

# **Adaro Energy**

**On Track to Build a Bigger and Better Adaro Energy**

## **OZMine Conference 2011**

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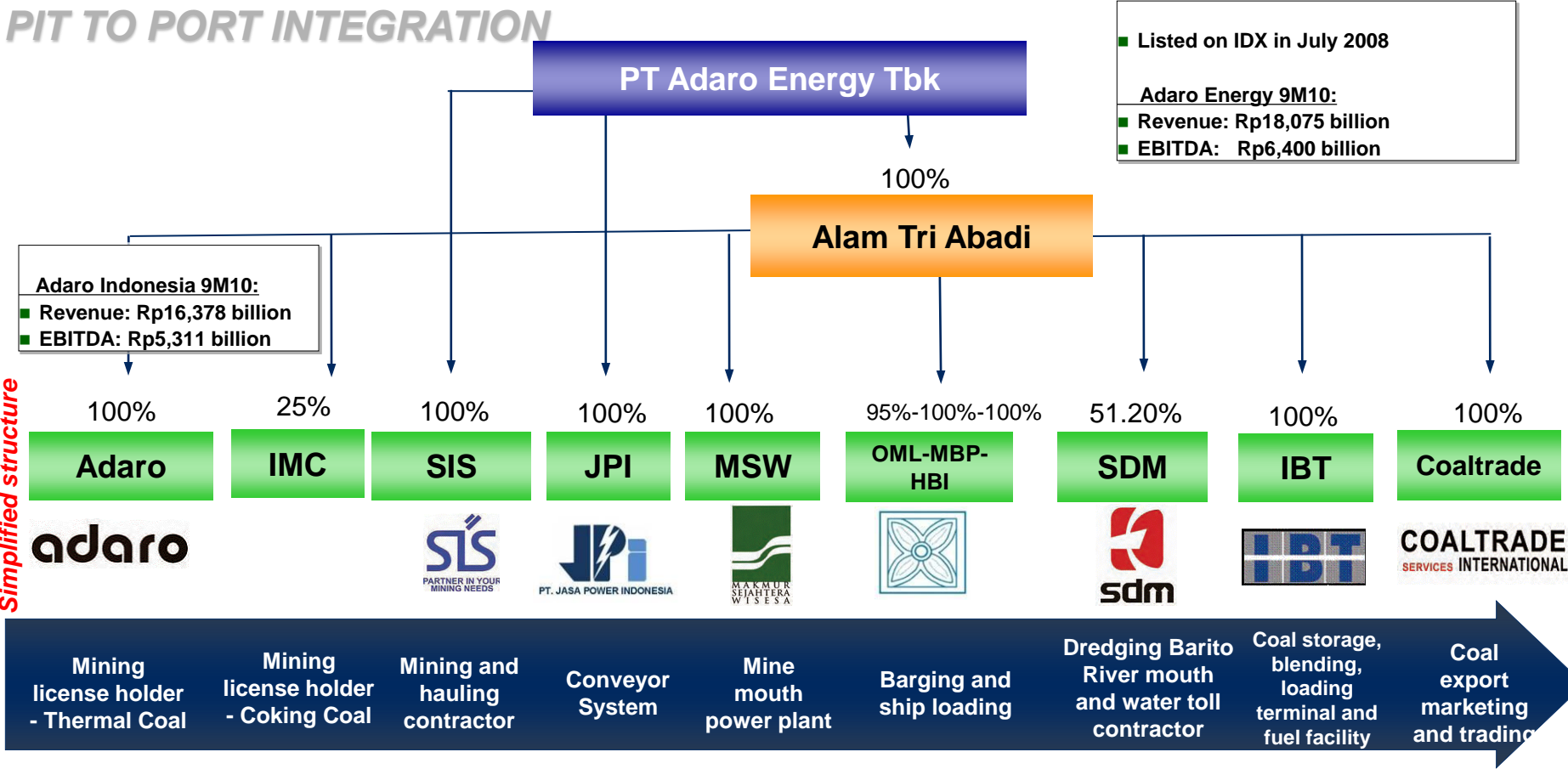
# Adaro Energy at a Glance

<b>Production</b>	42.2Mt production in 2010
<b>Envirocoal</b>	Sub-bituminous, moderate CV, low sulfur and ash
<b>Resources – JORC Compliant</b>	3.5 billion tonnes
<b>Location</b>	South Kalimantan
<b>License of Adaro Indonesia</b>	First Generation CCA valid until 2022
<b>Operations</b>	<ul style="list-style-type: none"><li>- The largest single site coal mine in the southern hemisphere</li><li>- Truck and shovel operations</li><li>- Vertically integrated from pit to port</li></ul>
<b>Pit to Port Subsidiaries (contracting, barging, shiploading, dredging, port services, marketing)</b>	Each subsidiary to be an independent profit center
<b>Growth Strategy</b>	<ul style="list-style-type: none"><li>- Increase reserve/resources</li><li>- Annual production growth</li><li>- Marketing focus on Asia</li></ul>

**Approximately 82% of Adaro Energy's EBITDA is Adaro Indonesia, but as the subsidiaries grow and improve, their contribution will increase**

# Operating Subsidiaries to Increase Value Creation

## PIT TO PORT INTEGRATION



\*) As of May 2010, Adaro received Government approval for 25% stake for IndoMet Coal Project (IMC)

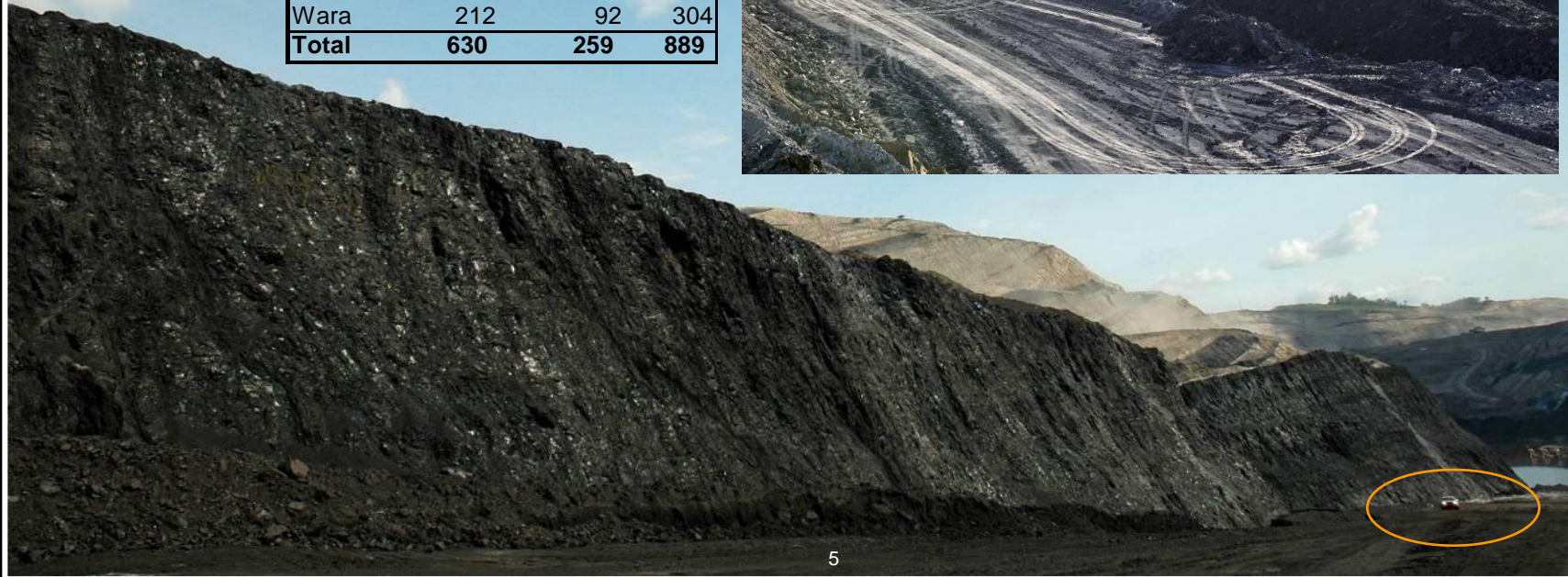
**The Group has consolidated its holdings in key subsidiaries – SIS, OML and MSW**



## Tutupan Deposit

Deposit:	Reserves (Mt)		
	Proven	Probable	Total
Tutupan	418	167	585
Wara	212	92	304
<b>Total</b>	<b>630</b>	<b>259</b>	<b>889</b>

## Wara Deposit



Coal Reserves

Coal Mining

Coal Hauling

Coal Crushing

Coal Barging

Coal Loading

Coal Port



# *Coal is loaded on the trailer by backhoes or wheel-loaders from run-of-mine stockpiles*



FY10 Contractors:		
Mining and Hauling		Overburden Removal
PAMA	39%	40%
SIS	25%	30%
BUMA	19%	19%
RAJ	14%	8%
RMI	2%	2%
AI	1%	1%



# Dedicated Coal Hauling Road

Coal Reserves | Coal Mining | Coal Hauling | Coal Crushing | Coal Barging | Coal Loading | Coal Port

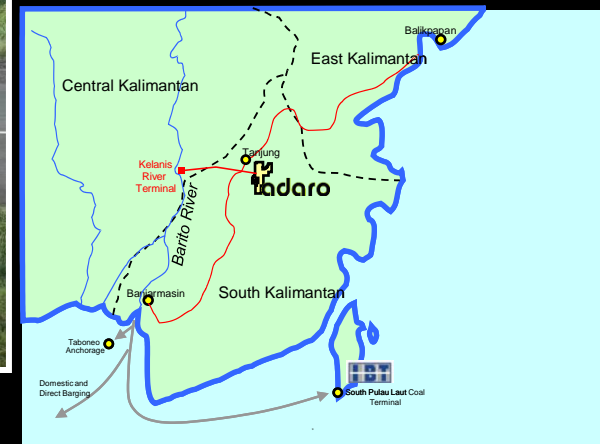


Hauling Equipment Capacity:  
60 million tonnes

Hauling Road Capacity:  
80 million tonnes

Hauling Road Distance:  
80 km

Hauling Road Vehicles:  
200 road trains



The hauling road is 100% owned by Adaro Energy

# Kelanis: One of World's Largest Inland Bulk Terminals

Coal Reserves | Coal Mining | Coal Hauling | **Coal Crushing** | Coal Barging | Coal Loading | Coal Port



## Crushing Capacity:

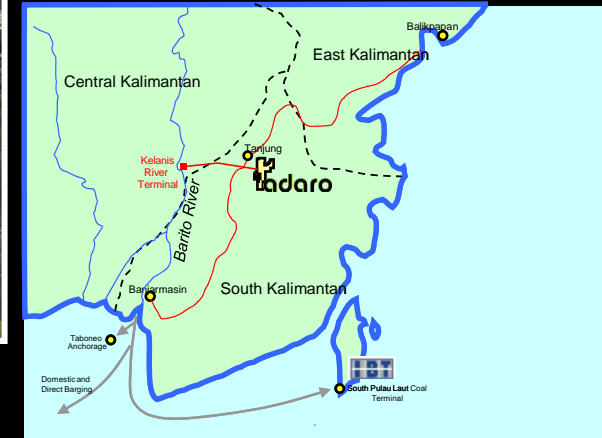
- 6 crushers with total capacity of 7,500 tph
- Recent installation of additional crushing system increased capacity to 55 Mt

## Stockpiling Capacity:

2 stockpiles with capacity of 250,000t

## Barge Loading Capacity:

2 load out conveyor systems each rated at 5,000 tph



**Crushing, stockpiling and barge loading facilities at Kelanis can easily be upgraded**



# PT Maritim Barito Perkasa (“MBP”) – Barging

Company  
Overview

Coal Reserves

Coal Mining

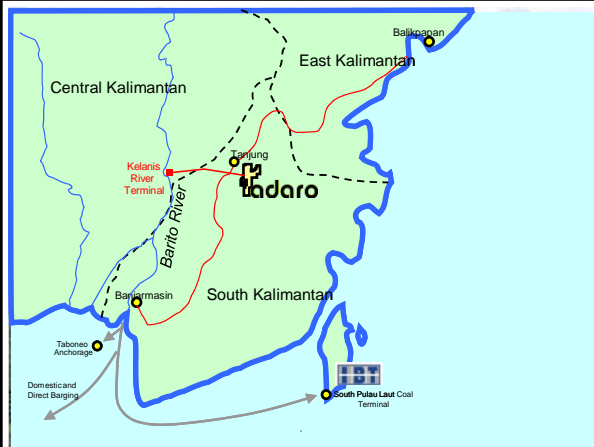
Coal Hauling

Coal Crushing

**Coal Barging**

Coal Loading

Coal Port



Coal Reserves | Coal Mining | Coal Hauling | Coal Crushing | Coal Barging | Coal Loading | Coal Port

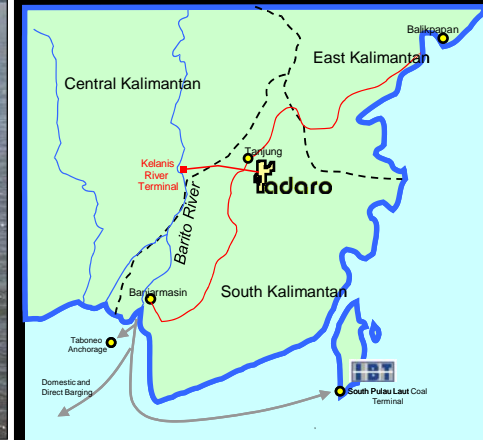
*Channel clogging is caused due to sedimentation build up at the river mouth. Dredging was completed and started commercial operations on January 1, 2009*

*Capacity of the channel increased to 200 Mt/year*



### Adaro’s Innovative Solution to River Bottleneck:

- Adaro formed a joint venture, SDM, with central government port authority and South Kalimantan government
- SDM hires Van Oord to dredge the river channel, on time and on budget





# PT Maritime Barito Perkasa (“MBP”) – Shiploading

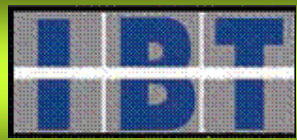
Company Overview

Coal Reserves | Coal Mining | Coal Hauling | Coal Crushing | Coal Barging | **Coal Loading** | Coal Port



*Vessels with their own gear and grabs at the Taboneo anchorage*





# PT Indonesia Bulk Terminal (“IBT”) – Coal Terminal Services

Company Overview

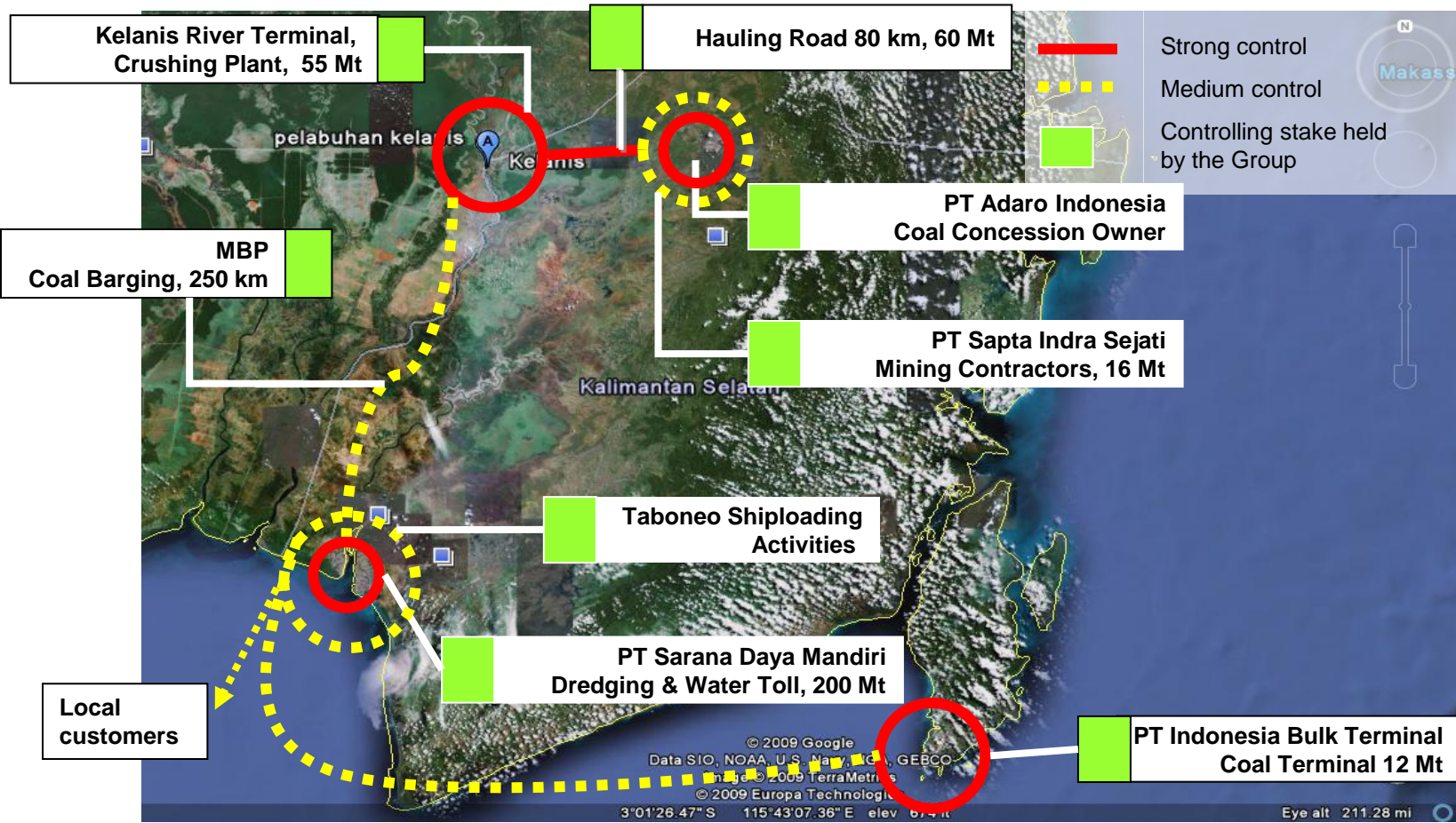
Coal Reserves | Coal Mining | Coal Hauling | Coal Crushing | Coal Barging | Coal Loading | Coal Port



*Shell’s fuel terminal recently constructed at IBT’s facility*

# Vertically Integrated from Pit to Port

Strategy is centered on improving control and efficiency of the supply chain



Vertical integration allows for control over each critical piece of the supply chain

# Key Highlights

**1 Robust coal market prospects**

**2 Continuing track record of production growth**

**3 Large reserve/resource base**

**4 Cost reduction activities**

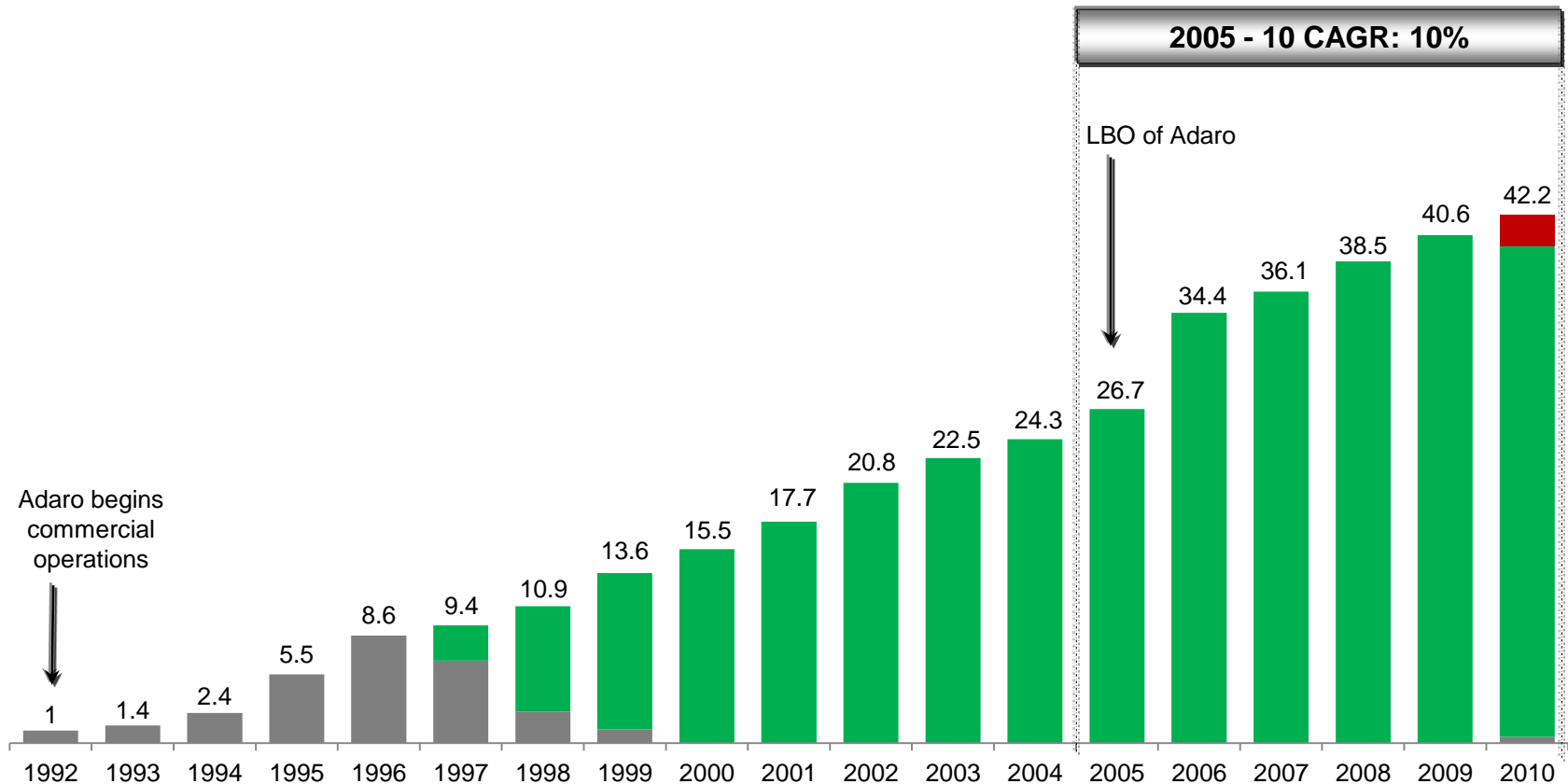
**5 Maintain diversified and top quality customer base**

**6 Market focus on Indonesia and Asia**

**7 Further diversity in location, product type and down stream**



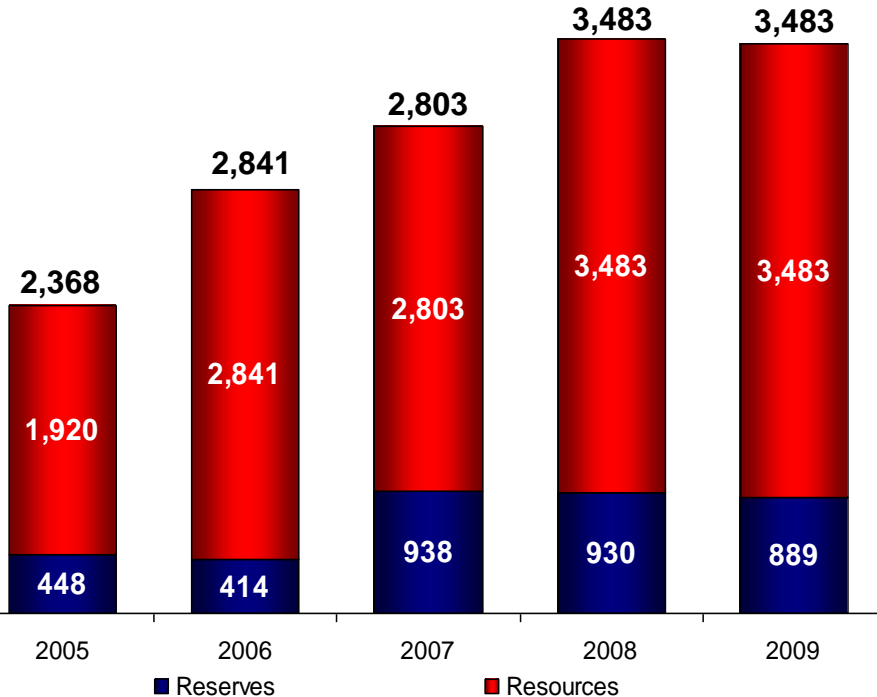
- A strong demand for thermal coal in the foreseeable future with continuing coal imports into China, strong Indian demand and forecast power generating capacity increases in Indonesia, Vietnam and other parts of Asia.
- Additional new coal fired power plants of 579 Gigawatts expected in next 20 years in Asia, predominantly in China, Vietnam, India and Indonesia, will require an additional 1.7 billion tonnes of coal per year.
- Supply constraints in the thermal coal market remain:
  - Limited availability of working capital for small coal producers;
  - Increasingly challenging mining conditions;
  - Infrastructure constraints remain in Australia and South Africa
- Weather conditions will always provide a challenge for production in Indonesia and Australia.
- The above scenarios for strong demand and supply constraints, point towards firm pricing in the foreseeable future.



Despite the record-setting high volume of rainfall and number of rain days in 2010, Adaro Energy recorded its 19th year of annual production growth, increasing coal production 4% to 42.2 Mt

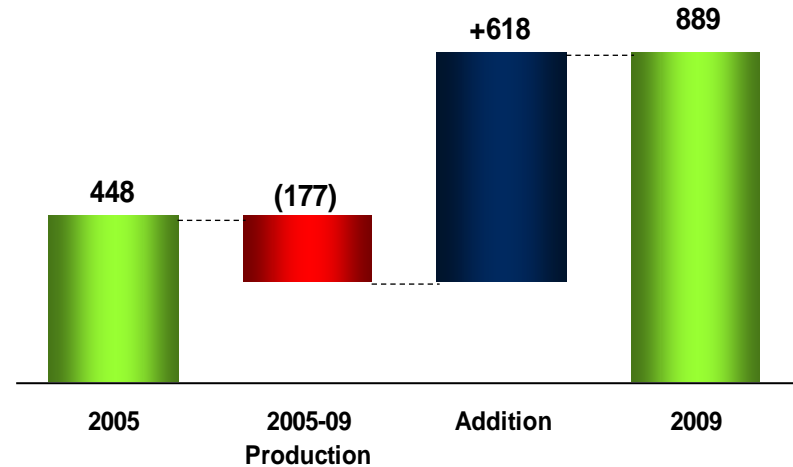
## Reserves and resources evolution

(Mt)



## Adaro Indonesia's reserves growth

(Mt)

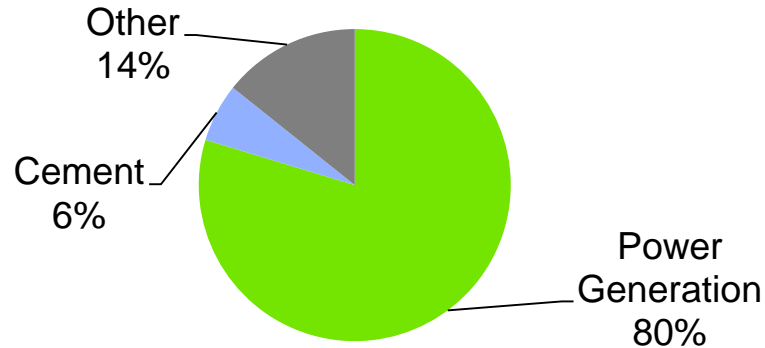


Through ongoing exploration, Adaro expects to be able to grow its reserve base

- ✓ Control of a part of each critical part of the coal supply chain.
- ✓ Control of barging and ship loading company will help manage shipments better and minimize demurrage costs.
- ✓ Centralized fuel procurement and selective fuel price hedging to help control and minimize fuel costs.
- ✓ Mine-mouth power plant to replace 20MW of diesel-fired electricity consumed by the mine, reducing the electricity expense and Adaro's dependence on oil.
- ✓ Conveyor system to be powered by mine mouth power plant, to reduce hauling costs.
- ✓ Installation of GPS and ground radar on trucking fleet to avoid bottlenecks
- ✓ Use of bigger and faster self-propelled barges.
- ✓ Greater use of the Taboneo anchorage for Adaro's shiploading activities, which decreases barging distances.

# Maintain Diversified and Top Quality Customer Base

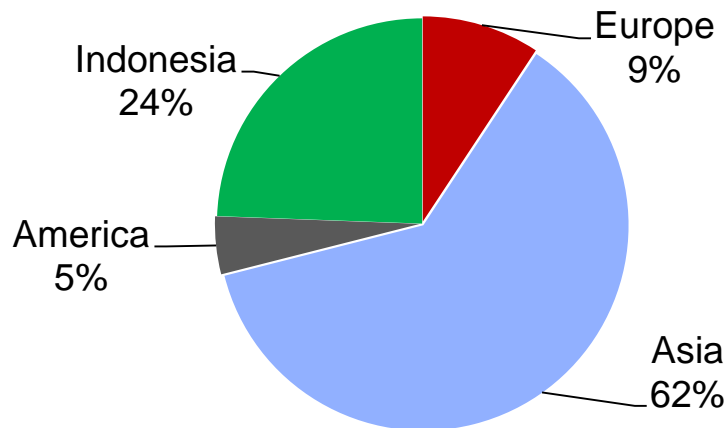
## Customer type by volume (FY10)



- Loyal long term customers
  - Substantially all have relationship of  $\geq 5$  years
  - ~50% have relationship of  $\geq 9$  years

- Average length of coal supply agreements is 5 years

## Geographical breakdown of customers (FY10)



- Substantially all contracts have annual price negotiation
  - 100% contracts are priced annually
  - ~60% fixed price
  - ~40% are indexed

**During its production track record of 19 years, Adaro has cultivated long-term, diversified and loyal customer base**

## 6 Market Focus on Indonesia and Asia

- ✓ Adaro is Indonesia's largest supplier of coal to the domestic market.
- ✓ Adaro is the largest coal supplier closest to the main domestic coal markets in Java.
- ✓ Adaro can deliver coal to the domestic market in large barge assuring reliable supply.
- ✓ Indonesia's market growth for thermal coal is the solid base for Adaro's planned production growth.
- ✓ India has ambitious plans for coal-fired electricity generation. Much of the coal for this growth will have to be imported. Adaro's coal is an excellent product for the Indian market.
- ✓ Adaro has a strong position in other Asian growth markets which will support Adaro's future production plans.

## Further Diversity in Location, Product Type and Down Stream

- ✓ Already diversified into coking coal in Central Kalimantan.
- ✓ Evaluating investment in other coal properties throughout Indonesia.
- ✓ Focusing on the corporate strength of developing sub-bituminous coal in more remote locations.
- ✓ Participating in consortiums bidding on independent power projects in Indonesia, a further diversification down stream into coal use.

**Thank you**