

PT BERAU COAL

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Ownership

Shareholder	Share (%)	Country of Origin
PT United Tractors Tbk	21	Indonesia
PT Armadian Tritunggal	30	Indonesia
Nissho Iwai Corporation	10	Japan
UT Heavy Industry (S) PTE Ltd	39	Singapore

Company Officer

Name	Positions
Hagiato Kumala	President Commissioner
Gunawan Geniusahardja	Commissioner
Mark Philip Herbert	Commissioner
David jahja	Commissioner
Johan Lensa	Commissioner
Jeffrey Mulyono	President Director
Buntoro Muljono	Vice President
Tria Suprajani	Director
Michiaki Furusho	Director
Johanes Haryanto	Director
Singgih Widagdo	Marketing Manager

Status

Contract Scheme : First Generation
Contract Signing : April 26, 1983
Investment Scheme : Domestic Investment (PMDN)
Tenement Status : Production
Production Commencement : 1994
Initial Area : 487,217 hectares (ha)
Retained Area : 121,589 ha

Overview

Berau Coal signed the contract with the government, which was represented by state-owned mining firm PT Tambang Batubara Bukit Asam (PTBA) in 1983, under which the former was appointed as the sole contractor for a specific mining area in Berau regency, East Kalimantan Province. The concession area covers some 1,200 square kilometers.

Berau Coal produces a range of typical Indonesian sub-bituminous coal, with low ash and relatively low sulfur content and moderate heating values. The coal is suitable for use as a base load fuel for domestic and regional utilities or as a blending coal for major export utility customers.

The company's long term production plans have been developed in consultation with the U.S. based mining consultant Marston & Marston. The 20-year plans are based on the mature production level of eight million tons per annum for the Lati mine and five million tons per annum for the Binungan operation. These plans have been reviewed and scrutinized by various consultants as part of the due diligence process required by the operating consortiums in the country's independent power producers.

Consultants which have reviewed Berau Coal's mine plans include the John T Boyd Company, Norwest Mine Services Inc., Morrison Knudsen Corporation and Barlow Jonker Pty Limited.

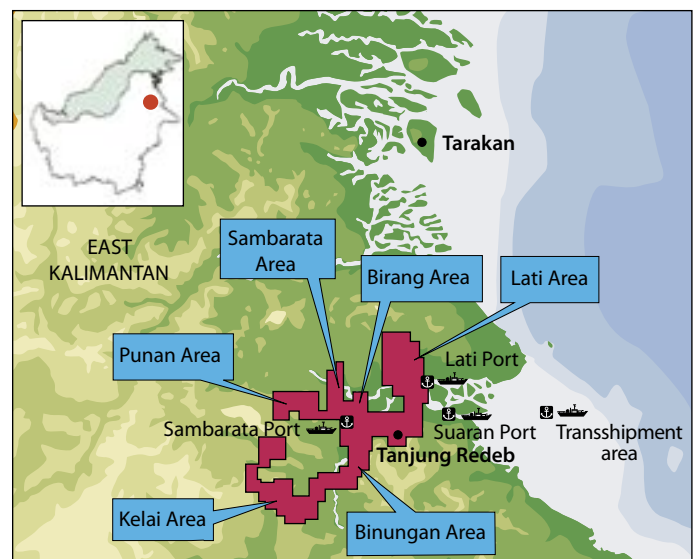
As part of the company's community development program, Berau Coal reached an agreement in 2002 with the local Berau regency administration and state-owned power firm PT Indonesia Power to supply between 100,000 to 200,000 tons of low grade coal per year to a 2x7 MW power plant to be set up in the Lati mine mouth area. The power will also be supplied to the company's mine sites: Lati, Binungan, and Suaran. Existing power generators in the mines will be treated as source of power reserve.

Concession area

The concession area covers approximately 1,200 km² in the northern part of East Kalimantan, approximately 300 km north of the provincial capital of Samarinda. It surrounds Tanjung Redeb, the principal town in the Berau regency. The major rivers in the area are navigable to the furthest inland points of the concession area. The transmigration highway also connects Tanjung Redeb with other major cities.

The focus of exploration in 1997 was in the Lati, Binungan, Sambarata and Birang areas. Berau Coal carried out initial mining feasibility study for the Sambarata and Birang deposits in 1999. The areas of Parapatan, Kelai and Gurimbang are at an early stage of exploration.

The company this year will continue to carry out exploration activities in the Kelai and Gurimbang areas, covering a total area of



24,900 ha, with the hope of completing the environmental impact assessment report for the Kelai area, and the initial exploration report for the Gurimbang area.

The Kelai area contains coal characteristics of thickness ranging from two to six meters and layer length of around 10 km. While initial study in the Gurimbang area shows that coal layers here are similar to the ones in the Lati mine, with thickness ranging from 0.5 meter to more than six meters..

The coal resource in the Kelai area is estimated to reach 1 billion tons with energy content of between 5,300 kcal/kg and 5,500 kcal/kg, sulphur content of less than 1 percent, and ash content of around 4-5 percent.



Coal reserves

The Berau area is a sub-basin of the Tarakan Basin, one of the three major sedimentary basins developed along the eastern continental margin of Kalimantan during the tertiary period. The Tarakan Basin can be divided into four sub-basins with the Berau sub-basin being the most southern of these. The Berau sub-basin is centred on the Berau River and has undergone three main periods of deformation. During the final Pliocene period, the existing coal measures were developed in the middle Miocene and older sediments.

Exploration in the concession area is advanced and has identified significant locations where coal measures occur. These have been subdivided into six reserve areas with significant demonstrated coal resources.

Coal reserves (in million tons)

Field	Measured	Indicated	Inferred	Hypothetic	Total
Lati	238.3	478.8	270.1	-	987.2
Binungan (Block 1-4)	44.3	100.2	-	-	144.5
Binungan (Block 5-6)	197.4	3.9	0.6	-	201.9
Binungan (Block 7)	155.1	14.2	1.3	-	170.6
Sambarata	59.9	25.9	127.9	-	213.7
Birang	27.6	24.6	7.8	-	60.0
Parapatan	-	-	-	89.7	89.7
Kelai	-	-	-	709.1	709.1
Punan	8.5	16.7	16.9	-	41.1
Teluk Bayur	-	-	-	-	0.0
Total	731.1	664.3	423.6	798.8	2,617.8

Coal quality

Parameter	Lati	Binuang Blok 5 & 6	Binuang Blok 7	Sambarata Blok A	Birang
Calorific Value (adb)	5,400	5,900	5,559	6,000	5,550
Total Sulfur (adb)	1	0.6	0.7	0.7	0.99
Ash Content (adb)	5	5	4.3	5	4.43
Total Moisture (ar)	26	18	22.5	15	18
Reference	WP&B 2003	WP&B 2003	WP&B 2003	WP&B 2003	Berau, 2002

adb: air dried basis; ar: as received; WP&B: Work Program and Budget

Coal mining & transportation

The coal deposits in the concession area are ideally mined using conventional open pit mining methods utilizing trucks, excavators, loaders and bulldozers for both overburden removal and coal mining. The mining contractors carry out all mining operations under long term contracts. They are: PT Mentari Bukit Makmur at Lati area; PT Bukit Makmur Mandiri Utama, PT Dianlia Setyamukti, PT Roda Manunggal Nusantara at Binungan area; and PT Sumber Mitra Jaya and PT Bukit Makmur Mandiri Utama at Sambarata area.

From the Lati, Binungan, and Sambarata mines, the coal is extracted using hydraulic excavators and loaded into dump trucks. From the mines it is transported over an all weather haul road, a distance of some 11 km, 2.5 km, and 20 km, respectively, to their coal processing plants.



The processing facilities at Lati, Binungan, each has an annual capacity of 5 million tons, while the one at Tambang has an annual capacity of 2.5 million tons.

In Lati and Binungan, there are two crushing facility each with a capacity of 500 tons per hour, while in Sambarata there is one crusher with equal capacity. The crushing facility is used to cut the size of coal to 50 mm.

Blending of coal from the Lati, Sambarata, and Suaran are carried out in the respective port areas. Each port has a stockpile capacity of 80,000 tons, 75,000 tons, and 120,000 tons, respectively, equipped with conveyor facility to load coal onto barges.

The coal is transported by barge from all three coal-loading terminals to the transshipment location at Muara Pantai in the Sulawesi



Sea. From there it is transferred into ships. The distances from the barge loading points to the coastal transshipment location are as follows: Lati port 74 km, Sambarata port 98 km, Suaran port 50 km. Berau Coal has appointed PT Kartika Samudra Adijaya to transport the products from port to transshipment point.

Method (i) in the case of geared ships: the coal is loaded directly from the barges into the ship using the ship's cranes. Loading rate is approximately 12,000 tons per day. Method (ii) in the case of non-geared vessels the coal is transferred from the barges using the Semi-Submersible Transshipper (SST-Berau).

The SST-Berau as the name implies is a semi submersible vessel specifically designed for Berau Coal. It transfers the coal from the barge



into the ship using a system of conveyors. It is a simple and reliable method and is capable of loading cape size ships. The SST-Berau is operated by a consortium – Lati Transhipper Inc. and is operated on a cost-per-ton of coal loaded-into-the-vessel basis. It is located at Muara Pantai, and commenced operation in the second quarter of 2000. Design loading rate is 24,000 tons per day.

Marketing & sales

The company has established a good reputation in the market place as a reliable supplier of coal with consistent quality. The coal has been successfully introduced and marketed in Chile, Hong Kong, Japan, Korea, Philippines, Taiwan, Thailand and other countries, as well as in the domestic market.

The majority of coal sales are on a long-term contract basis. The coal is mainly used for power generation. In Indonesia, Berau Coal supplies coal for the Suralaya power plant in Banten, and Paiton II power plant in East Java.



Production product

Commercial production commenced in 1994 from Lati, in 1996 from Binungan and in 2001 from the Sambarata area. Exploration in the Kelai and Punan areas is still progressing to determine coal reserves and economical potential.

Production (in thousand tons)

Year	Production	Sales	
		Domestic	Export
1994	302	267	43
1995	666	569	79
1996	1,109	430	605
1997	1,872	849	947
1998	2,252	924	1,234
1999	3,261	1,197	2,091
2000	4,877	1,429	3,344
2001	6,750	1,798	4,416
2002	7,123	1,813	5,072
2003	7,360	2,324	5,349

Since commercial production commenced and up to the end of year 2003 in excess of 42 million tons have been produced from the Lati, Binungan and Sambarata mines. The company has plans to expand annual production capacity from the current 12,5 million tons and incrementally increase this to 15 million tons by the year 2004.

The company produces typical Indonesian sub-bituminous coal with low ash, relatively low sulphur content and with calorific values in the range of 5,000 to 6,000 kcal/kg. The coal is ideally suitable for use as a fuel for power utilities in both the domestic and international market places.

Lati Area produces two basic coal specifications, which are named as Agathis and Sungkai, while Ebony and Mahoni are two basic specifications produced by Binungan Area. Coal from Sambarata mine were mainly used for blending products.

Coal product specifications *

PARAMETER	Unit	ASTM Standard Number	EBONY		MAHONI		AGATHIS		SUNGKAI	
			[ar]	[adb]	[ar]	[adb]	[ar]	[adb]	[ar]	[adb]
PROXIMATE ANALYSIS		3172								
Inherent Moisture	%	3173		12.00		12.00		18.00		18.00
Ash Content	%	3174	4.00	4.29	4.50	4.83	4.30	4.76	4.00	4.43
Volatile Matter	%	3175	37.50	40.24	37.50	40.24	35.50	39.34	34.50	38.23
Fixed Carbon	%	3178	40.50	43.47	40.00	42.93	34.20	37.90	35.50	39.34
Gross Calorific Value	kcal/kg	2015, 3286	5,700	6,100	5,600	6,000	5,100	5,650	5,000	5,550
Total Moisture	%	3302	18.00		18.00		26.00		26.00	
Total Sulphur	%	3177, 4239	0.49	0.53	0.59	0.63	0.79	0.88	0.89	0.99
Coal Particle Size	mm	4749	<50		<50		<50		<50	
Grindability (HGI)		409	45		45		45		45	
Ash Fusion Temperature (Reducing Atmosphere) Initial Deformation	°C	1857	1,150		1,150		1,100		1,100	

* Typical coal quality for Lati and Binungan and in-situ quality for Sambarata and Birang