Persero) signed a Gas Sale and Purchase Agreement with Virginia Indonesia Co LLC (VICO) in the amount of 15 MMSCF per day from Semberah field (Semco), which shall valid for 1 (one) year from the date of the Gas Supply Agreement signed on October 24, 2008.

e. Joint Operating Agreement (JOA)

On November 29, 1985, Japan Petroleum Exploration Ltd. (Japex) and Pertamina signed the 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 that 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 its rights and obligations of Gebang Block to Japex North Sumatra Ltd. (JNS).

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

33. CONTINGENCIES

The Company and Subsidiaries' operations are subject to Indonesian laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may require the acquisition of a permit before drilling commences, which may restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas, require remedial measures to prevent pollution resulting from the Company and Subsidiaries' operations.

The Government has imposed environmental regulations on oil and gas companies operating in Indonesia and in Indonesian waters. Operators are prohibited from allowing oil into the environment and must ensure that the area surrounding any onshore well is restored to its original state insofar as this is possible after the operator has ceased to operate on the site.

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

(Expressed in thousands of Rupiah, unless otherwise stated)

34. OPERATING HAZARDS AND UNSECURED RISKS

The Company and Subsidiaries' operations are subject to hazards and risks inherent in drilling for and production and transportation of natural gas and oil, such as fires, natural disasters, explosions, encountering formations with abnormal pressures, blowout, cratering, pipeline ruptures and spills, and which can result in the loss of hydrocarbons, environmental pollution, personal injury claims and other damage to properties of the Company and Subsidiaries. Additionally, certain natural gas and oil operations of the Company and 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 Subsidiaries maintain coverage for their drilling rigs, equipment and machinery for their replacement value and insure against third party liability and worker's compensations. However, they do not insure these assets against business interruption or loss of revenues following damage to or loss of a drilling rig, except in respect of an offshore rig where a term of the refinancing for such rig is that insurance coverage be in place for the benefit of the lender.

35. ABANDONMENT AND SITE RESTORATION OBLIGATIONS

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

Movements of abandonment and site restoration obligations based on working interest were as follows:

	2009				
	January 1,	**Additional**	**Deduction**	**Translation Adjustment**	**December 31,**
Malacca Strait PSC	133,325,001	2,235,907	-	(19,088,839)	116,472,069
Kangean PSC	4,428,693	68,809	-	(633,551)	3,863,951
Total	**137,753,694**				**120,336,020**

	2008				
	January 1,	**Additional**	**Deduction**	**Translation Adjustment**	**December 31,**
Malacca Strait 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**

(Expressed in thousands of Rupiah, unless otherwise stated)

36. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

At December 31, 2009 and 2008, the Company and Subsidiaries had monetary assets and liabilities denominated in foreign currencies as follows:

	2009			2008		
	Foreign Currency (Full Amount)		Equivalent in Rupiah	Foreign Currency (Full Amount)		Equivalent in Rupiah
Assets						
Cash and cash equivalent	USD	3,363,845	31,620,144	USD	18,747,373	205,283,736
	Euro	26,182	353,717	Euro	1,863	28,746
Short-term investments	USD	118,600,420	1,114,843,945	USD	127,860,493	1,400,072,403
Trade receivables	USD	11,952,766	112,356,005	USD	16,476,173	180,414,099
Other receivables	USD	11,822,738	111,133,739	USD	25,268,950	276,695,000
Due from related parties	USD	128,184,570	1,204,934,961	USD	135,635,953	1,485,213,693
Restricted funds	USD	55,871,093	525,188,270	USD	77,513,131	848,768,788
Abandonment and site restoration fund	USD	12,801,704	120,336,020	USD	12,580,246	137,753,694
Total Assets			3,220,766,801			4,534,230,159
Liabilities						
Trade payables	USD	53,600,106	503,841,000	USD	35,512,747	388,864,577
Other payables	USD	44,177,214	415,265,813	USD	30,571,572	334,758,712
Accrued expenses	USD	76,593,740	719,981,158	USD	52,415,374	573,948,344
Long-term loan - current maturities	USD	250,009,275	2,350,087,185	USD	-	-
Due to related parties	USD	8,037,582	75,553,270	USD	6,501,518	71,191,624
Long-term loans	USD	356,455,356	3,350,680,344	USD	581,106,875	6,363,120,275
Abandonment and site restoration obligations	USD	12,801,704	120,336,020	USD	12,580,246	137,753,694
Total Liabilities			7,535,744,790			7,869,637,226
Net Liabilities			**4,314,977,989**			**3,335,407,067**

37. NEW ACCOUNTING STANDARDS PRONOUNCEMENTS

The Indonesian Institute of Accountants (IAI) has released revisions to several accounting standards that may have certain impacts on the consolidated financial statements.

The following revisions are effective for financial statements for the period commencing from on or after January 1, 2010:

- PSAK 26 (Revised 2009) - Borrowing Costs.
- PSAK 50 (Revised 2006) - Financial Instruments: Presentation and Disclosure.
- PSAK 55 (Revised 2006) - Financial Instruments: Recognition and Measurements.

The following revisions are effective for financial statements for the period commencing from on or after January 1, 2011:

- PSAK 1 (Revised 2009) - Presentation of Financial Statements.
- PSAK 2 (Revised 2009) - Statement of Cash Flows.
- PSAK 4 (Revised 2009) - Consolidated and Separate Financial Statements.
- PSAK 5 (Revised 2009) - Operating Segments.
- PSAK 12 (Revised 2009) - Interest in Joint Ventures.
- PSAK 15 (Revised 2009) - Investments in Associates.
- PSAK 25 (Revised 2009) - Accounting Policies, Changes in Accounting Estimates and Errors.
- PSAK 48 (Revised 2009) - Impairment of Assets.

(Expressed in thousands of Rupiah, unless otherwise stated)

37. NEW ACCOUNTING STANDARD PRONOUNCEMENT *(Continued)*

- PSAK 57 (Revised 2009) - Provisions, Contingent Liabilities and Contingent Assets.
- PSAK 58 (Revised 2009) - Non-Current Assets Held for Sale and Discontinued Operation.
- ISAK 7 (Revised 2009) - Consolidation - Special Purpose Entities.
- ISAK 9 - Changes in Existing Decommissioning, Restoration and Similar Liabilities.
- ISAK 10 - Customer Loyalty Programmes.
- ISAK 11 - Distribution of Non-Cash Assets to Owners.
- ISAK 12 - Jointly Controlled Entities: Non-Monetary Contributions by Venturers.

Moreover, IAI has revoked several accounting standards, the effective dates of which follow the effective date of the provisions of the other related PSAKs, as follows:

- PPSAK No. 2 - Revocation of PSAK 41 Accounting for Warrants and PSAK 43 Accounting for Factoring.
- PPSAK No. 3 - Revocation of PSAK 54 Accounting for the Restructuring of Troubled Debt.
- PPSAK No. 4 - Revocation of PSAK 31 (Revised 2000): Accounting for Banking Industry, PSAK 42: Accounting for Securities Companies and PSAK 49: Accounting for Mutual Funds.
- PPSAK No. 5 - Revocation of ISAK 06: Interpretation of Paragraphs 12 and 16 of PSAK 55 (1999) on Embedded Derivative Instruments in Foreign Currency Contract.

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

38. SUBSEQUENT EVENT

a. Rights Issue II (RI II)

On February 16, 2010, the Company has completed the RI II to shareholders, in connection with the issuance of *Hak Memesan Efek Terlebih Dahulu* (HMETD), totaling 26,183,297,040 shares with par value Rp100 (full amount) per share, which were offered with the price of Rp185 (full amount) per share, thus totaling to Rp4,843,909,952,400 (full amount).

From the proceeds of RI II, some has been used to repay part of the principal of the Senior and Junior Loans amounting to USD250 million and the financial costs associated with the loan in the amount of USD41.3 million, which was in accordance with the plans as stated in the prospectus.

Proforma summary of the Company's consolidated financial statements if this transaction had occurred on December 31, 2009 was as follows:

	Proforma Summary of Consolidated Financial Statements
Current assets	3,326,962,028
Non - current assets	9,129,726,635
Total Assets	12,456,688,663
Current liabilities	2,019,724,109
Non - current liabilities	4,108,242,732
Total liabilities	6,127,966,842
Equity	6,295,665,670
Net sales	1,444,368,739
Net loss	1,782,195,408

b. Long-term loan of Subsidiary IMG from PT Bank Permata Tbk was repaid on January 26, 2010.

39. COMPLETION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation of these consolidated financial statements that were completed on March 17, 2010.

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 shown below are reasonable estimates based on available engineering and geological data, as follows:

	Malacca Strait [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 Crude Oil *)**	**Gas**	**Gas**
	MBOE	**MBOE**	**MBOE**	**MBOE**	**MBOE**	**MBOE**	**MBOE**
Proven developed, undeveloped dan probable reserves							
Balance as of January 1, 2008	32,460	240,513	4,876	21,586	900	12,238	48,273
Revision to previous estimation	7,420	(375)	(1,473)	(1,132)	5,693	-	-
Production during the period	(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
Balance as of January 1, 2009	36,599	238,058	3,331	19,394	6,471	11,195	48,273
Production during the period	(3,348)	(2,315)	(180)	(871)	(90)	(968)	-
Balance as of December 31, 2009	**33,251**	**235,743**	**3,151**	**18,523**	**6,381**	**10,227**	**48,273**
Proven developed dan undeveloped reserves							
Balance as of January 1, 2008	28,049	132,285	747	5,734	-	2,304	23,602
Revision to previous estimation	4,731	(6,998)	256	3,258	3,292	-	-
Production during the period	(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**
Balance as of January 1, 2009	29,499	123,207	931	7,932	3,170	1,261	23,602
Production during the period	(3,348)	(2,315)	(180)	(871)	(90)	(968)	-
Balance as of December 31, 2009	**26,151**	**120,892**	**751**	**7,061**	**3,080**	**293**	**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).*

RESERVE ESTIMATION (*Continued*)

1) Estimated oil and gas reserves in the Malacca Strait 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.

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.