THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (A) PERSONS OR ADDRESSEES OUTSIDE OF THE UNITED STATES OR (B) QUALIFIED INSTITUTIONAL BUYERS ("QIB") PURSUANT TO RULE 144A OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

IMPORTANT: You must read the following disclaimer before continuing. The following applies to the attached offering memorandum (the "Offering Memorandum"), and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE ATTACHED OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED OFFERING MEMORANDUM, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE ACCESSED THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO J.P. MORGAN (S.E.A.) LIMITED AND UBS AG SINGAPORE BRANCH (TOGETHER, THE "INITIAL PURCHASERS") THAT YOU (1) ARE EITHER OUTSIDE THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S")) OR A "QUALIFIED INSTITUTIONAL BUYER PURSUANT TO RULE 144A OF THE SECURITIES ACT AND, TO THE EXTENT THAT YOU PURCHASE THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING MEMORANDUM, YOU WILL BE DOING SO EITHER IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) IN COMPLIANCE WITH REGULATION S OR PURSUANT TO RULE 144A OF THE SECURITIES ACT; AND (2) CONSENT TO DELIVERY OF THE ATTACHED OFFERING MEMORANDUM AND ANY AMENDMENTS OR SUPPLEMENTS THERETO BY ELECTRONIC TRANSMISSION.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this document to any other person. If this is not the case, you must return this Offering Memorandum to us immediately. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the attached. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of PT Bukit Makmur Mandiri Utama (the "Company") or the Initial Purchasers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Company in such jurisdiction.

The attached document has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Initial Purchasers or any person who controls any of them or any of their respective commissioners, directors, officers, employees, agents, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

PRIIPS REGULATION/PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS — The securities referred to in the attached document are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore, offering or selling the securities or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities referred to in the attached document has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notification under Section 309B(1)(c) of the SFA — The Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the securities are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL**

PT Bukit Makmur Mandiri Utama

(established and existing with limited liability under the laws of the Republic of Indonesia)

US$400,000,000 7.75% Senior Notes due 2026

The US$400,000,000 7.75% Senior Notes due 2026 (the "**Notes**") to be issued by PT Bukit Makmur Mandiri Utama (the "**Company**") will bear interest at the rate of 7.75% per annum. Interest on the Notes is payable semi-annually in arrears on February 10 and August 10 of each year, beginning on August 10, 2021. The Notes will mature on February 10, 2026. The Notes will constitute general, direct and unconditional obligations of the Company. The Notes will rank at least *pari passu* in right of payment with all other unsubordinated indebtedness of the Company (subject to priority rights under applicable law) and senior to subordinated indebtedness.

At any time prior to February 10, 2023 the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest to, the redemption date. At any time and from time to time on or after February 10, 2023 the Company may redeem the Notes, in whole or in part, at the redemption price set forth in "*Description of the Notes — Optional Redemption*" plus accrued and unpaid interest to the redemption date. Upon a Change of Control Triggering Event, the Company will be required to offer to purchase all outstanding Notes at 101% of their principal amount plus accrued and unpaid interest.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 18 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) in accordance with Rule 144A, and (2) outside the United States in offshore transactions in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on resale or transfer, see "*Transfer Restrictions*." The Notes have not been offered or sold and will not be offered or sold in Indonesia or to any Indonesian nationals, corporations or residents, including by way of invitation, offering or advertisement, and this Offering Memorandum and any other offering material relating to the Notes has not been distributed, and will not be distributed, in Indonesia or to any Indonesian nationals, corporations or residents.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing and quotation of the Notes on the SGX-ST. The SGX-ST takes no responsibility for the accuracy of any of the statements made or opinions or reports contained in this offering memorandum (the "**Offering Memorandum**"). The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST. Admission of the Notes to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Company or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Notes are listed on the SGX-ST. There is currently no public market for the Notes.

The Notes are expected to be rated "Ba3" by Moody's Investor Service, Inc. ("**Moody's**") and "BB-" by Fitch Ratings Ltd. ("**Fitch**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

It is expected that the Notes will be ready for delivery in book-entry form only through the Depository Trust Company ("**DTC**"), and its participants, on or about February 10, 2021.

Joint Bookrunners

J.P. Morgan **UBS**

The date of this offering memorandum is January 26, 2021.

TABLE OF CONTENTS

NOTICE TO INVESTORS

This Offering Memorandum is being furnished by us on a confidential basis in connection with an offering exempt from the registration requirements under the Securities Act, solely for the purpose of enabling a prospective investor to consider the purchase of the Notes. The offering is being made in reliance upon the exemptions from registration under the Securities Act.

Prospective investors are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Each purchaser of the Notes will be deemed to have made certain acknowledgments, representations and agreements regarding the Notes and the offer, sale, reoffer, pledge or other transfer of the Securities. Please refer to the sections entitled "*Plan of Distribution*" and "*Transfer Restrictions*."

We have prepared this Offering Memorandum solely for use in connection with the proposed offering of the securities described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and agrees to make no photocopies of this Offering Memorandum or any documents referred to herein.

No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum in connection with the offering of the Notes, and any information or representation not contained in this Offering Memorandum must not be relied upon as having been authorized by Company, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar or the Collateral Agent (together with the Paying Agent, the Transfer Agent and the Registrar, the "**Agents**") (each as defined herein) or any other person. The information contained in this Offering Memorandum is as of the date of this Offering Memorandum and is subject to change, completion or amendment without notice. Neither the delivery of this Offering Memorandum at any time nor the offer, sale or delivery of any Note shall, under any circumstances, create any implication that there has been no change in the information set forth in this Offering Memorandum or in our affairs since the date of this Offering Memorandum. You should assume that the information appearing in this Offering Memorandum is accurate only as of the date on the front cover of this Offering Memorandum. Our business, financial condition, results of operations and prospects may have changed since that date.

We have furnished the information in this Offering Memorandum. You acknowledge and agree that each of J.P. Morgan (S.E.A.) Limited and UBS AG Singapore Branch[1] (each, an "**Initial Purchaser**" and together, the "**Initial Purchasers**"), the Trustee and the Agents make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Trustee or the Agents. The Initial Purchasers, the Trustee and the Agents have not independently verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility or liability for the accuracy, adequacy, reasonableness or completeness of any such information. To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accept any responsibility for the contents of this Offering Memorandum or for any statement made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on their behalf in connection with the Company or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Memorandum or any such statement.

1 UBS AG is incorporated in Switzerland with limited liability. UBS AG has a branch registered in Singapore (UEN S98FC5560C).

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of material documents referred to herein will be made available to prospective investors upon request to us or the Initial Purchasers.

This Offering Memorandum does not constitute, and may not be used for the purpose of, an offer to sell or a solicitation of an offer to buy any of the Notes to any person in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorized or is unlawful. Except as mentioned under "*Plan of Distribution*," no action has been or will be taken to permit a public offering of the Notes in any jurisdiction where action would be required for that purpose. The Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers nor the Trustee nor the Agents nor any of our or their respective representatives shall have any responsibility therefor.

We reserve the right to withdraw this offering of the Notes at any time and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes, in whole or in part. We also reserve the right to allot to you less than the full amount of Notes sought by you. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this Offering Memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations.

No representation is made by us or any of the Initial Purchasers that this Offering Memorandum may be lawfully distributed or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes responsibility for facilitating any such distribution or offering or for a purchaser's failure to comply with applicable laws and regulations. We and the Initial Purchasers require persons into whose possession this Offering Memorandum comes to inform themselves about and to observe any such restrictions.

Neither this Offering Memorandum nor any other information supplied in connection with the Notes should be considered as a recommendation by us or the Initial Purchasers that any recipient of this Offering Memorandum should purchase any of the Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of our business, results of operations, financial condition and affairs and its own appraisal of our creditworthiness.

In connection with the issue and distribution of the Notes, the Initial Purchasers or any person acting for it may, subject to applicable law, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period of time. However, the Initial Purchasers or any person acting for them is under no obligation to do so. Furthermore, such stabilization, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Initial Purchasers, or any affiliate of the Initial Purchasers, is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser, or its affiliate on our behalf in such jurisdiction.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

The communication of this Offering Memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the Notes offered hereby are only available to, and any investment or investment activity to which this Offering Memorandum relates will be engaged only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Memorandum or any of its contents.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA AND UNITED KINGDOM

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area ("**EEA**") or the United Kingdom ("**UK**") will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**").

PRIIPs Regulation/Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(11) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market — Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN INDONESIA

The offering of the Notes does not constitute a public offering or private placement in Indonesia under the Law No. 8 of 1995 on Capital Market (the "**Indonesian Capital Markets Law**") and OJK Rule No. 30 of 2019 on the Issuance of Debt-Linked Securities and/or Sukuk issued by way of Private Placement ("**OJK Rule No. 30**"). This Offering Memorandum may not be distributed in Indonesia and the Notes may not be offered or sold in Indonesia, to Indonesian citizens (whether domiciled in Indonesia or elsewhere) or to Indonesian residents, in a manner which constitutes a public offering or private placement under the laws and regulations in Indonesia, including OJK Rule No. 30. The Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**") does not review or declare its approval or disapproval of the issue of the Notes, nor does it make any determination as to the accuracy or adequacy of this Offering Memorandum. Any statement to the contrary is a violation of Indonesian law.

ENFORCEABILITY OF FOREIGN JUDGMENTS

The Notes and the Indenture are governed by the laws of the State of New York. The Company is established and existing in Indonesia. Most of the commissioners and all of the directors of the Company reside in Indonesia and substantially all of the Company's assets are located in Indonesia. As a result, it may not be possible for investors to effect service of process, including judgments, upon the Company or such persons outside of Indonesia or within the U.S., or to enforce against the Company or such persons in courts outside of Indonesia or in the U.S. judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or the securities laws of any state within the U.S., or upon other bases.

Our Indonesian legal advisor, Ginting & Reksodiputro, has advised that judgments of non-Indonesian courts are not enforceable in Indonesian courts and, as a result, it may not be possible to enforce judgments obtained in non-Indonesian courts against us, including any judgments on original actions brought in Indonesian courts based solely upon the civil liability provisions of the federal securities laws of the United States. To obtain an Indonesian court judgment, a claimant would be required to pursue claims in Indonesian courts on the basis of Indonesian law. A foreign court judgment could be offered and accepted into evidence in a proceeding on the underlying claim in an Indonesian court and may be given such evidentiary weight as the Indonesian court may deem appropriate in its sole discretion. Re-examination of the underlying claim de novo would be required before the Indonesian courts. There can be no assurance that the claims or remedies available under Indonesian laws will be the same or as extensive as those available in other jurisdictions.

See "*Risk Factors — Risks Relating to the Notes and the Collateral — It may not be possible for investors to effect service of process or to enforce judgments on us*."

INDONESIAN REGULATION OF OFFSHORE BORROWINGS

Under Presidential Decree No. 59 of 1972 on Offshore Commercial Borrowings dated October 12, 1972 which has been partially revoked by Presidential Regulation No. 86 of 2006 on Granting of Guarantees from the Government for the Acceleration of Development of Coal-Fired Power Plants dated October 18, 2006 as lastly amended by Presidential Regulation No. 91 of 2007 dated September 19, 2007 ("**PD 59/1972**"), we are required to report the particulars of offshore borrowings to the Minister of Finance of Indonesia and Bank Indonesia on the acceptance, implementation, and repayment of principal and interest. The Ministry of Finance Decree No. KEP-261/MK/IV/5/73 dated May 3, 1973, as amended by the Ministry of Finance Decree No. 417/KMK.013/1989 dated May 1, 1989 and the Ministry of Finance Decree No. 279/KMK.01/1991 dated March 18, 1991, further set forth the requirement to submit periodic reports regarding offshore debt (including guarantees over offshore debt) to the Minister of Finance of Indonesia and Bank Indonesia on the effective date of the contract and each subsequent three-month period.

On December 29, 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/21/PBI/2014 on the Implementation of Prudential Principles in the Management of Offshore Loan for Non-Bank Corporations, as lastly amended by Bank Indonesia Regulation No. 18/4/PBI/2016 (the "**Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation**"), which applies to non-bank corporations that obtain offshore loans in foreign currencies. Further to the Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation, Bank Indonesia also issued Circular Letter No. 16/24/DKEM dated December 30, 2014 as amended by Circular Letter No. 17/18/DKEM dated June 30, 2015 and Circular Letter No. 18/6/DKEM dated April 22, 2016 (the "**Prudential Principles of Offshore Loan for Non-Bank Corporations Circular Letter**"). The Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation requires non-bank corporations that have offshore loans in foreign currencies to fulfill three prudential principles: (i) minimum hedging ratios, (ii) minimum liquidity ratios and (iii) minimum credit ratings. The hedging ratios requirement does not apply to non-bank corporations whose financial statement are presented in United States dollars and who fulfill the following criteria: (i) an export revenue to business revenue ratio of more than 50% in the previous calendar year; and (ii) an approval from the Ministry of Finance to United States dollars in their financial statements, which approval shall be evidenced by submitting supporting documents to Bank Indonesia. The minimum hedging ratio for non-bank corporations that have offshore loans in foreign currency is set at 25% of the "negative difference" between the foreign exchange assets and the foreign exchange liabilities that will become due within three months from the end of the relevant quarter to the "negative difference" between the foreign exchange assets and the foreign exchange liabilities that will become due in the period of more than three months up to six months after the end of the relevant quarter.

The Prudential Principles of Offshore Loan for Non-Bank Corporations Circular Letter determines that only corporations that have "negative difference" of more than US$100,000 are obliged to fulfill the minimum hedging ratio. In addition, the Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation also requires that such hedging transactions shall be conducted only with banks in Indonesia with effect from January 1, 2017.

On the liquidity ratio requirement, non-bank corporations that have offshore loans in foreign currency are also required to comply with the minimum liquidity ratio of at least 70% liquidity by providing sufficient foreign exchange assets against foreign exchange liabilities that will become due within three months from the end of the relevant quarter.

In addition, on the credit rating requirement, non-bank corporations that obtain offshore loans signed or issued after January 1, 2016 in a foreign currency must have a minimum credit rating of "BB-" for offshore borrowings issued by a rating agency recognized by Bank Indonesia, which currently includes the domestic rating agencies PT Pemeringkat Efek Indonesia (with equivalent rating of BB-(id)), Fitch Ratings Indonesia ((Idn)BB-); and the following foreign rating agencies: Moody's Investors Service (Ba3), Standard & Poor's (BB-), Fitch Ratings (BB-), Japan Credit Rating Agency (BB-) and Rating and Investment Information Inc. (BB-). Such credit rating will be in the form of a rating over the relevant corporation and/or bonds. The obligation to have a minimum credit rating does not apply to offshore loans in foreign currency that are in the form of trade credit, which refers to debt arising from credit that is granted by offshore suppliers over transactions relating to goods and/or services. Exemptions from the requirement to satisfy the minimum credit rating are available for foreign currency offshore loans (i) that would be used for refinancing to the extent that the new foreign currency offshore loans will not add the amount of the outstanding debt, or the new foreign currency offshore loans do not exceed US$2.0 million or 5.0% of the facility amount to be refinanced if such 5% is above the equivalent of US$2.0 million, (ii) that would be used for financing the infrastructure projects that are (a) wholly funded by international (bilateral/multilateral) institutions; and (b) syndicated loans with contributions from the international (bilateral/multilateral) institutions exceeding 50%, (iii) in relation to government (central and regional) infrastructure projects, (iv) that are guaranteed by international (bilateral/multilateral) institutions, (v) that are in the form of trade credit, (vi) that are in the form of other loans, (vii) of the financing companies who are deemed "healthy" by the Indonesian Financial Services Authority (the "**OJK**") and fulfill the maximum gearing ratio as regulated by OJK, and (viii) of the Indonesian Export Financing Institution (*Lembaga Pembiayaan Ekspor Indonesia*, now Indonesia Eximbank)).

Non-bank corporations that have offshore debt in foreign currency are obliged to submit report to Bank Indonesia on the implementation of prudential principles and the relevant exemptions (if any), together with the relevant supporting documents. Non-compliance of these requirements will be subject to administrative sanctions in the form of warning letter. Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation does not specify any other sanction in the event the non-bank corporations ignore such warning letter, however Bank Indonesia may inform related parties, such as relevant offshore creditors, the Ministry of State-Owned Companies (for state-owned non-bank corporations), the Ministry of Finance on behalf of Directorate General of Tax, OJK and the Indonesia Stock Exchange (the "**IDX**") (for publicly listed non-bank corporations) on the implementation of administrative sanctions.

Bank Indonesia issued Bank Indonesia Regulation No. 16/22/PBI/2014 dated December 31, 2014 on Reporting of Foreign Exchange Activity and Reporting of the Implementation of Prudential Principles in the Management of Offshore Loan for Non-Bank Corporations ("**PBI 16/22/2014**"). PBI 16/22/2014 stipulates that banking institutions, non-bank financial institutions, non-financial institutions, state/regional-owned companies, private companies, business entities and individuals performing activities that cause a movement in financial assets and liabilities between an Indonesian citizen and non-Indonesian citizen, including the movement of offshore financial assets and liabilities between Indonesian citizens, must submit a foreign exchange activities report with respect to any foreign exchange activities to Bank Indonesia. The foreign exchange activities report is required to cover: (i) trade activities in goods, services and other transactions between residents and non-residents of Indonesia, (ii) the position and changes in the balance of foreign financial assets and/or foreign financial liabilities, and/or (iii) any plan to incur foreign debt and/or implementation of such plan.

On January 9, 2019, Bank Indonesia issued Bank Indonesia Regulation No. 21/2/PBI/2019 dated January 9, 2019 on Reporting of Foreign Exchange Activity ("**PBI 21/2/2019**"), which became effective from March 1, 2019. This regulation revokes all provisions on the reporting of foreign exchange activities under PBI 16/22/2014. Therefore, based on PBI 21/2/2019, PBI 16/22/2014 remains valid and only regulates the reporting of the implementation of the prudential principles. PBI 21/2/2019 requires any entities engaged in activities that cause a movement of (i) financial assets and/or liabilities and/or risk participation transaction between an Indonesian resident and a non-Indonesian resident or (ii) offshore financial assets and/or liabilities and/or risk participation transaction between Indonesian residents, to submit a foreign exchange activities report with respect to any foreign exchange activities to Bank Indonesia. The relevant entities include bank and non-bank financial entities, non-financial entities, individuals and entities other than enterprises, whether in the form of legal entities or non-legal entities established by a government or the public. The report must include, among other things, information relating to (i) trade activities in goods, services or other transactions between an Indonesian resident and a non-Indonesian resident; (ii) principal data of risk participation transaction and/or offshore loan; (iii) plan to draw and/or repay the offshore loan and/or risk participation transactions; (iv) realization to draw and/or repay the offshore loan and/or risk participation transactions; (v) the position and changes of offshore financial assets, offshore financial liabilities and/or risk participation transactions; and/or (vi) any plans to incur new offshore loans and/or their amendment. Bank Indonesia has issued implementing regulations for PBI 21/2/2019, namely (i) the Members of the Board of Governor of Bank Indonesia Regulation No. 21/3/PADG/2019 dated February 15, 2019 on Offshore Debt of Bank and Other Bank's Liabilities in Foreign Exchange ("**PADG 21/3**"); and (ii) the Members of the Board of Governor of Bank Indonesia Regulation No. 21/4/PADG/2019 dated February 28, 2019 on the Reporting of Foreign Exchange Activities in the Form of Offshore Debt and Risk Participation Transactions ("**PADG 21/4**"); which both PADG 21/3 and PADG 21/4 became effective on March 1, 2019, and (iii) Members of the Board of Governor of Bank Indonesia Regulation No. 21/7/PADG/2019 on the Reporting of Non-Bank Institution Foreign Exchange Activities dated April 12, 2019.

According to PADG 21/4, any individual or entity that obtains offshore debt in a foreign currency and/or Rupiah and conducting risk participation transactions pursuant to loan agreements, debt securities, trade credits or loans other than loans pursuant to loan agreements, debt securities and trade credit (i.e. a dividend loan and royalty loan) must report such activities to Bank Indonesia. There is no minimum amount requirement to trigger the reporting obligation with regard to offshore debt obtained by an entity (whether a financial or non-financial institution). In contrast, an individual's offshore debt is only required to be reported if such debt exceeds an amount of US$200,000 or its equivalent in any other currency. The reports consist of the main data report and/or amendments, the monthly recapitulation data report and offshore debt plan data report. The main data report must be submitted to Bank Indonesia by no later than the 15th day of the following month from 07:10 Western Indonesia time to 16:15 Western Indonesia time after the signing of the loan agreement or the issuance of the debt securities and/or the debt acknowledgment over the trade credits and/or other loans, and a monthly recapitulation data report must be submitted to Bank Indonesia by no later than the 15th day of the following month at 24:00 Western Indonesia time, until the offshore debt has been repaid in full and an offshore debt plan data report must be submitted to Bank Indonesia by no later than March 15 for a new offshore debt plan and June 15 for changes to the offshore debt plan.

In addition, PBI 16/22/2014 and PBI 21/2/2019 require any non-bank entity which applies prudential principles to submit reports which cover (i) the implementation prudential principles, which have complied with an attestation procedure; (ii) notification of compliance of credit ratings; (iii) financial statements; and (iv) an initial report on the implementation of prudential principles ("**Implementation of Prudential Principles Report**"). The Implementation of Prudential Principles Report must be submitted quarterly, unless another submission deadline is required under PBI 16/22/2014 and PBI 21/2/2019.

According to Bank Indonesia Circular No. 17/3/DSta dated March 6, 2015 as amended by Bank Indonesia Circular No. 17/24/DSta dated October 12, 2015 on Reporting of the Implementation of Prudential Principles in the Management of Offshore Loan for Non-Bank Corporations, a non-bank corporation must submit the following reports: (i) the implementation of the prudential principles on a quarterly basis; (ii) a report regarding the implementation of the prudential principles report that have undergone an attestation procedure no later than the end of June of each year; (iii) a report with respect to credit ratings no later than the end of following relevant month; and (iv) financial statements, consisting of quarterly financial statements (unaudited) to be submitted on a quarterly basis and annual financial statements (audited) to be submitted no later than the end of June of each year. Bank Indonesia would examine the accuracy of the reports submitted and can also request clarifications, evidence, records or other supporting documents from the relevant party or institutions, including to conduct direct inspection or appoint a third party for that purposes. As of January 1, 2016, the submissions of and the corrections to the implementation of the prudential principles shall be made online.

Any delay in submitting foreign exchange reports as mentioned above (other than the offshore loan plan report) is punishable by a fine of Rp.500,000 for each day of delay, subject to a maximum fine of Rp.5,000,000. Furthermore, any failure to submit such foreign exchange report (other than the offshore loan plan report) is punishable by a fine of Rp.10,000,000 per reporting period. Failure to submit the offshore loan plan report and the financial information report will be subject to administrative sanctions in the form of warning letters and/or notices to the relevant authorities.

Bank Indonesia issued Bank Indonesia Regulation No. 16/10/PBI/2014 on The Receipt of Foreign Exchange Proceeds from Export and Withdrawal of Foreign Exchange Offshore Loan on May 14, 2014, as amended by Bank Indonesia Regulation No. 17/23/PBI/2015 dated December 28, 2015 ("**PBI 16/10/2014**") and its implementing regulation, Bank Indonesia Circular No. 18/5/DSta dated April 6, 2016 on Withdrawal of Foreign Exchange Offshore Loan. Based on PBI 16/10/2014, every Indonesian debtor of an offshore loan must withdraw revenue from the loan through an Indonesian foreign exchange bank. The obligation applies to every loan that is derived from:

a. a non-revolving loan agreement;

b. offshore debt securities (including acknowledgements of debt which are tradable in domestic or international financial and capital markets, among others, in the form of bonds, medium term notes, floating rate notes, promissory notes and commercial papers); or

c. the margin between the new foreign loan for refinancing purposes and the initial foreign loan.

The accumulated amount of foreign exchange received from an offshore loan should be equal to the total commitment. If the accumulated amount of foreign exchange received from an offshore loan is less than the committed amount under the offshore loan, with a difference of more than the equivalent of Rp.50,000,000, a debtor must submit a written explanation and supporting documents to Bank Indonesia prior to expiry of the loan term. An Indonesian debtor must report the withdrawal of revenue from the offshore loan to Bank Indonesia monthly using the recapitulation data report as regulated under PBI 16/10/2014 and Bank Indonesia Circular No. 18/5/Dsta. Every submission of a report must be supported with any document evidencing that the relevant offshore loan is withdrawn through an Indonesian foreign exchange bank. Any Indonesian debtor failing to comply with the obligation to withdraw the offshore debt through a foreign exchange bank in Indonesia may be imposed with, among others, an administrative sanction in the form of fine of 0.25% of the amount of every withdrawal that is not withdrawn through an Indonesian foreign exchange bank, with maximum sanction of Rp.50,000,000. PBI 16/10/2014 does not specifically require the foreign currency brought into Indonesia to be converted into Rupiah and kept in Indonesia for a specified period of time.

LANGUAGE OF THE TRANSACTION DOCUMENTS

Pursuant to Article 31 of Law No. 24 of 2009 on National Flag, Language, Coat of Arms, and Anthem enacted on July 9, 2009 ("**Law No. 24/2009**"), agreements to which Indonesian entities are a party are required to be executed in Indonesian language (Bahasa Indonesia), although, when a foreign entity is a party, an execution of the document also in English or the national language of the relevant foreign entity is permitted. On September 30, 2019, Presidential Regulation No. 63 of 2019 on The Use of Indonesian Language ("**PR No. 63/2019**") was issued as an implementing regulation to Law No. 24/2009, which, among others, stipulates that in the event of any inconsistency or difference in interpretation between the Indonesian language and the foreign language version of an agreement or memorandum of understanding (in this case the English language version), then the language as agreed by the parties in such agreement or memorandum of understanding shall prevail.

We will execute English and Indonesian versions of the Indenture (as defined herein) and other documents entered into in connection with the issuance of the Notes. While all of these documents will provide that in the event of discrepancies or inconsistencies, the parties thereto intend the English version to prevail, there can be no assurance that in the event of inconsistencies between the Indonesian and English language versions of these documents, an Indonesian court will hold that the English language versions of such documents will prevail. Some concepts in English may not have a corresponding term in the Indonesian language and the exact meaning of the English text may not be fully captured by the Indonesian language version. If this occurs, there can be no assurance that the terms of the Notes, including the Indenture, will be as described in the Offering Memorandum, or will be interpreted and enforced by the Indonesian courts as intended.

See "*Risk Factors — Risks Relating to Indonesia — An Indonesian law requiring agreements involving Indonesian parties to be written in the Indonesian language and the fact that the Indenture and certain documents entered into in connection with the issuance of the Notes will be made and prepared in the Indonesian language as required under the law may raise issues as to the enforceability of the agreements.*"

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SFA

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Company has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Memorandum, all references to "we," "us," "our," and the "Company," refer to PT Bukit Makmur Mandiri Utama. References to "Delta" refer to PT Delta Dunia Makmur Tbk. and its consolidated subsidiaries. Unless the context otherwise requires, references to "management" are to the commissioners, directors and the senior management team of our Company as at the date of this Offering Memorandum. Statements in this Offering Memorandum as to beliefs, expectations, estimates and opinions of the Company are those of the management. For the meaning of other terms, including terms used in the coal and coal mining industries, used in this Offering Memorandum, see "*Glossary of Certain Terms used in the Coal Mining Industry*."

As used in this Offering Memorandum, all references to "Indonesia" are references to the Republic of Indonesia and all references to "U.S." are references to the United States of America. All references to the "Government," unless the context otherwise requires, are references to the Government of Indonesia.

As used in this Offering Memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the lawful currency of the United States of America, and all references to "Rupiah" and "Rp." are to Indonesian Rupiah, the lawful currency of Indonesia.

All references to "tonne" or "tonnes" are to a metric ton or to metric tons, respectively. A "metric tonne" is a unit of mass equal to 1,000 kilograms, or approximately 2,204.6 pounds.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial Data

The financial information included in this Offering Memorandum has been derived from our audited financial statements as of and for the years ended December 31, 2017, 2018 and 2019 (the "**Audited Financial Statements**") and reviewed financial statements as for and for the nine month periods ended September 30, 2019 and 2020 (the "**Unaudited Interim Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**"). Our Financial Statements have been prepared in accordance with Indonesian Financial Accounting Standards ("Indonesian FAS") and presented in U.S. dollars, which is our functional currency. Unless otherwise indicated, financial information in this Offering Memorandum has been prepared in accordance with Indonesian FAS which differ in certain significant respects from United States generally accepted accounting principles ("**U.S. GAAP**") and International Financial Reporting Standards. For a summary of the material differences between Indonesian FAS and U.S. GAAP, see "*Summary of Principal Differences Between Indonesian FAS and U.S. GAAP*" included elsewhere in this Offering Memorandum.

Our Audited Financial Statements have been audited by Aria Kanaka & Rekan, Registered Public Accountant (Mazars in Indonesia), in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants ("**IICPA**"), as stated in their audit report dated November 23, 2020 appearing elsewhere in this Offering Memorandum. Our Unaudited Interim Financial Statements have been reviewed by Aria Kanaka & Rekan, in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("SRE 2410"), established by the IICPA, as stated in their review report dated November 23, 2020 appearing elsewhere in this Offering Memorandum.

Non-GAAP Financial Measures

In this Offering Memorandum, we present certain financial measures and ratios as well as certain operating data that are not determined or presented in accordance with Indonesian FAS or any other generally accepted accounting principles.

As used in this Offering Memorandum:

- **EBITDA**. Earnings before interest, tax, depreciation and amortization, or EBITDA, and the related ratios presented in this Offering Memorandum are supplemental measures of performance and liquidity that are not required by, or presented in accordance with, Indonesian FAS or U.S. GAAP. EBITDA is not a measurement of financial performance or liquidity under Indonesian FAS or U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian FAS or U.S. GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. In addition, EBITDA is not a standardized term; hence, a direct comparison of EBITDA as reported by different companies may not be meaningful. We believe that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest and finance charges), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortization of assets (affecting relative depreciation and amortization of expenses) and foreign exchange gains or losses. EBITDA has been presented because we believe that it is frequently used by securities analysts, investors and other interested parties in evaluating similar companies, many of whom present such non-Indonesian FAS and non-U.S. GAAP financial measures when reporting their results. Finally, EBITDA is presented as a supplemental measure of debt service ability. Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of the Company's financial condition or results of operations, as reported under Indonesian FAS. Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of its business.

- **Free cash flow**. Free cash flow represents (i) net cash flows from operating activities excluding interest payments, plus (ii) net cash flows used in investing activities, adding capital expenditure made through leases, plus (iii) adding or subtracting any increase or decrease on amounts of restricted cash.

- **Revenue ex fuel**. Revenue ex fuel is calculated by deducting fuel expenses we incur due to (i) costs incurred by us for using fuel in our mining operations in excess of fuel allowances pre-agreed with certain customers that self-procure their fuel and (ii) fuel expenses incurred by us in order to purchase fuel as part of our mining operations for customers that do not self-procure their fuel, from net revenues recorded for the relevant period.

- **Cash cost ex fuel**. Cash cost ex fuel is calculated by deducting depreciation and fuel expenses (including fuel expenses we incur because of the use of fuel in excess of pre-agreed fuel allowances for our customers that self-procure their fuel and fuel expenses we record for customers that do not self-procure their fuel) from cost of revenue for the relevant period.

- **Total debt**. Total debt (prior to January 1, 2020) comprises (i) the contractually principal outstanding amount of our bank loans, finance leases, and long-term debt, plus (ii) the derivative liabilities amount resulting from the interest rate swap instrument. Total debt (effective January 1, 2020 onwards) comprises the contractually principal outstanding amount of our bank loans, leases (including balances incurred as an implementation of PSAK 73), and long-term debt.

- **Net debt**. Net debt comprises total debt less cash (including restricted cash in reserve accounts).

Pro Forma Financial Information

We present in this Offering Memorandum certain information and ratios that give pro forma effect to the Offering and use of proceeds therefrom, as described in "Use of Proceeds."

Last Twelve Months Financial Information

This Offering Memorandum presents certain financial information for the twelve months ended September 30, 2020, which has been derived by subtracting the relevant line items for the nine months ended September 30, 2019 (from our Unaudited Interim Financial Statements) from the relevant line items for the year ended December 31, 2019 (from our Audited Financial Statements), and adding the same relevant information for the nine months ended September 30, 2020 (from our Unaudited Interim Financial Statements). As our financial year ends on December 31, financial information for the twelve months ended September 30, 2020 is not presented in accordance with Indonesian FAS or any other generally accepted accounting principles, and has been prepared for illustrative purposes only and is not necessarily indicative of our results for any future period or our financial condition at any such date. We present financial information for the twelve months ended September 30, 2020 because we believe it is a useful measure as it reflects a proper comparison for recent performance.

Exchange Rate Information

We publish our financial statements in U.S. dollars, our reporting currency. Solely for convenience, this Offering Memorandum contains translations of certain Rupiah amounts into U.S. dollars at the exchange rate of Rp.14,918 = US$1.00 which was the middle exchange rate announced by Bank Indonesia as of September 30, 2020. These translations should not be construed as representations that the Rupiah amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. See "*Exchange Rates and Exchange Controls*" for further information regarding the rates of exchange between the Rupiah and the U.S. dollar.

Rounding

Rounding adjustments have been made in calculating some of the financial information included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them. In addition, percentages reflecting fluctuations and margins are based on rounded figures and may not be exact.

INDUSTRY AND MARKET DATA

Certain market data, industry forecasts and data relating to Indonesia and other countries or areas of the world used throughout this Offering Memorandum have been obtained from industry publications and surveys, including the report entitled "Indonesian Coal Industry Summary Report" dated January 2021 that we had commissioned Wood Mackenzie to prepare. Such industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. While reasonable actions have been taken by the Company to ensure that the information is extracted accurately and in its proper context, neither the Company nor the Initial Purchasers have independently verified any of the data from third party sources, ascertained the underlying economic assumptions relied upon therein or make any representation as to the accuracy or completeness of such data or any assumptions relied upon therein.

Financial data with respect to Indonesia provided in this Offering Memorandum may be subsequently revised in accordance with Indonesia's ongoing maintenance of its economic data, and such revised data will not be distributed by us to any holder of the Notes.

In this Offering Memorandum, various operational data relating to our mining services operations such as actual overburden removal volumes and coal volume produced from equipment lease arrangements, and fleet size have been included. The manner in which such statistical data has been calculated is described in this Offering Memorandum. You should note, however, that other companies in the coal mining industry may calculate and present such data in a different manner and therefore, you should use caution in comparing our data with data presented by other companies, as the data may not be directly comparable.

AVAILABLE INFORMATION

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, we shall, during any period in which we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any qualified institutional buyer (as defined in Rule 144A) who is a holder and any prospective purchaser of a Note who is a qualified institutional buyer (as so defined) designated by such holder, upon the request of such holder or prospective purchasers, the information concerning us required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements and information that involves risks, uncertainties and assumptions. Forward-looking statements are statements that concern plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, those that are identified by the use of words such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects" and similar expressions. The future events referred to in these forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Company, as the case may be, which may cause the actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies, and the environment in which we will operate in the future, and are not a guarantee of future performance. Important factors that could cause the actual results, performance or achievements of the Company to differ materially from those in the forward-looking statements include, among others, the following:

- general economic and political environment and changes in laws and regulations that apply to the Indonesian, regional or global mining industries, including with respect to custom duties, excise duties or environmental regulations;
- our ability to implement our business strategies and successfully tender for or obtain new operating agreements for the provision of mining services to coal concession holders;
- the financial performance and competitiveness of our customers and suppliers;
- losses and closures of coal mines at which we perform mining services and operations;
- fluctuations in the selling prices of coal and power, including factors such as local, regional and global supply and demand;
- our ability to control our production and operational costs;
- the effects of competition in the geographic and business areas in which we conduct our operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices, including in particular in environmental regulations and compliance costs;
- the effects of, and changes in, the regulatory policy of the Government related to the coal industry, the mining industry and generally;
- the ability to maintain or increase market share for mining services while controlling expenses;
- reduction of coal or overburden production targets by our customers;
- environmental compliance and remediation;
- our ability to obtain raw materials, equipment, machinery or spare parts from our major suppliers in the time frame anticipated or at all and significant increases in the costs of those raw materials, equipment, machinery or spare parts;
- technological changes that affect the extraction, preparation, processing, shipping or combustion of coal products;
- changes in the coal mining concessions in which we operate;

- changes or volatility in inflation, interest rates, fuel prices and foreign exchange rates;
- effects of international and domestic political events on our business;
- accidents, natural disasters or outbreaks of infectious diseases, including the current COVID-19 pandemic;
- labor unrest or other similar situations;
- our relationship with local communities; and
- our success at managing risk associated with the above factors.

This list of important factors is not exhaustive. Additional factors that could cause the actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*." All of our forward-looking statements made herein and elsewhere are qualified in their entirety by the risk factors discussed in "*Risk Factors*" and other cautionary statements appearing in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Appendix — Indonesian Coal Mining Services Industry*." These risk factors and statements describe circumstances that could cause actual results to differ materially from those contained in any forward-looking statement. Should one or more of these uncertainties or risks, among others, materialize, our actual results may vary materially from those estimated, anticipated or projected. When considering the forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. We do not intend to update forward-looking statements made herein to reflect new information, future events, actual results or changes in assumptions or other factors that could affect those statements.

The report entitled "*Indonesian Coal Industry Summary Report*" that is included in the Appendix to this Offering Memorandum was prepared by Wood Mackenzie and contains forward-looking information on the global coal markets, including coal supply, demand and price forecasts. These forecasts were prepared on the basis of the various assumptions detailed therein and are subject to the uncertainties incumbent when making such forecasts. The data used in making such forecasts may not be complete or accurate. In addition, as described elsewhere in this section, coal prices, supply and demand have historically been subject to significant volatility and uncertainty, particularly in recent years. Actual results may differ significantly from these forecasts. Investors are encouraged to carefully read the assumptions included in the report together with the other information and data presented within this Offering Memorandum and not to place undue reliance on this forward-looking information.

In addition, this Offering Memorandum contains forward looking estimates regarding contracted volumes of overburden and coal produced from our equipment leased for coal mining activities. Such estimates are based on the contracted volumes agreed between us and our customers. Our and our customers' actual production volumes could differ significantly from these contracted amounts due to a number of factors, including by the early termination of our mining services agreements, bad weather conditions, the election of some of our customers to lower production goals, changes in coal supply and demand, limitations by the Indonesian government on coal production or other governmental policies and other factors (including the other factors described in the "*Risk Factors*" section).

Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to be correct. Accordingly, we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We make no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Memorandum. We urge you to read this entire Offering Memorandum carefully, including our financial statements and related notes and "Risk Factors."

Overview

We are the second largest mining contractor in Indonesia, with a 17.0% market share in 2019 based on overburden removal volume according to Wood Mackenzie. Established in 1998, we provide open-cut mining and mine operation services to coal producers that have been granted coal mining concessions within Indonesia. We provide mining contract services under long-term mining services agreements with some of Indonesia's largest coal producers, such as Berau, Adaro and Bayan. We are the primary operating subsidiary of Delta, which acquired our Company in 2009. Delta was established in 1990 and listed as DOID on the Indonesian Stock Exchange in 2001.

We provide services to Indonesian coal producers across all production stages, including planning and scheduling of mining operations, mining infrastructure development and construction, overburden removal, land clearing and removal of top soil, drilling and blasting, pit drainage and dewatering, provision of coal mining equipment and operators, coal hauling, and land reclamation and rehabilitation. As of September 30, 2020, we provided mining services to nine Indonesian coal producers with respect to 11 coal mining projects, under long-term mining services agreements. For the years ended December 31, 2017, 2018, 2019 and the nine month ended September 30, 2019 and 2020, we extracted 40.2 million tonnes, 42.3 million tonnes, 50.0 million tonnes, 37.8 million tonnes and 33.8 million tonnes of coal, respectively, and removed 340.2 million BCM, 392.5 million BCM, 380.1 million BCM, 301.1 million BCM and 229.7 million BCM of overburden, respectively.

Due in part to the historical development of mining regulations in Indonesia, coal producers typically contract out the operation of their coal concessions to third-party mining operators such as our Company under long-term mining services agreements. The practice of appointing third-party mining operators dates back to the first generation of coal concessions granted and remains current, which we believe is due in part to the strategic, operational and financial benefits of using experienced and well-established mining operators with good production track records. Additionally, coal producers have historically been reluctant to perform the mining work themselves for commercial reasons, including the need for significant capital investment and the requirement that ownership of the assets and other equipment purchased and used at the site by the coal producer be surrendered to the Government at the end of a coal producer's license period.

As of September 30, 2020, we employed approximately 10,928 employees and owned and operated approximately 2,839 units of key heavy equipment used in coal mining and production, including bulldozers, excavators, graders, drilling machines, haul trucks, prime movers and dump trucks.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we generated total net revenues of US$764.6 million, US$892.5 million, US$881.8 million, US$690.3 million and US$494.2 million respectively, and our EBITDA was US$284.5 million, US$300.5 million and US$238.3 million, US$198.5 million and US$152.7 million, respectively.

Our headquarters are located in Jakarta, Indonesia and we have a representative office located in Balikpapan in the East Kalimantan province of Indonesia.

Our Competitive Strengths

We believe that we have the following key competitive strengths:

Robust Indonesian coal market.

According to Wood Mackenzie, coal prices are expected to recover from 2020 lows, reaching marginal cost levels by 2024. Wood Mackenzie expects strong supply responses from all exporters, post-COVID-19 recovery and new coal-fired capacity growth in Asia during this period. Indonesia's physical proximity to key coal export markets such as India and China, as well as its low average cost of coal production relative to other coal markets, provides advantages in terms of the regional coal market. We believe we benefit from these positive fundamental industry dynamics.

Long-standing, customer relationships backed by long-term contracts for quality mines.

We have developed relationships with our key customers, such as Berau and Adaro, over periods ranging from 12 to 18 years, and our total orderbook as of September 30, 2020 was approximately US$4.2 billion. Over our long history with our customers, we have gained in-depth mine site knowledge, deployed an extensive range of equipment and built ties to the local communities. We believe that our customers see us as a reliable partner that has achieved operational excellence, enabling us to continue working with our largest customers. We believe this long history with our customers fosters interdependence, as customers could face significant operational downtime, demobilization costs, capital expenditures, loss of mine site knowledge and loss of our relationship with the local communities if they were to change mining contractors. Our contractual arrangements with customers are long-term, typically ranging from three to ten years, and we have negotiated life-of-mine extensions and renewals for a number of our contracts.

According to Wood Mackenzie, our customers produce coal products that are at the higher end of the quality spectrum and Wood Mackenzie expects these coal products will be more sought after in export markets than other Indonesian coals. In addition, according to Wood Mackenzie, the forecasted weighted average energy adjusted cash cost of our operated mines is US$48.3 per tonne in 2021, which is US$5.5 per tonne less than the forecasted global weighted average and US$6.7 per tonne less than the Indonesian forecasted weighted average. Wood Mackenzie expects the weighted average energy adjusted cost of global seaborne thermal coal is forecast to increase to US$61.9 per tonne, with the mines we service increasing at a lesser rate, to an average weighted cost of US$56.6 per tonne, by 2025. See "*Indonesian Coal Industry Summary Report*" included in the Appendix to this Offering Memorandum. We believe coal with higher-calorific value and low cost is more resilient to price fluctuations because (i) some power plants are required to use higher-calorific coal, driving demand, (ii) there is a relatively limited supply of high calorific coal and (iii) it is easier for power plants to break-even with lower cost coal.

Optimal capacity management to increase productivity and reduce capital expenditure.

We currently have existing capacity of approximately 430 million BCM, with excess capacity of approximately 90 million BCM from the ramp up in production that we undertook in 2018. This excess capacity allows us the flexibility to accommodate new volumes with our existing capacity, thereby limiting the capital expenditure required to accommodate any such new volumes. This in turn allows us to better serve our existing customers and also enter into tender processes for new contracts. We believe our ability to optimize capacity management will also lead to better operational efficiency and cash preservation.

Robust track record of operational excellence delivering a resilient business model.

We maintain a strong focus on operational quality, with a performance-focused management culture that consistently delivers results which are in line with planned production targets while adapting to market conditions and customer demands. As the second-largest mining services company in Indonesia based on overburden removal volume, according to Wood Mackenzie, the scale of our operations facilitates operational efficiency and consistency as well as competitive pricing. In particular, we leverage our information technology systems to conduct real-time monitoring of our entire fleet and support quick and accurate frontline decision making in order to drive efficient and reliable performance that meet or exceed target levels. Our equipment had approximately 56%-57% utilization for the nine months ended September 30, 2020. In a concentrated industry with a limited supply of mining contractors, we believe our strong operational track record and competitive pricing provides us with a competitive advantage and solidifies our reputation among mine owners.

Sustainable cost efficient structure driving cash flow generation.

We have a flexible fleet mix, comprised primarily of medium-sized excavators and trucks that are more easily deployed than large equipment, and we optimize our fleet mix according to project needs. We strengthen our fleet further by developing a strategic approach to align capital expenditure with contract requirements in order to limit redundant capacity. We establish long-term partnerships with key suppliers with favorable and visible cost structures, including cost caps for equipment lifecycle costs, use of leasing to enhance flexibility, warranty schemes and guaranteed second life at lower pricing. These long-term partnerships assist in furthering our strategic objectives. We have established a rigorous maintenance program to extend the life of the major components of our heavy equipment in order to optimize our cost structure whilst maintaining performance.

We have also right sized employee headcount (including in response to the COVID-19 pandemic) and improved employee productivity as a result of equipment usage optimization. Further, we have optimized our drilling and blasting process to reduce the costs associated with explosives by using less while delivering quality blasting. In addition, we have implemented a number of technology driven initiatives and reorganization measures aimed at reducing costs further in the future. Primarily as a result of such cost initiatives, our costs related to spare parts and maintenance decreased to US$0.33 per BCM for the nine-months ended September 30, 2020 from US$0.42 per BCM for the year ended December 31, 2017.

Prudent leverage and liquidity management through coal price volatility.

We adopt a disciplined approach to working capital management and reducing our capital expenditure requirements in order to be well-placed to react to factors such as coal price volatility. According to Wood Mackenzie, due to the COVID-19 pandemic, global demand for commodities in 2020 was impacted and a decreased demand for power resulted in a 3.0% decline in total global thermal coal demand and a 7.0% decline in seaborne demand as domestic supplies were supported. However, a surge in global coal prices at the end of 2020, following both progress on COVID-19 vaccine candidates and colder than expected weather across Europe, China, Japan and elsewhere drove power generation to record highs and spurred demand for coal, according to Wood Mackenzie. In response to the uncertainty caused by the COVID-19 pandemic, we enhanced the implementation of our right-sizing and efficiency initiatives which contributed to a lower cost structure in the nine months ended September 30, 2020. Despite the challenging circumstances, we maintained a total debt to EBITDA ratio of 3.3x and a fixed charge coverage ratio of 3.6x for the twelve months ended September 30, 2020.

Our Strategy

The main elements of our business strategy include the following:

Retain and grow robust customer base with low cost, diversified, secured volumes through long term contracts

We are currently in the process of tendering for projects for two large coal producers in Indonesia with the cumulative tender periods extending to 2036. The cumulative tender amounts are an aggregate of (i) coal mined of approximately 498 million tonnes; (ii) and OB removed of approximately 2.9 billion

BCM. The outcome of the tender process for each of these two coal producers is expected within the first half of 2021. We intend to actively seek out new long-term contract opportunities, including with our existing customers, on an ongoing basis. On January 7, 2021, we entered into an agreement to extend our existing contract with IPR which includes expansion of our scope of work, therefore further diversifying and strengthening our customer portfolio. See "— *Recent Developments — IPR Contract*".

We focus on ensuring our customer agreements that we enter into provide us with strong visibility of cash flows, driven by long-term mining services agreements that support our capital expenditure and working capital requirements. To support this objective, we undertake a customer and contract evaluation process involving multiple layers of assessment and approval. Our customer assessment involves robust analysis based on mine plans, profitability analysis and sensitivity analysis, while project assessments comprise internal analysis of project viability, including potential marketability of the coal to be mined, with a focus on net present value, return on invested capital and potential profitability for the Company. Additionally, we have a detailed contract checklist and established negotiation process. We negotiate our contracts to be as transparent with respect to revenues as possible, with many of them containing minimum volume guarantees. We believe our disciplined approach to contracting has helped us to establish a contract portfolio that historically has achieved favorable margins.

Deliver operational excellence driving customer retention.

We intend to focus on customer retention through various market conditions by providing high-quality service and efficient execution. We aim to entrench our positions with our existing customers through conversion or extension into longer term, life of mine contracts. We also seek to strictly align with our robust and comprehensive customer evaluation process when considering new customers and contracts. Our goal is to maintain our position as a top-two mining services provider in Indonesia and to be the first choice service provider for customers to deliver profitable long-term results.

Enhance our value proposition through technology-people initiatives.

To enhance value for our customers, we have also adopted and implemented a number of technology initiatives targeting health and safety including predictive fatigue management for employees, promoting optimization and efficiency through the use of real time data to assist with mine planning scenarios as well as component planning and boosting employee productivity, amongst others. Our initiatives aim to establish a sense of ownership to foster productivity and employee engagement. See "*Business — Information Management Systems*."

Deliver sustainable cost competitiveness and asset efficiency

We will continue to empower our organization to maintain our focus on performance driven and rigorous process management, maintaining clear key performance indicators ("**KPIs**") focused on operational excellence, profitability and free cash flow generation and linking compensation to those KPIs. We intend to continue to enhance and leverage our information technology, including data analytics, simulation, and other programs to drive optimal operational-maintenance performance and deliver cost reduction. We also plan to strengthen employee development and engagement programs to improve competency and culture to assure delivery of performance and cost above.

Maintain prudent financial discipline to deliver stable EBITDA and FCF generation.

We seek to maintain a prudent and sustainable capital structure in order to provide us with financial and operational stability across a range of economic environments and cycles. We have a disciplined focus on working capital and capital expenditure management, with the goal of ensuring sufficient cash balance to support near-term capital and operating expenses. We aim to optimize our financing plan in order to achieve favorable funding costs and a balanced debt maturity profile, as well as managing our exposure to exchange rate risk.

In response to the weakness in the coal market and COVID-19 pandemic in 2020, we enhanced the implementation of our right-sizing and efficiency initiatives which contributed to a lower cost structure in the nine months ended September 30, 2020. Despite the challenging circumstances, we were able to maintain a healthy EBITDA and booked an EBITDA margin of 33.3% for the nine months ended September 30, 2020. We also continue to generate strong free cash flows post-replacement cycle as a result of optimizing asset utilization, strategic capital expenditure planning, tight cost controls and prudent working capital management. Additionally, we typically maintain a minimum cash balance of approximately US$60 million. This also involves a proactive approach to accelerating tax refund collection.

Pursue value accretive, established mining and mining services opportunities in Indonesia and Australia.

We are exploring opportunities to expand into new markets and services through potential acquisitions of mining service providers and other complementary businesses. For example, our mining infrastructure development and construction business supplements the rest of our business by allowing us to provide our customers with a comprehensive mining services offering. We are currently in discussions with respect to the potential acquisition of value accretive, established mining and mining services related opportunities in Indonesia and Australia. See "*— Recent Developments*."

Continue to focus on ESG enhancement initiatives

Our ESG framework focuses upon the following key elements: health and safety, eco-efficiency, optimization, ownership, community, climate and governance. We are currently engaged in a number of initiatives that seek to address each of these elements. For example, we promote proactive fatigue management through the implementation of a safety and health index point system that tracks the overall health and total sleep of employees and have also implemented a hazard and risk identification program for accident prevention. These projects contribute to the overall health and safety of our employees. We also promote sustainable corporate governance through the implementation of our anti-fraud management system. See "*Business — Environmental Matters*."

Recent Developments

Current COVID-19 Pandemic

The spread of COVID-19 has caused us to modify our business practices as, one of our nine mining services customers, IPR, temporarily ceased operations for a period of six weeks, while others have restricted access to their mine sites from time to time, resulting in challenges in rotating our employees working in such sites in accordance with our past practice. We adjusted the groupings of our employees at mine sites in accordance with our grouping model to mitigate the possibility of cross-infection between groups of employees. Our employees also undergo multiple rounds of testing prior to returning to the mine sites and we have set up quarantine facilities at all sites. In response to the impact of COVID-19, we reviewed our workforce and have initiated a right-sizing program. see "*Risk Factors — Risks Relating to Our Business — The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us.*"

Shareholding Structure

NTP has informed us that on January 1, 2021, SHPL a company controlled by Mr. Ashish Gupta and Mr. Ronald Sutardja, our President Director, entered into an arrangement with NTP to subscribe for a convertible note of NTP which may be converted into non-voting class C shares of NTP which will result in SHPL owning approximately 44% of NTP and hence, indirectly, approximately 16.7% of Delta, during the first quarter of 2021. We also understand that NTP's existing class A shareholder and each of NTP's existing class B shareholders have entered into an option deed with SHPL which provides (i) SHPL with a call option, and (ii) NTP's class A shareholder and each of NTP's existing class B shareholder with a corresponding put option, the strike prices of which are linked to the value of publicly traded Delta shares. Such options may result in SHPL owning 100% of NTP, and hence, indirectly, 37.9% of Delta if certain conditions precedent to exercise included in such option deeds, are satisfied. If SHPL acquires 100.0% of NTP pursuant to such options, SHPL will have the right to nominate, through NTP, three of the six total members of the Delta Board of Commissioners and two of the three total members of the Delta Board of Directors for appointment by the shareholders of Delta at an appropriate general meeting of Delta's shareholders. While NTP has not informed us of any future plans to change its shareholding of Delta or any further changes to its ownership structure, NTP may sell some of its shares in Delta, additional shares in itself, one or more of NTP's existing shareholders may sell some or all of their shares to an entity other than SHPL, should the conditions precedent included in the option deeds not be satisfied, or SHPL may sell some of its shares in NTP. We believe that the reputation of NTP's existing shareholders may provide us with access to their relationship banks and may assist us in gaining access to capital when necessary and at favorable terms. The potential changes in the shareholding of NTP described above may adversely affect our ability to access capital as required on acceptable terms, or at all.

The owners of SHPL have informed us that they currently have no plans to make material changes to our management or operations.

Contract Tenders

We are in the process of tendering for projects for two large coal producers in Indonesia with the cumulative tender periods extending to 2036. The cumulative tender amounts are for an aggregate (i) coal extraction volume of approximately 498 million tonnes and (ii) overburden removal volume of approximately 2.9 billion BCM. The outcome of the tender processes for these projects is expected within the first half of 2021. As these tenders are competitive processes, it is possible that the Company may not be successful in respect of such tenders. See "*Risk Factors — We may not be successful in securing new mining services agreements, which may impede our long-term growth*."

We are currently exploring proposed acquisitions of mining services providers in Indonesia and Australia.

On January 7, 2021, the Company and PT Indonesia Pratama ("**IPR**"), a subsidiary of PT Bayan Resources Tbk ("**Bayan**"), entered into an agreement to extend our existing contract to December 2031, or when the agreed volume is completed, whichever is earlier. Subject to certain conditions precedent such as completion of a coal hauling road, our amended agreement with IPR expands our scope of work by over 650 million BCM of overburden to be removed, over 210 million tonnes of coal to be extracted and over 75 million tonnes of coal to be hauled, with an estimated total incremental orderbook of approximately Rp.26 trillion or approximately US$1.9 billion, further expanding our customer portfolio.

Concurrent Tender Offer and Consent Solicitation

As part of our policy to proactively manage our debt liabilities, concurrently with the offering of the Notes, we are also making a separate offer to purchase for cash any and all of our outstanding US$350,000,000 7.75% Senior Notes due 2022 (the "**2022 Notes**") as well as a solicitation of consents from holders of the 2022 Notes to align the covenants of the 2022 Notes with the covenants of the Notes offered hereby (the "**Concurrent Tender Offer and Consent Solicitation**"). The Concurrent Tender Offer and Consent Solicitation is being made available on the terms and subject to the conditions set forth in an offer to purchase and consent solicitation statement dated January 22, 2021 (the "**Tender Offer Memorandum**"). The Concurrent Tender Offer and Consent Solicitation will expire on 5:00 p.m., New York time, on February 24, 2021, unless extended or earlier terminated by us. We will cancel the 2022 Notes that we accept for purchase pursuant to the Concurrent Tender Offer and Consent Solicitation, and those 2022 Notes will cease to be outstanding. Any 2022 Notes that remain outstanding after the Concurrent Tender Offer and Consent Solicitation will continue to be our obligations.

We intend to use the net proceeds of the offering of the Notes hereby to, after application of such proceeds to repayment of all outstanding amounts under the MUFG Facilities (as defined herein), fund the Concurrent Tender Offer and Consent Solicitation. See "*Use of Proceeds*" and "*Description of Material Indebtedness*."

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Notes and is qualified in its entirety by the remainder of this Offering Memorandum. It is not intended to be complete and is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, see "Description of the Notes" included elsewhere in this Offering Memorandum, which shall prevail to the extent of any inconsistency with the terms set out in this summary. Capitalized terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Company	PT Bukit Makmur Mandiri Utama
Notes Offered	US$400,000,000 in aggregate principal amount of 7.75% Senior Notes due 2026.
Issue Price	98.986% of the principal amount of the Notes.
Issue Date	February 10, 2021
Maturity Date	The Notes will mature on February 10, 2026.
Interest payment dates.	The Notes will bear interest at a rate of 7.75% per annum, payable semi-annually in arrears on February 10 and August 10 of each year, commencing on August 10, 2021.
Ranking of the Notes	The Notes will:

- be a general obligation of the Company;
- be guaranteed by any future Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "*Description of the Notes — Future Subsidiary Guarantees*" and "*Risk Factors — Risks Relating to the Notes and the Collateral*";
- be senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* in right of payment with all unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- be secured by the Collateral as described under "*Description of the Notes — Security.*"

Future Subsidiary Guarantees.	On the Original Issue Date, the Company will have no Subsidiaries. The Company will cause each future Subsidiary that becomes a Restricted Subsidiary after the Original Issue Date, promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes on a senior basis. See "*Description of the Notes — Future Subsidiary Guarantees.*" The future Subsidiary Guarantees may be released in certain circumstances. See "*Description of the Notes — Future Subsidiary Guarantees — Release of the Subsidiary Guarantees.*" Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiaries that are acquired in connection with the Acquisition not provide a Subsidiary Guarantee; provided that, if any such acquired Restricted Subsidiary becomes a Wholly Owned Restricted Subsidiary, to the extent not prohibited by law or regulation, the Company shall, within 30 days of such Restricted Subsidiary becoming a Wholly Owned Restricted Subsidiary, cause such Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes on a senior basis.
Security	The obligations of the Company under the Notes (including Additional Notes issued in accordance with the Indenture) and any future Subsidiary Guarantors under the Subsidiary Guarantees and each of the Company and any future Subsidiary Guarantors under the Indenture will, on the Original Issue Date, be secured on a first priority basis by a Lien, subject to permitted liens, on the Debt Service Accrual Account.
Debt Service Accrual Account	Within seven days of the Original Issue Date, the Company will establish the Debt Service Accrual Account in Singapore with Sumitomo Mitsui Banking Corporation. Pursuant to the Indenture, the Company shall be required to deposit into the Debt Service Accrual Account, on or prior to the sixth day of each calendar month, commencing on March 6, 2021 an amount equal to one-sixth (1/6) of each interest payment (together with any Additional Amounts related thereto) due on the next succeeding Interest Payment Date, so that prior to such Interest Payment Date there are sufficient funds available on deposit in the Debt Service Accrual Account to pay the interest (together with Additional Amounts) due on such Interest Payment Date.

Use of Proceeds	We intend to use the net proceeds of the offering of the Notes, along with cash on hand, to (i) firstly, repay all outstanding amounts under the MUFG Facilities, (ii) secondly, fund the purchase of a portion of the 2022 Notes pursuant to the Concurrent Tender Offer and Consent Solicitation, and (iii) lastly, redeem any 2022 Notes that remain outstanding after consummation of the Concurrent Tender Offer and Consent Solicitation. See "*Use of Proceeds.*"
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof and will be initially represented by one or more Global Note registered in the name of a nominee of DTC.
Withholding Tax; Additional Amounts	All payments of principal of, and premium (if any) and interest on the Notes and all payments under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, any Subsidiary Guarantor or any Surviving Person of the Company or any Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required by a Relevant Jurisdiction, the Company, the applicable Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, will pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "*Description of the Notes — Additional Amounts.*"
Change of Control Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "**Change of Control Offer**") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*."
Optional Redemption	At any time and from time to time on or after February 10, 2023 the Company at its option may redeem the Notes, in whole or in part, at the redemption prices set forth in "*Description of the Notes — Optional Redemption*" plus accrued and unpaid interest, if any, to the redemption date.

	At any time prior to February 10, 2023 the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium (as defined in the Indenture) as of, and accrued and unpaid interest, if any, to the redemption date, as set forth in "*Description of the Notes — Optional Redemption.*"
Redemption for Taxation Reasons.	Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, in whole but not in part, at the option of the Company, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest (including any Additional Amounts) to the Tax Redemption Date, if, as a result of any changes in the laws, treaties, regulations or rulings (or the application or interpretation thereof) affecting taxes of relevant jurisdictions, the Company (as the case may be) would be required to pay Additional Amounts; provided that where the Additional Amounts are payable as a result of changes affecting Indonesian taxes, the Notes may be redeemed only in the event that the withholding tax rate exceeds 20%.
Covenants.	The Indenture will limit the ability of the Company and the Restricted Subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other specified Restricted Payments; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends and transfer assets or make inter-company loans; • issue or sell Capital Stock of Restricted Subsidiaries; • issue guarantees by Restricted Subsidiaries • enter into transactions with equity holders or affiliates; • create any Lien; • enter into Sale and Leaseback Transactions; • sell assets; • engage in different business activities; and • effect a consolidation or merger. These covenants will be subject to a number of important exceptions and qualifications. See "*Description of the Notes — Certain Covenants*."

Other Events of Default.	Certain other events will permit acceleration of the principal of the Notes (together with all interest and additional amounts accrued and unpaid thereon). These events include, among others, defaults with respect to payments of principal of, premium, if any, or interest on, the Notes. See "*Description of the Notes — Events of Default*."	
	Rule 144A	**Regulation S**
CUSIP	74445N AB3	Y71300 AB6
ISIN.	US74445NAB38	USY71300AB67
Transfer Restrictions	The Notes have not been, and will not be registered under the Securities Act and they are subject to restrictions on transferability and resale. The Notes are a new issue of securities and there is currently no established trading market for the Notes. Accordingly, there can be no assurance as to the development or liquidity of any market for the Notes. There are other restrictions which should be considered. See "*Notice to Investors*" and "*Transfer Restrictions.*"	
Listing and Trading	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST.	
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds, on or about February 10, 2021. See "*Plan of Distribution.*"	
Trustee, Paying Agent, Transfer Agent, Registrar and Collateral Agent	The Bank of New York Mellon	
Governing Law	The Notes will be governed by and construed in accordance with the laws of the State of New York.	
Risk Factors	An investment in the Notes is subject to significant risk which should be carefully considered by potential investors. See "*Risk Factors*."	
Issuer Legal Entity Identifier	254900Z05E8W7X31K395	

SUMMARY FINANCIAL INFORMATION AND OTHER DATA

You should read the summary financial information presented below in conjunction with our financial statements and the notes thereto included elsewhere in this Offering Memorandum. You should also read the sections of this Offering Memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We have derived our summary financial information from the Audited Financial Statements and the Unaudited Interim Financial Statements, each of which was prepared in accordance with Indonesian FAS, and included elsewhere in this Offering Memorandum.

The Audited Financial Statements included in this Offering Memorandum have been audited by Aria Kanaka & Rekan, Registered Public Accountants (Mazars in Indonesia), in accordance with auditing standards established by IICPA. The Unaudited Interim Financial Statements included in this Offering Memorandum have been reviewed by Aria Kanaka & Rekan, in accordance with SRE 2140, established by the IICPA.

We have prepared and presented our Financial Statements in accordance with Indonesian FAS, which differs in certain material respects from U.S. GAAP. You should read the section of this Offering Memorandum entitled "*Summary of Principal Differences Between Indonesian FAS and U.S. GAAP*" for a description of certain principal differences between Indonesian FAS and U.S. GAAP.

Profit or Loss and Other Comprehensive Income Data

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
		(audited)		(unaudited)	
			(US$ million)		
Net revenues	**764.6**	**892.5**	**881.8**	**690.3**	**494.2**
Cost of revenues	**(539.4)**	**(676.8)**	**(739.1)**	**(567.7)**	**(431.6)**
Gross profit	**225.2**	**215.7**	**142.7**	**122.6**	**62.6**
Operating expenses	(49.8)	(48.8)	(51.6)	(34.9)	(20.0)
Other income	2.5	3.3	6.9	3.6	8.1
Other expenses	(36.8)	(5.3)	(4.8)	(4.2)	(13.2)
Finance income	0.9	1.0	1.4	1.1	2.7
Finance cost	(51.9)	(54.9)	(58.4)	(44.4)	(38.9)
Profit before income tax	**90.1**	**111.0**	**36.2**	**43.8**	**1.3**
Income tax expense	**(40.1)**	**(32.6)**	**(14.3)**	**(14.5)**	**(3.0)**
Profit (loss) for the period/year	**50.0**	**78.4**	**21.9**	**29.3**	**(1.7)**
Other comprehensive income (loss) for the period/year after income tax	**(3.9)**	**5.3**	**(2.2)**	**1.9**	**8.4**
Comprehensive income for the period/year	**46.1**	**83.7**	**19.7**	**31.2**	**6.7**

Financial Position Data

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
		(audited)		(unaudited)	
			(US$ million)		
Total current assets	454.8	499.0	530.1	517.8	499.8
Total non-current assets	597.5	740.8	709.0	706.1	597.6
Total assets	**1,052.3**	**1,239.8**	**1,239.1**	**1,223.9**	**1,097.4**
Total short-term liabilities	219.7	279.6	259.2	259.1	189.9
Total long-term liabilities	549.9	643.7	643.8	617.2	564.7
Total liabilities	**769.6**	**923.3**	**903.0**	**876.3**	**754.6**
Total equity	**282.7**	**316.5**	**336.1**	**347.6**	**342.8**
Total liabilities and equity	**1,052.3**	**1,239.8**	**1,239.1**	**1,223.9**	**1,097.4**

Cash Flow Data

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
		(audited)		(unaudited)	
			(US$ million)		
Net cash flows provided by operating activities	167.4	175.0	138.7	77.8	178.6
Net cash flows provided by (used in) investing activities	(52.3)	(151.5)	(58.9)	(64.7)	11.1
Net cash flows used in financing activities	(123.8)	(10.0)	(65.9)	(37.9)	(105.7)
Net increase (decrease) in cash and cash equivalents	**(8.7)**	**13.5**	**13.9**	**(24.8)**	**84.0**
Effect of foreign exchange changes on cash and cash equivalents	(0.1)	(0.2)	1.4	0.5	(7.2)
Cash at beginning of the period/year	**49.2**	**40.4**	**53.7**	**53.7**	**69.0**
Cash at end of the period/year	**40.4**	**53.7**	**69.0**	**29.4**	**145.8**

Other Financial Data

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2017	2018	2019	2019	2020
	(US$ million, except percentages and financial ratios)				
EBITDA[1]	284.5	300.5	238.3	198.5	152.7
EBITDA margin (%)[2]	39.1%	36.6%	28.9%	30.8%	33.3%
Total debt[3]	581.8	704.7	709.9	685.6	633.5
Total debt/EBITDA[4]	2.0x	2.3x	3.0x	n.m.*	n.m.*
Net debt[5]	530.0	639.6	611.6	651.9	485.1
Net debt/EBITDA[6]	1.9x	2.1x	2.6x	n.m.*	n.m.*
Capital expenditures[7]	186.2	304.4	73.0	59.1	18.5
Free cash flow[8]	72.8	(63.1)	84.5	39.5	185.4
Interest expense[9]	51.9	54.9	58.4	44.4	38.9
EBITDA/interest expense[10]	5.5x	5.5x	4.1x	5.3x	3.6x
Pro forma data[11]					
Pro forma total debt	n.a.	n.a.	n.a.	n.a.	600.0
Pro forma total debt/LTM EBITDA	n.a.	n.a.	n.a.	n.a.	3.1x
Pro forma net debt	n.a.	n.a.	n.a.	n.a.	506.2
Pro forma net debt/LTM EBITDA	n.a.	n.a.	n.a.	n.a.	2.6x

Notes:

* Not meaningful.

(1) We calculate EBITDA by adding depreciation and amortization expenses to operating income. EBITDA is not a standard measure under Indonesian FAS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as revenues and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included because we believe it is a useful supplement to cash flow data as a measure of our performance and its ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

	Year ended December 31,			Nine months ended September 30,		Last twelve months
	2017	2018	2019	2019	2020	LTM[12]
	(US$ million)					
Profit (loss) for the period/year	50.0	78.4	21.9	29.3	(1.7)	(9.1)
Adjustments:						
Other income	2.5	3.3	6.9	3.6	8.1	11.4
Finance income	0.9	1.0	1.4	1.1	2.7	3.0

	Year ended December 31,			Nine months ended September 30,		Last twelve months
	2017	2018	2019	2019	2020	LTM[12]
	(US$ million)					
Income tax expense	(40.1)	(32.6)	(14.3)	(14.5)	(3.0)	(2.8)
Other expenses	(36.8)	(5.3)	(4.8)	(4.2)	(13.2)	(13.8)
Finance cost	(51.9)	(54.9)	(58.4)	(44.4)	(38.9)	(52.9)
Depreciation and amortization	(109.1)	(133.6)	(147.2)	(110.8)	(110.1)	(146.5)
EBITDA	**284.5**	**300.5**	**238.3**	**198.5**	**152.7**	**192.5**

(2) EBITDA margin is calculated by dividing EBITDA by net revenues excluding fuel.

(3) Total debt comprises the contractually outstanding principal amount of our bank loans, finance leases, and long-term debt, and the derivative liabilities amount resulting from the interest rate swap instrument.

(4) Total debt/EBITDA is calculated by dividing total debt by EBITDA for the last twelve months.

(5) Net debt comprises of total debt less cash (including restricted cash in reserve accounts).

(6) Net debt/EBITDA is calculated by dividing net debt by EBITDA for the last twelve months.

(7) Capital expenditures in this table are defined by our management as additional fixed assets as recorded in such account, as adjusted by sales and leaseback transactions.

(8) Free cash flow is (i) net cash flows from operating activities excluding interest payments plus (ii) net cash flows used in investing activities, adding capital expenditure made through leases, plus (iii) adding or subtracting any increase or decrease on amounts of restricted cash.

(9) Interest expense comprises interest that is contractually payable pursuant to each agreement on senior notes, bank loans, leases, and long-term debt, including amortization of discounts and transaction costs related to senior notes, bank loans and leases which were previously classified as operating lease.

(10) EBITDA/interest expense is calculated by dividing EBITDA for the last twelve months by interest expense for the last twelve months.

(11) *Pro forma* financial data is calculated by giving *pro forma* effect to the Offering and the application of proceeds therefrom as set forth herein under "*Use of Proceeds*" and "*Capitalization*" as if the Offering had occurred on September 30, 2020.

(12) Last twelve months ("**LTM**") information represents financial information for the twelve months ended September 30, 2020, and is derived by subtracting the relevant financial information for the nine months ended September 30, 2019 from the year ended December 31, 2019, and adding the same relevant information for the nine months ended September 30, 2020.

Operating Data

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
Volume of coal extracted (million tonnes)	40.2	42.3	50.0	37.8	33.8
Volume of overburden removed (million BCM)	340.2	392.5	380.1	301.1	229.7
Revenue ex fuel per unit (US$/unit)[1][2]	1.93	1.91	1.91	1.89	1.73
Cash cost ex fuel per unit (US$/unit)[1][3]	1.05	1.11	1.24	1.21	1.09

(1) Unit is defined as the sum of (a) overburden removal volume (b) coal volume divided by 1.3 and (c) hauling volume. The adjustment to coal volume is because overburden volume is measured in BCM while the coal volume is measured in tonnes. In order to have comparable figures, the coal volume must be converted from tonnes to BCM. 1 BCM is equal to 1.3 tonnes of unbroken/solid coal which equal to the average density of unbroken coal (1.3 tonnes/BCM). The coal for hauling is measured in tonnes and calculated based on broken/loose coal which have lower average density of 1.0 tonnes /BCM.

(2) Revenue ex fuel is calculated by deducting fuel expenses we incur (i) due to costs incurred by us for using fuel in our mining operations in excess of fuel allowances pre-agreed with certain customers that self-procure their fuel and (ii) due to fuel expenses incurred by us in order to purchase fuel as part of our mining operations for customers that do not self-procure their fuel, from net revenues recorded for the relevant period.

(3) Cash cost ex fuel is calculated by deducting depreciation, amortization and fuel expenses, including fuel expenses we incur because of the use of fuel in excess of pre-agreed fuel allowances for our customers that self-procure their fuel and fuel expenses we record for customers that do not self-procure, from cost of revenues for the relevant period.

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes as well as our ability to pay interest on, and repay the principal of, the Notes. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-Looking Statements" elsewhere in this Offering Memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks Relating to Our Business

Our ability to meet our production targets may be adversely affected by unexpected disruptions, which could harm our customer relationships or cause our results of operations to fluctuate across fiscal periods.

Surface mining operations are subject to events and operating conditions that may disrupt production, loading and transportation of coal at or from concession areas for varying lengths of time. As a result, we may not be able to meet our production targets for coal extraction and delivery or overburden removal, which could result in the imposition of penalties under our mining services agreements and under certain circumstances (such as prolonged shortfall) may also give rise to a termination right for our customers. These operational and infrastructure risks include, among others:

- adverse weather and natural disasters, including heavy rain fall, floods, extended periods of dry weather leading to low river levels, earthquakes and forest fires;
- variations in coal seam thickness, the amount and type of rock and soil (overburden) overlying the coal seam, failure of reserve estimates to prove correct or other discrepancies to geological models, changes in geological conditions and geotechnical instability of the high walls and/or low walls of mining pits;
- stockpile capacity and levels at each mining site;
- machinery and equipment breakdowns, failures and maintenance problems;
- delay or failure to obtain key equipment, materials and supplies, such as explosives, fuel and spare parts;
- injuries and casualties arising from accidents on our mining sites;
- outbreaks of infectious diseases such as the current COVID-19 pandemic;
- community unrest, labor disputes or difficulty obtaining sufficient labor; and
- government limitation of coal production or delay in shipment of coal.

From time to time, production at some of our customers' mine sites may be curtailed or stopped due to a lack of capacity in the stockpile at such mine site. Stockpiles vary in their capacity to store coal, and if the stockpile at a particular mine site reaches capacity then production must stop until stockpile capacity becomes available. In general, during periods of low coal prices, our customers tend to sell less coal, which results in an increase in their stockpiles. In the past, including during the fourth quarter of 2019, heavy rainfalls and the weak coal market have caused certain customers to temporarily slow production down at some of their mining sites for extended periods of time, which prevented us from meeting our original production targets under our mining services agreements for the affected areas. Similar disruptions may occur in the future, or new operational disruptions may arise, which may prevent us from meeting the production targets in our mining services agreements or as agreed annually with the respective customers for coal extraction and delivery and overburden removal, which could result in the imposition of penalties under our mining services agreements. Our mining services agreements typically provide that failure to meet production targets over a specified period, other than in relation to force majeure events, gives the customer the right to terminate the agreement and could also result in customers initiating claims against us. Further, our mining services agreements typically impose a penalty of 2%-5% of the unit price for the gap in production volume if we fail to reach certain production thresholds. In addition, some of our mining services agreements allow our customers to hire other contractors at their expense if we consistently fail to meet production targets. If termination rights were to be exercised with respect to one or more of our mining services agreement, this would have a material adverse effect on our results of operations and financial condition. In addition, if we are unable to satisfy our contractual obligations and customer requirements in the future, our reputation, relationships with customers and contract renewal prospects could be harmed, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our revenues, production targets and contract pricing are influenced by coal prices, which are cyclical and subject to significant fluctuations.

The terms of our mining services agreements with our customers typically provide targeted production volumes with respect to overburden removal, coal hauling and equipment leased for coal mining activities over three to ten years, with certain agreements spanning the anticipated life of the relevant mine or until when the relevant coal contract of work for the mine operator expires. Customers generally confirm specific annual production targets for the subsequent year in the last quarter of each year. Customers have the right to make adjustments to the targets during the year as necessary, although some of our agreements require the customer to pay us penalties if annual volume does not meet a specified level. Customers pay us fees under these mining services agreements and related agreements based on prescribed unit rates and the volumes of raw coal hauled and delivered, overburden removed or per amounts of coal produced through our equipment leased for coal mining activities, subject to adjustments for fuel consumption for customers that procure their own fuel and, in some cases, adjustments based on certain coal and fuel price indexes, general annual adjustments, as well as other variations in the cost of raw materials and labor as provided for in the terms of the relevant mining services agreement.

As such, our revenues are indirectly dependent on international and domestic demand for coal and coal prices, and in turn on factors affecting such demand and pricing. This indirectly exposes us to the risks our customers face with respect to demand for Indonesian coal. As coal prices increase, our customers may review and increase production targets where possible in order to maximize their revenue based on the higher price received for their products. Similarly, in times where coal prices are declining, our production targets may be reduced.

Coal prices also affect the economic viability of mining operations. Generally, coal is extracted from a producing coal seam down to the depth at which the marginal cost of production is equivalent to marginal revenue derived. Accordingly, the higher the coal price, the more economically viable it is for coal producers to extract coal at greater depths, subject to operational considerations such as health and safety concerns. Coal prices may also affect the strip ratio, which is the number of BCM overburden that must be removed to produce one tonne of coal, with respect to each producing coal seam. In the event of significant declines in coal prices, our customers may instruct us to decrease strip ratios with respect to their mines, which typically results in coal reserve losses. Decreases in strip ratios will result in a corresponding decrease in our overburden removal target volumes, in addition to decreasing the production lifespan of the mine and the volume of viable coal extraction, and may render some of our customers' mine sites uneconomic, any of which may in turn adversely affect our revenues, business and prospects.

World coal markets are sensitive to changes in coal mining capacity and output levels, patterns of demand and consumption of coal from the electricity generation industry and other industries for which coal is the principal fuel, as well as changes in the world economy and geopolitical considerations. In particular, during the fourth quarter of 2020, China restricted the import of Australian coal, which has contributed to the rising coal price for our customers' products. If China and Australia resolve this issue and Australian coal is readmitted to the Chinese market, coal prices may fall. As coal is typically sold based on short term fixed pricing arrangements or index-linked pricing arrangements, there may be significant volatility in coal pricing, including periods of substantial price decline. For example, according to Wood Mackenzie, in 2019, prices for Newcastle coal price for 6,000 kcal/kg coal dropped to as low as US$64.0/tonne. The COVID-19 pandemic accelerated this downward pressure on coal prices in 2020, according to Wood Mackenzie. Such fluctuations in world coal demand and prices may directly or indirectly affect our business, prospects, revenues, profitability, financial condition and results of operations, in particular, if there are extended or substantial price declines that result in our short or mid-term production targets being lowered by our customers or any of our customers' mine sites becoming uneconomic.

If the coal market continues to decline or experiences further downturns in the future it could have a material adverse effect on our business, prospects, financial condition and results of operations.

The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us.

The novel strain of the coronavirus identified in China in late 2019 has spread globally, including in Indonesia, and has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions (including domestically within Indonesia), quarantines and shutdowns. These measures have impacted and may further impact our workforce and operations, the operations of our customers and the ultimate end users of the coal we produce, as well as those of our suppliers. There is considerable uncertainty regarding such measures and potential future measures, and restrictions on access to our customers mine sites or on our workforce, and restrictions or disruptions of transportation, such as reduced availability of air transport, port closures, and increased border controls or closures. Such restrictions could limit our customers' capacity to meet end user demand and hence their need for our mining services, and have a material adverse effect on our financial condition and results of operations.

The spread of COVID-19 has caused us to modify our business practices as, of our nine mining services customers, one customer (IPR) temporarily ceased operations for approximately six weeks between the end of March 2020 and mid-May 2020, while others have restricted access to their mine sites from time to time, resulting in challenges in rotating our employees working in such sites in accordance with our past practice. If any of the other mines we currently service are closed or suspended for an extended period of time, or production at such mines is significantly reduced by our customers in the future, our business, results of operations and prospects could be materially and adversely affected. In addition, we have adjusted the groupings of our employees at mine sites in accordance with our grouping model to mitigate the possibility of cross-infection between groups of employees. Our employees undergo multiple rounds of testing prior to returning to the mine sites and we have set up quarantine facilities at all sites. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees and customers. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and our ability to perform critical functions could be harmed.

The COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not continue to deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. In addition, the deterioration of global economic conditions as a result of the pandemic may impact the demand for electricity and coal fired power generation, which ultimately drives demand for our customers' coal. For example, declining demand for our customers coal over the nine months ended September 30, 2020 has resulted in lower production volumes, as well decreased rates payable by most of our customers.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. The effects of the current COVID-19 pandemic has contributed to lower production volumes and hence lower rates payable by our customers under our mining services agreements. As a result, our net revenues decreased by 28.4% to US$494.2 million for the nine months ended September 30, 2020 from US$690.3 million for nine months ended September 30, 2019. Our cost of revenues decreased by 24.0% to US$431.6 million for the nine months ended September 30, 2020 from US$567.7 million for the nine months ended September 30, 2019 as some repair and maintenance costs were able to be deferred, and our employee compensation expenses declined due to our right-sizing program in response to the COVID-19 pandemic.

A future outbreak of infectious diseases (including avian flu, SARS, swine flu, the H7N9 virus, coronavirus (including COVID-19)) or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks, could again seriously interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The perception that an outbreak of infectious diseases or another contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

We may not be successful in securing new mining services agreements, which may impede our long-term growth.

Our ability to secure new mining services agreements is fundamental to our business and involves certain risks due to the competitive nature of the tender process employed in respect of such agreements by Indonesian coal producers. As a substantial portion of our revenue is generated from mining services projects and the timing of new project awards are unpredictable, our results of operations and cash flows may be subject to significant periodic fluctuations. At any given time, our business depends on revenues from a limited number of projects, see "— *We are dependent on certain key customers and a small number of large contracts at any given time*." It is generally very difficult to predict whether or when we will win similar contracts in the future as these contracts frequently involve a lengthy and complex bidding and selection process which is affected by a number of factors, such as market conditions, competition, financing arrangements, governmental approvals and environmental matters. The costs associated with bidding for new contracts or for extensions in the scope of work or renewals of existing contracts can be significant as they are not usually recoverable from customers and may not necessarily result in the award of new contracts, or in the extension or renewal of an existing contract. Failure to win such bids may have a material adverse effect on our business, financial position and results of operations. Certain of our competitors in such tender processes may have larger operations than us or have significant capital or other resources available to them for the development of their operations in Indonesia. In addition, many of these contracts are subject to financing and other contingencies and, as a result, we are subject to the risk that the customer will not be able to secure the necessary financing, permits or other approvals for the project or may elect not to proceed with the work. While we actively identify and bid for several projects, there can be no assurance that we will be successful in securing new mining services agreements. Such failure could lead to a reduction in potential profits and the number of mines we expect to operate which would in turn, impede our future growth.

Operating issues, community issues and mine closures could impact our results of operations.

Our results from operations are dependent on each of our customer's ability to conduct coal mining activities. Any interruption of activity, whether because of operational issues such as mismanagement of equipment, issues with the surrounding communities, or the failure to obtain or maintain licenses could cause production delays or halt production completely. For example, in response to the COVID-19 pandemic, one of our customers, IPR, temporarily ceased operations for approximately six weeks between the end of March 2020 and mid-May 2020, which adversely impacted our production volumes and revenues during such period. See "*The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us*." Any further occurrences of such a delay or production halt could have a material adverse effect on our business, results of operations and prospects.

In addition, a significant and/or sustained decline in coal prices or demand for coal could also result in mine closures, including mines operated by our customers, which could remove the need for our services at the relevant mine. For example, in the past, two of our former customers closed their mines because of the decline in coal prices. One such customer ceased operations entirely, while the other significantly reduced the scale of operations and was subsequently serviced by a smaller mining services company. The mining services agreements with such customers were terminated by mutual agreement. If any of the mines we currently service are closed or production at such mines is significantly reduced by our customers in the future, our business, results of operations and prospects could be materially and adversely affected.

Our production costs are subject to fluctuations and increases that we may not be able to pass on to our customers.

Under the terms of our long-term mining services agreements with customers, we are typically paid certain fixed charges per BCM of overburden removed, per tonne of coal delivered and per tonne of coal produced through our equipment leased for coal mining activities. However, our operational costs associated with earning such revenue can vary depending on many factors, such as the distance the coal is hauled, the amount of fuel that is used with respect to customers with a pass-through fuel mining services agreement, the costs of spare parts and weather patterns that slow down mining and hauling. In the past, increased consumption of mining equipment, materials and supplies worldwide and shortages of steel and rubber (used for tires) have led to increases in prices for mining equipment, machinery and related spare parts. This has resulted in significant price increases in the cost of such equipment, materials and supplies, as well as in rental payments for financing leases of such machinery and equipment. If this occurs in the future, costs associated with replacing or adding machinery and equipment and the cost of spare parts, particularly tires, may increase, which would increase our production costs and adversely affect our profitability. Some of our contracts have rise and fall clauses, however, we remain exposed to fluctuations in the prices of consumables and key pieces of plant, equipment and machinery used in mining operations such as spare parts and lubricant. Any significant increase in our operating costs, whether related to the costs of equipment, spare parts, explosives or transportation, may materially and adversely affect our business, financial condition and results of operations. As our revenues are fixed and costs are variable, our operating margins are subject to fluctuation.

In the event that the estimates and assumptions that we rely on in agreeing to provide mining services to customers at such fixed rates prove to be inaccurate, or if events occur that have a disruptive effect on our ordinary operations, our operating costs may increase, which may negatively impact our margins. For example, under certain of our agreements where the customer is required to provide fuel, if we use more fuel in our operations than the customer is required to provide, we must bear the cost of the additional fuel in accordance with an agreed formula. In addition, we are exposed to inflationary pressures with respect to our production costs such as wage and salary costs and costs of spare parts, and there can be no assurance that the yearly percentage increases in our operation agreements will be adequate to cover inflation, especially at times when our costs increase significantly. If the yearly percentage or coal index-linked increases are inadequate, there can be no assurance that we will be able to negotiate an increase in the fixed contractual rates governing overburden removal and coal mining and delivery to cover the increased costs. In such instances, our profitability, financial condition and results of operations may be adversely affected.

We are dependent on certain key customers and a small number of large contracts at any given time.

We currently have nine mining services customers, and approximately 70.7% of our net revenues for the nine months ended September 30, 2020 were attributable to our three largest customers, namely, PT Berau Coal ("**Berau**"), PT Adaro Indonesia ("**Adaro**") and Bayan. Berau, Adaro and Bayan accounted for approximately 48.0%, 12.5% and 10.2% of our total net revenues for the nine months ended September 30, 2020. Our revenues were similarly concentrated for the year ended December 31, 2019, with our top three customers accounting for approximately 79.2% of our total net revenues for the year. We have many long-standing relationships with customers, and any damage to these relationships, from performance-related issues or otherwise, could result in the failure to win new contracts or in a customer's decision not to renew or extend existing contracts. The loss of any one major customer could have a material adverse effect on our business, financial condition and results of operations. In addition, the loss of a major customer would reduce the availability of repeat business from that customer, and could also damage our reputation. Such reputational loss could jeopardize our existing relationships with other customers or our ability to establish new customer relationships, which may also have a material adverse effect on our business, financial condition and results of operations.

Our mining services agreements contain provisions allowing either contracting party to terminate the agreement prior to expiry on the occurrence of certain events, such as force majeure, production shortfalls for an extended period of time or failure to follow operating and compliance guidelines, poor safety performance or inability to meet environmental management requirements. Under some contracts, either contracting party is able to terminate for any default under the agreement. In the event that our principal customers terminate our agreements based on such early termination provisions, our business, prospects, profitability, financial condition and results of operation may be materially and adversely affected.

Our existing mining services agreements with our current customers are expected to expire between December 2021 and 2031. These agreements can be renewed or extended upon mutual agreement; however, we cannot guarantee that these mining services agreements will be renewed or extended, or that the terms of such renewal or extension will be equivalent to those of the existing mining services agreements. If these agreements are not renewed or extended and we are unable to enter into mining services agreements with new customers for the utilization of our existing fleet of mining equipment and vehicles currently engaged in mining operations under these agreements, or to do so in a timely manner, our business, prospects, profitability, financial condition and results of operations may be adversely affected. For example, our mining services agreement with PT Kideco Jaya Agung ("**Kideco**") expired in the third quarter of 2020 and has not been renewed.

In the event that mineable reserves at any of our customers' mines are fully depleted, those mines may be closed. Such depletion could occur earlier than anticipated based on reserve estimates, including due to low coal prices which render mining uneconomic, or prior to the end of the fixed term of the relevant mining services agreement or prior to the anticipated end of mine life in relation to a life-of-mine mining services agreement. Closure of any of our customers' mines which we service could have a material adverse effect on our business, prospects, financial condition and results of operations.

Furthermore, as we are currently dependent on certain key customers and a small number of large contracts, any inability to collect fees under our mining services agreements and related agreements or inability of and/or refusal by any of our customers, particularly, Berau, Adaro and Bayan, to pay our fees may have a material adverse effect on our business, financial condition and results of operations. Since 2015, the holding company of one of our customers, Berau, and certain of its other subsidiaries have been involved in a series of proceedings before the Singapore courts to restructure debts owed under two series of its notes. Our orderbook with Berau as of September 30, 2020 represented 47.4% of our total orderbook and our mining services agreements with Berau are set to expire between 2021 and 2025 (life of mine), see "*Business – Customer Agreements*." Although there has been no interruption to Berau paying our fees under its mining services agreements with us, we cannot assure you that Berau will, or will be able to, continue paying our fees. Berau's inability or failure to pay our fees under its mining services agreements with us may have a material adverse effect on our business, financial condition and results of operations.

We face intense competition.

We compete with both domestic Indonesian and international mining service contractors in the Indonesian coal industry, primarily on the basis of track record, quality, and reliability of services provided, competitive cost structures, price and equipment availability. The reliability and quality of our services depends on a number of factors including our ability to consistently meet production targets as scheduled and to effectively remove overburden and mine coal while minimizing coal losses and dilution. Certain of our competitors may have larger operations than us or have significant capital or other resources available to them for the development of their operations in Indonesia. If we are unable to maintain our competitive position relative to those of our competitors, our business, prospects, financial condition and results of operation may be adversely affected.

The forward-looking information on the global coal markets and the contracted production volume contained in this Offering Memorandum is subject to significant uncertainty and should not be unduly relied upon by investors.

The report entitled "Indonesian Coal Industry Summary Report" that is included in the Appendix to this Offering Memorandum was prepared by Wood Mackenzie and contains forward-looking information on the global coal markets, including coal supply, demand and price forecasts. These forecasts were prepared on the basis of the various assumptions detailed therein and are subject to the uncertainties incumbent when making such forecasts. The data used in making such forecasts may not be complete or accurate. In addition, as described elsewhere in this section, coal prices, supply and demand have historically been subject to significant volatility and uncertainty, particularly in recent years. Actual results may differ significantly from these forecasts. Investors are encouraged to carefully read the assumptions included in the report together with the other information and data presented within this Offering Memorandum and not to place undue reliance on this forward-looking information.

In addition, this Offering Memorandum contains forward looking estimates regarding contracted volumes of overburden and coal produced from our equipment leased for coal mining activities. Such estimates are based on the contracted volumes agreed between us and our customers. Our and our customers' actual production volumes could differ significantly from these contracted amounts due to a number of factors, including by the early termination of our mining services agreements, bad weather conditions, the election of some of our customers to lower production goals, changes in coal supply and demand, limitations by the Indonesian government on coal production or other governmental policies and other factors (including the other factors described in this "Risk Factors" section).

Our cash flows may be adversely affected by difficulties in collecting our accounts receivable.

Under the terms of our mining services agreements, we bill our customers on a monthly basis with average credit terms ranging between 30 and 45 days from the day we issue invoices, following joint surveys conducted with our customers during which we agree to and document actual production volume. These surveys typically take up to two weeks to complete after the end of each month, depending on the customer and our internal credit assessment procedures. Historically, a significant percentage of our customer invoices have been overdue due to for various reasons such as changes in management, financial difficulties and other issues at the customer level. As of September 30, 2020, approximately US$20.3 million of our trade receivables were overdue by 90 days or more. The majority of our trade receivables that are overdue by more than 90 days relate to a former customer that is experiencing financial difficulties. While this customer is making payments, there is no guarantee that such payments will continue. In addition, we may experience similar difficulties in collecting our accounts receivable in the future. Such difficulties in collecting our accounts receivable may adversely affect our cash flows, working capital position and financial condition.

Our mining operations are concentrated in East, South and Central Kalimantan, Indonesia, exposing us to disruptions and risks resulting from conditions that may be specific to these regions, such as adverse weather conditions.

Our principal mining operations are located in East, South and Central Kalimantan, Indonesia, which is subject to seasonal weather conditions. A prolonged rainy season can hamper coal production. In the past, including during the fourth quarter of 2019, when rainfall levels in East Kalimantan have been high, working conditions have become unsafe due to, among other things, poor road conditions. As a result, we have had to temporarily cease production at some of our mining sites for extended periods of time. This has and can have a significant impact on our equipment utilization rate and our overburden removal and provision of leased equipment for coal mining volumes. In addition, actual rainfall and rain hours can also vary significantly in the regions where we operate from year to year, including due to climate change, and can result in our utilization and production volumes for a period or a particular year being significantly lower than anticipated and targeted, even after we and our customers build in allowances for typical rainfall and rain hours due to seasonal weather conditions. Adverse weather conditions could prevent us from meeting our production targets under our mining services agreements. For example, in 2010, the number of rain hours in East, South and Central Kalimantan increased by 23% compared to 2009 and some of our major mines sites, such as the Adaro and Kideco mines that we operate, experienced more rain than average.

Due to the concentration of our operations in Kalimantan, any interruptions in our operations would potentially have a greater negative impact on us than if our operations were spread among a larger number of concessions throughout Indonesia or internationally. In particular, any disruptions affecting the region would have a disproportionate effect on our business. We maintain insurance against some, but not all of these potential adverse events. Our insurance policies may not be adequate to cover any losses or liabilities resulting from the occurrence of these events, and such events could materially and adversely impact our business, profitability, financial condition and results of operation.

We are exposed to fluctuations in the cost of mining equipment, materials, supplies and labor, which may adversely impact our operating and production costs.

Costs of spare parts, tires, lubricants and maintenance services comprise a significant portion of our production costs, representing in aggregate approximately 35.2%, 34.7%, 29.7% and 25.7% of our total cost of revenue for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. In the past, worldwide shortages of steel and rubber (used for tires), prices for mining equipment, machinery and related spare parts, have resulted in significant price increases in the cost of such equipment and supplies, as well as in rental payments for operating and financing leases of such machinery and equipment. If this occurs in the future, we would expect costs associated with replacing or adding machinery and equipment to our operations and the cost of spare parts, particularly tires, to increase, which could increase our production costs and adversely affect our profitability.

In addition, we are exposed to fluctuations in the prices of key materials used in mining operations (other than diesel fuel costs) such as explosives, which are primarily made from ammonia, the price of which can fluctuate significantly. The cost of blasting, including explosives, represented approximately 5.7%, 5.4%, 5.3%, and 4.5% of our total cost of revenue for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively.

While some of our mining services agreements typically provide for an annual percentage or coal price index-linked increase in our charges to account for inflation, any significant increase in our operating costs, whether related to the costs of equipment, spare parts, explosives or transportation, could have a material adverse effect on our business, prospects, financial condition and results of operations.

Under Law No. 13 of 2003 on Employment as amended by Law No. 11 of 2020 on the Job Creation Law (the "**Job Creation Law**"), our labor costs are subject to government-imposed minimum wage requirements. There are general and sectorial minimum wages for provincial and/or municipal levels, all of which are subject to revisions from time to time by the relevant government agencies. In 2020, there was a minimum wage increase that impacted our labor costs in the first nine months of 2020. Similar minimum wage increases have historically occurred on an annual basis. Further increases in the minimum wage requirements applicable to our workforce, could increase our operating costs and could have a material adverse effect on our profitability.

We depend on key suppliers.

We depend on our major suppliers for our fleet and other equipment. While we typically have supply agreements with our key suppliers, and have entered into agreements with PT Trakindo Utama, a distributor of Caterpillar and PT United Tractors, a distributor of Scania and Komatsu, these agreements are generally terminable by either party on limited notice. The loss of, or a substantial decrease in the availability of products from certain of our suppliers, in particular during periods of high coal prices when demand for equipment is high, or the loss of key supplier agreements, could have a material adverse effect on our business, results of operations and financial condition.

For example, global demand for off-the-road ("**OTR**") tires has increased significantly in the past, as has the demand for the vehicles that use such tires, resulting at times in supply shortages during times of high coal prices. If we or our sub-contractors are unable to secure sufficient OTR tires for our vehicles or heavy equipment in the future, or if we or our sub-contractors are unable to secure adequate OTR trucks or other mining equipment, we may suffer temporary reductions in our production capacity. The same demand that led to such shortages has in the past resulted in a significant increase in mining equipment prices generally and longer lead times for the delivery of equipment. Delays in obtaining new or replacement equipment or in securing required supplies, or inability to do so, may materially and adversely affect our production schedules, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, two of our key suppliers are affiliates of two of our competitors. To the extent that such suppliers favor their respective affiliates' businesses over us, our business could be adversely affected.

Our shareholder group may change in the future.

NTP has informed us that on January 1, 2021, SHPL a company controlled by Mr. Ashish Gupta and Mr. Ronald Sutardja, our President Director, entered into an arrangement with NTP to subscribe for a convertible note of NTP which may be converted into non-voting class C shares of NTP which will result in SHPL owning approximately 44% of NTP and hence, indirectly, approximately 16.7% of Delta, during the first quarter of 2021. We also understand that NTP's existing class A shareholder and each of NTP's existing class B shareholders have entered into an option deed with SHPL which provides (i) SHPL with a call option, and (ii) NTP's class A shareholder and each of NTP's existing class B shareholder with a corresponding put option, the strike prices of which are linked to the value of publicly traded Delta shares. Such options may result in SHPL owning 100% of NTP, and hence, indirectly, 37.9% of Delta if certain conditions precedent to exercise included in such option deeds, are satisfied. If SHPL acquires 100.0% of NTP pursuant to such options, SHPL will have the right to nominate, through NTP, three of the six total members of the Delta Board of Commissioners and two of the three total members of the Delta Board of Directors for appointment by the shareholders of Delta at an appropriate general meeting of Delta's shareholders. While NTP has not informed us of any future plans to change its shareholding of Delta or any further changes to its ownership structure, NTP may sell some of its shares in Delta, additional shares in itself, one or more of NTP's existing shareholders may sell some or all of their shares to an entity other than SHPL, should the conditions precedent included in the option deeds not be satisfied, or SHPL may sell some of its shares in NTP. We believe that the reputation of NTP's existing shareholders may provide us with access to their relationship banks and may assist us in gaining access to capital when necessary and at favorable terms. The potential changes in the shareholding of NTP described above may adversely affect our ability to access capital as required on acceptable terms, or at all.

In addition, while SHPL has informed us that they currently have no plans to make material changes to our management or operations, we cannot assure you that such changes will not be made, which could exacerbate certain other risks we face including, among others, those described under "— *We are dependent on key personnel*" and "— *We may be unable to achieve the benefits of any future acquisition, joint ventures or investments*."

We may face delays in collecting, or not be able to collect at all, our outstanding tax receivables.

As of September 30, 2020, we had outstanding claims for tax refunds totaling US$45.5 million. This amount relates to a number of disputed tax assessment and collection claims from the Indonesian tax authorities dating from 2001 to 2019, primarily from overpayment of corporate income tax and value-add tax. While we believe that the amounts are recoverable and we have recovered some such receivables in the past, any future recovery is in the sole discretion of the Indonesian courts, and we cannot guarantee that the Indonesian courts will agree with our appeals for reconsideration. Failure to ultimately recover some or all of this amount would result in a write-down of our other non-current assets, which could have a materially adverse effect on our results of operations and financial condition.

We may not be able to successfully manage our foreign currency exchange risk.

Fluctuations in exchange rates have affected and may continue to affect our financial condition and results of operations. Our reporting currency is the U.S. dollar. However, certain expenses associated with our daily operations are denominated in other currencies, primarily the Rupiah. Additionally, certain of our monetary liabilities, and particularly our monetary assets, such as tax receivables and trade receivables, refer to and are denominated in foreign currency, primarily the Rupiah. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, we had net monetary assets and liabilities denominated in foreign currencies of US$70.3 million, US$125.7 million, US$180.6 million and US$189.2 million, respectively.

Accordingly, our results of operations can be affected by fluctuations in exchange rates, in particular by depreciation or appreciation of the Rupiah against the U.S. dollar. The Rupiah to U.S. dollar exchange rate (based on the middle exchange rate announced by Bank Indonesia) was Rp.14,481 = US$1.00 as of December 31, 2018 and Rp.13,901 = US$1.00 as of December 31, 2019. Although the Rupiah has appreciated considerably from its low point of approximately Rp.17,000 per U.S. dollar in January 1998, the Rupiah continues to experience significant volatility. In particular, the Rupiah significantly weakened against the U.S. dollar during the first half of 2020, depreciating by 19.8% from an exchange rate (based on the middle exchange rate announced by Bank Indonesia) of Rp.13,662 = US$1.00 as of January 31, 2020 to Rp.16,367 = US$1.00 as of March 31, 2020, before appreciating to Rp.14,302 = US$1.00 as of June 30, 2020, primarily as a result of the current COVID-19 pandemic, see "— *Risks Relating to Our Business — The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us*." We had foreign exchange gain of US$0.4 million, losses of US$2.9 million and gain of US$5.9 million for the years ended December 31, 2017, 2018 and 2019, respectively, and foreign exchange losses of US$13.1 million for the nine months ended September 30, 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Foreign Exchange Rate Risk*."

Disputes with our customers over actual production volumes or unit rates applied to such production may affect our relationship with such customers as well as our working capital position and cash flows.

We invoice our customers on a monthly basis based on records of overburden removed and coal volumes produced and delivered at the respective unit rates specified in the terms of our mining services agreement with such customers, as adjusted in accordance with the price adjustment mechanism set out therein.

Our customers may dispute our production or overburden removal volumes or our adjustments to applicable unit rate changes or other features of our mining services agreements pertaining to price adjustments. In the event we are unable to recover disputed amounts from our customers, or if disputes arise with other customers in the future that we are unable to resolve in an amicable manner, our business, cash flows, financial condition and results of operation, or relationship with such customers, may be materially and adversely affected.

Our business requires significant capital expenditure.

We require significant capital expenditure for our operations, primarily for the purchase of machinery and equipment used for our mining activities. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, we incurred capital expenditures of US$186.2 million, US$304.4 million, US$73.0 million and US$18.5 million, respectively. Our capital expenditure commitments amounted to approximately US$46.7 million as of September 30, 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*."

A significant portion of our capital expenditure commitments have historically been related to our purchase of machinery and equipment used for our mining activities. We have historically utilized a combination of cash and financing leases to fund our capital expenditures. If we do not generate sufficient cash or are unable to obtain finance leases on reasonable terms, or at all, to fund our future capital expenditure requirements, our business may be adversely affected. In addition, future finance lease agreements may contain restrictive covenants and require us to pledge assets as security for borrowings under those facilities.

Our capital expenditure plan takes into account anticipated production volume and related equipment and asset needs to support our existing mining services agreements as well as contracts we expect to enter into. Our capital expenditure needs may change based on our future results of operations, cash flows and overall financial condition, as well as considerations such as financing costs, the condition of financial markets, the Indonesian economy and the coal mining industry in general, the availability of vendor or other financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in our business plans and strategies and changes in the exchange rates between the U.S. dollar and the Rupiah. For example, from 2016 to 2018 we embarked on a major replacement and growth cycle involving the replacement of existing equipment which increased our capital expenditure for machinery and equipment based on existing operations and planned expansion of our operations, which due to adverse market conditions has yet to materialize.

Our capital expenditures are generally subject to the receipt of necessary approvals from the Government. See "*Exchange Rates and Exchange Controls*."

We are dependent on key personnel.

Our operations are dependent on our key management personnel for, among others, strategic business directions and customer relations. Any inability to retain the services of any such key personnel could adversely impact our operations and performance.

In addition, our mining activities require skilled labor and technical specialists, such as mining engineers and surveyors. Our ability to operate our business may be limited by labor constraints as our competitors and customers compete for scarce labor resources. We believe that our success depends on our ability to attract, train, develop and retain a sufficient number of skilled employees with the relevant skills and expertise to execute our projects. After we have invested in training new employees and developing existing employees for succession planning, other mining service contractors may seek to recruit them. If we are unable to attract, train, develop and retain skilled personnel, our ability to continue our existing operations may be adversely affected, which may in turn affect our business, prospects, profitability, financial condition and results of operations.

Our operations are subject to environmental and other regulations which may cause us to incur significant costs or liabilities or interrupt or cease mining operations, any of which may adversely impact our results of operations.

Several aspects of our operations could adversely affect the environment and entail significant compliance costs, including but not limited to waste disposal. We are subject to Indonesian national and regional environmental, health and safety laws, regulations, forestry laws and regulations and other legal requirements. See "*Regulation of the Indonesian Coal Mining Industry*." These laws govern operational activities such as exploration, development, production, health and safety, the discharge of substances into the air and water, the management and disposal of hazardous substances and wastes, site clean-up, groundwater quality and availability, plant and wildlife protection, reclamation and restoration of mining properties after mining has been completed the restriction of open-cut mining activities in protected forest areas and other related matters. While appeals are available should the government deny a certain level of production, we can make no assurance that such appeal will be successful or that our customers will be able to mine at their desired levels or in amount that meets the minimums stated in our mining services agreements.

Under the terms of our mining services agreements with our customers and based on the concession licenses, each concession holder is responsible for complying with applicable Indonesian laws and regulations and applying for such certifications, permits and licenses and as such, we are indirectly responsible for complying with applicable Indonesian laws and regulations. Other than the mining service business license required under Law No. 4 of 2009 on Mineral and Coal issued on January 12, 2009 as amended by Law No. 3 of 2020 on Amendment to Law No. 4 of 2009 on Mineral and Coal issued on June 10, 2020 ("**Law 3/2020**") (the "**Mining Law**"), which we obtained on May 29, 2009 and extended on August 2, 2019, we are not required to obtain certifications, permits or licenses due to the nature of our operations as the subcontractor of concession holders. However, our mining services agreements provide that we shall comply with the concession holder's internal policies and regulations, as well as prevailing environmental laws and regulations, in performing our obligations under such mining services agreements, including requirements under applicable environmental laws and regulations, and provide that costs of such compliance or failure to comply with applicable environmental regulations are to be borne by us. If we fail to comply with applicable Indonesian environmental regulations, or if an incident were to occur on a mining site operated by us, we may be liable to our customers for any damages or expenses arising out of or in connection with such incident. Our customers have the right to review our environmental and health and safety standards and policies to evaluate whether they are consistent with their own policies. In addition, our customers may terminate our mining services agreements for failure to comply with our contractual obligations with respect to compliance with environmental laws and regulations. If this were to occur, our revenues, profitability, business, prospects, financial condition and results of operation may be materially and adversely affected.

In addition, the Indonesian government requires the mining companies to meet the domestic demand by selling a portion of their annual production output to Indonesian customers. For more information, see "*— Changes or developments in coal mining laws or regulations that affect concession holders and mining services contractors may be difficult to comply with, may significantly increase our operating costs or may otherwise adversely affect our business, prospects, profitability, financial condition or results of operations*."

Failures by our customers to comply with any applicable laws or regulations may also result in, among others, the loss of their mining licenses, the suspension or revocation of permits and licenses necessary for mining operations and other enforcement measures that could have the effect of disrupting our operations. If such circumstances occur, we may be required to suspend or cease our operations on the affected site, and our business, profitability, financial condition and results of operations may be adversely affected.

Coal's contribution to air pollution may cause users to switch to alternative fuel sources and adversely affect demand for coal and coal prices. This may result in decreases in our production targets and in turn, our revenues or limitations on our access to capital.

Coal contains impurities, including sulfur, mercury, chlorine and other elements and compounds, many of which are released into the air when coal is burned. Stricter environmental regulation of emissions from coal-fired electricity generation plants and other industrial plants could increase the costs of using coal, thereby reducing demand for coal as a fuel source, and adversely affect our customers' coal sales and coal prices. Stricter regulations could make coal a less attractive fuel alternative in the planning and building of electricity generation plants in the future, thereby reducing demand for coal and coal prices.

Policy and regulatory changes, technological developments and market and economic responses relating to climate change may affect our business and the markets in which we operate. A number of governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. Indonesia and many other nations are signatories to international agreements related to Climate Change including the 1992 United Nations Framework Convention on Climate Change, which is intended to limit or capture emissions of greenhouse gas, such as carbon dioxide, the 1997 Kyoto Protocol which established a potentially binding set of emissions targets for developed nations and the 2016 Paris Agreement, which extended the potentially binding set of emissions targets to all nations. The specific emissions targets vary from country to country. The enactment of the such international agreements in domestic legislation or other comprehensive legislation focusing on greenhouse gas emissions could restrict the use of coal in primary markets serviced by us. China has also limited its manufacturing activity to address its severe air pollution and adopted a policy to lower carbon emissions by reducing coal usage for its power plants, all of which has had a significant effect on coal demand. According to Wood Mackenzie, China is aiming to reduce carbon emissions by 60%-65% per unit of gross domestic product (GDP) by 2030, compared to 2005 levels, and to increase the use of non-fossil fuels to 15% of its primary energy mix by 2020 and to 20% by 2030. Other efforts to reduce emissions of greenhouse gas and initiatives in various countries to encourage the use of natural gas also may adversely affect the use of coal as an energy source and could materially and adversely affect our businesses, financial conditions, results of operations and prospects.

The enactment of comprehensive legislation focusing on greenhouse gas emissions could have the effect of restricting the use of coal in primary markets we service. Further, our compliance with any new environmental laws or regulations, particularly relating to greenhouse gas emissions, may require significant capital expenditure or result in the incurrence of fees and other penalties in the event of noncompliance. We cannot assure you that future legislative, regulatory, international law, industry, trade or other developments will not negatively impact our coal mining operations and the demand for our coal. In addition, global developments in the area of environment protection, social contribution and corporate governance (collectively, "**ESG**") may result in banks, investors and other providers of capital withdrawing from some industry segments seen to be negatively impacting ESG principles. We may be subject to activism from environmental groups and organizations campaigning against our coal mining activities, which could affect our reputation and disrupt our operations. For example, activism against the coal industry has pressured several banks and other financial institutions to implement policies against financing companies engaged in coal mining or coal-fired power generation including, in some cases, worldwide bans on providing lending, underwriting and advisory services for transactions associated with coal mining and coal-fired power projects. As more banks and financial institutions limit the provision of key financial services to companies operating in the coal industry, as well as coal-fired power plant operators and other end-users of coal, access to additional funding may be restricted and the demand for our coal products may significantly decline. In particular, this could impact our ability to secure future financing to expand our business or refinance the Notes due to our concentration in providing mining services for thermal coal miners. In the event that coal demand further declines and coal prices are adversely affected, our customers may decrease our production targets or strip ratios, which would in turn adversely impact our business, revenues, profitability, financial condition and results of operations. See "*Risk Factors — Risks Relating to Our Business — Our revenues, production targets and contract pricing are influenced by coal prices, which are cyclical and subject to significant fluctuations*."

Changes or developments in coal mining laws or regulations that affect concession holders and mining services contractors may be difficult to comply with, may significantly increase our operating costs or may otherwise adversely affect our business, prospects, profitability, financial condition or results of operations.

The coal industry and coal mining activities are subject to extensive regulation within Indonesia, and there have been major developments in laws and regulations applicable to coal concession-holders and mining service operators in recent years. See "*Regulation of the Indonesian Coal Mining Industry*."

The Mining Law, which sets out the regulatory framework of Indonesia mining business, only contains substantive principles and leaves many specific issues to be addressed in implementing regulations, such as, among others, the appointment of mining services contractor and domestic processing. For instance, under the Mining Law, coal and other minerals mined within Indonesia will be required to be processed domestically. However, as for coal products, there is no specific regulation setting out the minimum standard of coal that can be exported. Any regulatory changes affecting coal concession holders, including those set out in the implementing regulations, may affect our business as mining services contractor. Indonesian coal producers are also restricted from engaging their subsidiaries or affiliates to provide mining services on their concessions without obtaining prior ministerial approval, and are required to prioritize domestic contractors, labor and products and services.

Specifically with respect to mining services, the Mining Law requires, among other things, that coal concession-holders as well as IUP and IUPK holders, rather than mining service contractors, are to conduct certain activities in the coal extraction process, or processing and smelter activities. It further states that the concession holders as well as IUP and IUPK holders are responsible and will be held liable for all activities conducted by the mining services companies engaged by them. A court or an administrative or regulatory body may in the future issue interpretations of the Mining Law, or issue new or modified regulations, that differ from our practice and interpretation, which could have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

Additionally, under MEMR Regulation No. 25 of 2018 on Mineral and Coal Mining Business as lastly amended by MEMR Regulation No. 17 of 2020, and MEMR Decree No. 255.K/30/MEM/2020 on Fulfillment of Domestic Needs for Coal in 2021, the Indonesian government requires mining companies to meet the domestic demand by selling a minimum portion of their annual production output to Indonesian customers. This obligation is known as the Domestic Market Obligation ("**DMO**"). The DMO amount for a given year is set by the MEMR based on the estimate of annual demand proposed by potential domestic buyers in the previous year. The price of the coal allocated for the DMO is set by the MEMR and is based on the coal price index, except for the coals that are sold to mine mouth power plants. For 2021, the DMO was set at 25.0% of proposed coal production for the year. Failure to meet the DMO level may result in, among others, reduction of production quota. However, the MEMR has agreed to not issue any sanctions to companies that failed to meet the DMO during 2020. The DMO and any other future restriction on exports could adversely affect our mining customers' demand, pricing and revenues, which in turn could have an adverse effect on our business, financial condition and results of operations.

The enactment of the Job Creation Law on November 2, 2020, amended several laws including the Labor Law and Mining Law. It is expected that various new government and presidential regulations will be drafted and passed within three months after the enactment of the Job Creation Law, which may have an effect on the existing laws and regulations governing our business. As of date of this Offering Memorandum, there have been no further implementing government and presidential regulations issued yet related to the Labor Law and Mining Law. See "*Regulation of the Indonesian Coal Mining Industry — Job Creation Law*."

Our mining operations may be affected by mining and other permits issued by local governments that conflict with concessions held by our customers.

We provide mining services to coal mining license holders. Under the Indonesian constitution, all mineral resources are deemed national assets and are therefore controlled by the Government. Prior to the issuance of the Mining Law (as amended), which came into effect in 2009 and was recently amended in June 2020, concession holders were able to conduct mining activities in Indonesia under a CCoW, a contract of work (**Kontrak Karya** or "**CoW**") or a mining authorization (a **Kuasa Pertambangan** or "**KP**"). These contracts and authorizations were typically granted for a period of 20 to 30 years, with extensions permitted. The Mining Law (as amended) stipulates that previously granted mining rights (through either CCoWs, CoWs or KPs) would continue to be valid until expiry, subject to certain adjustments. Under current mining laws, a new mine license will be granted through the issue of either an IUP or an IUPK by the Government for areas, which have been designated as being of national strategic interest or state reserve areas.

In 2014, based on Law No. 23 of 2014 as lastly amended by Law No. 9 of 2015 on Regional Autonomy ("**Law 23/2014**"), the authority held by a regent or mayor in relation to the issuance of mining licenses was revoked and transferred to the regional government, provincial government or central Government. Under both the previous and current mining regulatory regimes, the delegation and transfer of authority to issue concession or mining license rights gives rise to the possibility of overlap between licenses or concessions issued by different authorities. There have been instances in the past where a party was granted an IUP (previously, a KP) for mining of resources by a regional government or provincial government that overlapped with a concession granted by the MEMR. Law 3/2020, which came into effect on June 10, 2020, revoked the authority of provincial and regional governments to issue mining licenses. Instead, the authority to issue and supervise mining licenses under Law 23/2014 is now solely held by the central Government through the MEMR. However, as the MEMR may still delegate certain of its powers to the provincial and regional governments, such governments may still be involved in the licensing process if granted such authority by the MEMR. Thus, it is still possible for provincial or regional governments to issue different licenses as the central Government to different entities covering the same areas of lands, and that the concessions we have been awarded to overlap with the holder of plantation rights, oil and gas rights or forestry rights.

Despite the Government's effort to provide more certainty on mining regulations through the issuance of Law 3/2020, we cannot assure you that local miners will not receive permits to mine coal or other minerals, or obtain logging or plantation permits within our concession areas from local or regional governments which conflict with our mining rights under the terms of our coal concessions. If such overlaps occur, our mining operations on such sites may be disrupted, and in the event that such third party claims are successful, we may be required to cease our mining operations on such sites which may adversely affect our business, financial condition and results of operations.

We may be unable to achieve the anticipated benefits from any future acquisition, joint ventures or investments.

We seek to achieve our growth objectives by (i) winning new customer contracts to grow organically, and (ii) securing acquisitions, joint ventures and investments. If we are unable to successfully execute on our strategies to achieve our growth objectives, or if we experience higher than expected operating costs that cannot be adjusted accordingly, our growth rate and profitability could be adversely affected.

In addition, competition for acquisitions in the markets in which we operate has grown in recent years, and may increase costs of acquisitions or cause us to refrain from making certain acquisitions. We may also be subject to increasing regulatory scrutiny from competition and antitrust authorities in connection with acquisitions. Achieving the expected returns and synergies from existing and future acquisitions will depend in part upon our ability to integrate the products and services, technology, support functions and personnel of these businesses into our operations in an efficient and effective manner. We cannot assure you that we will be able to do so, or that our acquired businesses will perform at anticipated levels or that we will be able to obtain these synergies. Management resources may also be diverted from operating our existing business to certain acquisition integration challenges. If we are unable to successfully integrate acquired businesses, our anticipated revenues and profits may be lower. Our profit margins may also be lower, or diluted, following the acquisition of companies whose profit margins are less than those of our existing business.

Further, we may incur earn-out and contingent consideration payments in connection with future acquisitions, which could result in a higher than expected impact on our future earnings. We may also finance future transactions through debt financing, the issuance of equity securities, the use of existing cash, cash equivalents or investments or a combination of the foregoing. Acquisitions financed with debt could require us to dedicate a substantial portion of our cash flows to principal and interest payments and could subject us to additional restrictive covenants.

Future acquisitions financed with our own cash could deplete the cash and working capital available to fund our operations adequately. Difficulty in borrowing funds, selling securities or generating sufficient cash from operations to finance our activities may have a material adverse effect on our business, financial condition and results of operations.

Our experience is concentrated in providing mining services for thermal coal mines, and as a result, the experience we have gained in mining services may not be fully relevant or applicable to the development of our future lines of business.

Our experience in the development of properties has been concentrated in providing mining services for thermal coal mines, exclusively in Kalimantan. We intend to develop, in the future, other mining services projects outside of thermal coal and Kalimantan, as well as other lines of business utilizing our equipment and knowledge. However, the experience we have gained providing mining services for thermal coal mines in Kalimantan is limited in terms of industry, geology and geography. We may contract to provide other types of mining services or other lines of business in which we have had no, or limited prior experience. For example, we are currently in discussions with respect to the potential acquisition of mining and mining services related opportunities in Indonesia as well as in Australia, a geography in which we have no previous experience. See "*Business — Our Strategy — Pursue value accretive, established mining and mining services opportunities in Indonesia and Australia*." Matters relating to such projects or lines of business may require more time and attention of management than currently anticipated. There is also no assurance that any of our projects or lines of business will achieve the benefits or results currently expected by management. The success of any of our projects or lines of business will be dependent upon the extent to which we are able to effectively apply our previous experience to such new projects or lines of business. If any of our future projects or lines of business are not successful, this may have a material adverse effect on our business, financial condition, results of operations and prospects, and on the Company's ability to pay interest on, and repay the principal of, the Notes.

Our mining activities may be disrupted by opposition from local communities.

Due to the adverse environmental impact associated with mining activities, local communities surrounding the areas in which we perform mining operations and that are impacted by such activities may oppose further mining activities being carried out in such locations, for example through protests or sabotage of our mining equipment and infrastructure used in our mining operations or physical threats to our employees. We are also sometimes required to enter into arrangements with local communities. While we engage with local communities through various initiatives and programs, there can be no assurance that our mining operations will not be disrupted by local community opposition or unrest. In such circumstances, we may not be able to meet our production targets, and our business, financial condition and results of operations may be adversely affected.

Our production targets may be affected by the availability of transportation and cost of freight.

Coal is typically transported between off-loading ports and international destinations by ocean-going vessels. While freight rates are currently low, they may increase in the future and our customers may experience difficulties in securing transportation for their coal deliveries at reasonable rates or at all, which could lead our customers to reduce our production targets or seek to renegotiate our rates in order for them to meet the minimum profitability profile of their products. If this occurs, our revenues, profitability, financial condition and results of operations may be materially and adversely affected.

We may not have adequate insurance coverage.

The mining industry is subject to significant risks that could result in damage to, or destruction of, coal properties, mining machinery and equipment, and production facilities, as well as accidents leading to personal injuries or death, environmental damage, operational delays and disruptions, monetary losses and potential legal liabilities. In addition, certain types of risk (such as war risk) may be uninsurable or the cost of insurance may be prohibitive when compared to the risk of loss. We maintain insurance against some of these risks in the operation of our business, in the types and amounts which we believes to be consistent with industry practice, and as required under the terms of our mining services agreements. For a description of insurance policies maintained by us, see "*Our Business — Insurance*."

Our insurance policies do not provide coverage against all potential losses related to our operations. For example, we do not have insurance coverage for losses related to heavy rainfall or other adverse weather condition or for economic losses arising from business interruptions. Accordingly, the occurrence of losses, liabilities and damages which are not covered by our insurance policies, or which exceed the specified maximum coverage amount, could have a material adverse effect on our business, prospects, financial condition and results of operations. There can be no assurance that we will be able to renew our existing insurance coverage, or procure additional insurance coverage we deem necessary at economically acceptable premiums, or at all.

We rely on the performance of our technology platforms, the failure of which could have an adverse effect on our business and performance.

Our recent adoption of technology platforms to streamline our mining services business requires the continued operation of sophisticated information technology systems and networks. Our computer-based systems are vulnerable to interruption or failure due to cyber-security attacks, the introduction of viruses, malware, ransomware, security breaches, fire, power loss, system malfunction, network outages, data-entry errors, vandalism, severe weather conditions, catastrophic events and human error and other events that may be beyond our control, and our disaster recovery planning cannot account for all eventualities. System interruptions or failures, whether isolated or more widespread, could impact our ability to provide service to our customers, which could have a material adverse effect on our operations and reputation, and subject us to loss of customers and legal claims. Moreover, if we experience loss of critical data and interruptions or delays in our ability to perform critical functions, we may lose customer confidence and data which could inhibit our acquisition of new customers or retention of existing customers.

The nature of our businesses includes risks related to litigation and administrative proceedings that may adversely affect our business and financial performance in the event of an unfavorable ruling.

The nature of our businesses exposes us to litigation relating to labor, environmental, health and safety matters, regulatory, tax and administrative proceedings, governmental investigations, tort claims and contract disputes, and criminal prosecution, among other matters. We are not currently subject to any legal proceedings that we believe may have a material effect on our business, financial position or profitability. However, in the context of any future proceedings we may not only be required to pay fines or money damages but also be subject to complementary sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation and other proceedings are inherently costly and unpredictable, making it difficult to accurately estimate the outcome of actual or potential litigation or proceedings. In addition, in the event that we are subject to any such litigation or other proceedings, our management may be distracted from operating our business. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation and judicial processes. We cannot assure you that administrative or other legal proceedings will not have a material adverse effect on our business, financial condition and results of operations in the event of an unfavorable ruling.

Risks Relating to Indonesia

The Company is established and existing in Indonesia and substantially all of its assets and operations are located in Indonesia. As a result, future political, economic, legal and social conditions in Indonesia, as well as certain actions and policies that the Government may, or may not, take or adopt could materially and adversely affect its business, financial condition, results of operations and prospects and on our ability to pay interest on, and repay the principal of, the Notes.

Regional or global economic challenges may materially and adversely affect the Indonesian economy and our business.

The economic crisis which affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among others, currency depreciation, a significant decline in real gross domestic product, high interest rates, social unrest and extraordinary political developments. Indonesia's economy was also significantly affected by the global economic crisis that began in late 2008. The resulting adverse financial developments were characterized by, among other things, a shortage in the availability of credit, a reduction in foreign direct investment, the failure of global financial institutions, a drop in global stock markets, a slowdown in global economic growth and a drop in demand for certain commodities. Further, while the global economy has grown in recent years, the downturn in China's economy and decline in global commodity prices have created additional economic uncertainty worldwide. These extremely negative economic developments have adversely affected both developed economies and developing markets, including Indonesia and other Association of Southeast Asian Nations ("ASEAN") countries.

Indonesia and other ASEAN countries, along with developing market countries globally, have been negatively affected by the unprecedented financial and economic conditions in developed markets. In addition, the Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile with poor liquidity, and the banking sector suffers from high levels of non-performing loans. Although the Government has taken many steps to improve these conditions, with the aim of maintaining economic stability and public confidence in the Indonesian economy, continuation of these unprecedented conditions may negatively impact economic growth, the Government's fiscal position, the Rupiah's exchange rate and other facets of the Indonesian economy.

Any changes in the regional or global economic environment that result in a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the Indonesian financial markets and inhibit or reverse the growth of the Indonesian economy. Any such increased volatility, slowdown or negative growth in the global economy, including the Indonesian economy, may materially and adversely affect our business, financial condition and results of operations. In particular, the Indonesian economy continues to be disrupted by the current COVID-19 pandemic, see "*— Risks Relating to Our Business — The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us.*" Given the rapidly changing implications of the spread of COVID-19, it is difficult to assess the full nature and extent of the impact that the outbreak will have on the Indonesian economy.

The Government continues to have a modest fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. The inflation rate (measured by the year on year change in the consumer price index) remains volatile with an annual inflation rate of 3.8% in 2017, 3.3% in 2018 and 2.8% in 2019. Interest rates in Indonesia have also been volatile in recent years, which has had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness.

The current global economic situation could further deteriorate or have a greater impact on Indonesia and our business. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects, and on our ability to pay interest on, and repay the principal of, the Notes. In addition, a loss of investor confidence in the financial systems of emerging and other markets may cause increased volatility in the financial markets, including the Indonesian financial markets and a slowdown in economic growth or negative economic growth in Indonesia or elsewhere in the world. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads. Commercial banks and capital markets investors have implemented stringent control on-lending and investments. We may experience working capital constraints and limited borrowing abilities. Our financial condition may deteriorate significantly if we are unable to obtain adequate capital from our operations or other available sources. We cannot assure you that developments in the financial markets, turbulence in the global markets or slowdowns in Indonesia and the Asia Pacific Region economies and prolonged declines in business and consumer spending will not have a material adverse effect on our business, financial condition, results of operations or prospects.

Political and social instability in Indonesia may adversely affect us.

Since the collapse of President Suharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. In 1999, Indonesia successfully conducted its first free elections for parliament and president. As a newly democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia's changing political landscape. Indonesia also has many political parties, without any one party winning a clear majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, and former President Yudhoyono, as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralisation and provincial autonomy and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some turned violent. Recently, protests regarding elections occurred when Indonesia's Electoral Commission ("**KPU**") formally announced the results of the 2019 presidential election and it was confirmed that the incumbent President Joko Widodo won the presidential polls with 55.5% of the total votes. The result triggered allegations of electoral fraud. Thousands of supporters of the opposing candidate, Prabowo Subianto, then held a rally in front of the Elections Supervisory Agency's ("**Bawaslu**") headquarters on Jl. Thamrin in Central Jakarta on May 21, 2019, calling for the disqualification of Joko Widodo from the presidential election. The rally ended with a riot on May 22, 2019 in Central Jakarta. Further, the opposing party has challenged the election result to the Constitutional Court with regard to such fraud allegation, resulting in political uncertainty and instability in Indonesia. The Constitutional Court rejected the appeal for the presidential election result on July 27, 2019.

Further, in September 2019, the House of Representatives, Dewan Perwakilan Rakyat planned to enact a draft Indonesian criminal code and a draft anti-corruption law which was met by a series of protests and rallies rejecting the draft laws. The protestors argued that the draft criminal code contained several articles that potentially threaten civil liberty and contradicts several Constitutional Court decisions. The draft anti-corruption law was also rejected by the protestors on the grounds that the draft law has onerous requirements that would essentially hinder the eradication of corruption. After the rallies on September 30, 2019, there was a riot where several police stations and public property were destroyed. Due to the controversy surrounding the draft laws and series of rallies, the Government agreed to postpone the enactment and further revise the draft laws. There can be no assurance that this situation or future sources of discontent will not lead to further political and social instability, and this instability may in turn have a material adverse effect on the our business, financial condition and results of operations.

An Indonesian law requiring agreements involving Indonesian parties to be written in the Indonesian language and the fact that the Indenture and certain documents entered into in connection with the issuance of the Notes will be made and prepared in the Indonesian language as required under the law may raise issues as to the enforceability of the agreements.

Pursuant to Law No. 24 of 2009 on Flag, Language, Coat of Arms, and National Anthem ("**Law No. 24/2009**") and Presidential Regulation No. 63 of 2019 on Use of Bahasa Indonesia ("**PR No. 63/2019**"), agreements to which Indonesian parties are a party are required to be executed in Bahasa Indonesia, although, when a foreign entity is a party, a dual-language document in English or the national language of the relevant party is permitted. Under PR No. 63/2019, in the event of a discrepancy or inconsistency, the prevailing language must be the language agreed between the parties in the agreement.

On June 20, 2013, the West Jakarta District Court released Decision No. 451/Pdt.G/2012/PN.Jkt.Bar (the "**June 2013 Decision**"), which annulled a loan agreement between an Indonesian borrower, namely PT Bangun Karya Pratama Lestari as plaintiff, and a non-Indonesian lender, Nine AM Ltd as defendant. The loan agreement was governed by Indonesian law and was drafted only in the English language. In the June 2013 Decision, the court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1) of Law No. 24/2009, it therefore failed to satisfy the "lawful cause" requirement under the Indonesian Civil Code and was void from the outset, meaning that a valid and binding agreement had never existed. The June 2013 Decision was affirmed by the Jakarta High Court (in other jurisdictions, the Court of Appeal) in its decision issued on May 7, 2014 and further affirmed by the Supreme Court under its decision issued on August 31, 2015 that upheld two lower court decisions reached by the Jakarta High Court and West Jakarta District Court. However, Indonesian court decisions are generally not binding precedents, as would typically be the case in common law jurisdictions.

The Indenture and certain other documents entered into in connection with the issue of the Notes will be prepared in English and Bahasa Indonesia. All transaction documents will provide that in the event of a discrepancy or inconsistency, the English versions of the transaction documents will prevail; however, we cannot assure you that an Indonesian court would hold that the English language version would prevail. Furthermore, some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may not be fully captured by the Indonesian language version. If this occurs, there can be no assurance that the terms of the Notes, the Indenture and certain other documents entered into in connection with the issue of the Notes, will be as described in this Offering Circular, or will be interpreted and enforced by the Indonesian courts as intended.

Indonesia is subject to significant geological risk that could lead to natural disasters and economic loss.

Because of its location in a geologically active part of the world, Indonesia is subject to various forms of natural disasters. These include earthquakes, tsunamis, volcanic eruptions, floods and landslides that can result in major losses of life and property, such as the 2004 Indian Ocean Tsunami that devastated the province of Aceh and the 2018 partial collapse of Anak Krakatau volcano, therefore have significant economic and developmental effects.

While these events have not directly affected the Kalimantan region where we operated, nor have they had a significant economic impact on Indonesian capital markets, the Government has had to expend significant amounts of resources on emergency aid and resettlement efforts. If the Government is unable to timely deliver foreign aid to affected communities, political and social unrest could result. Any such failure on the part of the Government, or declaration by it of a moratorium on its sovereign debt, could trigger an event of default under numerous private-sector borrowings including ours, thereby materially and adversely affecting our business financial condition, results of operations and prospects, and on our ability to pay interest on, and repay the principal of, the Notes.

In addition, the future geological or meteorological occurrences, may significantly harm the Indonesian economy. A significant earthquake or other geological disturbance or weather-related natural disasters in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and thereby materially and adversely affecting our business, financial condition, results of operations and prospects.

Terrorist attacks and terrorist activities and certain destabilizing events have led to substantial and continuing economic and social volatility in Indonesia, which may materially and adversely affect our business.

Terrorist attacks and associated military responses have resulted in substantial and continuing economic volatility and social unrest in the world. In 2018 and during the last several years, there have been various terrorist attacks in Indonesia directed towards the Government, foreign governments, and public and commercial buildings frequented by foreigners, which have killed and injured a number of people. Recently, on May 13, 2018 and May 14, 2018, multiple bombings occurred in several churches and a police station in Surabaya, East Java, killing at least 28 people and injuring at least 57 people.

There can be no assurance that further terrorist acts will not occur in the future. Any of the foregoing events, including damage to our infrastructure or that of its suppliers and customers, could materially and adversely affect international financial markets and the Indonesian economy, interrupt parts of our business and operations, and materially and adversely affect our financial condition, results of operations and prospects.

Regional autonomy may adversely affect our business through imposition of local restrictions, taxes and levies.

During the administration of former President Soeharto, the central Government controlled almost all aspects of national and regional administration. Following the end of his administration in 1998, the Government enacted a number of laws to increase regional autonomy. Under these laws, regional governments have greater powers and responsibilities over the use of national assets to create a more balanced and equitable financial relationship with the central Government. Any new regulations, and the interpretation and implementation of those new regulations, may differ materially from the current legislative and regulatory framework and its current interpretation and implementation. We may also face conflicting claims between the central Government and regional governments regarding, among other things, jurisdiction over our operations and new or increased local taxes. The regional governments where our operations are located could adopt regulations, or interpret or implement the regional autonomy laws in a manner that adversely affects our business operations and prospects. The Minister of Home Affairs of Indonesia has issued two Ministerial Instructions on February 16, 2016 and April 4, 2016, respectively, which mainly instruct all Governors and Mayors/Heads of Regency in Indonesia to revoke/amend every regional regulation and decree issued by both the regional government and the Mayor/Head of Regency which impedes investment by increasing bureaucracy and/or imposing additional licences. Our business and operations are located throughout Indonesia and we may be adversely affected by conflicting or additional restrictions, taxes and levies that may be imposed by the relevant regional governments.

Labor laws and regulations in Indonesia and labor unrest may materially and adversely affect our results of operations.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted and may continue to result in labor unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000 regarding Labor Union (the "**Labor Union Law**"). The Labor Union Law permits employees to form unions without intervention from an employer, the government, a political party or any other party. On March 25, 2003, President Megawati enacted Law No. 13 of 2003 regarding Employment (the "**Labor Law**") which, among other things, increased the amount of severance, pension, medical coverage, life insurance, service and compensation payments payable to employees upon termination of employment. The Labor Law requires further implementation of regulations that may substantively affect labor relations in Indonesia. The Labor Law requires companies with 50 or more employees establish bipartite forums with participation from employers and employees. The Labor Law also requires a labor union to have participation of more than half of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare certain provisions of the Labor Law unconstitutional and order the Government to revoke those provisions. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions, including relating to the right of an employer to terminate its employee who committed a serious mistake and criminal sanctions against an employee who instigates or participates in an illegal labor strikes.

The Job Creation Law introduced several amendments to the Labor Law. The introduction of the Job Creation Law was also deemed controversial and triggered protests in Indonesia. The Job Creation Law amended several provisions of the Labor Law among others, that employers may terminate employees based on 'efficiency' due to losses, where the Labor Law previously required that termination on this ground requires closure of the company. Another change is that there is only one severance payment formula applicable to all grounds of termination under, where previously some grounds for termination grants 2 times the severance payment (*pesangon*). There is also a total reduction in the severance formula that must be paid. A terminated employee will now be eligible for a maximum amount of 19 month's worth of pay (previously 32 months), which consists of (i) 10 month's worth of severance pay and (ii) 9 month's worth of long service pay, all provided by the employer. In addition, such employee will also be eligible for up to a maximum of 6 months' worth of pay, which will be paid through an Unemployment Benefit (Jaminan Kehilangan Pekerjaan) scheme from the Indonesian central government. There have been several protests against the Job Creation Law and labor unrest may continue as the implementing regulations are to be issued. See also "*— Political and social instability in Indonesia may adversely affect us*."

Labor unrest and activism in Indonesia could disrupt our operations, our suppliers or contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Jakarta or other stock exchanges and the value of the Rupiah relative to other currencies. In addition, the implementing regulations of the Job Creation Law and subsequent protests may also materially and adversely affect our business. Such events could materially and adversely affect our business, financial condition, results of operations and prospects, and our ability to pay interest on, and repay the principal of, the Notes.

Indonesian accounting standards differ from those in other jurisdictions.

We prepare our financial statements in accordance with Indonesian FAS, which differs from U.S. GAAP. As a result, our financial statements and reported earnings could be significantly different from those that would be reported under U.S. GAAP. This Offering Memorandum does not contain a reconciliation of our financial statements to U.S. GAAP, and there can be no assurance that such reconciliation would not reveal material differences. See "*Summary of Principal Differences between Indonesian FAS and U.S. GAAP*" for a summary of certain principal accounting differences that may be applicable to us.

We are subject to corporate disclosure and reporting requirements that differ from those in other countries.

We are subject to corporate governance and reporting requirements in Indonesia that differ, in significant respects, from those applicable to companies in certain other countries. The amount of information made publicly available by issuers in Indonesia may be less than that made publicly available by comparable companies in certain more developed countries, and certain statistical and financial information of a type typically published by companies in certain more developed countries may not be available. As a result, investors may not have access to the same level and type of disclosure as that available in other countries, and comparisons with other companies in other countries may not be possible in all respects.

Downgrades of the credit ratings of Indonesia and Indonesian companies could materially and adversely affect us and the market price of the Notes.

As of the date of this Offering Memorandum, Indonesia's sovereign foreign currency long-term debt is rated "Baa2/stable outlook" by Moody's, "BBB/stable outlook" by Standard & Poor's and "BBB/negative outlook" by Fitch, and its short-term foreign currency debt is rated "P-3" by Moody's, "A2" by Standard & Poor's and "F2" by Fitch with a stable outlook from Moody's, a negative outlook from Standard & Poor's and a stable outlook from Fitch. Indonesia has in recent years been upgraded by all three ratings agencies, though the impact of the COVID-19 pandemic caused Standard & Poor's to assign a negative outlook to Indonesia's foreign currency long-term debt rating in April 2020. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. On April 17, 2020, Moody's and on May 4, 2020, Fitch each revised the outlook on our long-term foreign currency issuer default rating from "stable" to "negative."

Any downgrade to credit rating of Indonesia or Indonesian companies could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on us.

Risks Relating to the Notes and the Collateral

The terms of the Notes will contain covenants limiting our financial and operating flexibility.

Covenants contained in the documentation relating to the Notes will restrict the ability of the Company, and any Restricted Subsidiary (as defined in "*Description of the Notes*") to, among other things:

- incur or guarantee additional indebtedness and issue certain redeemable or preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Company, or its Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments and capital expenditures;
- create encumbrances or restrictions on the payment of dividends, or other distributions, loans or advances to and on the transfer of assets to the Company or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- enter into sale and leaseback transactions;
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of Notes.

All of these covenants are subject to the limitations, exceptions and qualifications described in "*Description of the Notes — Certain Covenants*." These covenants could limit our ability to pursue our growth plan, restrict our flexibility in planning for, or reacting to, changes in our business and industry, and increase our vulnerability to general adverse economic and industry conditions. We may also enter into additional financing arrangements in the future, which could further restrict our flexibility.

Any defaults of covenants contained in the Notes may lead to an event of default under the Notes and the Indenture and may lead to cross-defaults under our other indebtedness. No assurance can be given that the Company will be able to pay any amounts due to holders of the Notes in the event of such default, and any default may significantly impair the Company's ability to pay, when due, the interest of and principal on the Notes.

Claims of the secured creditors of the Company and any future Subsidiary Guarantor will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

Certain of our credit facilities and facility leases are secured. See "*Description of Material Indebtedness*." The terms of the Indenture permit us to incur substantial additional secured indebtedness under certain circumstances. See "*Description of the Notes — Certain Covenants — Definitions — Permitted Liens*." Claims of the secured creditors of the Company and any Restricted Subsidiaries will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. Therefore, the Notes and any future Subsidiary Guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the Company or any future Subsidiary Guarantor to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Company or any future Subsidiary Guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of the Company or future Subsidiary Guarantor (as applicable) that constitute its collateral. The holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Company and future Subsidiary Guarantors, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Company and future Subsidiary Guarantors. In the event that any of the secured indebtedness of the Company or a future Subsidiary Guarantor becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the Company's or the future Subsidiary Guarantor's (as applicable) assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes or Subsidiary Guarantee (as applicable). As a result, holders of the Notes may receive less than holders of secured indebtedness of the Company and future Subsidiary Guarantors.

Payments with respect to the Notes and any future Subsidiary Guarantees may be structurally subordinated to liabilities, contingent liabilities and obligations of certain of our future subsidiaries.

On the Original Issue Date, the Company has no subsidiaries. However, the terms of the Indenture permit us to designate certain future Restricted Subsidiaries, as non-guarantor subsidiaries, see "*Description of the Notes — Future Subsidiary Guarantees*" and "*Description of the Notes — Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries*." Creditors (including trade creditors) of any of our non-guarantor subsidiaries, including any non-guarantor subsidiaries that are used to make, or are acquired in connection with, the Acquisition (as defined in "Description of the Notes") and any holders of preferred shares in such entities, would have a claim on our non-guarantor subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes and any future Subsidiary Guarantees will be effectively subordinated to all existing and future obligations of our non guarantor subsidiaries (including obligations of our non-guarantor subsidiaries under guarantees issued in connection with our business), and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes.

We may incur additional indebtedness, which could further exacerbate the risks described above.

Subject to restrictions in the Indenture governing the Notes, we may incur additional indebtedness, which could increase the risks associated with our existing indebtedness. If we incur any additional indebtedness that ranks equally with the Notes, the relevant creditors will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Company. This may have the effect of reducing the amount of proceeds paid to the holders of the Notes. Covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, we could be in default of financial covenants contained in agreements relating to our future debt in the event that our results of operations do not meet any of the terms in the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults under other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Other credit facilities and the Indenture that will govern the Notes will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms and in a timely manner, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Notes. Furthermore, if we do not have sufficient foreign currency assets or hedges in place to satisfy the hedging and liquidity requirements under the Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation, we may cease to be in compliance with the prudential principles set forth in the Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation at the relevant periods stated therein (which are generally within six months of the end of the relevant quarter) near the stated maturity date of the Notes if we are unable to repay the Notes earlier. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*" and "*Description of the Notes*" and "*Indonesian Regulation of Offshore Borrowings*."

Enforcing the rights of holders of Notes under the Notes or any future Subsidiary Guarantors across multiple jurisdictions may prove to be difficult.

The Notes will be issued by the Company, which is established and existing under the laws of Indonesia. The Notes and the Indenture will be governed by the laws of the State of New York. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Indonesia and the United States. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. The rights of holders of Notes under the Notes and any future Subsidiary Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Indonesia and the United States may be materially different from, or be in conflict with, each other and those with which holders of the Notes may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply and adversely affect your ability to enforce your rights under the Notes in the relevant jurisdictions or limit any amounts that you may receive.

It may not be possible for investors to effect service of process or to enforce certain judgments on us.

We are a limited liability company established and existing in Indonesia and substantially all of our assets and operations are located in Indonesia, although in the future we may conduct operations in other countries. In addition, most of our commissioners and all of our directors reside in Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments obtained in non-Indonesian courts, on us or our commissioners and directors outside Indonesia.

We have been advised by our Indonesian legal advisors that judgments of non-Indonesian courts are not enforceable in Indonesian courts. To obtain an Indonesian court judgment, a claimant would be required to pursue claims in Indonesian courts on the basis of Indonesian law. However, a foreign court judgment could be offered and accepted as non-conclusive evidence in a proceeding on the underlying claim in an Indonesia court as the Indonesian court may deem appropriate in its sole discretion. There is doubt as to whether Indonesian courts will enter judgments in original actions brought in Indonesian courts predicated solely upon the civil liability of jurisdictions other than Indonesia. As a result, Holders of the Notes would be required to pursue claims against us or our commissioners and directors in Indonesian courts. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

The Company may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a Change of Control Triggering Event as required by the Indenture governing the Notes.

Upon a Change of Control Triggering Event (as defined in "*Description of the Notes*"), the Company must make an offer to repurchase all outstanding Notes. Pursuant to this offer, the Company must repurchase the outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, up to the date of repurchase. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*." However, the Company may not have enough available funds at the time of any Change of Control Triggering Event to pay the purchase price of the tendered outstanding Notes. The Company's failure to make the offer to repurchase tendered Notes would constitute an Event of Default (as defined in "*Description of the Notes*"). This Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If such other debt were accelerated, we may not have sufficient funds to repurchase the Notes and repay the debt.

In addition, the definition of Change of Control for the purposes of the Indenture governing the Notes does not necessarily afford protection for the Holders of the Notes in the event of some highly-leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings and the Holders of the Notes. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of our properties or assets and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all", there is no precise established definition under applicable law. Accordingly, the Company's obligation to make an offer to repurchase the Notes, and the ability of a Holder of Notes to require us to repurchase the Notes pursuant to the offer, as a result of a highly leveraged transaction or a sale of less than all of our assets, may be uncertain.

Any future Subsidiary Guarantees may be challenged under applicable bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws, which could impair the enforceability of such future Subsidiary Guarantees.

Under bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws in Indonesia, where future Subsidiary Guarantors, if any, may be incorporated and where most or all of their significant assets may be located (as well as under the law of certain other jurisdictions to which a Subsidiary Guarantor may be subject or in which insolvency proceedings against a Subsidiary Guarantor may be commenced), the enforceability of any future Subsidiary Guarantees may be impaired if certain statutory or other conditions are met. In particular, such Subsidiary Guarantees may be voided, or claims in respect of such Subsidiary Guarantees could be subordinated to all other debts of such Subsidiary Guarantor, if at the time of the incurrence of the indebtedness evidenced by, or when it gives, its Subsidiary Guarantee, it:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Subsidiary Guarantee in a position which, in the event of such Subsidiary Guarantor's insolvency, would be better than the position the beneficiary would have been in had the Subsidiary Guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such Subsidiary Guarantee;

- received no commercial benefit;

- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which such Subsidiary Guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The test for insolvency, the other particular requirements for the enforcement of fraudulent transfer law, and the nature of the remedy if a fraudulent transfer is found, may vary depending on the law of the jurisdiction which is being applied. Under the laws of Indonesia, it would also be necessary for the directors to ensure that such Subsidiary Guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that:

- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and

- the realizable value of the assets of such Subsidiary Guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital.

The directors are required to ensure that the issued capital of any such future Subsidiary Guarantor is maintained and that, after the giving of the Subsidiary Guarantee, such Subsidiary Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

If a court voided any future Subsidiary Guarantee, or held such Subsidiary Guarantee unenforceable for any other reason, then holders of Notes would cease to have a claim against such Subsidiary Guarantor based upon such Subsidiary Guarantee, and would solely be creditors of the Company.

If a court subordinated the Guarantee to other indebtedness of such Guarantor, then claims under the Guarantee would be subject to the prior payment of all liabilities (including trade payables) and we may not have sufficient assets to satisfy the claims of holders of Notes after providing for all such prior claims.

The ratings assigned to the Notes may be lowered or withdrawn.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be rated Ba3 by Moody's and BB- by Fitch. The ratings represent the opinions of the ratings agencies and their assessment of the ability of the Company to perform its obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment or circumstances in the future so warrant. We have no obligation to inform holders of Notes of any such revision, downgrade or withdrawal. In addition, rating agencies other than Moody's and Fitch may rate the Notes differently. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the assignment by a rating agency other than Moody's or Fitch of a rating of the Notes lower than those provided may adversely affect the market price of the Notes.

An active trading market for the Notes may not develop and the trading price of the Notes could be materially and adversely affected.

Although the Joint Bookrunners have advised us that it intends to make a market in the Notes, they are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than their initial offering price. The liquidity of any market for the Notes depends on many factors, including:

- the number of holders of Notes;
- the interest of securities dealers in making a market in the Notes;
- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. We have obtained approval in-principle from the SGX-ST for the listing of the Notes on the SGX-ST. However, no assurance can be given that we will be able to maintain such listing or that a trading market will develop. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a Holder's ability to dispose of the Notes.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes have not been registered under, and we are not obligated to register the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See "*Transfer Restrictions*." We have not agreed to or otherwise undertaken to register the Notes (including by way of an exchange offer), and we have no intention to do so.

Investment in the Notes may subject holders of Notes to foreign exchange risks.

The Notes are denominated and payable in U.S. dollars. If you measure your investment returns by reference to a currency other than U.S. dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the U.S. dollars relative to the currency by reference to which you measure your returns, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the U.S. dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes.

We will follow the applicable disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to continuing reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST for such continuing reporting obligations may be different than those imposed by securities exchanges in other countries or regions such as the U.S. or the United Kingdom. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Holders of the Notes will not have voting rights at shareholders' meetings.

Holders of the Notes do not have any right to vote at any of our shareholders' meetings. Consequently, Holders of the Notes cannot influence any decisions by our Board of Directors or any decisions by shareholders concerning our capital structure, including the declaration of dividends in respect of our ordinary shares.

Interest rate risks may affect the value of the Notes.

The Notes are fixed interest rate securities. Subsequent changes in market interest rates may adversely affect the value of the Notes.

The Notes will initially be held in book-entry form.

The Notes will initially only be issued in global certificated form and held through the facilities of a common depositary for Euroclear Bank SA/NV, the operator of the Euroclear System, and Clearstream Banking, société anonyme. Interests in the global notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The custodian for the depositary will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes representing the Notes will be made to the paying agent, which will make payments to the depositary. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes (including Euroclear and Clearstream) and credited by such participants to indirect participants. After payment to the custodian for the depositary, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the depositary, and if you are not a participant in the depositary, on the procedures of the participant through which you own your interest (including Euroclear and Clearstream), to exercise any rights and obligations of a Holder of Notes under the Indenture.

Unlike the Holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Company's solicitations for consents, requests for waivers or other actions from Holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent available via the facilities of the depositary, which, in turn, rely on the procedures of the participant through which you hold your book-entry interest. The procedures implemented for such actions may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered notes are issued in respect of all book-entry interests, owners of book-entry interests will be restricted to acting through the depositary via the participant through which you hold your book-entry interest. The procedures to be implemented through the depositary may not be adequate to ensure the timely exercise of rights under the Notes. See "*Description of the Notes — Book-Entry, Delivery and Form*."

The value of the Collateral will not be sufficient to satisfy our obligations under the Notes.

The obligations of the Company under the Notes will be secured by the Collateral (as defined in "*Description of the Notes*") which shall provide for a charge over all of the Company's rights in the Debt Service Accrual Account, which is expected to contain no more than the interest payable on the Notes for a single period. Accordingly, the amount of proceeds that would ultimately be realized from the Collateral upon any enforcement action will not be sufficient to satisfy our obligations under the Notes.

Holders of Notes will be exposed to a legal system subject to considerable discretion and uncertainty and may have difficulty pursuing claims under the Notes.

Indonesian legal principles relating to the rights of debtors and creditors and their implementation by Indonesian courts may differ materially from the legal principles that would apply or their implementation by the courts if we were established in other jurisdictions such as the United States or the European Union. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established as under legislation or judicial precedent as in most U.S. states and European jurisdictions. In addition, under Indonesian law, debtors may have rights and defences to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes, such as those in the United States and the European Union member states.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and, although the judiciary has taken steps to systematically publish decisions and make these electronically accessible, not all such decisions are so published or readily available. Many of Indonesia's commercial and civil laws and rules on judicial process were based on Dutch law in effect prior to Indonesia's independence in 1945 and some of the laws have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of many Indonesian laws depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised.

In practice, Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case. As a result, the administration and enforcement of laws and regulations by Indonesian courts and Governmental agencies may be subject to considerable discretion and uncertainty.

For instance, on September 2, 2013, the holders of notes issued by BLD Investments Pte. Ltd and guaranteed by PT Bakrieland Development Tbk ("**Bakrieland**"), under a trust deed governed under English law, filed a suspension of debt payment petition with the Jakarta Commercial Court on grounds including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the Jakarta Commercial Court ruled, among other things, that the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, that it does not have authority to examine and adjudicate this case.

In another example, an Indonesian company, PT Trikomsel Oke Tbk ("**Trikomsel**"), in early 2016 entered into suspension of debt payment proceedings. The administrators were reported to have rejected claims that arose from holders of their two Singaporean Dollar bonds and have taken the stance that the trustees under such bonds did not have any standing to make claims on behalf of bondholders. Further, they asserted that only individual bondholders that had filed claims on their own would be able to participate in the suspension of debt payment proceedings and to vote on any restructuring plan. On September 28, 2016, the suspension of debt payment obligations (*Penundaan Kewajiban Pembayaran Utang* or "**PKPU**") process was settled between Trikomsel and its creditors through the establishment of a composition plan (*rencana perdamaian*) which was approved by certain bondholders, and then ratified by the Jakarta Commercial Court. Based on an announcement from Trikomsel on October 5, 2016, under the composition plan, the bondholders of the two of Singaporean Dollar bonds may be required to convert their notes into new shares to be issued by Trikomsel, thereby extinguishing the bonds.

As a result, it may be more difficult for investors to pursue a claim against us in Indonesia than it would be to do so in other jurisdictions, such as the United States and the European Union, which may adversely affect the investors ability to obtain and enforce a judgment against us in Indonesia and increase the investors costs of pursuing, and the time required to pursue, claims against us.

EXCHANGE RATES AND EXCHANGE CONTROLS

From 1978 to 1997, Indonesia maintained a managed floating exchange rate system under which the Rupiah was linked to a basket of currencies, the composition of which was based on Indonesia's main trading partners. Indonesia has adopted a free floating exchange rate system since August 1997, under which market forces determine the exchange rate for the Rupiah.

The following table sets forth information on the exchange rates between the Rupiah and U.S. dollars based on the middle exchange rate on the last day of each month during the year indicated. The Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates.

	Middle Exchange Rates			
	High	**Low**	**Average**	**At Period End**
	(Rp. per US$)			
2016	13,846	12,998	13,330	13,436
2017	13,630	13,154	13,384	13,548
2018	15,253	13,290	14,250	14,481
2019	14,513	13,901	14,146	13,901
2020	16,367	13,662	14,625	14,105
2021				
January (through to January 20, 2021)	14,231	13,903	14,053	14,065

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia; Internet website of Bank Indonesia.

The middle exchange rate between the Rupiah and the U.S. dollar on September 30, 2020 was Rp.14,918 = US$1.00. The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Rupiah.

Exchange Controls and Foreign Currency Purchases

On September 5, 2016, Bank Indonesia issued Regulation No. 18/18/PBI/2016 on Foreign Exchange Transaction to Rupiah between Banks and Domestic Parties ("**PBI 18/18**"), as implemented by the Members of the Board of Governor of Bank Indonesia Regulation No. 20/16/PADG/2018 dated August 15, 2018. Under PBI 18/18, any conversion of Rupiah into foreign currency for spot and standard derivative (plain vanilla) transactions that exceeds a specific threshold is required to have an underlying transaction and supported by underlying transaction documents. These thresholds are: (i) the purchase of foreign currency against Rupiah of more than US$25,000.0 or its equivalent per month per customer for spot transactions; (ii) the purchase of foreign currency against Rupiah of more than US$100,000.0 or its equivalent per month per customer for standard derivative (plain vanilla) transactions; (iii) the sales of foreign currency against Rupiah of more than US$5,000,000.0 or its equivalent per transaction per customer for forward transactions; and (iv) the sales of foreign currency against Rupiah of more than US$1,000,000.0 or its equivalent per transaction per customer for option transactions.

The underlying transaction and supporting transaction documents are also required for transactions of foreign exchange structured product in the form of a call spread option, in any amount. Further, the maximum amount of such foreign exchange conversion cannot exceed the value and the time limit of the underlying transaction.

The underlying transaction for purposes of PBI 18/18 may consist of: (i) domestic and international trade of goods and services; (ii) investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia; and/or (iii) the granting of facility or financing from a bank in foreign currencies and/or Rupiah for trade and investment activities. The underlying transaction may not include: (i) a placement of funds in banks in the form of, among others, saving account, demand deposit account, time deposit, or Negotiable Certificate Deposit ("**NCD**"); (ii) money transfers by a remittance company; (iii) undrawn credit facilities, including standby loans and undisbursed loans; or (iv) usage of Bank Indonesia securities in foreign currencies.

Indonesian parties (i) conducting foreign currency structured product against Rupiah in form of Call Spread Option in any amount and (ii) purchasing foreign currencies from banks by way of (a) spot transactions; and (b) standard derivative (plain vanilla) transactions in excess of US$25,000.0 and US$100,000.0, respectively, will be required to submit certain supporting documents to the selling bank, including, among other items, a duly stamped or authenticated written statement by the company confirming that the underlying transaction document is valid and correct, and the amount of foreign currency purchased is or will not exceed the amount stated in the underlying transaction document. For the purchase of foreign currencies not exceeding such thresholds, the company must declare in a duly stamped or authenticated written statement by the company that its aggregate foreign currency purchases do not exceed the thresholds in the Indonesian banking system.

Bank Indonesia also issued Bank Indonesia Regulation No. 18/19/PBI/2016 dated September 5, 2016 on Foreign Exchange Transaction to Rupiah between Banks and Foreign Parties ("**PBI 18/19**"), as implemented by the Members of the Board of Governor of Bank Indonesia Regulation No. 20/17/PADG/2018 dated August 15, 2018. Similar to PBI 18/18, PBI 18/19 is intended to comprehensively govern foreign exchange transactions against Rupiah in Indonesia. However, unlike PBI 18/18, which targets Indonesian bank customers, PBI 18/19 governs foreign exchange transactions by banks and foreign parties.

PBI 18/19 also requires an underlying transaction if a foreign exchange transaction exceeds certain threshold amounts. The thresholds set forth by PBI 18/19, which are similar to the threshold amounts under PBI 18/18, are: (i) for spot transactions, a purchase of foreign exchange against the Rupiah equivalent of US$25,000.0 per month per foreign party, or its equivalent (ii) for each standard derivative (plain vanilla) transactions, the sale and purchase of foreign exchange against the Rupiah equivalent of US$1,000,000.0 per transaction per foreign party or per outstanding amount of each derivative transaction per bank, or its equivalent; and (iii) for forward transaction, the sales of foreign currency against Rupiah of more than US$5,000,000.0 or its equivalent per transaction per customer; and

The underlying transaction under PBI 18/19 may consist of: (i) domestic and international trade of goods and services; and/or (ii) investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia.

The following transactions are not considered as underlying transactions: (i) Bank Indonesia Certificates (or "**SBI**") for derivative transactions; (ii) a placement of funds in banks (vostro account) in the form of saving account, demand deposit account, time deposit, or NCD; (iii) the granting of facility which has not been withdrawn, such as standby loan and disbursed loan; and (iv) the usage of Bank Indonesia securities in foreign currencies.

Similar to PBI 18/18, PBI 18/19 also requires foreign parties that (i) conducting foreign currency structured product against Rupiah in form of a call spread option in any amount and (ii) purchasing foreign currencies from banks by way of (a) spot transactions; and (b) standard derivative (plain vanilla) transactions in excess of US$25,000.0 and US$100,000.0, respectively, to submit certain supporting documents to the selling bank, including, among other items, a duly stamped or authenticated written statement by the company confirming that the underlying transaction document is valid and correct, and the amount of foreign currency purchased is or will not exceed the amount stated in the underlying transaction document. For the purchase of foreign currencies not exceeding such thresholds, the company must declare in a duly stamped or authenticated written statement by the company that its aggregate foreign currency purchases do not exceed the thresholds in the Indonesian banking system.

Indonesian Law on Currency and Obligation to Use Rupiah in Indonesian Territory

On June 28, 2011, the House of Representatives passed Law No. 7 of 2011 (the "**Currency Law**") and on March 31, 2015, Bank Indonesia issued Bank Indonesia Regulation No. 17/3/PBI/2015 on the Mandatory to Use of Rupiah in the Territory of the Republic of Indonesia ("**PBI 17/3**") and enacted Bank Indonesia Circular Letter No. 17/11/DKSP on June 1, 2015 as the implementation guidelines ("**SEBI 17/2015**"). Under the Currency Law and PBI 17/3, all parties are required to use Rupiah for cash and non-cash transactions conducted within Indonesia, including (i) each transaction which has the purpose of payment; (ii) settlement of other obligations which must be satisfied with money; and/or (iii) other financial transactions (including deposits of Rupiah in various amounts and types of Rupiah denomination from customers to banks).

Subject to further requirements under PBI 17/3, the obligation to use Rupiah does not apply to (i) certain transactions relating to the implementation of state revenue and expenditures; (ii) the receipt or provision of grants either from or to overseas; (iii) international trade transactions, which include (a) export and/or import of goods to or from outside Indonesian territory and (b) activities relating to cross border trade in services; (iv) bank deposits or withdrawal denominated in foreign currencies; (v) international financing transactions; and (vi) transactions in foreign currency which are conducted in accordance with applicable laws and regulations, including, among others: (a) a bank's business activities in foreign currency which is conducted based on applicable laws regarding conventional and Sharia banks, (b) securities in foreign currency issued by the Indonesian government in primary or secondary markets based on applicable laws, and (c) other transactions in foreign currencies conducted based on applicable laws, including the law regarding Bank Indonesia, the law regarding investment and the law regarding Indonesia Eximbank.

The Currency Law and PBI 17/3 prohibit the rejection of Rupiah when offered as a means of payment to settle obligations and/or with respect to other financial transactions within Indonesia, unless there is uncertainty regarding the authenticity of the Rupiah bills offered, or the parties to the transaction have agreed in writing to the payment or settlement of obligations in a foreign currency. Article 10 of PBI 17/3 further explains that the exemption based on such a written agreement between the parties is only applicable to an agreement made with respect to one of the above exempted transactions or transactions related to a strategic infrastructure project.

PBI 17/3 took effect from March 31, 2015, and the requirement to use Rupiah for non-cash transactions was effective from July 1, 2015. Written agreements which were signed prior to July 1, 2015 that contain provisions for the payment or settlement of obligations in foreign currencies for non-cash transactions will remain effective until the expiry of such agreements. However, any extension and/or certain amendments of such agreements must comply with PBI 17/3.

According to SEBI 17/2015, a business operator in Indonesia must quote the price of goods and/or services in Rupiah and is prohibited from conducting dual quotations where the price of goods and/or services is listed both in Rupiah and a foreign currency anywhere, including on electronic media. The restriction applies to, among others, (i) price tags; (ii) service fees, such as agent fees in the sale and purchase of property, tourism services fees or consultancy services fees; (iii) leasing fees, such as apartment leases, housing leases, office leases, building leases, land leases, warehouse leases or vehicle leases; (iv) tariffs, such as loading/unloading tariffs for cargo at the seaport or airplane ticket tariffs; (v) price lists, such as a restaurant menu price list; (vi) contracts, such as clauses for pricing or fees; (vii) documents of offer, order, or invoice, such as the price clause in an invoice, purchase order or delivery order; and/or (viii) payment evidence, such as the price listed in a receipt.

Further, SEBI 17/2015 stipulates that conditional exemptions may apply to certain infrastructure projects, including: (i) transportation infrastructure, including airport services, seaport procurement and/or services, railway infrastructure and facilities; (ii) road infrastructure, including toll roads and toll bridges; (iii) watering infrastructure, including standard water bearer channels; (iv) drinking water infrastructure, including standard water bearer building, transmission channels, distribution channels, and drinking water treatment installation; (v) sanitation infrastructure, including waste water treatment installations, collector channels and main channels, and waste facility which includes transporter and waste storage; (vi) informatics and technology infrastructure, including telecommunication networks and e-government infrastructure; (vii) electricity infrastructure, including power plants, which include power development sourcing from geothermal, transmission or distribution of electricity; and (viii) natural oil and gas infrastructure, including transmission and/or distribution of natural oil and gas. These exemptions apply if (a) the project has been declared by the central or regional government as a strategic infrastructure project, as evidenced by a formal confirmation letter from the relevant ministry/institution with regards to the project owner, and (b) an exemption approval has been obtained from Bank Indonesia.

A failure to comply with the obligation to use Rupiah in cash transactions will result in criminal sanctions in the form of fines and confinement. While a failure to comply with the obligation to use Rupiah in non-cash transactions will be subjected to administrative sanctions in the form of (i) written warning, (ii) fines, and/or (iii) prohibition from undertaking payment activities. Bank Indonesia may also recommend that the relevant authorities and institutions conduct certain actions such as revoking the business license or stopping the business activities of the party which fails to comply with the obligation to use Rupiah in non-cash transactions.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we will receive from the offering of the Notes will be approximately US$391.9 million, after deducting underwriting fees and commissions relating to the offering of the Notes.

We intend to use the net proceeds of the offering of the Notes, along with cash on hand to (i) firstly, repay all outstanding amounts under the MUFG Facilities, see "*Description of Material Indebtedness — Bank loans*," (ii) secondly, fund the purchase of a portion of the 2022 Notes pursuant to the Concurrent Tender Offer and Consent Solicitation, see "*Description of Material Indebtedness — 2022 Notes*" and "*Summary — Concurrent Tender Offer and Consent Solicitation*," and (iii) lastly, redeem any 2022 Notes that remain outstanding after consummation of the Concurrent Tender Offer and Consent Solicitation.

CAPITALIZATION

The following table shows our capitalization (including current maturities of long-term liabilities):

- on an actual basis as of September 30, 2020; and
- as adjusted to give effect to the issuance of the Notes and to the application of the net proceeds of the offering of the Notes to the repayment of all outstanding amounts under the MUFG Facilities and to fund the purchase of the 2022 Notes pursuant to the Concurrent Tender Offer and Consent Solicitation, assuming all of the 2022 Notes are purchased pursuant to the Concurrent Tender Offer and Consent Solicitation. See "*Use of Proceeds*."

You should read this table in conjunction with:

- our financial statements contained elsewhere in this Offering Memorandum; and
- the section in this Offering Memorandum entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

	As of September 30, 2020	
	Actual	**As Adjusted**
	(US$ million) (unaudited)	
Current maturities of long-term liabilities:		
Bank loans	29.9	—
Long-term debt	0.8	0.8
Lease liabilities	81.1	81.1
Long-term liabilities net of current maturities:		
2022 Notes	345.8(1)	—
Bank loans	53.1	—
Long-term debt	0.1	0.1
Lease liabilities	118.0	118.0
Notes issued hereunder	—	391.5
Total debt	**628.8**	**591.5**
Equity:		
Capital stock — par value Rp.1,000,000 per share		
Authorized capital — 4,250,000 shares		
Issued and fully paid capital — 2,050,000 shares	216.3	216.3
Retained earnings:		
Appropriated	14.4	14.4
Unappropriated	112.1	98.2
Total equity	**342.8**	**328.9**
Total capitalization	**971.6**	**920.4**

Note:

(1) As of the date of this Offering Memorandum, the aggregate principal amount of the 2022 Notes outstanding is US$337.3 million.

Except as disclosed or contemplated in this Offering Memorandum, there has been no material change in our capitalization since September 30, 2020.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

You should read the selected financial information presented below in conjunction with our financial statements and the notes thereto included elsewhere in this Offering Memorandum. You should also read the sections of this Offering Memorandum entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We have derived our selected financial information from the Audited Financial Statements and the Unaudited Interim Financial Statements, each of which was prepared in accordance with Indonesian FAS, and included elsewhere in this Offering Memorandum.

The Audited Financial Statements included in this Offering Memorandum have been audited by Aria Kanaka & Rekan, Registered Public Accountants (Mazars in Indonesia), in accordance with auditing standards established by IICPA. The Unaudited Interim Financial Statements included in this Offering Memorandum have been reviewed by Aria Kanaka & Rekan, in accordance with SRE 2140, established by the IICPA.

We have prepared and presented our Financial Statements in accordance with Indonesian FAS, which differs in certain material respects from U.S. GAAP. You should read the section of this Offering Memorandum entitled "*Summary of Principal Differences Between Indonesian FAS and U.S. GAAP*" for a description of certain principal differences between Indonesian FAS and U.S. GAAP.

Profit or Loss and Other Comprehensive Income Data

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
		(audited)		(unaudited)	
			(US$ million)		
Net revenues	**764.6**	**892.5**	**881.8**	**690.3**	**494.2**
Cost of revenues	**(539.4)**	**(676.8)**	**(739.1)**	**(567.7)**	**(431.6)**
Gross profit	**225.2**	**215.7**	**142.7**	**122.6**	**62.6**
Operating expenses	(49.8)	(48.8)	(51.6)	(34.9)	(20.0)
Other income.	2.5	3.3	6.9	3.6	8.1
Other expenses	(36.8)	(5.3)	(4.8)	(4.2)	(13.2)
Finance income	0.9	1.0	1.4	1.1	2.7
Finance cost	(51.9)	(54.9)	(58.4)	(44.4)	(38.9)
Profit before income tax	**90.1**	**111.0**	**36.2**	**43.8**	**1.3**
Income tax expense	**(40.1)**	**(32.6)**	**(14.3)**	**(14.5)**	**(3.0)**
Profit (loss) for the period/year	**50.0**	**78.4**	**21.9**	**29.3**	**(1.7)**
Other comprehensive income (loss) for the period/year after income tax	**(3.9)**	**5.3**	**(2.2)**	**1.9**	**8.4**
Comprehensive income for the period/year	**46.1**	**83.7**	**19.7**	**31.2**	**6.7**

Financial Position Data

	As of December 31,			As of September 30,	
	2017	2018	2019	2019	2020
		(audited)		(unaudited)	
			(US$ million)		
Total current assets	454.8	499.0	530.1	517.8	499.8
Total non-current assets	597.5	740.8	709.0	706.1	597.6
Total assets	**1,052.3**	**1,239.8**	**1,239.1**	**1,223.9**	**1,097.4**
Total short-term liabilities	219.7	279.6	259.2	259.1	189.9
Total long-term liabilities	549.9	643.7	643.8	617.2	564.7
Total liabilities	**769.6**	**923.3**	**903.0**	**876.3**	**754.6**
Total equity	**282.7**	**316.5**	**336.1**	**347.6**	**342.8**
Total liabilities and equity	**1,052.3**	**1,239.8**	**1,239.1**	**1,223.9**	**1,097.4**

Cash Flow Data

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
		(audited)		(unaudited)	
			(US$million)		
Net cash flows provided by operating activities	167.4	175.0	138.7	77.8	178.6
Net cash flows provided by (used in) investing activities	(52.3)	(151.5)	(58.9)	(64.7)	11.1
Net cash flows used in financing activities	(123.8)	(10.0)	(65.9)	(37.9)	(105.7)
Net increase (decrease) in cash and cash equivalents	**(8.7)**	**13.5**	**13.9**	**(24.8)**	**84.0**
Effect of foreign exchange changes on cash and cash equivalents	(0.1)	(0.2)	1.4	0.5	(7.2)
Cash at beginning of the period/year	**49.2**	**40.4**	**53.7**	**53.7**	**69.0**
Cash at end of the period/year	**40.4**	**53.7**	**69.0**	**29.4**	**145.8**

Other Financial Data

	As of and for the year ended December 31,			As of and for the nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	(US$ million, except percentages and financial ratios)				
EBITDA(1)(6)	284.5	300.5	238.3	198.5	152.7
EBITDA margin (%)(2)	39.1%	36.6%	28.9%	30.8%	33.3%
Total debt(3)	581.8	704.7	709.9	685.6	633.5
Total debt/EBITDA(4)	2.0x	2.3x	3.0x	n.m.*	n.m.*
Net debt(5)	530.0	639.6	611.6	651.9	485.1
Net debt/EBITDA(6)	1.9x	2.1x	2.6x	n.m.*	n.m.*
Capital expenditures(7)(6)	186.2	304.4	73.0	59.1	18.5
Free cash flow(8)	72.8	(63.1)	84.5	39.5	185.4
Interest expense(9)	51.9	54.9	58.4	44.4	38.9
EBITDA/interest expense(10)	5.5x	5.5x	4.1x	5.3x	3.6x
Pro forma data(11)					
Pro forma total debt	n.a.	n.a.	n.a.	n.a.	600.0
Pro forma total debt/LTM EBITDA	n.a.	n.a.	n.a.	n.a.	3.1x
Pro forma net debt	n.a.	n.a.	n.a.	n.a.	506.2
Pro forma net debt/LTM EBITDA	n.a.	n.a.	n.a.	n.a.	2.6x

Notes:

* Not meaningful.

(1) We calculate EBITDA by adding depreciation and amortization expenses to operating income. EBITDA is not a standard measure under Indonesian FAS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as revenues and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. EBITDA has been included because we believe it is a useful supplement to cash flow data as a measure of our performance and its ability to generate cash from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. You should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition.

	Year ended December 31,			Nine months ended September 30,		Last twelve months
	2017	**2018**	**2019**	**2019**	**2020**	**LTM(12)**
	(US$ million)					
Profit (loss) for the period/year	50.0	78.4	21.9	29.3	(1.7)	(9.1)
Adjustments:						
Other income	2.5	3.3	6.9	3.6	8.1	11.4
Finance income	0.9	1.0	1.4	1.1	2.7	3.0
Income tax expense	(40.1)	(32.6)	(14.3)	(14.5)	(3.0)	(2.8)
Other expenses	(36.8)	(5.3)	(4.8)	(4.2)	(13.2)	(13.8)
Finance cost	(51.9)	(54.9)	(58.4)	(44.4)	(38.9)	(52.9)
Depreciation and amortization	(109.1)	(133.6)	(147.2)	(110.8)	(110.1)	(146.5)
EBITDA	**284.5**	**300.5**	**238.3**	**198.5**	**152.7**	**192.5**

(2) EBITDA margin is calculated by dividing EBITDA by net revenues excluding fuel.

(3) Total debt comprises the contractually outstanding principal amount of our bank loans, finance leases, and long-term debt, and the derivative liabilities amount resulting from the interest rate swap instrument.

(4) Total debt/EBITDA is calculated by dividing total debt by EBITDA for the last twelve months.

(5) Net debt comprises of total debt less cash (including restricted cash in reserve accounts).

(6) Net debt/EBITDA is calculated by dividing net debt by EBITDA for the last twelve months.

(7) Capital expenditures in this table are defined by our management as additional fixed assets as recorded in such account, as adjusted by sales and leaseback transactions.

(8) Free cash flow is (i) net cash flows from operating activities excluding interest payments plus (ii) net cash flows used in investing activities, adding capital expenditure made through leases, plus (iii) adding or subtracting any increase or decrease on amounts of restricted cash.

(9) Interest expense comprises interest that is contractually payable pursuant to each agreement on senior notes, bank loans, leases, and long-term debt, including amortization of discounts and transaction costs related to senior notes, bank loans and leases which were previously classified as operating lease.

(10) EBITDA/interest expense is calculated by dividing EBITDA for the last twelve months by interest expense for the last twelve months.

(11) *Pro forma* financial data is calculated by giving *pro forma* effect to the Offering and the application of proceeds therefrom as set forth herein under "*Use of Proceeds*" and "*Capitalization*" as if the Offering had occurred on September 30, 2020.

(12) Last twelve months ("**LTM**") information represents financial information for the twelve months ended September 30, 2020, and is derived by subtracting the relevant financial information for the nine months ended September 30, 2019 from the year ended December 31, 2019, and adding the same relevant information for the nine months ended September 30, 2020.

Operating Data

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
Volume of coal extracted (million tonnes)	40.2	42.3	50.0	37.8	33.8
Volume of overburden removed (million BCM)	340.2	392.5	380.1	301.1	229.7
Revenue ex fuel per unit (US$/unit)(1)(2)	1.93	1.91	1.91	1.89	1.73
Cash cost ex fuel per unit (US$/unit)(1)(3)	1.05	1.11	1.24	1.21	1.09

(1) Unit is defined as the sum of (a) overburden removal volume (b) coal volume divided by 1.3 and (c) hauling volume. The adjustment to coal volume is because overburden volume is measured in BCM while the coal volume is measured in tonnes. In order to have comparable figures, the coal volume must be converted from tonnes to BCM. 1 BCM is equal to 1.3 tonnes of unbroken/solid coal which equal to the average density of unbroken coal (1.3 tonnes/BCM). The coal for hauling is measured in tonnes and calculated based on broken/loose coal which have lower average density of 1.0 tonnes /BCM.

(2) Revenue ex fuel is calculated by deducting fuel expenses we incur (i) due to costs incurred by us for using fuel in our mining operations in excess of fuel allowances pre-agreed with certain customers that self-procure their fuel and (ii) due to fuel expenses incurred by us in order to purchase fuel as part of our mining operations for customers that do not self-procure their fuel, from net revenues recorded for the relevant period.

(3) Cash cost ex fuel is calculated by deducting depreciation, amortization and fuel expenses, including fuel expenses we incur because of the use of fuel in excess of pre-agreed fuel allowances for our customers that self-procure their fuel and fuel expenses we record for customers that do not self-procure, from cost of revenues for the relevant period.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this Offering Memorandum. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Offering Memorandum.

Overview

We are the second largest mining contractor in Indonesia, with a 17.0% market share in 2019 based on overburden removal volume according to Wood Mackenzie. Established in 1998, we provide open-cut mining and mine operation services to coal producers that have been granted coal mining concessions within Indonesia. We provide mining contract services under long-term mining services agreements with some of Indonesia's largest coal producers, such as Berau, Adaro and Bayan. We are the primary operating subsidiary of Delta, which acquired our Company in 2009. Delta was established in 1990 and listed as DOID on the Indonesian Stock Exchange in 2001.

We provide services to Indonesian coal producers across all production stages, including planning and scheduling of mining operations, mining infrastructure development and construction, overburden removal, land clearing and removal of top soil, drilling and blasting, pit drainage and dewatering, provision of coal mining equipment and operators, coal hauling, and land reclamation and rehabilitation. As of September 30, 2020, we provided mining services to nine Indonesian coal producers with respect to 11 coal mining projects, under long-term mining services agreements. For the years ended December 31, 2017, 2018, 2019 and the nine month ended September 30, 2019 and 2020, we extracted 40.2 million tonnes, 42.3 million tonnes, 50.0 million tonnes, 37.8 million tonnes and 33.8 million tonnes of coal, respectively, and removed 340.2 million BCM, 392.5 million BCM, 380.1 million BCM, 301.1 million BCM and 229.7 million BCM of overburden, respectively.

Due in part to the historical development of mining regulations in Indonesia, coal producers typically contract out the operation of their coal concessions to third-party mining operators such as our Company under long-term mining services agreements. The practice of appointing third-party mining operators dates back to the first generation of coal concessions granted and remains current, which we believe is due in part to the strategic, operational and financial benefits of using experienced and well-established mining operators with good production track records. Additionally, coal producers have historically been reluctant to perform the mining work themselves for commercial reasons, including the need for significant capital investment and the requirement that ownership of the assets and other equipment purchased and used at the site by the coal producer be surrendered to the Government at the end of a coal producer's license period.

As of September 30, 2020, we employed approximately 10,928 employees and owned and operated approximately 2,839 units of key heavy equipment used in coal mining and production, including bulldozers, excavators, graders, drilling machines, haul trucks, prime movers and dump trucks.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we generated total net revenues of US$764.6 million, US$892.5 million, US$881.8 million, US$690.3 million and US$494.2 million respectively, and our EBITDA was US$284.5 million, US$300.5 million and US$238.3 million, US$198.5 million and US$152.7 million, respectively.

Our headquarters are located in Jakarta, Indonesia and we have a representative office located in Balikpapan in the East Kalimantan province of Indonesia.

Factors Affecting our Financial Condition and Results of Operations

Our business, historical financial condition and results of operations have been affected by a number of important factors, some of which we believe will continue to affect our financial condition and results of operations in the future.

Fluctuations in global coal prices and demand

Coal prices have been highly cyclical and subject to significant fluctuations. As a commodity product, global coal prices depend principally on supply and demand dynamics of the world coal export markets. These markets are highly competitive and are sensitive to changes in mining output (including the opening and closing of mines, the discovery of new deposits and the expansion of operations at existing mines), disruptions in coal distribution (including due to weather conditions), the demands of coal end-users (such as electricity generation plants and industrial facilities), and global economic conditions. See, "*Indonesian Coal Industry Summary Report*" that is included as an Appendix to this Offering Memorandum. Increases in global coal prices may encourage coal producers to increase production through various measures, including through changing their mine plans to maximize the production from their producing coal mines, as higher coal prices make it economically viable to increase strip ratios and to mine coal at deeper depths. Conversely, decreases in global coal prices may encourage coal producers to decrease production.

The terms of our mining services agreements with our customers typically provide targeted production volumes with respect to overburden removal, coal hauling and equipment leases for coal mining services over three to ten years, with some of our mining services agreements extending for life of the mine. Customers generally confirm specific annual production targets only in the first quarter of the year, as they require Government approval. Customers are permitted to make adjustments to the targets during the year as necessary, subject to minimum production volume guarantees contained in certain contracts. Customers pay us fees under these mining services agreements based on prescribed unit rates, which in some cases are linked to coal price indexes and in certain cases, linked to fuel price indexes and the volumes of raw coal hauled and delivered, overburden removed and coal produced through our equipment leases, subject to adjustments for fuel consumption and annual adjustments as well as other variations in the cost of raw materials and labor as provided for in the terms of the relevant mining services agreement.

Accordingly, since our revenues are significantly dependent on, among others, the volumes of coal extracted and hauled and overburden removed at each mine we operate, any variations in target production volumes and pricing as a result of movements in coal prices would impact our revenues and profitability. Our ability to benefit from increased production or to minimize our losses from production cuts would also depend on our ability to deploy and transfer equipment between our various operating sites in order to maximize capacity utilization.

Our customers typically mitigate part of their exposure to global coal price fluctuations by entering into coal supply agreements with their end-customers for part of their anticipated gross coal production for the following year under which the prices paid by such customers are fixed for a 12 month period. For example, the Newcastle index coal price has fallen significantly, from an average of over US$100.0/tonne during 2018 to below US$50.0/tonne in August 2020, according to Wood Mackenzie. In addition, to support our customers during this price downturn, we agreed to extend temporary relief measures to certain customers, which include hardship rates or one-off discounts. In our newer customer contracts, we have incorporated tiered pricing based on the three month rolling average coal price. There can be no assurance that our customers will not decrease our production targets or alter their mine plans in the event of significant or sustained declines in global coal prices. Alterations in mine plans in order to decrease production may result in losses of coal reserves, which would also affect the production lifespan of such mine, and in turn, our ability to renew our mining services agreements with respect to such mines due to the loss of such coal reserves. See "*Risk Factors — Risks Relating to Our Business — Our revenues, production targets and contract pricing are influenced by coal prices, which are cyclical and subject to significant fluctuations.*"

Production Volume

Our revenues are primarily based on the volumes of coal hauled, overburden removed and coal produced by our equipment leased for mining services agreements. Our production volumes are driven by performance of our mining activities, which are dependent on the handling and utilization capacities of our existing fleet of equipment and personnel deployed to each mining site. Our production levels may be affected by events and operating conditions, including wet weather, that disrupt our coal extraction, hauling and overburden removal activities. See "*Risk Factors — Risks Relating to Our Business— Our ability to meet our production targets may be adversely affected by unexpected disruptions, which could harm our customer relationships or cause our results of operations to fluctuate across fiscal periods*."

Our production levels are also influenced by changes in annual or quarterly production targets agreed with our customers, which are in turn dependent on factors such as global coal prices and market demand as well as the characteristics of our customers' mine sites, which may make certain sites more or less competitive.

The following table shows our actual and planned production volumes for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020:

	Coal		**Overburden**	
	Production Targets	**Actual Production**	**Production Targets**	**Actual Production**
	(million tonnes)		**(million BCM)**	
2017	46.2	40.2	369.0	340.2
2018	46.0	42.3	396.4	392.5
2019	51.4	50.0	403.9	380.1
Nine months ended September 30, 2020	33.8	33.8	229.7	229.7

Our actual production volumes may be lower than our production targets in any given period due to changes in the mine plan proposed by the customer following the production target being set. For example, the mine plan may be altered to address the specific geological characteristics of the coal seam at the site.

Our production volumes and consequently our revenues are affected by the strip ratios set by our customers in respect of their mines. A strip ratio is the volume of BCM of overburden (rock and soil), that must be removed to access and extract one tonne of coal. Higher strip ratios require the removal of larger amounts of overburden to access coal for mining, which typically results in higher upfront production costs to the customer and increases our revenues attributable to overburden removal. Strip ratios typically vary depending on the geological characteristics of the coal seams mined. Customers typically vary their strip ratios where possible to mine at temporarily higher strip ratios when coal prices increase in order to maximize recoveries from their coal reserves. Conversely, they may vary their strip ratios to mine at temporarily lower strip ratios when coal prices decline in order to maintain their profitability. Generally, such temporary variations in the strip ratio are only available for a few months at a time. Our strip ratio was 8.5x, 9.3x, 7.6x and 6.8x for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. The decline in strip ratios between 2018 and 2020 was primarily due to a decline in coal prices that led to more of our customers requiring lower strip ratios. See "— *Fluctuations in Global Coal Prices and Demand*."

Costs and Cost Efficiencies

We are responsible for obtaining all of the equipment, machinery, related parts and raw materials necessary for carrying out mining operations on our customers' mining sites, as well as for construction of certain mining facilities and infrastructure located on such sites.

Costs of repair and maintenance (including spare parts, lubricants and tires) and maintenance services comprise a significant portion of our production costs, representing in aggregate approximately 35.2%, 34.7%, 29.7% and 25.7% of our total cost of revenue in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. In the past, during periods of high demand for commodities, worldwide shortages of steel and rubber (used for tires), prices for mining equipment, machinery and related spare parts, have resulted in significant price increases in the cost of such equipment and supplies, as well as in rental payments for operating and financing leases of such machinery and equipment. For example, during 2019, we were impacted by a scarcity of certain types of spare parts from our Original Equipment Manufacturer (OEM) suppliers, causing delays to repairs and component changes on certain of our equipment and a decrease in the cost of spare parts as major work was not undertaken, which were instead replaced by short-term minor repairs which were not sustainable. If this occurs in the future, we would expect costs associated with replacing or adding machinery and equipment to our operations and the cost of spare parts, particularly tires, to increase, which would increase our production costs and adversely affect our profitability or cause us to carry higher levels of inventory, increasing our need for working capital. In addition, we are exposed to fluctuations in the prices of key materials used in mining operations such as explosives, which are primarily made from ammonia. Some of our mining services agreements provide for an annual percentage in our charges to account for inflation.

Since 2016, we have used a fleet optimization strategy based on the size of the equipment. For our large fleet, we aim to utilize existing equipment for life. For our medium fleet, we aim to enter into strategic supplier partnerships in periods when coal prices were low in order to secure long term benefits and we aim to maintain a flexible fleet that is easily re-deployable. The aim of our of fleet optimization strategy is to have an easily re-deployable and flexible fleet to meet our customers' needs, which may vary from time to time.

Our other primary cost category is salaries, wages and allowances relating to our workforce, and other employee-related costs such as human resources, transportation and travel. In recent years we have focused on right-sizing our employee base to match our production capacity which, coupled with an increase in the minimum wage, resulted in an increase in these costs during 2019. We expect that our focus on technology and initiatives such as reducing premium overtime for employees through the adjustment of work rosters, will lead to greater employee efficiencies in the future, see "*Business — Information Management Systems*."

In response to the low coal price environment in recent years and the current COVID-19 pandemic, see "*Risk Factors — Risks Relating to Our Business — The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us*", we have focused on cost efficiency with respect to both repair and maintenance and employee expenses. In order to promote repair and maintenance cost efficiencies, we have established a rigorous maintenance program to extend the life of the major components of our heavy equipment in order to optimize our cost structure while maintaining performance. With respect to employee cost efficiencies, we have continued to reduce our headcount and related overhead expenses, and have steeply reduced our travel and other expenses.

Mining Services Agreements

We believe that our ability to extend or renew mining services agreements with our existing customers is key to our revenue generation and cash flows. We believe our long-standing relationships with our customers, including relationships with Berau, for over 18 years, and Adaro, for over 12 years, enhance the visibility and stability of our cash flows. For example, on January 7, 2021, the Company and IPR, a subsidiary of Bayan, entered into an agreement to extend our existing contract to December 2031, or when the agreed volume is completed, whichever is earlier. Subject to certain conditions precedent such as completion of a coal hauling road, our amended agreement with IPR expands our scope of work by over 650 million BCM of overburden to be removed, over 210 million tonnes of coal to be extracted and over 75 million tonnes of coal to be hauled, with an estimated total incremental orderbook of approximately Rp.26 trillion or approximately US$1.9 billion. Additionally, our ability to attract new customers affects our revenues. We continue to explore the possibility of establishing new relationships with reputable new customers with strong projects and future prospects, to build further long-standing relationships. We are in the process of tendering for new projects, see "*Business — Recent Developments — Contract Tenders*."

Our mining services agreements contain various pricing, production volume and cost mechanisms that affect our results from operations. For example, many of our mining services agreements contain penalty and bonus provisions for under and overproduction as compared to projected volumes at the coal mines. Our mining services agreements also contain other adjustments for various factors relating to cost, such as fuel, the time our equipment is not in use due to a work stoppages due to the actions of our customers, and other factors. In addition, in response to declining prices in the coal markets, we have amended our contracts with certain customers to include terms that better enable the profitability of the projects and secure long-term volume throughout the life of the mine contracts, which we believe helps to offset the cyclical nature of the coal mining industry and any short-to medium-term disruptions in production.

Our customer assessment involves robust analysis based on mine plans, profitability and marketability analysis of the coal to be mined, and sensitivity analysis of the above against various market factors, while project assessments include internal analysis of project viability, with a focus on net present value, return on invested capital and potential profitability for the Company. Additionally, we have a detailed contract checklist and established negotiation process. We negotiate our contracts to be transparent with respect to revenues, with many of them containing minimum volume guarantees. We believe our disciplined approach to contracting has helped us to establish a contract portfolio that historically has achieved favorable margins, as well as to maintain overburden removal and coal production volumes despite weak coal price environments.

Seasonality and Disruptions to Operations

Our quarterly and annual results may fluctuate due to a number of factors, including rolling production volume targets, the occurrence of events disrupting operational activities, available stockpile capacity and seasonality. Our production volume targets and actual production volumes may vary quarter to quarter, in particular due to seasonal factors such as weather, as well as on an annual basis due to changes in production quotas driven by market conditions and Government policy.

Kalimantan, where all of our mining activities are carried out, is subject to a period of high rainfall typically during the months of October to April. During the rainy season, concession areas generally experience heavy rainfall and occasional flooding. This often results in lost production time because of complete stoppage of operations or reduced equipment or labor efficiency. Slippery conditions can persist for some time after heavy rainfall, and clean-up is also required after heavy rainfall before work can resume, due to safety concerns. Rainfall also creates challenging road conditions, which increases excavator and truck cycle times, reducing the efficiency of equipment and labor and otherwise slowing or stopping overburden and other removal, coal hauling and barging. In particular, results in the fourth quarter of 2019 were adversely impacted by heavier than normal rain, that resulted in lost production time. See "*Risk Factors — Risks Relating to Our Business — Our ability to meet our production targets may be adversely affected by unexpected disruptions, which could harm our customer relationships or cause our results of operations to fluctuate across fiscal periods*." Typically, our customers set higher production targets during the dry season to ensure sufficient stockpiling to meet their sales requirements during the rainy season.

We aim to mitigate the impact of wet weather conditions on our operations by constructing new haul roads, maintaining existing roads and undertaking strategic dewatering with temporary sumps, drainage construction and pumping. Recently, production at some of our mine sites was curtailed or stopped due to a lack of capacity in the stockpile at such mine site. Stockpiles vary in their capacity to store coal, but if the stockpile at a particular mine site reaches capacity then production must stop until stockpile capacity returns. In general, our customers tend to increase their stockpiles during periods of low coal prices, and extended periods of low coal prices can result in stockpiles reaching capacity.

Critical Accounting Policies, Estimates and Judgments

Our financial statements are prepared in accordance with Indonesian FAS. The preparation of financial statements under Indonesian FAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Furthermore, significant estimates and judgments may be required in selecting and applying those methods and policies that affect the reported financial condition and results of operations. Our management bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ significantly from those estimates and judgments under different assumptions or conditions.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value added tax ("**VAT**"). Revenues for rendering mining services are recognized when such services are rendered to customers. Expenses are recognized when incurred on an accrual basis.

Inventories

We value our inventories at the lower of cost and net realizable value. In determining the net realizable value of our inventories, we estimate the price at which we could sell such inventory in the ordinary course of our business at the time the determination is made, less selling costs.

We determine the cost of our inventories using the weighted average method. We make provision for inventory obsolescence or slow-moving items based a review of the condition of inventories at the end of the year.

Fixed Assets

Our fixed assets are initially recognized at cost, which comprises the respective purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be ready for operation in the manner intended by management. Subsequent to initial recognition, cost are included in the asset's carrying amount or recognized as a separate assets, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

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

	Percentage (%)	Useful life (years)
Buildings	5-20	5-20
Heavy equipment	12.5	8
Vehicles	20	5
Office equipment, furniture and fixtures	25	4
Machinery and project equipment	20	5

Land is stated at acquisition cost and not depreciated.

The costs of repairs and maintenance are charged to profit or loss as incurred; replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to us, and the cost of the item can be reliably measured. An item of fixed assets 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 statement of profit or loss and other comprehensive income in the year the asset is derecognized. At the end of the reporting period, the Company makes regular reviews of the useful lives of the assets' residual values, depreciation method and residual life based on the technical conditions of such assets.

Construction-in-progress is stated at cost and presented as part of "Fixed Assets" in the statement of financial position. All costs incurred in relation with the construction of these assets are capitalized as part of the cost of the fixed assets in progress. The accumulated costs will be reclassified to the appropriate fixed asset accounts when construction are completed and the assets are ready for their intended use and depreciated upon operation.

Determining Income Taxes

Significant judgment is involved in determining provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates as to whether additional corporate income tax will be due. Further details are disclosed in Note 17.

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. Further details are disclosed in Note 17 of our financial statements.

Evaluating Provisions and Contingencies

The Company is involved in various legal and tax proceedings. The management exercises its judgment to distinguish between provisions and contingencies mainly through consultation with the Company's legal counsel handling those proceedings. The Company sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and takes the relevant risks and uncertainty into account.

In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57, Provisions, Contingent Liabilities and Contingent Asset. The Company makes an analysis of all tax positions related to income taxes to determine if a tax liability for unrecognized tax benefit should be recognized.

Lease Agreements

The Company has entered into lease agreements as lessee. The management exercise judgment in determining whether all significant risk and rewards of ownership of the leased property are transferred to the Company. Leases wherein the Company acquires all significant risks and rewards of ownership of the leased property are accounted for as finance leases, otherwise they are accounted for as operating leases. Further details are disclosed in Note 16 of our financial statements.

Description of Key Line Items

Net Revenues

Net revenues comprise revenues earned from our coal mining services, rental of heavy equipment and other services.

Cost of Revenues

Our cost of revenues comprise mainly production costs incurred in relation to our mining activities, including the costs of maintaining operational offices at each site on which we carry out mining services. The following table shows the breakdown of our cost of revenues and each item as a percentage of the total cost of revenues for the periods stated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)
	(audited)						(unaudited)			
Cost of Revenues:										
Depreciation and amortization	19.7	106.1	19.3	130.6	19.4	143.7	19.1	108.4	24.9	107.3
Salaries, wages and allowances	17.5	94.2	15.5	104.7	19.2	141.5	18.4	104.3	22.2	95.6
Repair and maintenance services	29.2	157.3	29.2	197.5	24.2	178.5	24.3	138.1	20.1	86.9
Office overhead	7.8	42.8	7.1	48.2	8.8	64.5	8.9	50.7	9.9	43.0
Fuel	7.0	37.7	10.4	70.5	7.9	58.2	8.2	46.8	8.2	35.5
Blasting	5.7	30.7	5.4	36.5	5.3	39.5	5.5	31.5	4.5	19.3
Tires	3.6	19.3	3.2	21.8	3.2	23.6	3.2	18.3	3.5	15.0
Human resources	1.4	7.5	1.9	12.6	1.8	13.5	1.7	9.7	2.2	9.4
Oil	2.4	13.1	2.3	15.9	2.3	17.2	2.4	13.6	2.1	9.2
Mobilization	1.0	5.5	0.7	4.6	1.4	10.4	1.4	8.1	0.8	3.6
Transportation and travel	0.6	3.2	0.7	4.6	1.2	8.8	1.0	5.5	0.8	3.2
Rental	2.7	14.8	2.8	18.9	3.9	28.9	4.1	23.3	0.5	2.0
Infrastructure	0.3	1.5	0.5	3.1	0.8	6.2	1.0	5.4	0.2	1.0
Drilling	0.2	1.0	0.1	0.7	0.2	1.2	0.2	0.9	0.1	0.4
Labor supply	0.1	0.3	0.0	0.2	0.0	0.3	0.0	0.2	0.0	0.2
Sub-contractor	0.8	4.4	0.9	6.4	0.4	3.1	0.5	3.0	0.0	0.0
Total cost of revenues	**100.0**	**539.4**	**100.0**	**676.8**	**100.0**	**739.1**	**100.0**	**567.7**	**100.0**	**431.6**

Depreciation and amortization. Depreciation expenses comprise deductions related to the depreciation of our tangible operating assets such as mining equipment. Amortization expenses comprise deductions related to the amortization of our engineering software.

Salaries, wages and allowances. Salary expenses relate to salaries, wages and allowances for our site-based employees.

Repair and maintenance services. Repair expenses comprise material costs relating principally to spare parts, such as spare parts and components for our machinery and equipment at all of our operational sites. This also covers repairs and maintenance costs attributable to such machinery and equipment.

Office overhead. Office overhead expenses comprise mainly administrative expenses relating to supplies for our site offices and camps, employee meals for our site-based employees and insurance premium payments on certain of our insurance policies covering our fleet of mining machinery and equipment.

Fuel. Fuel expenses relate to diesel fuel used in mining operations by our fleet of machinery and equipment (including supporting equipment). The majority of our customers directly procure the fuel needed for their operations, in which case we only record fuel expenses when our usage exceeds our pre-agreed fuel allowance that is borne by the customer. For customers that do not procure their own fuel, the terms of our mining services agreements typically provide a pass-through mechanism whereby we supply the fuel necessary for the relevant operations and the fuel expenses are billed to the customers according to a formula specified in the relevant customer's mining services agreement. For these contracts, we record expenses related to fuel as our cost of revenues, and record payments by customers attributable to fuel expenses as our net revenues.

Blasting. Blasting expenses comprise mainly material costs relating to explosives used in blasting operations and third party sub-contractor costs related to such operations.

Tires. Tire expenses relate to the costs of radial tires for our fleet of vehicular equipment.

Human resources. Human resource expenses comprise mainly employee benefits-related expenses, as well as recruitment and training expenses for our site-based employees.

Oil. Oil expenses comprise mainly costs relating to the purchase of lubricants used for our mining machinery and equipment.

Mobilization. Mobilization expenses comprise mainly expenses incurred in mobilizing and relocating our mining machinery, equipment and inventories between mining sites, as well as expenses incurred in transporting certain inventories from suppliers' offloading sites to our site locations.

Transportation and travel. Transportation and travel expenses comprise mainly expenses incurred by our site-based employees traveling between their assigned on-site locations to our headquarters in Jakarta or their respective hometowns, as well as employee relocation expenses.

Rental. Rental expenses comprise mainly rental payments for buses, light vehicles, buildings and offices, and certain mining equipment used in our mining operations.

Infrastructure. Infrastructure expenses comprise mainly the costs of purchasing materials used in our infrastructure projects.

Drilling. Drilling expenses comprise mainly the costs of drilling for our blasting operations.

Labor supply. Labor supply expenses comprise mainly third-party sub-contracted unskilled labor expenses. We typically hire unskilled labor on an ad hoc basis from third-party providers.

Sub-contractor. Sub-contractor expenses comprise mainly expenses for sub-contracted services for the construction of infrastructure at the mine sites at which we operate and coal hauling.

Operating Expenses

Our operating expenses comprise mainly expenses incurred by our head office, which is situated in Jakarta, Indonesia, as well as a representative office located in Balikpapan, Kalimantan. The following table shows the breakdown of our operating expenses and each item as a percentage of total operating expenses for the years and periods stated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)
			(audited)					(unaudited)		
Operating Expenses:										
Office overhead	19.1	9.5	27.7	13.5	28.3	14.6	26.4	9.2	36.0	7.2
Post-employment benefits	14.9	7.4	14.8	7.2	11.2	5.8	16.5	5.8	28.0	5.6
Employee compensation	39.0	19.4	30.1	14.7	30.8	15.9	29.2	10.2	19.0	3.8
Depreciation and Amortization	6.0	3.0	6.1	3.0	6.8	3.5	6.9	2.4	14.0	2.8
Human resources	5.6	2.8	9.4	4.6	7.0	3.6	6.9	2.4	4.0	0.8
Maintenance	8.0	4.0	4.9	2.4	4.1	2.1	3.7	1.3	1.5	0.3
Transportation and travel	1.6	0.8	2.3	1.1	2.9	1.5	3.2	1.1	1.0	0.2
Other long-term employee benefits	5.8	2.9	4.7	2.3	8.9	4.6	7.2	2.5	(3.5)	(0.7)
Total operating expenses	**100.0**	**49.8**	**100.0**	**48.8**	**100.0**	**51.6**	**100.0**	**34.9**	**100.0**	**20.0**

Overhead and office. Overhead expenses comprise mainly operational overhead expenses attributable to our head and representative office-based operations.

Post-employment benefits. Post-employment benefits comprise mainly costs relating to our defined benefit plans for our employees in accordance with Labor Law No. 13/2003.

Employee compensation. Employee compensation expenses related to salaries, wages and allowances paid to our head and representative office-based employees.

Depreciation and amortization. Depreciation and amortization expenses comprise mainly depreciation of office equipment, vehicles and other assets used for our head and representative office-based operations and amortization of our management information systems.

Human resources. Human resource expenses comprise mainly employee benefit-related expenses, as well as recruitment and training expenses for our head office-based employees.

Maintenance. Maintenance expenses comprise mainly expenses for the maintenance of our office buildings and equipment, as well as vehicles used in our head and representative office-based operations.

Transportation and travel. Transportation and travel expenses comprise mainly expenses incurred by our head office-based employees in traveling to our operational mine sites as well as other business travel-related expenses.

Other long-term employee benefits. Other long-term employee benefit expenses comprise mainly costs relating to long-term benefit provided to our employees based on the collective labor agreement.

Other Income

Other income comprise income not directly related to mining operations. The following table shows the breakdown of our other income and each item as a percentage of total other income for the periods stated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)
			(audited)					(unaudited)		
Other Income:										
Interest from tax refund	—	—	—	—	—	—	—	—	74.1	6.0
Amortization of deferred income	—	—	—	—	2.9	0.2	2.8	0.1	14.8	1.2
Insurance claims	40.0	1.0	39.4	1.3	10.0	0.7	19.4	0.7	4.9	0.4
Others	—	—	—	—	—	—	—	—	2.5	0.2
Gain on sale and disposal of fixed assets — net	44.0	1.1	60.6	2.0	1.4	0.1	19.4	0.7	3.7	0.3
Foreign exchange gain — net	16.0	0.4	—	—	85.5	5.9	58.4	2.1	—	—
Total	**100.0**	**2.5**	**100.0**	**3.3**	**100.0**	**6.9**	**100.0**	**3.6**	**100.0**	**8.1**

Interest from tax refund. Interest from tax refund relates to interest arising from disputed tax amounts, beginning to accrue after the tax audit process, where we eventually win the tax dispute.

Amortization of deferred income. Amortization of deferred income mainly relates to the accounting treatment for sales and leaseback transactions.

Insurance claims. Insurance claims comprise mainly proceeds from insurance claims under our various insurance policies relating to our assets such as buildings, mining machinery and equipment.

Gain on sale and disposal of fixed assets. Gain on sale and disposal of fixed assets consist mainly of income on the sale of used equipment or other fixed assets, such as excavators, dump trucks, hauling trucks and supporting equipment.

Foreign exchange gain. Our foreign exchange gains relate primarily to unrealized exchange gains arising from the translation of our Rupiah and other foreign currency-denominated monetary assets and liabilities, primarily trade receivables, prepaid taxes and claims for tax refunds and, in some cases, trade payables and cash, into U.S. dollars as of the relevant balance sheet date, as offset by realized foreign exchange gains on such monetary assets and liabilities.

Other Expenses

Other expenses comprise expenses not directly related to mining operations. The following table shows the breakdown of our other expenses and each item as a percentage of total other expenses for the periods stated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)	(%)	(US$ millions)
			(audited)					(unaudited)		
Other Expenses:										
Foreign exchange loss — net	—	—	54.7	2.9	—	—	—	—	99.2	13.1
Bank charges	0.3	0.1	3.8	0.2	8.3	0.4	9.5	0.4	0.8	0.1
Allowance for impairment loss	88.6	32.6	—	—	—	—	—	—	—	—
Others	11.1	4.1	41.5	2.2	91.7	4.4	90.5	3.8	—	—
Total	**100.0**	**36.8**	**100.0**	**5.3**	**100.0**	**4.8**	**100.0**	**4.2**	**100.0**	**13.2**

Foreign exchange loss. Our foreign exchange losses relate primarily to unrealized exchange losses arising from the translation of our Rupiah and other foreign currency-denominated monetary assets and liabilities, primarily trade receivables, prepaid taxes and claims for tax refunds and, in some cases, trade payables and cash, into U.S. dollars as of the relevant balance sheet date, as offset by realized foreign exchange losses on such monetary assets and liabilities.

Bank charges. Bank charges consist mainly of bank administrative charges relating to the MUFG Facilities and our operating accounts.

Allowance for impairment loss. Allowance for impairment loss related to Indonesian VAT and Article 23 tax for the fiscal years 2001-2002 which we have recognized following an adverse decision received in June 2017. The Company has filed a motion for reconsideration on this matter.

Others. Others comprise mainly material consumption, finance lease administration fees and other non-recurring transactions that fall outside the categories listed above.

Finance Income

Finance income consists primarily of interest income from our onshore and offshore bank accounts.

Finance Cost

Finance cost consists primarily of interest expenses on our 2022 Notes, long term debt and leases, transaction cost amortization, amortization of leases which were previously classified as operating leases and provision for back-end fees.

The following table shows the breakdown of our finance cost and each item as a percentage of our total finance cost for the periods stated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)
			(audited)					(unaudited)		
Finance Cost:										
Interest expense:										
2022 Notes	55.9	29.0	59.2	32.5	55.8	32.6	54.7	24.3	61.7	24.0
Leases	14.5	7.5	25.7	14.1	26.7	15.6	27.5	12.2	22.6	8.8
Bank loans	12.5	6.5	9.7	5.3	11.3	6.6	11.7	5.2	6.4	2.5
Discount and transaction cost amortization	10.9	5.7	5.4	3.0	6.2	3.6	6.1	2.7	7.0	2.7
Long-term debt	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization of leases which were previously classified as operating leases	—	—	—	—	—	—	—	—	2.3	0.9
Provision for back-end fee	6.0	3.1	0.0	0.0	—	—	—	—	—	—
Total	**100.0**	**51.9**	**100.0**	**54.9**	**100.0**	**58.4**	**100.0**	**44.4**	**100.0**	**38.9**

Results of Operations

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)
			(audited)					(unaudited)		
Net revenues	100.0%	764.6	100.0%	892.5	100.0%	881.8	100.0%	690.3	100.0%	494.2
Cost of revenues	70.5%	539.4	75.8%	676.8	83.8%	739.1	82.3%	567.8	87.3%	431.5
Gross profit	**29.5%**	**225.2**	**24.2%**	**215.7**	**16.2%**	**142.7**	**17.8%**	**122.6**	**12.7%**	**62.6**
Operating expenses	6.5%	49.8	5.5%	48.8	5.9%	51.6	5.1%	34.9	4.0%	20.0
Other income	0.3%	2.5	0.4%	3.3	0.8%	7.0	0.5%	3.6	1.6%	8.1
Other expenses	4.8%	36.8	0.6%	5.3	0.5%	4.8	0.6%	4.2	2.7%	13.2
Finance income	0.1%	0.9	0.1%	1.0	0.2%	1.4	0.2%	1.1	0.5%	2.7
Finance cost	6.8%	51.9	6.2%	54.9	6.6%	58.4	6.4%	44.4	7.9%	38.9
Profit (loss) before income tax expense	**11.8%**	**90.1**	**12.4%**	**111.0**	**4.1%**	**36.2**	**6.3%**	**43.8**	**0.3%**	**1.3**

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)	(%)	(US$ million)
			(audited)					(unaudited)		
Income tax expense	(5.2)%	(40.1)	(3.7)%	(32.6)	(1.6)%	(14.3)	(2.1)%	(14.5)	(0.6)%	(3.0)
Profit (loss) for the year/ period	**6.6%**	**50.1**	**8.8%**	**78.4**	**2.5%**	**21.9**	**4.2%**	**29.3**	**(0.3)%**	**(1.7)**
Other comprehensive income	(0.5)%	(3.9)	0.6%	5.3	(0.2)%	(2.2)	0.3%	1.9	1.7%	8.4
Comprehensive income (loss) for the year/ period	**6.0%**	**46.1**	**9.4%**	**83.7**	**2.2%**	**19.7**	**4.5%**	**31.2**	**1.4%**	**6.7**

Nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Net revenues. Net revenues decreased by 28.4% to US$494.2 million for the nine months ended September 30, 2020 from US$690.3 million for nine months ended September 30, 2019. This decrease was primarily due to the decline in production by our customers due to coal market conditions and the current COVID-19 pandemic, resulting in both lower volume and lower rates under our mining services agreements.

Cost of revenues. Cost of revenues decreased by 24.0% to US$431.6 million for the nine months ended September 30, 2020 from US$567.7 million for the nine months ended September 30, 2019. This decrease was primarily due to a decline in production by our customers driven by lower coal prices and the current COVID-19 pandemic, as most but not all of our costs including repair and maintenance, employee compensation, rental, fuel and blasting expenses, are variable. In particular, some repair and maintenance costs were able to be deferred, and our employee compensation expense declines due to our right-sizing program in response to the current COVID-19 pandemic.

Operating expenses. Operating expenses decreased by 42.7% to US$20.0 million for the nine months ended September 30, 2020 from US$34.9 million for the nine months ended September 30, 2019. This decrease was primarily due to our right-sizing program in response to the current COVID-19 pandemic.

Other income. Other income increased by over 100% to US$8.1 million for the nine months ended September 30, 2020 from US$3.6 million for the nine months ended September 30, 2019. This increase was primarily due to US$6.0 million of interest recognized on our tax refund won and received by the Company in 2020 for the various tax cases previously outstanding.

Other expenses. Other expenses increased by over 100% to US$13.2 million for the nine months ended September 30, 2020 from US$4.2 million for the nine months ended September 30, 2019, primarily due to a net foreign exchange loss of US$13.1 million as the rupiah depreciated against the US dollar.

Finance income. Finance income increased by over 100% to US$2.7 million for the nine months ended September 30, 2020 from US$1.1 million for the nine months ended September 30, 2019. This increase was due to an increase in interest income earned from higher cash balances.

Finance cost. Finance cost decreased by 12.4% to US$38.9 million for the nine months ended September 30, 2020 from US$44.4 million for the nine months ended September 30, 2019. This decrease was primarily due to a decrease in interest expense related to our bank loans as they continued to amortize, as well as a decrease in finance leases and lower LIBOR rates.

Profit before income tax. As a result of the foregoing, profit before income tax decreased by 97.0% to US$1.3 million for the nine months ended September 30, 2020 from US$43.8 million for the nine months ended September 30, 2019.

Income tax expense. Income tax expense decreased by 79.3% to US$3.0 million for the nine months ended September 30, 2020 from US$14.5 million for the nine months ended September 30, 2019, primarily due to the decline in profit before income tax; the entire US$3.0 million of income tax expense constituted deferred tax expense.

Profit/(loss) for the period. As a result of the foregoing, we recorded a loss for the period of US$1.7 million for the nine months ended September 30, 2020 as compared to a profit of US$29.3 million for the nine months ended September 30, 2019.

Comprehensive income for the period. Comprehensive income for the period decreased by 78.5% to US$6.7 million for the nine months ended September 30, 2020 from US$31.2 million for the nine months ended September 30, 2019, resulting from the loss for the period, offset by a remeasurement gain of defined employee benefits due to changes in the actuarial assumptions.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Net revenues. Net revenues decreased by 1.2% to US$881.8 million for the year ended December 31, 2019 from US$892.5 million for the year ended December 31, 2018. This decrease was due to reduced overburden removal volumes as customers lowered their strip ratios given adverse market conditions. This also increased the use of lower tier rates for customers with tier-pricing arrangements as compared to the year ended December 31, 2018.

Cost of revenues. Cost of revenues increased by 9.2% to US$739.1 million for the year ended December 31, 2019 from US$676.8 million for the year ended December 31, 2018. The increase was primarily due to an increase in overall operating costs, with the largest impact on salaries, wages and allowances, following the escalation of production capacity to prepare for the growth that was anticipated to take place in 2019, but did not materialize. These costs include severance costs from the right-sizing of headcount in order to align our business capacity to current market conditions that was carried out toward the end of 2019. Increases in depreciation and amortization, office overhead and rental expense were also attributable to our escalation of production capacity. The increase in cost of revenues was partially offset by a decrease in repair and maintenance expenses, which was mainly due to our newer equipment requiring fewer repairs, following the peak of our equipment replacement cycle in 2018. The growth of our infrastructure businesses contributed 3.1% of cost of revenues' total increase.

Operating expenses. Operating expenses increased by 5.7% to US$51.6 million for the year ended December 31, 2019 from US$48.8 million for the year ended December 31, 2018. This increase was primarily due to an increase in other long-term benefits offered to employees based on the collective labor agreement.

Other income. Other income increased by over 100% to US$6.9 million for the year ended December 31, 2019 from US$3.3 million for the year ended December 31, 2018. This increase was primarily due to the net gain on foreign exchange recognized during the year as the Rupiah strengthened against the US dollar, partially offset by a decrease in net gain on sale and disposal of assets due to our disposal of less equipment following the peak of our equipment replacement cycle in 2018.

Other expenses. Other expenses decreased by 9.4% to US$4.8 million for the year ended December 31, 2019 from US$5.3 million for the year ended December 31, 2018, primarily due to a foreign exchange loss of US$2.9 million recorded in 2018 while no such loss was recorded in 2019, partially offset by recognition of a tax penalty payable upon the unfavorable conclusion of tax cases.

Finance income. Finance income increased by 40.0% to US$1.4 million for the year ended December 31, 2019 from US$1.0 million for the year ended December 31, 2018. This increase was primarily due to increased interest income from our onshore bank accounts on higher cash balances.

Finance cost. Finance cost increased by 6.4% to US$58.4 million for the year ended December 31, 2019 from US$54.9 million for the year ended December 31, 2018. This increase was primarily due to increased interest expense related to finance leases and bank loans as a result of higher floating interest rates.

Profit before income tax. As a result of the foregoing, profit before income tax decreased by 67.4% to US$36.2 million for the year ended December 31, 2019 from US$111.0 million for the year ended December 31, 2018.

Income tax expense. Income tax expense decreased by 56.1% to US$14.3 million for the year ended December 31, 2019 from US$32.6 million for the year ended December 31, 2018, primarily due to the decline in profit before income tax.

Profit for the year. As a result of the foregoing, profit for the year decreased by 72.1% to US$21.9 million for the year ended December 31, 2019 from US$78.4 million for the year ended December 31, 2018.

Comprehensive income for the year. Comprehensive income for the year decreased by 76.5% to US$19.7 million for the year ended December 31, 2019 from US$83.7 million for the year ended December 31, 2018, resulting from the remeasurement of defined employee benefits following assumption changes to the actuarial calculations.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Net revenues. Net revenues increased by 16.7% to US$892.5 million for the year ended December 31, 2018 from US$764.6 million for the year ended December 31, 2017. This increase was primarily due to the ramp up of operations in the coal industry that led to customer-driven volume increases in coal production and higher average rates charged to customers.

Cost of revenues. Cost of revenues increased by 25.5% to US$676.8 million for the year ended December 31, 2018 from US$539.4 million for the year ended December 31, 2017. This increase was primarily attributable to (i) higher costs of fuel which increased by US$32.8 million, or 87.0%, compared to the previous year as operations increased for customers who do not procure their own fuel, (ii) production capacity growth aimed toward meeting higher coal demand which drove increased costs for repairs and maintenance services, and salaries, wages and allowances, which increased 25.6% and 11.1%, respectively, compared to the previous year, and (iii) an increase in depreciation and amortization related to the peak of our equipment replacement cycle in 2018. Our other cost of revenues increased in line with our increase in production capacity expansion.

Operating expenses. Operating expenses decreased by 2.0% to US$48.8 million for the year ended December 31, 2018 from US$49.8 million for the year ended December 31, 2017. This decrease was primarily due to lower employee compensation expenses, partially offset by increased overhead and office expenses in line with production capacity growth.

Other income. Other income increased by 32.0% to US$3.3 million for the year ended December 31, 2018 from US$2.5 million for the year ended December 31, 2017, primarily due to higher income in 2018 relating to the sale of fixed assets.

Other expenses. Other expenses decreased by 85.6% to US$5.3 million for the year ended December 31, 2018 from US$36.8 million for the year ended December 31, 2017. This decrease was primarily due to a one-off expense recognized in 2017 relating to an allowance for impairment loss for disputed Indonesian VAT and Article 23 tax for the 2001 and 2002 fiscal years which we recognized following an unfavorable decision received in 2017.

Finance income. Finance income increased by 11.1% to US$1.0 million for the year ended December 31, 2018 from US$0.9 million for the year ended December 31, 2017. This increase was primarily due to interest income from our onshore bank accounts.

Finance cost. Finance cost increased by 5.8% to US$54.9 million for the year ended December 31, 2018 from US$51.9 million for the year ended December 31, 2017. This increase was primarily due to increased finance lease expenses related to our heavy equipment.

Profit before income tax. As a result of the foregoing, profit before income tax increased by 23.2% to US$111.0 million for the year ended December 31, 2018 from US$90.1 million for the year ended December 31, 2017.

Income tax expense. Income tax expense decreased by 18.7% to US$32.6 million for the year ended December 31, 2018 from US$40.1 million for the year ended December 31, 2017, primarily due to one-off non-deductible expenses related to the allowance for impairment loss for disputed tax as discussed above.

Profit for the year. As a result of the foregoing, profit for the year increased by 56.8% to US$78.4 million for the year ended December 31, 2018 from US$50.0 million loss for the year ended December 31, 2017.

Comprehensive income for the year. Comprehensive income increased by 81.6% to US$83.7 million for the year ended December 31, 2018 from a US$46.1 million comprehensive loss for the year ended December 31, 2017, as a result of the increase in profit for the year, as well as due to remeasurement of defined employee benefit following assumption changes to the actuarial calculations.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our operations, working capital needs, debt service and capital expenditures. Our mining services agreements that were entered into prior to July 1, 2015 are mostly denominated, invoiced and payable in U.S. dollars. Our mining services agreements that were entered into subsequent to July 1, 2015 are mostly denominated, invoiced and payable in Rupiah, in accordance with PBI 17/3/2015, which prohibits payment in foreign currencies subject to certain exceptions. These Rupiah mining services agreements, however, are referenced in U.S. dollars. We primarily use the average Bank Indonesia middle exchange rate between the Rupiah and the U.S. dollar for the relevant service period to determine the amount payable in Rupiah for such mining services agreements. We buy U.S. dollars as and when required for the purposes of paying U.S. dollar-denominated expenses and liabilities. We also convert Rupiah into U.S. dollars at spot rates, after taking into account our Rupiah needs.

We fund our operational and working capital requirements primarily through our operating cash flows and the MUFG Facilities. We also previously entered into finance leases for heavy equipment purchasing. We expect to use a portion of the proceeds from the offering of the Notes to repay all outstanding amounts under the MUFG Facilities and to purchase a portion of the 2022 Notes pursuant to the Concurrent Tender Offer and Consent Solicitation. See "*Use of Proceeds*."

Our ability to generate cash from our operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control, as well as other factors discussed under "*Risk Factors*." We believe that we have sufficient liquidity to fund our current operations, planned capital expenditures and repayment of our indebtedness over the next 12 months.

Under the terms of our mining services agreements, we invoice our customers on a monthly basis with an average credit term ranging between 30 and 45 days, depending on the customer. For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, our past due trade receivables as a percentage of total net revenue was 2.9%, 3.1%, 6.7% and 5.9%, respectively.

During the nine months ended September 30, 2020, a small number of our customers have experienced internal issues which have resulted in delayed payments to us. The large majority of our customers continue to pay in accordance with our credit terms. As of September 30, 2020, our total past due trade receivables was US$40.6 million, of which US$19.2 million were past due over 90 days and mainly related to customers experiencing such internal issues.

Statements of Cash Flows

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
			(US$ millions)		
		(audited)		(unaudited)	
Cash flows from operating activities:					
Cash receipts from customers	730.7	853.4	880.2	643.1	534.1
Cash paid to suppliers and employees	(460.2)	(590.8)	(660.3)	(496.1)	(326.6)
Cash generated from operations	270.4	262.6	219.9	147.0	207.6
Interest received	0.9	1.0	1.4	1.1	2.7
Payment of interest	(64.0)	(51.5)	(54.9)	(50.3)	(45.5)
Refund/(Payment) of income taxes	(40.0)	(37.1)	(27.7)	(20.0)	13.9
Net cash flows generated from operating activities	**167.4**	**175.0**	**138.7**	**77.8**	**178.7**
Cash flows from investing activities:					
Proceeds from sale of fixed assets	47.7	108.9	73.1	13.5	2.4
Withdrawal (placement) of restricted cash in bank	17.2	—	(17.8)	7.2	26.7
Acquisitions of fixed assets	(117.2)	(260.4)	(114.2)	(85.4)	(18.0)
Net cash flows provided by/(used in) investing activities	**(52.3)**	**(151.5)**	**(58.9)**	**(64.7)**	**11.1**
Cash flows from financing activities:					
Payment of bank loans	(530.0)	(87.9)	(159.0)	(148.3)	(32.2)
Payment of leases	(48.7)	(68.5)	(75.1)	(57.8)	(72.9)
Payment of long-term debt	(0.4)	(0.4)	(0.1)	(0.1)	(0.6)
Decrease in due from related party	—	5.0	—	—	—
Proceeds from bank loans	128.8	141.8	168.3	168.3	—
Proceeds from senior notes due 2022	346.5	—	—	—	—
Cash dividend paid	(20.0)	—	—	—	—
Net cash flows used in financing activities	**(123.8)**	**(10.0)**	**(65.9)**	**(37.9)**	**(105.8)**
Net increase (decrease) in cash	(8.7)	13.5	13.9	(24.8)	84.0
Effect of foreign exchange changes on cash	(0.1)	(0.2)	1.4	0.5	(7.2)
Cash at beginning of the period	**49.2**	**40.4**	**53.7**	**53.7**	**69.0**
Cash at end of the period	**40.4**	**53.7**	**69.0**	**29.4**	**145.8**

Cash Flows From Operating Activities

Cash flows from operating activities includes funds generated from our operating activities and net cash inflows or outflows from changes in operating assets and liabilities.

In the nine months ended September 30, 2020, our net cash flows from operating activities were US$178.7 million, compared to US$77.8 million for the nine months ended September 30, 2019. The increase was primarily due to an increase in cash generated from operations and the impact of tax refunds.

For the year ended December 31, 2019, our net cash flows generated from operating activities were US$138.7 million, compared with US$175.0 million for the year ended December 31, 2018. The decrease was driven by lower cash generated from operations, as cash receipts from customers did not increase in line with cash paid to suppliers and employees.

For the year ended December 31, 2018, our net cash flows generated from operating activities were US$175.0 million, compared with US$167.4 million for the year ended December 31, 2017. The increase was primarily due to lower cash interest payments, partially offset by lower cash generated from operations.

Cash Flows From Investing Activities

Cash flows from investing activities primarily includes capital expenditures and disposal of mining machinery and equipment.

For the nine months ended September 30, 2020, our net cash flows provided by investing activities was US$11.1 million, compared to net cash flows used of US$64.7 million for the nine months ended September 30, 2019. The decrease was primarily due to a steep decrease in our acquisition of fixed assets as we minimized capital expenditure as part of liquidity preservation measures in response to the prolonged economic downturn driven by the current COVID-19 pandemic, compounded by an increase in withdrawals of restricted cash.

For the year ended December 31, 2019, our net cash flows used in investing activities was US$58.9 million, compared with US$151.5 million for the year ended December 31, 2018. The decrease was primarily due to fewer acquisitions of fixed assets, as our replacement cycle normalized after peaking in 2018.

For the year ended December 31, 2018, our net cash flows used in investing activities was US$151.5 million, compared with US$52.3 million for the year ended December 31, 2017. The increase was primarily due to higher fixed asset acquisition costs year-on-year as our equipment replacement cycle peaked in 2018 and we incurred growth capital expenditure in relation to our capacity expansion.

Cash Flows From Financing Activities

Cash flows from financing activities includes cash inflows and outflows from bank loans and notes and incurrence of long-term liabilities, as well as dividend payments.

For the nine months ended September 30, 2020, our net cash flows used in financing activities were US$105.7 million, compared with US$37.9 million for the nine months ended September 30, 2019. The increase was primarily due to lower cash proceeds as we had minimal debt incurrence in line with our liquidity preservation measures in the midst of the prolonged economic downturn driven by the current COVID-19 pandemic, while deleveraging continued through timely repayments of leases, bank loans and long-term debt in accordance with the relevant agreements.

For the year ended December 31, 2019, our net cash flows used in financing activities was US$65.9 million, compared with US$10.0 million for the year ended December 31, 2018. The increase was primarily due to increased repayments of bank loans and finance leases.

For the year ended December 31, 2018, our net cash flows used in financing activities was US$10.0 million, compared with US$123.8 million for the year ended December 31, 2017. The decrease year-on-year was primarily due to our repayment of our pre-existing bank loan facilities in 2017, using proceeds from the issuance of our 2022 Notes, the MUFG First Facilities and cash on hand.

Material Indebtedness

As at September 30, 2020, we had approximately US$633.5 million of outstanding indebtedness (excluding the respective unamortized discounts and/or transaction costs), mainly comprising our outstanding indebtedness under the 2022 Notes, the MUFG Facilities and leases. See "*Description of Material Indebtedness*." We plan to use the proceeds of this offering of the Notes to repay all outstanding amounts under the MUFG Facilities and to purchase a portion of the 2022 Notes pursuant to the Concurrent Tender Offer and Consent Solicitation. See "*Use of Proceeds*."

Capital Expenditures

A significant portion of our capital expenditure commitments have historically been related to our purchase of machinery and equipment used for our mining activities. We plan to finance our procurement activities initially through operating cash flows and debt financings, and finance lease arrangements, which should reduce our total capital expenditure cash commitments.

Our actual capital expenditures for the years ended December 31, 2013, 2014, 2015 and 2016 were approximately US$23.2 million, US$45.9 million, US$55.2 million and US$125.9 million, respectively. The following table shows our actual capital expenditures for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020:

	Years ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	(US$ millions)				
Land	—	1.2	0.2	0.1	0.2
Building	10.7	10.5	6.2	4.0	3.6
Heavy equipment	207.0	385.1	127.4	58.8	13.7
Vehicles	—	0.1	0.1	0.1	2.4
Office equipment, furniture and fixtures	4.0	3.4	3.9	3.6	0.6
Machinery, and project equipment	11.3	12.1	6.3	4.5	2.6
Total asset additions	**233.0**	**412.4**	**144.0**	**71.1**	**23.1**
Impact of Sale and Leaseback Transactions	(46.8)	(108.0)	(71.1)	(12.0)	(4.6)
Total capital expenditures(1)	186.2	304.4	73.0	59.1	18.5

Note:

(1) Total capital expenditures in this table are calculated by our management based on expenditures on additional, buildings, machinery, project equipment and office equipment, vehicles, heavy equipment and ships in each period net of impact of sale and leaseback transactions.

Our capital expenditure commitments amounted to approximately US$46.7 million as of September 30, 2020. Our capital expenditure strategy with our suppliers is to lock in partnerships during a down cycle, in order to gain maximum benefits and ensure back-to-back investments and customer contracts to mitigate the risk of volume. We do not have a "must spend" capital expenditure budget and are flexible to delay spending, if necessary. We utilize cash on hand as well as finance leases to fund our capital expenditures. Our capital expenditure plan takes into account anticipated production volume and related equipment and asset needs to support our existing mining services agreements as well as agreements we expect to enter into. Going forward, we may adjust our capital expenditure plan based on our future results of operations, cash flows and overall financial condition, as well as considerations such as financing costs, the condition of financial markets, the Indonesian economy and the coal mining industry in general, the availability of vendor or other financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in our business plans and strategies and changes in the exchange rates between the U.S. dollar and the Rupiah. See "*Exchange Rates and Exchange Controls*."

Contractual Obligations and Commitments

The following table summarizes our contractual payment obligations and commitments, as of September 30, 2020:

	Payment due by period		
	Total	Less than 1 year	1 to 5 years
	(US$ millions)		
Financial liabilities			
Trade payables	45.2	45.2	—
Other payables	3.5	3.5	—
Accrued expenses	27.3	27.3	—
Bank loans	85.0	31.8	53.2
Long term-debt	0.9	0.8	0.1
2022 Notes	387.2	27.1	360.1
Lease liabilities	199.1	73.2	125.9
Total	**748.2**	**208.9**	**539.3**

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Our market risk is related principally to changes in foreign exchange rates and fluctuations in interest rates. The following discussion, which include forward-looking statements that involve risks and uncertainties, summarize our exposure to foreign exchange rates and interest rate movements and policies to address these risks. We have implemented risk management methods to mitigate and control these and other market risks to which we are exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our financial performance and business operations.

Foreign Exchange Rate Risk

We are exposed to foreign exchange rate risk primarily from transactions, assets and liabilities denominated in Rupiah that arise from our daily operations. We monitor and manage this risk by buying or selling foreign currencies at spot rates when necessary. As of the date of this Offering Memorandum, we have one forward exchange rate contract with MUFG which has never been utilized and which may be terminated following the repayment of the MUFG Facilites. Gains or losses resulting from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognized in the income statement. These balances are translated at period end exchange rates.

Most of our foreign currency denominated financial assets and liabilities are denominated in Rupiah. Following payment of Rupiah expenses, we generally convert excess cash to U.S. dollars. If the U.S. dollar had weakened or strengthened by 10% against the Rupiah, with all other variables held constant, our profit before tax for the years ended December 31, 2017 and 2018, would have decreased or increased by approximately US$4.7 million, US$8.7 million, respectively and if the U.S. dollar had weakened or strengthened by 5%, with all other variables held constant, our profit before tax for the year ended December 31, 2019 and the nine months ended September 30, 2019 and 2020 would have decreased or increased by approximately US$7.9 million, US$7.2 million and US$9.6 million, respectively.

Interest Rate Risk

Our exposure to interest rate risk results from deposits with banks and credit facilities based on floating interest rates. We manage this financial risk by monitoring the market interest rate movement. If interest rates had increased or decreased by 0.5% with respect to our floating rate borrowings, with all other variables held constant, our equity before tax for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 would have increased or decreased by US$1.2 million, US$1.8 million, US$1.8 million, US$1.3 million and US$1.1 million, respectively.

Taxation

As discussed in Note 17 of our Unaudited Interim Financial Statements we have outstanding claims against tax assessment letters and tax collection letters issued by the Director General of Taxes of Indonesia and overpayments of corporate income taxes and value added taxes amounting to US$45.5 million as of September 30, 2020. We believe that the amounts claimed are fully recoverable.

We were subject to a 25% corporate income tax rate by the Government of Indonesia. In March 2020, Government Regulation in Lieu of Law No. 1 Year 2020 was enacted, which became Law No. 2 Year 2020 in May 2020. This law reduced the flat rate corporate income tax to 22% for 2020 and 2021 and to 20% beginning in 2022 onwards. There is a difference between this rate and our effective tax rate due to certain adjustments that we are required to make to our commercial profit, in accordance with prevailing Indonesian tax regulations, before tax is applied to such commercial profit.

Recent Accounting Pronouncements

See Note 36 to our Audited Annual Financial Statements for details relating to new and revised accounting standards applicable to us. We are evaluating the potential impact on the financial statements as a result of the adoption of such accounting standards.

OUR BUSINESS

Business Overview

We are the second largest mining contractor in Indonesia, with a 17.0% market share in 2019 based on overburden removal volume according to Wood Mackenzie. Established in 1998, we provide open-cut mining and mine operation services to coal producers that have been granted coal mining concessions within Indonesia. We provide mining contract services under long-term mining services agreements with some of Indonesia's largest coal producers, such as Berau, Adaro and Bayan. We are the primary operating subsidiary of Delta, which acquired our Company in 2009. Delta was established in 1990 and listed as DOID on the Indonesian Stock Exchange in 2001.

We provide services to Indonesian coal producers across all production stages, including planning and scheduling of mining operations, mining infrastructure development and construction, overburden removal, land clearing and removal of top soil, drilling and blasting, pit drainage and dewatering, provision of coal mining equipment and operators, coal hauling, and land reclamation and rehabilitation. As of September 30, 2020, we provided mining services to nine Indonesian coal producers with respect to 11 coal mining projects, under long-term mining services agreements. For the years ended December 31, 2017, 2018, 2019 and the nine month ended September 30, 2019 and 2020, we extracted 40.2 million tonnes, 42.3 million tonnes, 50.0 million tonnes, 37.8 million tonnes and 33.8 million tonnes of coal, respectively, and removed 340.2 million BCM, 392.5 million BCM, 380.1 million BCM, 301.1 million BCM and 229.7 million BCM of overburden, respectively.

Due in part to the historical development of mining regulations in Indonesia, coal producers typically contract out the operation of their coal concessions to third-party mining operators such as our Company under long-term mining services agreements. The practice of appointing third-party mining operators dates back to the first generation of coal concessions granted and remains current, which we believe is due in part to the strategic, operational and financial benefits of using experienced and well-established mining operators with good production track records. Additionally, coal producers have historically been reluctant to perform the mining work themselves for commercial reasons, including the need for significant capital investment and the requirement that ownership of the assets and other equipment purchased and used at the site by the coal producer be surrendered to the Government at the end of a coal producer's license (CCoW holders) period.

As of September 30, 2020, we employed approximately 10,928 employees and owned and operated approximately 2,839 units of key heavy equipment used in coal mining and production, including bulldozers, excavators, graders, drilling machines, haul trucks, prime movers and dump trucks.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we generated total net revenues of US$764.6 million, US$892.5 million, US$881.8 million, US$690.3 million and US$494.2 million respectively, and our EBITDA was US$284.5 million, US$300.5 million and US$238.3 million, US$198.5 million and US$152.7 million, respectively.

Our headquarters are located in Jakarta, Indonesia and we have a representative office located in Balikpapan in the East Kalimantan province of Indonesia.

Recent Developments

Current COVID-19 Pandemic

The spread of COVID-19 has caused us to modify our business practices as, one of our nine mining services customers, IPR, temporarily ceased operations for a period of six weeks, while others have restricted access to their mine sites from time to time, resulting in challenges in rotating our employees working in such sites in accordance with our past practice. We adjusted the groupings of our employees at mine sites in accordance with our grouping model to mitigate the possibility of cross-infection between groups of employees. Our employees also undergo multiple rounds of testing prior to returning to the mine sites and we have set up quarantine facilities at all sites. In response to the impact of COVID-19, we reviewed our workforce and have initiated a right-sizing program. see "*Risk Factors — Risks Relating to Our Business — The ongoing COVID-19 pandemic or any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian and global economy and may adversely affect us.*"

Shareholding Structure

NTP has informed us that on January 1, 2021, SHPL a company controlled by Mr. Ashish Gupta and Mr. Ronald Sutardja, our President Director, entered into an arrangement with NTP to subscribe for a convertible note of NTP which may be converted into non-voting class C shares of NTP which will result in SHPL owning approximately 44% of NTP and hence, indirectly, approximately 16.7% of Delta, during the first quarter of 2021. We also understand that NTP's existing class A shareholder and each of NTP's existing class B shareholders have entered into an option deed with SHPL which provides (i) SHPL with a call option, and (ii) NTP's class A shareholder and each of NTP's existing class B shareholder with a corresponding put option, the strike prices of which are linked to the value of publicly traded Delta shares. Such options may result in SHPL owning 100% of NTP, and hence, indirectly, 37.9% of Delta if certain conditions precedent to exercise included in such option deeds, are satisfied. If SHPL acquires 100.0% of NTP pursuant to such options, SHPL will have the right to nominate, through NTP, three of the six total members of the Delta Board of Commissioners and two of the three total members of the Delta Board of Directors for appointment by the shareholders of Delta at an appropriate general meeting of Delta's shareholders. While NTP has not informed us of any future plans to change its shareholding of Delta or any further changes to its ownership structure, NTP may sell some of its shares in Delta, additional shares in itself, one or more of NTP's existing shareholders may sell some or all of their shares to an entity other than SHPL, should the conditions precedent included in the option deeds not be satisfied, or SHPL may sell some of its shares in NTP. We believe that the reputation of NTP's existing shareholders may provide us with access to their relationship banks and may assist us in gaining access to capital when necessary and at favorable terms. The potential changes in the shareholding of NTP described above may adversely affect our ability to access capital as required on acceptable terms, or at all.

The owners of SHPL have informed us that they currently have no plans to make material changes to our management or operations.

Contract Tenders

We are in the process of tendering for projects for two large coal producers in Indonesia with the cumulative tender periods extending to 2036. The cumulative tender amounts are for an aggregate (i) coal extraction volume of approximately 498 million tonnes and (ii) overburden removal volume of approximately 2.9 billion BCM. The outcome of the tender processes for these projects is expected within the first half of 2021. As these tenders are competitive processes, it is possible that the Company may not be successful in respect of such tenders. See "*Risk Factors — We may not be successful in securing new mining services agreements, which may impede our long-term growth.*"

We are currently exploring proposed acquisitions of mining services providers in Indonesia and Australia.

IPR Contract

On January 7, 2021, the Company and IPR, a subsidiary of Bayan, entered into an agreement to extend our existing contract to December 2031, or when the agreed volume is completed, whichever is earlier. Subject to certain conditions precedent such as completion of a coal hauling road, our amended agreement with IPR expands our scope of work by over 650 million BCM of overburden to be removed, over 210 million tonnes of coal to be extracted and over 75 million tonnes of coal to be hauled, with an estimated total incremental orderbook of approximately Rp.26 trillion or approximately US$1.9 billion, further expanding our customer portfolio.

Our Competitive Strengths

We believe that we have the following key competitive strengths:

Robust Indonesian coal market.

According to Wood Mackenzie, coal prices are expected to recover from 2020 lows, reaching marginal cost levels by 2024. Wood Mackenzie expects strong supply responses from all exporters, post-COVID-19 recovery and new coal-fired capacity growth in Asia during this period. Indonesia's physical proximity to key coal export markets such as India and China, as well as its low average cost of coal production relative to other coal markets, provides advantages in terms of the regional coal market. We believe we benefit from these positive fundamental industry dynamics.

Long-standing, customer relationships backed by long-term contracts for quality mines.

We have developed relationships with our key customers, such as Berau and Adaro, over periods ranging from 12 to 18 years, and our total orderbook as of September 30, 2020 was approximately US$4.2 billion. Over our long history with our customers, we have gained in-depth mine site knowledge, deployed an extensive range of equipment and built ties to the local communities. We believe that our customers see us as a reliable partner that has achieved operational excellence, enabling us to continue working with our largest customers. We believe this long history with our customers fosters interdependence, as customers could face significant operational downtime, demobilization costs, capital expenditures, loss of mine site knowledge and loss of our relationship with the local communities if they were to change mining contractors. Our contractual arrangements with customers are long-term, typically ranging from three to ten years, and we have negotiated life-of-mine extensions and renewals for a number of our contracts.

According to Wood Mackenzie, our customers produce coal products that are at the higher end of the quality spectrum and Wood Mackenzie expects these coal products will be more sought after in export markets than other Indonesian coals. In addition, according to Wood Mackenzie, the forecasted weighted average energy adjusted cash cost of our operated mines is US$48.3 per tonne in 2021, which is US$5.5 per tonne less than the forecasted global weighted average and US$6.7 per tonne less than the Indonesian forecasted weighted average. Wood Mackenzie expects the weighted average energy adjusted cost of global seaborne thermal coal is forecast to increase to US$61.9 per tonne, with the mines we service increasing at a lesser rate, to an average weighted cost of US$56.6 per tonne, by 2025. See "*Indonesian Coal Industry Summary Report*" included in the Appendix to this Offering Memorandum. We believe coal with higher-calorific value and low cost is more resilient to price fluctuations because (i) some power plants are required to use higher-calorific coal, driving demand, (ii) there is a relatively limited supply of high calorific coal and (iii) it is easier for power plants to break-even with lower cost coal.

Optimal capacity management to increase productivity and reduce capital expenditure.

We currently have existing capacity of approximately 430 million BCM, with excess capacity of approximately 90 million BCM from the ramp up in production that we undertook in 2018. This excess capacity allows us the flexibility to accommodate new volumes with our existing capacity, thereby limiting the capital expenditure required to accommodate any such new volumes. This in turn allows us to better serve our existing customers and also enter into tender processes for new contracts. We believe our ability to optimize capacity management will also lead to better operational efficiency and cash preservation.

Robust track record of operational excellence delivering a resilient business model.

We maintain a strong focus on operational quality, with a performance-focused management culture that consistently delivers results which are in line with planned production targets while adapting to market conditions and customer demands. As the second-largest mining services company in Indonesia based on overburden removal volume, according to Wood Mackenzie, the scale of our operations facilitates operational efficiency and consistency as well as competitive pricing. In particular, we leverage our information technology systems to conduct real-time monitoring of our entire fleet and support quick and accurate frontline decision making in order to drive efficient and reliable performance that meet or exceed target levels. Our equipment had approximately 56%-57% utilization for the nine months ended September 30, 2020. In a concentrated industry with a limited supply of mining contractors, we believe our strong operational track record and competitive pricing provides us with a competitive advantage and solidifies our reputation among mine owners.

Sustainable cost efficient structure driving cash flow generation.

We have a flexible fleet mix, comprised primarily of medium-sized excavators and trucks that are more easily deployed than large equipment, and we optimize our fleet mix according to project needs. We strengthen our fleet further by developing a strategic approach to align capital expenditure with contract requirements in order to limit redundant capacity. We establish long-term partnerships with key suppliers with favorable and visible cost structures, including cost caps for equipment lifecycle costs, use of leasing to enhance flexibility, warranty schemes and guaranteed second life at lower pricing. These long-term partnerships assist in furthering our strategic objectives. We have established a rigorous maintenance program to extend the life of the major components of our heavy equipment in order to optimize our cost structure whilst maintaining performance.

We have also right sized employee headcount (including in response to the COVID-19 pandemic) and improved employee productivity as a result of equipment usage optimization. Further, we have optimized our drilling and blasting process to reduce the costs associated with explosives by using less while delivering quality blasting. In addition, we have implemented a number of technology driven initiatives and reorganization measures aimed at reducing costs further in the future. Primarily as a result of such cost initiatives, our costs related to spare parts and maintenance decreased to US$0.33 per BCM for the nine-months ended September 30, 2020 from US$0.42 per BCM for the year ended December 31, 2017.

Prudent leverage and liquidity management through coal price volatility.

We adopt a disciplined approach to working capital management and reducing our capital expenditure requirements in order to be well-placed to react to factors such as coal price volatility. According to Wood Mackenzie, due to the COVID-19 pandemic, global demand for commodities in 2020 was impacted and a decreased demand for power resulted in a 3.0% decline in total global thermal coal demand and a 7.0% decline in seaborne demand as domestic supplies were supported. However, a surge in global coal prices at the end of 2020, following both progress on COVID-19 vaccine candidates and colder than expected weather across Europe, China, Japan and elsewhere drove power generation to record highs and spurred demand for coal, according to Wood Mackenzie. In response to the uncertainty caused by the COVID-19 pandemic, we enhanced the implementation of our right-sizing and efficiency initiatives which contributed to a lower cost structure in the nine months ended September 30, 2020. Despite the challenging circumstances, we maintained a total debt to EBITDA ratio of 3.3x and a fixed charge coverage ratio of 3.6x for the twelve months ended September 30, 2020.

Our Strategy

The main elements of our business strategy include the following:

Retain and grow robust customer base with low cost, diversified, secured volumes through long term contracts

We are currently in the process of tendering for projects for two large coal producers in Indonesia with the cumulative tender periods extending to 2036. The cumulative tender amounts are an aggregate of (i) coal mined of approximately 498 million tonnes; (ii) and OB removed of approximately 2.9 billion BCM. The outcome of the tender process for each of these two coal producers is expected within the first half of 2021. We intend to actively seek out new long-term contract opportunities, including with our existing customers, on an ongoing basis. On January 7, 2021, we entered into an agreement to extend our existing contract with IPR which includes expansion of our scope of work, therefore further diversifying and strengthening our customer portfolio. See "*— Recent Developments — IPR Contract*".

We focus on ensuring our customer agreements that we enter into provide us with strong visibility of cash flows, driven by long-term mining services agreements that support our capital expenditure and working capital requirements. To support this objective, we undertake a customer and contract evaluation process involving multiple layers of assessment and approval. Our customer assessment involves robust analysis based on mine plans, profitability analysis and sensitivity analysis, while project assessments comprise internal analysis of project viability, including potential marketability of the coal to be mined, with a focus on net present value, return on invested capital and potential profitability for the Company. Additionally, we have a detailed contract checklist and established negotiation process. We negotiate our contracts to be as transparent with respect to revenues as possible, with many of them containing minimum volume guarantees. We believe our disciplined approach to contracting has helped us to establish a contract portfolio that historically has achieved favorable margins.

Deliver operational excellence driving customer retention.

We intend to focus on customer retention through various market conditions by providing high-quality service and efficient execution. We aim to entrench our positions with our existing customers through conversion or extension into longer term, life of mine contracts. We also seek to strictly align with our robust and comprehensive customer evaluation process when considering new customers and contracts. Our goal is to maintain our position as a top-two mining services provider in Indonesia and to be the first choice service provider for customers to deliver profitable long-term results.

Enhance our value proposition through technology-people initiatives.

To enhance value for our customers, we have also adopted and implemented a number of technology initiatives targeting health and safety including predictive fatigue management for employees, promoting optimization and efficiency through the use of real time data to assist with mine planning scenarios as well as component planning and boosting employee productivity, amongst others. Our initiatives aim to establish a sense of ownership to foster productivity and employee engagement. See "— *Information Management Systems*."

Deliver sustainable cost competitiveness and asset efficiency

We will continue to empower our organization to maintain our focus on performance driven and rigorous process management, maintaining clear KPIs focused on operational excellence, profitability and free cash flow generation and linking compensation to those KPIs. We intend to continue to enhance and leverage our information technology, including data analytics, simulation, and other programs to drive optimal operational-maintenance performance and deliver cost reduction. We also plan to strengthen employee development and engagement programs to improve competency and culture to assure delivery of performance and cost above.

Maintain prudent financial discipline to deliver stable EBITDA and FCF generation.

We seek to maintain a prudent and sustainable capital structure in order to provide us with financial and operational stability across a range of economic environments and cycles. We have a disciplined focus on working capital and capital expenditure management, with the goal of ensuring sufficient cash balance to support near-term capital and operating expenses. We aim to optimize our financing plan in order to achieve favorable funding costs and a balanced debt maturity profile, as well as managing our exposure to exchange rate risk.

In response to the weakness in the coal market and COVID-19 pandemic in 2020, we enhanced the implementation of our right-sizing and efficiency initiatives which contributed to a lower cost structure in the nine months ended September 30, 2020. Despite the challenging circumstances, we were able to maintain a healthy EBITDA and booked an EBITDA margin of 33.3% for the nine months ended September 30, 2020. We also continue to generate strong free cash flows post-replacement cycle as a result of optimizing asset utilization, strategic capital expenditure planning, tight cost controls and prudent working capital management. Additionally, we typically maintain a minimum cash balance of approximately US$60 million. This also involves a proactive approach to accelerating tax refund collection.

Pursue value accretive, established mining and mining services opportunities in Indonesia and Australia.

We are exploring opportunities to expand into new markets and services through potential acquisitions of mining service providers and other complementary businesses. For example, our mining infrastructure development and construction business supplements the rest of our business by allowing us to provide our customers with a comprehensive mining services offering. We are currently in discussions with respect to the potential acquisition of value accretive, established mining and mining services related opportunities in Indonesia and Australia. See "— *Recent Developments*."

Continue to focus on ESG enhancement initiatives

Our ESG framework focuses upon the following key elements: health and safety, eco-efficiency, optimization, ownership, community, climate and governance. We are currently engaged in a number of initiatives that seek to address each of these elements. For example, we promote proactive fatigue management through the implementation of a safety and health index point system that tracks the overall health and total sleep of employees and have also implemented a hazard and risk identification program for accident prevention. These projects contribute to the overall health and safety of our employees. We also promote sustainable corporate governance through the implementation of our anti-fraud management system. See "— *Environmental Matters*."

Our Services

We provide open-cut mining and mine operation services to Indonesian coal producers across all production stages, including planning and scheduling of mining operations within parameters set by the mine owners, mining infrastructure development and construction, overburden removal, land clearing and removal of top soil, drilling and blasting, pit drainage and dewatering, provision of coal mining equipment and operators, coal hauling, and land reclamation and rehabilitation.

The coal production chain is as follows:

The mining portion of the production chain is carried about by our customers in connection with equipment lease arrangements with us.

Mine Survey and Planning

We typically become involved in a mining project at the mine survey and planning stage. Coal producers prepare mining plans with respect to the operation of each pit within a project, beginning with a conceptual life-of-mine plan and determining the potential production profiles for a particular concession throughout its life. At this stage, coal producers typically begin discussions with mining services contractors such as us to agree on optimal fleet sizes, labor utilization and annual production or overhaul targets necessary to reach a certain production profile. Surface features such as topography, positions of rivers and creeks, local villages and associated infrastructure are surveyed and recorded, and the rehabilitation and recovery planning process commences at this stage.

We submit tender proposals to coal producers based on their requirements for each project, either for appointment as the sole contractor providing integrated mine operation services or overseeing the operations of third party contractors, or as one of several service contractors. If appointed as mine operator, we typically work with coal producers to prepare short to long-term mining plans for each project, including daily, monthly or quarterly mining plans (which are intended to be adjusted to capture changes in prevailing coal prices, differences in anticipated strip ratios, the configuration of coal seams, equipment capacity, changes in operating costs and weather conditions), as well as longer term mine plans for periods ranging from a year up to life of mine. Coal producers typically provide us with between one and three months' notice of their required coal and overburden production volumes, according to their overall annual mine plan.

We typically provide equipment, personnel and technical expertise for the construction of facilities and infrastructure for the mining project. Equipment typically used in these processes consists of hydraulic excavators, rear-dump trucks, bulldozers and graders.

Overburden Removal and Customer Coal Extraction

We commence overburden removal by removing vegetation and the layer of topsoil and stockpiling the topsoil for future rehabilitation of the disturbed areas. From the initial box cut, waste is initially hauled out of the pit to an external waste dump. Once there is sufficient space at the bottom of the mined-out pit, the backfilling process is commenced. Where necessary, we drill and blast overburden using explosives.

Our customers, in connection with equipment lease arrangements with us, typically conduct coal extraction using the conventional truck-and-shovel open-pit mining method. Once the coal seam is exposed, the concession holder mines the coal using equipment and personnel rented from us. The mining is normally performed without drilling and blasting. We then load the coal into haul trucks and deliver it to stockpiles for further treatment if required. We tailor the equipment and procedures used to the properties and configuration of the coal seam, which also affects the strip ratios and mining costs.

Under normal operating conditions, mines are typically operated 24 hours a day, 365 days a year. Our mining employees work two shifts of 12 hours per day. Each site has facilities including offices, maintenance workshops and a camp with roads, electricity (either mains or via generator) and water supply.

Coal Hauling

Coal is extracted and transferred using trucks and other vehicular transportation to locations closer to a river or the sea, where barge loading facilities can load the coal onto barges for transfer to coal terminals, or other loading terminals or vessels.

The distance between a mine and a loading terminal directly impacts transportation costs, as shorter hauling distances result in lower transportation costs. Barge loading and crushing facilities are typically owned by concession holders, and located within a short distance from the relevant concession for this reason.

We provide equipment, personnel and technical experience for the transportation of extracted coal as directed by our customers.

Rehabilitation and Reclamation

Under Indonesian laws and regulations, coal concession holders are legally responsible for mine closure and rehabilitation of all mined concession areas, although mining services agreements with such concession holders typically stipulate that mining contractors are responsible for rehabilitation of the mined areas based on the concession holder's rehabilitation plan.

Typically, topsoil removed during the mining process is stored for future reclamation of mined areas. Overburden is typically placed in mined out areas of the pit as mining progresses. As reclaimed areas reach their design profile, they are graded and contoured to reflect the original landscape. Topsoil is spread on the area to be rehabilitated, mulched, seeded with grasses and fertilized, and re-vegetated with various local trees, in accordance with the concession holder's AMDAL (*Analisis Mengenai Dampak Lingkungan*).

Effects of Weather and Other Conditions on Mining Activities

Mining operations can be affected by changes in weather conditions, particularly heavy rains. Our mining projects are located in the Kalimantan region of Indonesia, where a rainy season usually occurs from October to April. During the rainy season, concession areas typically experience heavy rainfall and occasional flooding. Rainfall results in lost production time because of complete stoppage of operations or lower equipment and labor efficiency. Post-rain cleanup is also necessary before work can resume, due to safety concerns. Rainfall also creates challenging road conditions, which increases excavator and truck cycle times, reducing the efficiency of labor and equipment, which in turn slows or stops overburden removal, the use of our rental equipment for coal mining activities, coal haulage and barging.

Typically, our customers set higher production targets during the dry season to ensure sufficient stockpiling to meet their sales requirements during the rainy season.

We aim to mitigate the impact of wet weather conditions on our operations by constructing new haul roads and maintaining existing roads and undertaking strategic dewatering with temporary sumps, drainage construction and pumping.

During the dry season, mining operations may also be affected if water levels in the rivers and tributaries used for barging decrease below a certain point. The risk of forest fires is also highest during the dry season.

See also "*Risk Factors — Risks Relating to Our Business — Our ability to meet our production targets may be adversely affected by unexpected disruptions, which could harm our customer relationships or cause our results of operations to fluctuate across fiscal periods*."

In addition to weather, surface mining operations can be affected by events and conditions that may disrupt the production process for varying lengths of time, such as natural disasters, including earthquakes and forest fires, unexpected equipment failures and maintenance problems, failure to obtain key materials and supplies such as explosives, fuel and spare parts (particularly tires for coal and overburden-hauling trucks), variations in coal seam thickness, amount and type of overburden overlying the coal seam and other variances from the geological model for such mining projects, changes in geological conditions and geotechnical instability of mining pit walls, labor disputes, and the inaccuracy of reserve estimates. See "*Risk Factors — Risks Relating to Our Business — Our ability to meet our production targets may be adversely affected by unexpected disruptions, which could harm our customer relationships or cause our results of operations to fluctuate across fiscal periods*."

Further, mining operations can be affected by the status of our customers stockpiles as low coal prices can lead to stockpiles growing in size leading to a decrease in demand. We are able to assist customers with creating temporary stockpiles at the relevant site(s) and adjusting the mine plan to match stockpile capacity.

Customer Agreements

The following table sets out certain information relating to all our current mining services agreements entered into with our customers.

Concession Holder	Concession	Contract Term
Berau	Lati, Berau, East Kalimantan	2012 — Life of mine (expected to be April 2025)
Berau	Binungan, Berau, East Kalimantan	2003 — March 2025
Berau	Suaran, Berau, East Kalimantan	2003 — December 2021
Adaro	Tabalong, South Kalimantan	2009 — September 2022
IPR (a subsidiary of Bayan)	Kutai Kartanegara, East Kalimantan	2018 — December 2031
PT Sungai Danau Jaya (a subsidiary of Geo Energy) ("**SDJ**")	Tanah Bumbu, South Kalimantan	2015 — Life of mine (December 2023)
Tanah Bumbu Resources (a subsidiary of Geo Energy) ("**TBR**")	Tanah Bumbu, South Kalimantan	2018 — Life of mine (expected to be March 2024)
PT Angsana Jaya Energi ("**AJE**")	Tanah Bumbu, South Kalimantan	2016 — December 2021

Concession Holder	Concession	Contract Term
PT Tadjahan Antang Mineral ("**TAM**")	Gunung Mas, Central Kalimantan	2015 — Life of mine (expected to be August 2025)
Pada Idi ("**PAD**")	Barito Utara, Central Kalimantan	2017 — July 2027
Insani Baraperkasa ("**IBP**")	Kutai Kartanegara, East Kalimantan	2018 — December 2025

The payment terms in our mining services agreements typically provide that we will be paid certain fixed charges per BCM of overburden removed, per tonne of coal hauled and per amounts of coal produced through our equipment leases for coal mining activities. Prices per BCM of overburden removal, per tonne of coal delivered and per amounts of coal produced through our equipment leases for coal mining activities are generally fixed based on factors such as the location and terrain of the project, the distances over which overburden and coal are to be transported and other factors affecting our operating costs. A number of our customers, such as Adaro and Berau, directly procure the fuel needed for their operations, in which case we only record fuel expenses when our usage exceeds our pre-agreed fuel allowance, which is borne by the customer. For customers that do not procure their own fuel, the terms of our mining services agreements typically provide a pass-through mechanism whereby we supply the fuel necessary for the relevant operations and the fuel expenses are billed to the customers according to a formula specified in the relevant customer's mining services agreement. For these contracts, we record expenses related to fuel as our cost of revenues, and record payments by customers attributable to fuel expenses as our net revenues.

We normally enter into long-term or life-of-mine mining services agreements with concession holders, which either provide for the expiry of such contract on a specified date, or for termination on the date on which the production targets specified in the relevant agreement are met. Each mining services agreement typically stipulates the aggregate production volumes of overburden or coal for the duration of the contract, with some agreements specifying a minimum volume guarantee, as well as setting out monthly or annual production targets, which may be varied on advance notice being given by the concession holder in accordance with the terms of the mining services agreement. In a high coal price environment, concession holders typically request us to increase our annual production volumes where possible to take advantage of the higher prices. Similarly, where coal prices are low, concession holders may request us to decrease our annual production. As a result, contract durations may vary from the estimates set out in our mining services agreements due to contracted production targets being met earlier or later than expected.

Typically, subject to the satisfactory performance of mining services contractors under the terms of their mining services agreements, concession holders tend to extend or renew existing agreements on expiry, given the level of operational expertise developed by the contractor through its familiarity with the mine and its geological and other characteristics. In addition to this, significant downtime and costs may be incurred while switching mining services contractors, due to the time required by a new mining services contractor to develop an understanding of the mine geology and mining plans to be able to operate in an efficient manner and the time necessary for the deployment of the new mining services contractor's mining equipment to the mine. In certain cases, concession holders may elect to put the contract out to tender on expiry. Accordingly, the incumbent mining services contractor has significant competitive advantages over other mining services contractors, due to its knowledge of the mine characteristics and conditions.

We generally assume operational responsibility for the contracted activities and provide our own equipment and materials, including heavy equipment such as excavators, wheel loaders, mining trucks, coal haul trucks, drill machines and other equipment and materials such spare parts required for maintenance of our equipment. We also assume responsibility for the development of infrastructure required to conduct mining operations, such as the construction of connecting haul roads and ramps, waste and wastewater pits, messing, housing and workshop facilities, as well as maintenance of such infrastructure.

Many of our mining services agreements allow our customers to set periodic updates to the contracted volumes of overburden removed or coal hauled, but also include a minimum volume guarantee. If such volume is not met, we are entitled to deficit compensation to make up for the change in planned production. In addition, many of our mining services agreements contain penalty and bonus provisions for under and overproduction as compared to projected volumes at the coal mines. In such contracts, we are subjected to a penalty tied to a percentage of the unit price for failing to meet certain thresholds and receive a bonus tied to a percentage of the unit price if we exceed production expectations.

Under the terms of our mining services agreements, we invoice our customers on a monthly basis with an average credit term ranging between 30 and 45 days, depending on the customer. Certain of our customers have delayed payment in the past and have withheld payment of certain disputed amounts. We may also re-negotiate the payment terms with certain customers as required. See "*Risk Factors — Risks Relating to Our Business — Disputes with our customers over actual production volumes or unit rates applied to such production may affect our relationship with such customers or our working capital position and cash flows*."

The following table shows the percentage of our total operating revenue attributable to each of our customers for the periods indicated:

	Year ended December 31,						**Nine months ended September 30,**			
	2017		**2018**		**2019**		**2019**		**2020**	
	(%)	**(US$ million)**	**(%)**	**(US$ million)**	**(%)**	**(US$ million)**	**(%)**	**(US$ million)**	**(%)**	**(US$ million)**
	(audited)						**(unaudited)**			
Berau	56.8	434.3	50.0	445.9	48.2	424.7	48.5	335.1	48.0	237.4
Adaro	11.0	84.1	10.7	95.8	11.3	99.9	11.0	76.2	12.5	62.0
Geo Energy	12.2	93.5	14.5	129.1	11.6	102.0	10.5	72.2	13.4	66.2
Bayan	0.0	–	1.1	9.9	9.0	79.2	8.9	61.6	10.2	50.5
Kideco	11.9	91.3	12.3	109.6	9.3	82.2	9.5	65.3	8.3	41.2
Others	8.1	61.4	11.4	102.2	10.6	93.8	11.6	79.9	7.6	36.9
Total	**100.0**	**764.6**	**100.0**	**892.5**	**100.0**	**881.8**	**100.0**	**690.3**	**100.0**	**494.2**

Our Principal Customers

For the years ended December 31, 2017, 2018 and 2019 and the nine month periods ended September 30, 2019 and 2020, our current three largest customers in terms of revenue accounted for approximately 67.8%, 61.8%, 68.5%, 68.4% and 70.7% of our net revenue. See "*Risk Factors — Risks Relating to Our Business — We are dependent on certain key customers and a small number of large contracts at any given time*." According to Wood Mackenzie, our customers produce coal products that are at the higher end of the quality spectrum and Wood Mackenzie expects these coal products will be more sought after in export markets than other Indonesian coals. Our key customers comprise the following:

- *Berau.* Berau has been a customer since 1998. Our orderbook with Berau as of September 30, 2020 represented 47.4% of our total orderbook, with our current mining services agreement set to expire between 2021 and 2025 (life of mine).

- *Adaro*. Adaro has been a customer of the Company since 2002. Our orderbook with Adaro as of September 30, 2020 represented 4.8% of our total orderbook, with our current mining services agreement set to expire in 2022 (life of mine).

- *Bayan*. Bayan has been a customer of the Company since 2018. Our orderbook with Bayan as of September 30, 2020 represented 23.0% of our total orderbook, with our current mining services agreement set to expire in 2026. This 23.0% excludes the recently extended contract to 2031, which, if included would result in the share of our total orderbook being 47.8%. See "*Recent Developments — IPR Contract*."

- *Geo Energy*. Geo Energy has been a customer of the Company since 2015. Our orderbook with Geo Energy (comprising SDJ and TBR) as of September 30, 2020 represented 11.3% of our total orderbook, with our current mining services agreements set to expire in 2023 for SDJ and 2024 for TBR (both life of mine).

- *AJE*. AJE has been a customer of the Company since 2016. Our orderbook with AJE as of September 30, 2020 represented 0.9% of our total orderbook, with our current mining services agreement set to expire in 2021.

- *IBP*. IBP has been a customer of the Company since 2018. Our orderbook with IBP as of September 30, 2020 represented 4.3% of our total orderbook, with our current mining services agreement set to expire in 2025.

- *TAM*. TAM has been a customer of the Company since 2015. Our orderbook with TAM as of September 30, 2020 represented 8.3% of our total orderbook, with our current mining services agreement set to expire in 2025.

- *Kideco*. We provided mining operations services to Kideco from 2004 to September 2020. Our mining services agreement with Kideco expired in September 2020 and was not renewed.

There are many considerations that would factor into a decision by one of our customers to switch contractors. First, we have a proven track record, maintain operational excellence and are low cost compared to our competitors. Second, switching contractors would require a significant capital expenditure and hiring of labor for our customers. Third, switching contractors leads to a loss of mine site knowledge as well as our relationships with the local communities. Fourth, such a switch would create significant downtime for our customers' production and cut into their profits. Finally, there are high mobilizing and demobilization costs associated with switching contractors.

Competition

We compete on the basis of price and reliability to customers. We face competition from four major categories of potential competitors: foreign conglomerates such as the CIMIC Group (through its operating subsidiary in Indonesia, PT Thiess Indonesia), large local conglomerates with mining operations such as PT Pamapersada Nusantara ("**PAMA**"), a subsidiary of PT Astra International Tbk, local small to mid-sized mine operators such as PT Cipta Kridatama, a subsidiary of PT ABM Investama Tbk, and PT Darma Henwa Tbk, and from concession holders who conduct their own mining operations, or part of such operations. We also compete with certain of our customer's affiliates, such as PT Sapta Indra Sejati ("**SIS**"), a subsidiary of PT Adaro Energy Tbk and PT Petrosea Tbk ("**Petrosea**"), a subsidiary of PT Indika Energy Tbk ("**Indika**"), both of which also provide mining contracting services. We also compete with newcomers to the market including PT Putra Perkasa Abadi ("**PPA**").

In addition, our customers face competition from domestic and international coal mining companies, as well as providers of other sources of energy, such as renewable energy. As we depend on our customer's demand for our services, we are indirectly exposed to the competition that they face.

Fleet and Mining Equipment

The following table shows the major equipment categories comprising our operational fleet and mining equipment as of September 30, 2020:

Type of Equipment	Fleet Size
Large fleet[1]	17 excavators
	149 trucks
Medium fleet[2]	153 excavators
	830 trucks
Support equipment[3]	249 excavators
	318 bulldozers
	110 graders
	593 trucks, drills, mine pumps
Coal haulers	408 trucks
	12 excavators

(1) Large fleet comprises excavators 300 tonnes or greater and haulers 150 tonnes or greater.

(2) Medium fleet comprises excavators 100 tonnes or greater and haulers 60 tonnes or greater.

(3) Support equipment comprises excavators 20 tonnes or greater.

Our strategy for our fleet mix is varied based on the size of equipment. For our large fleet, we utilize existing equipment for life and optimize such equipment without additional capital expenditures. For our medium fleet, support equipment and coal haulers, we enter into strategic supplier partnerships, invest in service agreements, strive to maintain a flexible fleet that is easily re-deployable, and enter into strategic partnerships while coal prices are low in order to secure long term benefits.

In general, we prefer to purchase new equipment rather than used equipment, due to the high utilization rates that can be achieved by new and more technologically advanced equipment. We believe we enjoy substantial bargaining power with equipment suppliers within Indonesia, given our size, and therefore are able to benefit from better equipment discounts, order priority, flexible payment terms and better support and after sales services from our suppliers. Manufacturer warranties for new equipment purchases are typically given for a period of two to four years depending on the anticipated useful life of major components.

Our major suppliers include either distributors of or the following companies directly: Caterpillar, Komatsu, Hitachi, Scania, Volvo and Mercedes. In 2016, we entered into long-term contracts with PT Trakindo Utama, a distributor of Caterpillar equipment, and PT United Tractors, a distributor of Komatsu and Scania equipment, in relation to our needs for new equipment for the next five years or more, taking the advantage of the industry’s down cycle by locking in equipment purchase at favorable prices. Our supply agreements with PT Trakindo Utama and PT United Tractors have many advantages to our business, including: (i) no price escalations or rise and fall mechanisms linked to certain coal indices for our supply contract other than those for Scania and Komatsu equipment, (ii) a guaranteed or cost cap for equipment lifecycle cost, (iii) a relatively long and robust warrant scheme with promises by some suppliers to improve performance annually in our supply contract for Caterpillar equipment, (iv) a guaranteed second life for the equipment at a lower price in our supply contact with Caterpillar; (v) training and equipment buy-back provisions in each of our supply contracts as well as technology improvement provisions in our supply contract for Caterpillar equipment and (vi) secured leasing facilities for new equipment.

The purchase price of heavy mining equipment such as excavators and dump trucks are generally payable in Rupiah but referenced to U.S. dollars. We purchase the majority of our equipment through hire-purchase leasing arrangements with Indonesian finance companies such as PT Caterpillar Finance Indonesia, PT Verena Multi Finance Tbk (previously PT IBJ Verena Finance), PT Mitsubishi UFJ Lease & Finance Indonesia, PT Orix Indonesia Finance, PT SMFL Leasing Indonesia, PT Chandra Sakti Utama Leasing, PT BRI Multifinance, PT Bumiputera — BOT Finance, PT Takari Kokoh Sejahtera and PT Hitachi Capital Finance Indonesia. Typically, such leasing arrangements are for a period of four to five years, with floating interest rates based on a marginal rate over a stipulated reference rate. On the expiration of the leasing arrangement, we have the option to purchase the equipment for a nominal sum.

We closely monitor our equipment utilization and status through real-time operational reports, allowing management to make decisions on equipment transfers quickly and effectively. Equipment transfers are usually made to replace broken equipment, increase or decrease capacity to vary production, or to improve utilization on under-utilized equipment. To transfer heavy mining equipment, we utilize rented landing craft tanks, which transport such equipment via rivers and their tributaries to the relevant concession.

We believe that the size and mix of our fleet gives us a competitive advantage over other mining services contractors, including lower labor requirements, lower fuel usage per tonne of coal and BCM of overburden, longer equipment life and better productivity. Additionally, we believe that our focus on fleet optimization and cost efficiency helps us to reduce capital expenditure needs and contributes to our EBITDA margins, which remained stable through the recent coal market downturn.

The following table sets forth our fleet availability and utilization, in respect of all of our customers over the periods indicated.

	Year ended December 31,			**Nine months ended September 30,**	
	2017	**2018**	**2019**	**2019**	**2020**
Physical Availability of Loaders[(1)]	91.1%	90.5%	89.6%	89.2%	91.2%
Physical Availability of Haulers[(1)]	88.8%	88.2%	87.1%	86.5%	89.3%
Use of Availability of Loaders[(2)]	56.5%	57.1%	57.1%	58.1%	56.8%
Use of Availability of Haulers[(2)]	58.0%	59.2%	58.8%	61.1%	56.2%

(1) Availability refers to the percentage of time equipment that was available for operation based on production schedule.

(2) Use of availability refers to the percentage of available time equipment that was operating.

Overburden

The following table sets forth the combined average of the planned and actual total production for overburden for all of our customers, for the periods indicated.

Planned and Actual Total Production

	Planned Total Production[1]	Actual Total Production[1]	Percentage[2]
	BCM	BCM	%
Combined average for 2017 – 2019	1,169.3	1,112.8	95.2
Combined average for the nine months ended September 30, 2019	307.7	301.1	97.9
Combined Average for the nine months ended September 30, 2020	229.7	229.7	100.0

Notes:

(1) Refers to the amount of overburden removed in million BCM.

(2) Represents actual total production divided by planned total production.

Coal

The following table sets forth the combined average of the planned and actual total production for coal for all of our customers, for the periods indicated.

Planned and Actual Total Production

	Planned Total Production[1]	Actual Total Production[1]	Percentage[2]
	MT	MT	%
Combined Average for 2017 – 2019	143.6	132.5	92.3
Combined Average Nine Months ended September 30, 2019	39.3	37.8	96.2
Combined Average Nine Months ended September 30, 2020	33.8	33.8	100.0

Notes:

(1) Refers to the amount of coal removed in million tonnes.

(2) Represents actual total production divided by planned total production.

Repair and maintenance

Our mining service activities depend on key pieces of plant, machinery and equipment, including excavators, dump trucks, bulldozers, graders and hauling trucks. These typically have a useful operational life of three to eight years. We have workshop facilities for the maintenance and overhaul of our key pieces of mining machinery and equipment, and employ teams of trained mechanics to maintain and repair our equipment located on each of our mining site. We keep records of our maintenance schedules for every piece of mining machinery and equipment, and carry out scheduled maintenance, repair and replacement works in accordance with manufacturer specifications. All mining machinery and equipment is inspected before use on-site, and is subject to daily inspections and maintenance.

We generally use original equipment manufacturer ("**OEM**") replacement parts in our maintenance and repair works, and use a computer-based maintenance management system, such as our fleet management system and equipment health monitoring system to manage items and activities such as maintenance data, procurement activities, spare part inventory levels, controls and purchasing. Various equipment vendors also provide major component parts, repair services, planned maintenance, field inspections and warranties for services performed.

As coal mining industry is a capital expenditure intensive industry, assuring availability of equipment in prime condition is key to the continuity of our operations. Therefore, we focus our efforts on (i) improving maintenance of existing equipment to maintain a high physical availability rate, and (ii) securing future needs of new equipment, for which the Company has locked in long-term contracts with major suppliers.

Costs of spare parts and maintenance services, including tires, lubricants and workshop supplies, comprise a significant portion of our production costs. For the years ended December 31, 2017, 2018 and 2019 and the nine month periods ended September 30, 2019 and 2020, approximately 29.2%, 29.2%, 24.2%, 24.3% and 20.1%, respectively, of our total cost of revenue were attributable to spare parts costs and maintenance services incurred in our operations. We primarily use radial tires for our equipment. Radial tires are manufactured using steel-based construction material, and last for approximately 8,000 to 14,000 hours of usage, as compared to 1,000 to 5,000 hours for bias tires.

Although radial tires are more expensive than bias tires, our preference is to use radial tires for our equipment where available, as we believe that the higher cost of such tires is offset by the reduction in production downtime and opportunity losses from tire replacement, and increases in production efficiency.

In order to achieve cost efficiencies, we have undertaken several initiatives aimed at optimizing our repair and maintenance costs, including:

- Extending component life;
- Bringing equipment maintenance in house instead of third party outsourcing;
- Delivering efficient and consistent tire monitoring; and
- Improving people skills.

We believe our partnership with key suppliers will further facilitate these initiatives, particularly in expanding and further developing the team's knowledge and skills. Although we perform regular repair and maintenance ourselves, our major suppliers generally provide spare parts on a consignment basis at our mining sites, and assign a support team to each site to assist in inspecting and identifying potential issues, such as equipment wear and tear. This reduces our inventory costs and dead stock.

Other significant cost drivers

Other than matters discussed in "-*Repair and Maintenance,*" the Company has also implemented other cost efficiency measures. Such streamlining and cost reduction initiatives are implemented across all business lines and functions.

The cost of diesel fuel used in our mining services operations also impacts our production costs; however, the bulk of our fuel costs primarily consists of fuel consumption adjustments and fuel cost pass through pursuant to our some of our respective contractual arrangements. For the years ended December 31, 2017, 2018 and 2019 and the nine month periods ended September 30, 2019 and 2020, approximately 7.0%, 10.4%, 7.9%, 8.2%, and 8.2%, respectively, of our total cost of revenue were attributable to fuel expenses incurred in our operations. We procure substantially all of our fuel requirements from PT Pertamina, Indonesia's state-owned oil and gas company, based on international market prices less the amount of applicable discounts. PT Pertamina currently supplies fuel to us pursuant to a supply agreement that is due to expire in October 2021.

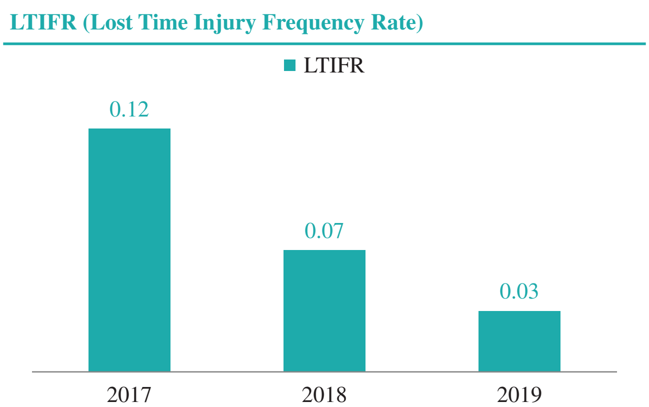
Health and Safety

We emphasize and place great importance on workplace safety in all of our mining operations, and have implemented Indonesian and internationally recognized standards for industrial health and safety. Workplace safety is an important factor which is taken into account when determining mine plans and increasing production capacity at the mines. We launched our proprietary health, safety and environmental management initiative, *B'Safe*, in 2002, which focuses on hazard identification and risk assessment, as well as control and mitigation of potential hazards. *B'Safe* is based on OHSAS (Occupational, Health and Safety Assessment Series) 18001, ISO 14001 and Indonesian labor regulations. Currently, we have obtained OHSAS 18001 certifications with respect to our activities on mining sites located at the Adaro concession, and the Lati mine located at the Berau concession. We have also obtained ISO 14001-2015 and ISO 45001-2018 certification in respect of all sites.

All plant and equipment is inspected before use on-site, and is subject to daily inspections and maintenance and servicing in accordance with manufacturer specifications. See "— *Fleet and Mining Equipment — Maintenance and Overhaul*." Personal protection equipment is provided for all employees, and all required safeguards under Indonesian health and safety regulations have been implemented.

All of our employees receive basic safety training and specialized training for their various occupations, and with respect to high-risk work activities. We also provide comprehensive training and assessment for all plant operators, drivers, riggers, crane operators, and safety management training for all supervisory personnel.

Our safety performance has improved over the years and has historically maintained industry-leading levels, as evidenced by our low Lost Time Injury Frequency Rate ("**LTIFR**") which measures the number of lost time injuries in an accounting period (times one million) over total hours worked in an accounting period (whereby the worker is injured and is unable to return to work the next day). Our LTIFR remained low in 2019 at an average rate of 0.03. The graph below shows our safety performance since 2017.



Environmental Matters

Under our mining services agreements, we are required to comply with Indonesian environmental standards in accordance with our mining services agreements. We engage service companies from local cooperatives to reclaim mined land. Under Indonesian laws and regulations, coal concession holders are legally responsible for mine closure and rehabilitation of all mined concession areas, although mining services agreements with such concession holders typically stipulate that mining contractors are responsible for rehabilitation of the mined areas based on the concession holder's rehabilitation plan. Typically, topsoil removed during the mining process is stored for future reclamation of mined areas. Overburden is typically placed in mined out areas of the pit as mining progresses. As reclaimed areas reach their design profile, they are graded and contoured to reflect the original landscape. Topsoil is spread on the area to be rehabilitated, mulched, seeded with grasses and fertilized, and re-vegetated with various local trees, in accordance with the concession holder's AMDAL (*Analisis Mengenai Dampak Lingkungan*).

Waste management principally involves the disposal of used oils, grease and other toxic and hazardous wastes from equipment maintenance and overhaul workshops. Each of our workshops contains drainage systems for holding waste oils before disposal and regulated facility and storage containing other toxic and hazardous wastes. All toxic and hazardous wastes are disposed of through government-licensed disposal companies. We have specific standards in respect of waste collection, storage design and packages which are implemented before the waste is handed over to specific vendors for waste disposal.

Coal dust is controlled by fixed water sprays placed at intervals around the coal stockpiles. Water run-off from stock piles is channeled through a drainage system to settling ponds for settlement of all solids, including coal dust. We closely monitor water released from these settling ponds.

Our ESG framework focuses on the following key elements: health and safety, eco-efficiency, optimization, ownership, community, climate and governance. We are currently engaged in a number of initiatives that seek to address each of these elements. For example, we promote proactive fatigue management through the implementation of a safety and health index point system that tracks the overall health and total sleep of employees and have also implemented a hazard and risk identification program for accident prevention. These projects contribute to the overall healthy and safety of our employees. We also promote sustainable corporate governance through the adoption of our anti-fraud management system. We also support climate initiatives through our annual tree plantation program.

Community Development Programs

We operate in over a wide area spanning multiple coal concessions. We are sensitive to the needs of these local communities and we aim to minimize the adverse impact such activities may have on them. For the sustainability and long-term success of our operations, we believe that it is important to maintain strong relationships with and benefit local communities.

We actively support programs to enhance the health, education, social and economic well-being of these communities. A proactive community development program is in place providing schooling, employment, health services, produce farming, electricity and water supplies, religious institutions and other needs.

We intend to continue fostering community ties through development programs focusing on health, education and technical assistance as well as job creation for these communities as it believes that these efforts are integral to the stability and development of our business. For example, we have developed a community waste bank in the Berdikari Sejahtera community which collects and recycles community household waste to produce soap.

Insurance

The following table is a summary of our insurance arrangements as of September 30, 2020:

Insurer	Type of Insurance	Insured Liabilities
PT. Asuransi FPG Indonesia and PT Asuransi Astra Buana	Contractors Plant & Equipment (CPM)	Heavy equipment
PT. Asuransi Sinar Mas	Property All Risks Building and Content	Material damage Business interruption
PT. Asuransi Sinar Mas	Moveable All Risks	Laptops and other electronic devices
PT. Asuransi Sinar Mas	Cash in Transit	Cash Loss
PT. Asuransi FPG Indonesia	Public Liability	Personal injury or property damage
PT. Asuransi FPG Indonesia	Cargo and Marine	Marine cargo
PT Asuransi Sinar Mas	Health Insurance – In and Out Patient (All site)	Medical

We insure our fixed assets such as heavy equipment, property (building, lube skid, fuel storage and contents), moveable assets, and marine cargo under comprehensive all-risk insurance policies by various providers. We maintain comprehensive all-risk insurance policies with respect to our warehouse and office building located in operating mine site areas in Kalimantan and Head Office, Jakarta, Indonesia. We also carry insurance for heavy equipment against loss or damage during the marine transportation of such equipment to various locations.

Such policies have extended coverage for riots, strikes, civil commotion, flood and windstorms, and natural disasters such as earthquakes, tsunamis, volcanic eruptions but exclude coverage for losses and damages related to terrorist attacks.

In addition to fixed assets insurance, we also provide health and life insurance for all employees in our offices and mining sites.

Information Management Systems

We have developed or commissioned and use information technology management systems, which include but are not limited to, the following:

- *FMS (Fleet Management System)*. FMS is a real-time monitoring system that allows us to track our entire fleet. We utilize it to record and review the operating performance of our fleet. It assists us in tracking our fleet, promoting efficient operational performance, optimizing our trucks and producing reliable reports. The impact that it has on our business is to reduce costs associated with personnel, repairs and maintenance.

- *EHMS (Equipment Health Monitoring System)*. This system monitors vehicles in real-time and acts as an early warning system for key equipment maintenance and component replacement. It provides accurate planned component replacement times, gives early warnings regarding critical components, produces reliable reports and minimizes component failure in service. It reduces our maintenance costs and improves our physical availability rate.

- *ESS (Employee Self-Service)*. This self-service system provides employees with access to personnel records, payroll details and other administrative items. It is a centralized employee database and promotes time efficiency and effective personnel management. It reduces general and administrative costs and has streamlined our administrative process.

Recently, we have developed the following technological initiatives:

- *Fatigue Management*. Predictive fatigue management through in-car camera technology, biometric and biomath systems.

- *ADP.* Adaptive Planning initiative to provide real time data for mine planning.

- *e-GMP.* e-Good Mining Practice initiative to provide real-time data to support mine operation processes.

- *DGM.* Digital Maintenance initiative to provide data for digital reliability analysis, best practices and maintenance.

- *DSP*. Daily strategic Plan.

- *Line up.* Daily scheduling assistant.

- *PdM*. Predictive Maintenance initiative to deliver real-time data and to provide predictive analytics for component planning and extend useful life of equipment.

- *P2H.* Program Pemeriksaan Harian online daily inspection tool.

- *P5M*. Pembicaraan 5 Menit online daily safety briefings to improve shift change processes.

- *Performance dashboard.* Online daily individual achievement.

In addition to these systems, we also have a tire control and management system to identify the most appropriate tires for individual projects, monitor tire related downtimes (scheduled versus non-scheduled), and to provide reports and analyses such as immediate real-time comparison of different tire brand results, calculation of cost per kilometer and per hour, and provide re-tread, whole-of-life and/or current life performance and cost analysis.

We have also engaged the services of a major telecommunications company to provide communication linkages to all of our mining locations outside of Jakarta, which are generally located in the remote parts of Kalimantan where local telecommunication infrastructure is either non-existent or rudimentary. Communications with these sites are made through the VSAT network (*Very Small Aperture Terminal* network), which provides voice, VoIP, fax, email, internet and data connectivity.

Employees

As of September 30, 2020, we had approximately 10,928 employees, of which 10,615 were permanent workers and 313 were contract workers. As of December 31, 2017, 2018, and 2019, we had approximately 11,304, 14,528 and 13,012 employees, respectively. A number of our employees have been with the company for lengthy periods of service. Our employees are represented by fourteen unions throughout all of our job sites. We have monthly and bi-annual meetings as well bi-annual collective labor agreements with the unions and currently do not have any major issues or disputes with such unions.

We deliver our results through performance-driven management process guided by clear KPI's on critical key financial measurements such as EBITDA, free cash flows, and cost per unit as well as key operational measurements such as availability and utilization rate and safety measurement. We operate each of our mining sites in a way that empowers site operators to work independently. Each site has a dedicated staff that covers the range of our business units, from engineering to human resources. Because decisions are localized to each site, we are able to operate more efficiently with on-the-ground knowledge. In addition, we believe in an employee-engagement approach and have begun various employee initiatives under our "B'Closer" program. As a company, we care about the fulfillment and welfare of our employee's mind, body and soul and have implemented programs such as personal interest driven clubs and events (B'Clubs and B'Contests), employee gathering and support groups (B'Gatherings) and knowledge-sharing sessions and seminars (B'Seminars). The "B'Closer" program is intended to empower the mind, body and soul of each of our employees in order to make them more productive members of our team. For example, we offer fitness and other hobby clubs as well as offer programs to assist with our employee's families that may live far from the mining sites. We also hold monthly education seminars in order to keep our employees up-to-date with new information about our business. We believe this is important because each of our employees drives of our business excellence. Therefore, our people are treated as our valuable assets and we do our best to make them as productive and happy as possible.

A number of our ESG and technological initiatives also involve the engagement of our employees. For example, DESA promotes employee grouping to foster cohesiveness. Our multiple versatility initiative encourages flexibility as workers develop multiple skills.

We have implemented a framework to manage our workforce called the "people project" which comprises the following steps:

- review of site organizational effectiveness and impacts on manpower efficiency;
- removal of inefficient overtime through changes to work schedules;
- organizational restructuring of our head office;
- developing internal capabilities in respect of training and assessment in addition to greater versatility;
- adjustments to short-term and medium-term compensation and benefit strategies; and
- reductions in labor supply and changes to rental structures to improve cost efficiency.

Litigation and Other Related Proceedings

From time to time, we may be involved in legal proceedings arising from our business operations, including industrial relation disputes and tax disputes. Other than the tax refund claims described below, we are not currently, nor have we been during the past twelve months, involved in any governmental, legal, or arbitration proceedings that, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on our financial position or results of operations.

As of September 30, 2020, we had outstanding claims for tax refunds totaling US$45.5 million. This amount relates to a number of disputed tax assessment and collection claims from the Indonesian tax authorities dating from 2001 to 2019, primarily from overpayment of corporate income tax and value-add tax. While we believe that the amounts are recoverable, such recovery is in the sole discretion of the Indonesian courts, and we cannot guarantee that the Indonesian courts will agree with our appeals for reconsideration. If we do not ultimately recover some or all of this amount, our results of operations and financial condition would be adversely affected.

REGULATION OF THE INDONESIAN COAL MINING INDUSTRY

General Mining Regulations

Pursuant to Article 33 paragraph (3) of the Indonesian 1945 Constitution, as amended, all mineral resources are deemed to be national assets and are therefore controlled by the state for the best interests of the nation and the prosperity of the Indonesian people.

To encourage new investment in the Indonesian mining sector, particularly in the coal mining industry, Law No. 4 of 2009 on Mineral and Coal Mining ("**Law 4/2009**") came into effect on January 12, 2009. On June 10, 2020, the Government issued Law No. 3 of 2020 on Amendment to Law 4/2009 ("**Law 3/2020**"), which amended Law 4/2009 (Law 4/2009, as amended by Law 3/2020 and further amended by Law No. 11 of 2020 on Job Creation, is hereinafter referred to as the "**Mining Law**"). The Mining Law revoked the old mining regime which was regulated under Law No. 11 of 1967 on General Provisions on Mining ("**Old Mining Law**"), and its implementing regulations, namely Government Regulation No. 32 of 1969 concerning the Implementation of Old Mining Law, as amended by Government Regulation No. 79 of 1992 and Government Regulation No. 75 of 2001, and Decree of the Minister of Energy and Mineral Resources ("**MEMR**") No. 1614 of 2004 on the Guidelines for Processing Applications of Contracts of Work and Coal Cooperation Agreement in the Framework of Foreign Investment.

Under the Mining Law, mining contracts of work or coal cooperation agreement (each a "**concession**") will be issued by the Government. Business entities that want to operate in coal mining and metal industries shall first obtain: (i) a mining area business license (*Wilayah Izin Usaha Pertambangan* or a "**WIUP**") through tender process before obtaining a mining license (*Izin Usaha Pertambangan* or an "**IUP**"). While WIUP was previously determined by a provincial government or the central Government, depending on the geographical coverage of the mine and its infrastructure, under Law 3/2020 WIUP areas are stipulated by the MEMR, after being determined by the provincial government; or (ii) a special mining area business licence (*Wilayah Izin Usaha Pertambangan Khusus*, "**WIUPK**") for areas declared by the Government to be areas of national strategic interest (being a conversion from state reserved areas or *Wilayah Pencadangan Negara*), which is covered by a special mining license (*Izin Usaha Pertambangan Khusus* or an "**IUPK**"). IUPKs may be issued with respect to minerals such as coal, copper, lead, gold, iron, nickel and bauxite. An IUPK can only be issued directly by the central Government, regardless of the geographical coverage of the proposed mining area. The Government is required to first offer a WIUPK to certain state-owned companies or enterprises ("**BUMN**"), before offering such WIUPK to private sector investors through a tender process. Although a BUMN and a region-owned enterprise ("**BUMD**") have priority to obtain an IUPK, if the BUMN and/or BUMN do not exercise their privilege to obtain an IUPK, a private business entity may obtain an IUPK by participating in an auction held by a committee which is assembled by the Government (the MEMR, the governor or the regent/major, depending on the location of WIUP/WIUPK) and submitting an application to the MEMR upon winning.

Under the Mining Law, the central Government is required to initially determine the area and boundaries to which a WIUP will apply. Such WIUP shall be located within a mining operational area (*Wilayah Usaha Pertambangan* "WUP") stipulated by the Government upon being determined by the regional government and submission in writing to the House of Representatives (*Dewan Perwakilan Rakyat* or the "DPR"). A WIUP may be granted to a mining company through a tender process (for coal and metallic minerals) or an application (for non-metallic minerals and rocks). After a WIUP has been granted to the winner of a tender or the relevant applicant, and upon fulfillment of the applicable regulatory requirements, an IUP will be issued.

The tender process is a departure from the previous mining regulatory regimes in Indonesia, which had provided for the direct grant of a mining authorization (*Kuasa Pertambangan*, or "**KP**") by the relevant issuing authority upon application by the potential investor. In the event that minerals other than the ones to which an issued IUP relates to are discovered, the relevant Government authority may issue further IUPs for those minerals to other parties upon tender process or application, if the original IUP holder declares that it does not have any intention to mine such minerals.

Under the Old Mining Law regime, the Government generally required that KPs could not be held by Indonesian entities with foreign ownership or management. Under the Mining Law, both IUPs and IUPKs can be held by Indonesian legal entities (which may be either domestically-owned Indonesian companies or foreign-owned Indonesian companies). This change in the investment policy of the Government under the Mining Law is consistent with the approach taken by the Government in its current "Negative List on Investment" that is regulated under Presidential Regulation No. 44 of 2016 on the List of Business Activities that are Closed and Open with Requirements in the Sector of Investment, which provides that there is no restriction on foreign investment in the mining sector. However, the Mining Law requires IUP and IUPK holders that have foreign shareholding to implement a gradual divestment program of 51% (fifty one percent) of their foreign shares after 5 (five) years of production to encourage greater domestic participation in the mining sector.

Under Government Regulation No. 23 of 2010 on Mineral and Coal Mining Business Activities, as lastly amended by Government Regulation No. 8 of 2018 ("**GR 23/2010**"), foreign shareholders in a company holding an IUP and an IUPK must divest their shares gradually to Indonesian party(ies) in the order of priority set out in GR 23/2010. Such foreign shareholders will have to begin divesting its shares to the Indonesian party(ies) at the fifth year of production and as a result, the Indonesian party(ies) will have no less than 20.0% shares by the end of the sixth year, 30.0% shares by the end of the seventh year, 37.0% shares by the end of the eighth year, an aggregate of 44.0% shares by the end of the ninth year, and 51.0% shares by the end of the tenth year. The Indonesian party(ies) referred to consist of the Government, provincial or regency/city regional government, BUMN, BUMD or national private companies. If the capital of the foreign-owned companies is increased, then the aggregate amount of shares ownership of such Indonesian party(ies) cannot be diluted and always subject to the aforementioned amount. The divestment requirements as set forth in GR 23/2010 apply to IUP and/or IUPK granted both prior and subsequent to the issuance of such regulation. The divestment procedures are further regulated under MEMR Regulation No. 09 of 2017 on Procedures of Share Divestment and Share Price Determination Mechanism in Mineral and Coal Mining Activities as amended by MEMR Regulation No. 43 of 2018 ("**MEMR 9/2017**"). The recently issued Law 3/2020 provides specification to the existing divestment schemes set forth under Law 4/2009, subject to the issuance of implementing regulations detailing the new divestment requirements. Until the issuance of such implementing regulations, the divestment scheme under GR 23/2010 and MEMR 9/2017 remain in effect. Law No. 3/2020 also introduces: (i) the possibility of the Government jointly with the regional government, BUMN and/or BUMD to coordinate on a divestment scheme and the composition of divested shares; as well as (ii) the possibility of divesting through the Indonesian Stock Exchange

The following table sets out certain material terms relating to IUPs for coal and metallic minerals:

	Exploration	Production Operation
Coal	• Up to seven years – one year for general survey, two years for initial exploration (extendable twice, with one year period for each extension) and two year for feasibility studies.	• 20 years initially (including a two-year construction period), but extendable twice with 10 years period for each extension with a total period of 40 years
	• maximum WIUP: 50,000 hectares	• maximum WIUP: 15,000 hectares
Metals	• Up to eight years – one year for general survey, three years for initial exploration (extendable twice with one year period for each extension) and one year for feasibility studies (extendable for another one year period)	• 20 years initially (including a two-year construction period) but extendable twice with 10 years for each extension with a total period of 40 years
	• maximum WIUP: 100,000 hectares	• maximum WIUP: 25,000 hectares

A holder of an IUP or IUPK will be required to pay production royalties to the Government as stipulated in the Government Regulation No. 81 of 2019 on the Types and Tariffs of Non-State Tax Revenue Applicable in the Ministry of Energy and Mineral Resources. Currently, a range of royalties apply with respect to different types of coal and mineral mining. Under the Mining Law, the holders of IUPK for operation production are required to pay 10% (ten percent) of its net profit from the mine, comprising 4% (four percent) to be paid to the central Government, and 6% (six percent) being shared between the relevant provincial and regional governments in whose jurisdictions the mine is located. Additionally, under the Job Creation Law, business actors that increase the added value of coal can be given certain treatment on the state revenue obligation, this treatment can be in the form of a 0% (zero percent) royalty. The implementing Government Regulation to this treatment is to be further stipulated.

Under the Mining Law, coal and other minerals mined within Indonesia will be required to be processed and refined domestically. However, to date, the implementing regulations of the Mining Law only set out the standard processing and refining of mineral products. The minimum standard of processing of coal products has not yet been set out in the implementing regulations of the Mining Law. As of the date of the Offering Memorandum, the Mining Law provides that "processing" and "refinery" shall mean a process which increases the quality of minerals and/or coal and the utilization of and the extraction of associated minerals.

The Mining Law states that all concessions for coal and other minerals and metals currently in existence and issued prior to the Mining Law shall continue to be valid until their expiry, however, their terms must be adjusted to conform with the Mining Law, at the latest one year after the enactment of Mining Law. Despite the foregoing, the Mining Law expressly states that the provisions related to state revenue, including royalty and tax payments, will not be amended.

General Mining Services

Mining services are generally regulated under the Mining Law and MEMR Regulation No. 7 of 2020 on Procedures for Granting Area, Licenses, and Reporting on Mineral and Coal Mining Business Activities (the "**MEMR Regulation 7 of 2020**"). Based on MEMR Regulation 7 of 2020, a company intending to provide mining services (a "**mining services company**") must first obtain a business license (*Izin Usaha Jasa Pertambangan*) from the MEMR or the governor, as applicable. These licenses are generally issued for a 5 (five) year period and are thereafter extendable upon application, for a five years period per extension.

Mining services companies may be engaged or appointed to perform mining business activities for concession holders under Old Mining Law as well as IUP and IUPK holders under the Mining Law. The Mining Law provides that concession holders as well as IUP and IUPK holders shall be responsible and held liable for all activities conducted by mining services companies engaged by them, and imposes certain restrictions on concession holders as well as IUP and IUPK holders and mining services companies.

The Mining Law further demonstrates the Government's attempt to protect and promote national and local mining companies in the Indonesian mining sector. Mining service companies are required under the Mining Law to give preference to the usage of local contractors and laborers. Further, the Mining Law stipulates the obligation of IUP or IUPK holders to engage local mining services companies and/or national mining services companies. If there are no local mining services companies and/or national mining services companies, IUP or IUPK holders may engage other mining services companies in the form of foreign investment Indonesian legal entities.

A holder of an IUP or an IUPK is also prohibited from engaging its subsidiaries and/or affiliated mining services companies in its mining operational area, unless a permit has been obtained from the MEMR in respect of such engagement and such permit will be granted if there are no similar mining services companies in the area or in the event there are no interested nor qualified companies for the required mining services. The MEMR Regulation 7 of 2020 states that the holder of IUP or IUPK is prohibited from involving its subsidiary and/or affiliate which engage in mining service activities within the mining operation without prior approval from the Director General on behalf of the MEMR. This prohibition affirms the relevant provision in the Mining Law. In addition, Article 45 paragraph (1) of MEMR Regulation 7 of 2020 governs that the holders of an Production-Operation IUP or Production-Operation IUPK covers construction, mining, processing and/or refining, and transportation and sales activities. Article 56 paragraph (1) of MEMR Regulation 7 of 2020 only allows mining services companies to conduct overburden or ground stripping for holder of a Production-Operation IUP and IUPK.

The Mining Law stipulates the type of mining services such contractors may perform, including implementation in the following sectors; (i) general surveying; (ii) exploration; (iii) feasibility studies; (iv) mining construction; (v) transportation; (vi) mining environment; (vii) post-mining/reclamation; (viii) workplace health and safety; and/or (ix) mining. In carrying out its business activities, a mining service company holder shall also comply to the obligations stipulated under Article 72 of the MEMR Regulation 7 of 2020, including the obligations to, among others: (i) prioritize the use of local products; (ii) deliver each mining services contract it entered into to the MEMR or governor (as relevant); (iii) implement the applicable mining work safety regulations; (iv) deliver reports of their activities to the MEMR or governor as well as holders of the relevant IUP and IUPK; and (v) only use equipment that has passed a feasibility test.

A mining service company is prohibited from having IUP, IUPK, Community Mining License (*Izin Pertambangan Rakyat*), Production-Operation IUP for processing and/or refineries, and Production IUP for transportation and sales. Article 95 of MEMR Regulation 7 of 2020 states that any incompliance with the aforesaid obligations and prohibition is subject to administrative sanctions ranging from (i) written warning, (ii) suspension of parts or whole business activities, and/or (iii) revocation of the mining service company license.

See "*Risk Factors — Risks Relating to Our Business — Changes or developments in coal mining laws or regulations that affect concession holders and mining services contractors may be difficult to comply with, may significantly increase our operating costs or may otherwise adversely affect our business, prospects, profitability, financial condition or results of operations*" and "O*ur Business — Customer Agreements*" See also "*—General Mining Regulations*."

Environmental Regulation

Environmental protection in Indonesia is governed by various laws, regulations and decrees, including the following:

- Law No. 32 of 2009 on Environmental Protection and Management ("**Law 32/2009**") as amended by Law No. 11 of 2020 on Job Creation (the "**Environmental Law**");
- Government Regulation No. 27 of 2012 on Environmental Permit (**GR 27/2012**);
- Minister of Environment and Forestry ("**MEF**") Regulation No. P.38/MENLHK/SETJEN/KUM 1/7/2019 on Business and/or Action Plans which must be completed with Environmental Impact Analysis ("**MEF Regulation 38 of 2019**");
- MEMR Regulation 7 of 2020; and
- MEMR Regulation No. 26 of 2018 on Implementation of Good Mining Principle and Supervisory of Mineral and Coal Mining ("**MEMR Regulation 26 of 2018**").

The Job Creation Law introduces several materials provisions to Law 32/2009, including:

- The revocation of environmental permit (*izin lingkungan*) that was previously mandatory for a company which is required to obtain an Environmental Impact Assessment (*Analisis Mengenai Dampak Lingkungan* or "**AMDAL**") or a Environmental Management Effort-Environmental Monitoring Effort ("**UKL-UPL**"). Prior to the enactment of the Job Creation Law, the environmental permit served as a prerequisite to obtain the relevant business license and if the environmental permit is revoked, the business license would terminate as well. The Environmental Law requires all existing environmental management permits to be integrated into environmental permit within one year as of the enactment of Environmental Law.

- Categorizing environmental licensing for business activities into 3 (three) categories, depending on the extent of their possible impact to the environment: (i) activities that are not required to obtain AMDAL or UKL-UPL; (ii) activities that are not required to obtain AMDAL but require an UKL-UPL; and (iii) activities that are required to obtain AMDAL. For business activities falling under category (i), a statement letter on environmental management and monitoring (*surat pernyataan kesanggupan pengelolaan dan pemantauan lingkungan hidup*) is sufficient.

- Introducing the concept of Environmental Approval (*Persetujuan Lingkungan*), which can be in the form of (i) Environmental Feasibility Decree (*Keputusan Kelayakan Lingkungan Hidup*) in the form of AMDAL approval for businesses requiring AMDAL or (ii) validation to the Statement of Environmental Management Competency (*Pernyataan Kesanggupan Pengelolaan Lingkungan Hidup*) for businesses requiring UKL-UPL. As for businesses not requiring AMDAL nor UKL-UPL, the statement letter on environmental management and monitoring shall be integrated to a company's Business Identification Number instead.

- All holders of Environmental Approval must provide an environmental guarantee fund to be placed in a designated state owned banks in order to ensure recovery of environmental functions.

Aside from the amendments introduced by the Job Creation Law, other key provisions of the Environmental Law include:

- an environmental audit is required for (i) businesses that have obtained relevant business licenses but have not prepared an AMDAL in accordance with Article 121 paragraph (1) of the Environmental Law (ii) businesses in high-risk sectors or (iii) companies that do not appear to comply with environmental laws and regulations;

- any business which potentially has important impact to the environment must conduct environmental risk analysis;

- the imposition of remedial and preventative measures and sanctions (such as the obligation to rehabilitate tailings areas, the imposition of substantial criminal penalties and fines and the cancellation of approvals) to remedy or prevent pollution caused by operations; and

- the sanctions imposed range from one to 15 years of imprisonment applicable to any person who caused environmental pollution or environmental damage and/or fines ranging from Rp500 million to Rp15 billion. The imprisonment and the amount of fine will be increased by one-third if the criminal offense is conducted on behalf of a company. A monetary penalty may be imposed in lieu of performance of an obligation to rehabilitate damaged areas.

The amendments to the Environmental Law introduced by the Job Creation Law will be further implemented through government regulations or presidential regulations.

While the enactment of implementing regulations to the Job Creation Law is to be issued, the above environmental related regulations are still in place. These laws generally provide, among others, that mining companies must have the facilities and bear the costs and expenses of reclamation and rehabilitation of concession areas, and shall prevent and minimize environmental pollution and destruction resulting from mining activities. The GR 27/2012 requires mining companies whose operations have a significant environmental or social impact must create and maintain an AMDAL document, which consists of the following documents:

- an analysis known as Terms of Reference on Environmental Impact Analysis (*Kerangka Acuan Analisis Dampak Lingkungan* or KA-ANDAL);
- an environmental impact analysis (*Analisis Dampak Lingkungan* or ANDAL);
- an environmental management plan (*Rencana Pengelolaan Lingkungan* or RKL); and
- an environmental monitoring plan (*Rencana Permantauan Lingkungan* or RPL).

Under MEF Regulation 38 of 2019, a mining company with a total licensed area equal to or wider than 200 hectares or with the total open pit mining areas equal to or wider than 50 hectares (cumulatively per year) must have an AMDAL document. MEMR Regulation 26 of 2018 further stipulates that the implementation of management and monitoring of the mining environment shall be in accordance with the environmental document which consists of AMDAL documents or environmental management and monitoring efforts, or a statement letter of environmental management.

After the issuance of Government Regulation No. 24 of 2018 on the Electronically Integrated Business Licensing Service and MEF Regulation No. P.26/MENLHK/SETJEN/KUM.1/7/2018 on the Guidelines for the Preparation and Assessment as well as Examination of Environmental Documents in the Implementation of Electronically Integrated Business Licensing Service, environmental permits will be issued by the OSS governing body on behalf of the Minister of Environment and Forestry, Governor or Mayor/Regent (in accordance with their respective authorities) through the Online Single Submission ("**OSS**") system.

Under MEMR Regulation No. 1827 K/30/MEM/2018 of 2018 on Implementation of Good Mining Practices Technique Guidelines, IUP and IUPK holders are required to prepare reclamation plans for exploration phase and for production-operation phase, as relevant, for period of 5 (five) years and mining closure plan for their production-operation phase, which shall be submitted along with the application of IUP Production-Operation or IUPK Production-Operation to the relevant authority. Mining companies are also required to provide a reclamation guarantee in the form of either a joint account, time deposit held in the name of the relevant government authority, bank guarantee, insurance bond or, where the mining company has a paid up capital of US$50,000,000 or more, by way of an accounting reserve. Sanctions for non-compliance consist of written warnings, suspension of all or part of the mining activities and/or revocation of the mining license. On top or the reclamation guarantee, mining companies is also required to provide mining closure guarantee, which amount will be determined by Directorate General of Mineral and Coal or governor. Such guarantee shall be deposited in government bank held in the name of relevant government authority and the respective mining company.

See "*Risk Factors — Risks Relating to Our Business — Our operations are subject to environmental and other regulations which may cause us to incur significant costs or liabilities or interrupt or cease mining operations, any of which may adversely impact our results of operations*."

Other material environmental regulations and requirements applicable to concession holders and which we are required to comply with under the terms of our mining services agreements are as follows: *Wastewater disposal*. Government Regulation No. 82 of 2001 on Water Quality Management and Water Pollution Control requires responsible parties, including mining companies, to submit reports detailing their disposal of wastewater and compliance with applicable regulations. Such reports are to be submitted on a quarterly basis to the relevant authority, with a copy provided to the MEF. The Decision of the MEF No. 113 of 2003 concerning Wastewater Standard Quality for Coal Mining Business and/or

Activities requires mining companies to process their wastewater from mining and processing activities in accordance with mandated quality standards set out therein, and to manage water that is affected by mining activities by way of sedimentation pools. Mining companies are also required to monitor surface water quality where wastewater from the sedimentation pools or wastewater treatment facilities is discharged into streams and rivers, and comply with any additional requirements stipulated in their respective concessions or licenses. Analysis of wastewater and daily flow rates must be submitted on a quarterly basis to the relevant authority and with copy to the MEF.

Hazardous and Toxic Substances. Government Regulation 101 of 2014 on Management of Hazardous and Toxic Waste Materials and Government Regulation No. 74 of 2001 on Management of Hazardous or Toxic Materials *(Bahan Berbahaya dan Beracun)*, regulates the management of certain stipulated materials and waste. Flammable, poisonous or infectious waste from mining operations is subject to these regulations unless it can be proven scientifically by the applicant that it falls outside the categories set forth in such regulations. These regulations require a company using the specified materials, or which produces waste which is specified in the regulations, to obtain a license in order to store, collect, utilize, process and accumulate such waste. This license may be revoked and the license-holder may be required to cease operations in the event of violation. Further, under Law 32/2009 as amended by the Job Creation Law, waste dumping may only be conducted after obtaining approval from the central Government.

Lubricant Oil. Pursuant to MEF Regulation No. P.12/2020 on the Storage of Hazardous and Toxic Waste, provides that, among others, an entity which collects hazardous and toxic substances which also includes lubricant oil for further use or processing must comply with certain technical requirements as set out under the regulation which include obtaining the relevant license, ensuring that the facilities used for the storage of such waste comply with the specifications set out in this rule, establishing procedures on the collection and distribution of waste and submitting quarterly periodic reports relating to these activities.

Explosives. Explosives usage in Indonesia for mining purposes is regulated by MEMR Regulation 26 of 2018 and Regulation of Head of National Police No. 17 of 2017 on Supervision, Control and Safety of Commercial Explosive Materials, pursuant to which an "end-user" is defined as a legal entity that carries out project work of government and/or private sector being directly responsible as users of Commercial Explosive Material. End-user conducting business of, among others, mineral and coal mining, shall have, among others: (i) mining license, mining contracts of work or coal cooperation agreement, KP or other agreements; (ii) chief of mine technical (*kepala teknik tambang*) and explosive expert that has explosive permit issued by chief of mine inspection (*kepala pelaksana inspeksi tambang*) or chief of mine inspector (*kepala inspektur tambang*).

Other Regulations Related to Mining Operations. Other relevant Indonesian regulations, including regulations regarding the use of groundwater and technical guidelines to control air pollution from immovable sources. Companies that propose to explore, drill and acquire groundwater for their operations are required to comply with the provisions of Decree of MEMR No. 1451K/10/MEM/2000, which includes, among other things, requirements to obtain licenses to explore, drill and acquire groundwater.

Job Creation Law

On October 5, 2020, the legislative body of the DPR and the Government agreed to pass the Omnibus Bill on Job Creation. The bill is an effort by the Government to comprehensively amend numerous sectoral laws and amend and/or revoke numerous regulations with the purpose of creating job opportunities and improving Indonesia's investment ecosystem. On November 2, 2020, the Job Creation Law was enacted. It is expected that various new government and presidential regulations will be drafted and passed within three months after the enactment of the Job Creation Law, which may have an effect on the existing laws and regulations governing our business. See "*Risk Factors — Risks Relating To Our Business — Changes or developments in coal mining laws or regulations that affect concession holders and mining services contractors may be difficult to comply with, may significantly increase our operating costs or may otherwise adversely affect our business, prospects, profitability, financial condition or results of operations.*"

Regulation on Debt Securities

On November 29, 2019, OJK issued Regulation No. 30/POJK.04/2019 on Private Placement of Debt Securities and/or Sukuk Issuance ("**POJK 30/2019**"), which came into effect on June 1, 2020. POJK 30/2019 applies to public companies, corporate or legal entities in Indonesia, supranational bodies, and collective investment contracts. Any debt securities (including but not limited to bonds issued through medium term notes, sharia programs, standalone bonds and perpetual notes) will fall under the ambit of POJK 30/2019 provided that it is issued for Rp.1,000,000,000 (on a standalone or annual aggregate basis) and: (i) it has a maturity of more than one year; or (ii) it has a maturity of less than one year but is not subject to review or supervision by any authority in Indonesia. POJK 30/2019 requires the issuer to submit at least: (i) a cover letter; and (ii) an information memorandum in a form as prescribed under POJK 30/2019. The debt securities shall be issued up to 30 calendar days after the documents have been submitted to OJK.

There is no requirement for OJK to comment or provide feedback on the transaction documentation submitted, nevertheless POJK 30/2019 sets out certain requirements for private placement to subject to the regulation. These include, among others: (i) the securities must be in scripless form and thus clearing and settlement system for the securities will be done by PT Kustodian Sentral Efek Indonesia (KSEI); (ii) only licensed securities brokers with the OJK may participate as arranging banks/private placement agents for the issuance; (iii) the security holders would have to be represented by a monitoring agent that is licensed as *wali amanat* by the OJK (applicable to non-public company); (iv) securities can only be purchased and subscribed by "Professional Investors" (as defined in POJK 30/2019). All investors will be required to provide confirmation to the issuer that they are qualified as "Professional Investors"; and (v) the contents of the information memorandum/offering documents must be similar to an Indonesian local bond prospectus.

On June 12, 2020, the Capital Markets Executive Chairman of OJK issued letter No. S-161/D.04/2020 on Implementation of POJK 30/2019 (the "**OJK Letter"**) that somewhat clarifies that global bonds issued outside of Indonesia to non-Indonesian investors (akin to the offering of the Notes) will be exempted from POJK 30/2019 if the debt securities: (i) are issued only to investors outside Indonesia; and (ii) are not offered to any Indonesian investors, i.e. Indonesian citizens, Indonesian institutions or any other Indonesian legal entities, to the extent the issuer does not voluntarily subject itself to POJK 30/2019 or in a scenario where OJK (based on its discretion) has ordered the issuer to comply with the regulation. The OJK Letter, however, does not set out parameters on this residual discretion of OJK in doing so.

MANAGEMENT

In accordance with Indonesian law, we have both a board of commissioners and a board of directors. The two boards are separate and no individual may serve as a member on both boards. The rights and obligations of each member on our board of commissioners and board of directors are regulated by our articles of association, the decisions of our shareholders in general meeting and Law No. 40/2007 on Limited Liability Companies.

Our board of directors, under the supervision of our board of commissioners, is responsible for our management and day-to-day operations. Our board of commissioners supervise and advise our board of directors but do not have any direct power to manage nor to influence the board of directors in terms of management and day-to-day Company's operation. Our board of directors and board of commissioners are appointed by our shareholders at a general meeting of shareholders. Under our articles of association, each member of our board of directors and board of commissioners serves for a term of five years.

Our board of commissioners acts as the overall supervisory and monitoring body only. Decisions involving transactions above certain monetary thresholds must be referred to our board of directors, board of commissioners or shareholders for their review and approval, depending on the threshold.

Under our articles of association, our board of directors must consist of at least one member. If there is more than one director, one of the directors may be appointed as President Director. The President Director jointly with the Vice President Director are authorized to represent the Company. In the absence of the President Director or the Vice President Director, the President Director jointly with a Director, or the Vice President Director jointly with a Director, are authorized to represent board of directors and the Company. For certain transactions, such as lending or borrowing money on behalf of the Company, establishing a new business or involved in an onshore or offshore company, a prior approval from the board of commissioners is required. Our board of commissioners must have at least one member. If there is more than one commissioner, one of the commissioners may be appointed as the President Commissioner.

The composition of our board of commissioners and board of directors is as follows:

Name	Position	Age	Position Held Since
Sunata Tjiterosampurno.	President Commissioner	48	2012
Eng Aik Meng	Commissioner	50	2013
Eddy Porwanto Poo	Commissioner	52	2014
James Juwana.	Commissioner	27	2020
Ronald Sutardja	President Director	53	2014
Sorimuda Pulungan.	Director	52	2012
Indra Dammen Kanoena	Director	47	2013
Una Lindasari.	Director	56	2014
Iwan Salim.	Director	49	2019

Profiles of our commissioners and directors

Mr. Sunata Tjiterosampurno is an Indonesian citizen. He has served the Company as the President Commissioner since June 2012 and Delta as Commissioner since 2011. Prior to his appointment as President Commissioner of the Company, Mr. Tjiterosampurno had been serving the Company as Commissioner since 2009. He has also been serving as Managing Director at Northstar Advisors Pte. Ltd. since 2006. Mr. Tjiterosampurno's broad experiences in business strategy and investment originate from his extensive experience as Assistant Vice President in Investment Banking division of PT Danareksa Sekuritas (2004-2006) and as a consultant at Boston Consulting Group (1998-2004); where Mr. Tjiterosampurno was involved in capital markets, business strategies and restructuring across different industries. Mr. Tjiterosampurno started his career as Assistant Vice-President for Equity Research of PT Lippo Securities — SBC Warburg (1995-1998). He holds a Bachelor's Degree in Business Administration from the University of Wisconsin, USA, and Master's Degree in Finance from the London Business School, UK.

Mr. Eng Aik Meng is a Singaporean citizen. He has served the Company as a Commissioner since 2012. Mr. Eng is currently a Senior Advisor at TPG Capital, where he holds various strategic positions in TPG Capital's portfolio's companies. Before becoming the Non-Executive Director of Jurong Port Pte., Ltd., a company owned by the Government of Singapore, Mr. Eng was the Chief Operating Officer of Fortis Healthcare International, President Director of APL (American President Lines) and Deputy CFO of IMC Group. He earned his Bachelor's Degree in Accountancy from Nanyang Technological University, Singapore and a Master of Business Administration Degree from Harvard University. Mr. Eng started his career at Neptune Orient Lines Group until reaching the position of Vice President and Head of Strategic Planning (1999-2002). Currently Mr. Eng is also a member of the Advisory Board of Nanyang Business School.

Mr. Eddy Porwanto Poo is an Indonesian citizen. He has served as a Commissioner at the Company since early 2014 and a Director in PT Delta Dunia Makmur Tbk in the same year. Prior to this he was an Operations Director of Northstar from 2013. From 2010 to 2013, he served as Director in Archipelago Resources Plc., and as President Director at PT Meares Soputan Mining and PT Tambang Tondano Nusajaya. He has more than 17 years of experience in the field of finance where he served as CFO in PT Garuda Indonesia, PT General Motor Indonesia, PT GM Autoworld and PT Reckitt Benckiser Indonesia after starting his career in PT BAT Indonesia. He holds a Master of Business Administration Degree from University of Illinois at Urbana Champaign.

Mr. James Juwana is an Australian citizen. He has served as a Commissioner of the Company since June 2020. He has been a member of the Southeast Asia private equity team of TPG Capital since 2018. Previously, Mr. Juwana worked at Goldman Sachs as part of their investment banking division with a focus on mergers and acquisitions in Australia and New Zealand. He has been involved with various TPG portfolio companies and investments including Pathology Asia Holdings, AP Towers, Vietnam Australia School, Indomaret, Dream Cruises, and Greenfields. Mr. Juwana received a Bachelor of Commerce (Finance and Accounting) with Distinction and was on the Dean's list at the University of New South Wales, Australia.

Mr. Ronald Sutardja is an Indonesian citizen. He has been serving the Company as President Director since March 2014. His prior position in the Company was Vice President Director since June 2012. Since 2010, he has been professionally associated with Northstar as Head of Field Operations. Previously, Mr. Sutardja had worked in Infineum Singapore Pte Ltd., Michelin Malaysia and Singapore. He holds a Bachelor's Degree in Mechanical Engineering from University of California at Berkeley, USA (1989), Master of Science from Massachusetts Institute of Technology, USA (1991), and Master of Manufacturing Management from Northwestern University-Kellog Graduate School of Management, USA (1995). He started his professional career as a consultant at Booz, Allen & Hamilton.

Mr. Sorimuda Pulungan is an Indonesian citizen. He has served the Company as Director since January 2012. He has 17 years of experience in the mining industry. Mr. Pulungan has worked at PT Aurora Gold from 1994-2002; and at PT International Nickel Company for nine years, where his last position was General Manager at Mining Technology Division. Mr. Pulungan graduated from Institut Teknologi Bandung with a degree in Mining Technology (2004) and later obtained a master' degree in Financial Management from Hasanuddin University, South Sulawesi, Indonesia.

Mr. Indra Dammen Kanoena is an Indonesian citizen. He has served as Director of the Company since January 2013. Mr. Kanoena has more than 18 years of experience in various positions in human resources areas. Prior to joining the Company, Mr. Kanoena worked at PT HM Sampoerna Tbk. as Head of Organization and Management Strategy, PT Freeport Indonesia as Vice President of Human Resources (2007-2012) and PT International Nickel Indonesia (PT INCO) Tbk. (1997-2007). He obtained a Bachelor's Degree in Science in Industrial Engineering from Institut Teknologi Indonesia.

Ms. Una Lindasari is an Indonesian citizen and was appointed as Director at the Company in August 2014. She has more than 30 years experiences as a senior management positions within in Finance area in many companies including as a Finance Controller of BP Indonesia. Prior to joining the Company, she worked at Noble Group Indonesia as Chief Financial Officer since 2008. She started her professional career as an Auditor at Arthur Andersen Indonesia. She obtained a Bachelor's Degree in Accounting from University of Indonesia and later obtained her Master of Management and Master of Business Administration double-degree from IPMI-Monash University.

Mr. Iwan Salim is an Indonesian citizen and has served as a Director of the Company since May 2019. He has more than 23 years of experiences in the Energy sector, by working for Royal Dutch Shell since 1995 in various lines of business with assignments in London and Manchester, UK. His last position prior to joining the Company was as a Regional Manager of Asia and Middle East for Shell Global Engineering. He holds Bachelor's Degree in Economics from University of Indonesia.

Compensation of Commissioners and Directors

Our commissioners and directors receive compensation determined at the annual general meeting of our shareholders and are paid monthly each year. No fees are paid to our commissioners or directors for their attendance at their respective board meetings.

The aggregate amount of compensation payable by us to our commissioners and directors during the year ended December 31, 2019 and the nine months ended September 30, 2020 was approximately US$2.9 million and US$1.6 million, respectively. Except as discussed herein, no other payments have been paid or are payable by us in the year ended December 31, 2019 or the nine months ended September 30, 2020 to our commissioners and directors.

PRINCIPAL SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS

The following table sets forth certain information on our shareholders as of September 30, 2020:

Shareholders	Number of Shares Held	Percentage of Total Outstanding Shares
PT Delta Dunia Makmur Tbk.[1]	2,049,999	99.99995%
Glenn Timothy Sugita	1	0.00005%
Total	**2,050,000**	**100.00%**

(1) PT Delta Dunia Makmur Tbk is (i) 37.9% owned by Northstar Tambang Persada Ltd. ("**NTP**"), a company owned by a consortium of investors consisting of affiliates/nominated investment vehicles of TPG Capital, Government of Singapore Investment Corporation, China Investment Corporation and Northstar Equity Partners and (ii) 62.1% owned by public shareholders. NTP has informed us on January 1, 2021, that SHPL, a company controlled by Mr. Ashish Gupta and Mr. Ronald Sutardja, our President Director, entered into an arrangement with NTP to subscribe for a convertible note of NTP which may be converted into non-voting Class C shares of NTP which will result in SHPL owning approximately 44% of NTP and hence, indirectly, approximately 16.7% of Delta during the first quarter of 2021. We also understand that NTP's existing class A shareholder and each of NTP's existing class B shareholders have entered into an option deed with SHPL which provides (i) SHPL with a call option, and (ii) NTP's class A shareholder and each of NTP's existing class B shareholder with a corresponding put option, the strike prices of which are linked to the value of publicly traded Delta shares. Such options may result in SHPL owning 100.0% of NTP, and hence, indirectly, 37.9% of Delta if certain conditions precedent to exercise included in such option deeds, are satisfied. If SHPL acquires 100.0% of NTP pursuant to such options, SHPL will have the right to nominate, through NTP, three of the six total members of the Delta Board of Commissioners and two of the three members of the Delta Board of Directors for appointment by the shareholders of Delta at an appropriate general meeting of Delta's shareholders. See "*Business — Recent Developments — Shareholding Structure*."

Potential New Director Following Change in Shareholding Structure

If the option deeds result in SHPL's acquisition of 100.0% of NTP, we expect that Mr. Ashish Gupta may take up a position on the Board of Directors or Board of Commissioners of Delta. Mr. Gupta has over 20 years of corporate finance and investing experience across industries such as financial services, technology, media, natural resources and infrastructure. Mr. Gupta has been the Managing Director of Tiga Investments Pte. Ltd. since August 2019 and the President of Tiga Acquisition Corp., a special purpose acquisition company since July 2020. Prior to July 2019, Mr. Gupta was partner and portfolio manager at Farallon Capital Asia. Mr. Gupta joined Farallon Capital Asia in February 2007. Prior to joining Farallon, Mr. Gupta worked as an investment banker at Goldman Sachs & Co., Kotak Investment Banking and ICICI Securities. Mr. Gupta also serves on the boards of a number of private companies. Mr. Gupta received his bachelor of commence degree from Shri Ram College of Commerce, Delhi, India in 1996 and his MBA from the Indian Institute of Management, Ahmedabad in 2002.

Related-Party Transactions

On November 2, 2009, we entered into an unsecured intercompany loan pursuant to which the Company loaned Delta US$260.0 million (the "**Delta Intercompany Loan**"). The terms of the Delta Intercompany Loan were subsequently amended (i) in November 2010, to provide for an additional US$10.0 million under the loan agreement and extend the maturity of the loan, (ii) in October 2011, to reduce the interest rate of the loan, (iii) in March 2015, to increase the interest rate of the loan and extend the maturity date of the loan, and (iv) in July 2016, to provide that the Delta Loan will no longer be interest-bearing and will have no maturity date.

The Delta Intercompany Loan has historically been repaid in cash or by offsetting against dividends declared by the Company. As of September 30, 2020, the outstanding principal balance of the Delta Intercompany Loan was US$93.5 million.

DESCRIPTION OF MATERIAL INDEBTEDNESS

As of December 31, 2017, 2018 and 2019, the Company had consolidated indebtedness totalling US$581.8 million, US$704.7 million and US$709.9 million, respectively. As of September 30, 2020, we had consolidated indebtedness totalling US$633.5 million.

The following is a summary of the material terms of certain financing arrangements to which the Company is a party. The following summaries are not complete and are subject to the full text of the documents described below.

2022 Notes

On February 13, 2017, we issued the 2022 Notes for an aggregate principal amount of US$350.0 million. The 2022 Notes bear interest at the rate of 7.75% per annum, which is payable semi-annually on February 13 and August 13 of each year. At any time on or after February 13, 2021, we may redeem the 2022 Notes, in whole or in part, at a redemption price equal to 101.9375% of the principal amount of the 2022 Notes, plus accrued and unpaid interest, if any, to the redemption date.

Under the terms of the 2022 Notes, we are limited in our ability to, among other things, incur additional indebtedness, make investments or other payments, enter into agreements that restrict any of our future subsidiaries to pay dividends and transfer assets, and create encumbrances on their assets. As of the date of this Offering Memorandum, the outstanding aggregate principal amount of the 2022 Notes is US$337.3 million, which is expected to be partially redeemed with the proceeds of this offering pursuant to the Concurrent Tender Offer and Consent Solicitation, see "*Use of Proceeds*."

Bank Loans

MUFG Bank, Ltd. ("MUFG") Facility Agreements

On February 7, 2017, the Company and MUFG (previously The Bank of Tokyo-Mitsubishi UFJ, Ltd.) entered into a facility agreement, where MUFG agreed to provide term loan facilities ("**Facility A**") and revolving loan facilities ("**Facility B**") each amounting to US$50,000,000, with total facility amount of US$100,000,000.

On March 16, 2018, the Company and MUFG, entered into an amendment facility agreement whereby MUFG agreed to provide additional revolving loan facilities ("**Facility C**" and together with Facility A and Facility B, the "**MUFG First Facilites**") amounting to US$50,000,000, under the same terms and conditions as that of Facility A and B, except that the maturity date of Facility C was in 2019. The interest rate of Facility C remains the same as that of Facility A and B, which is LIBOR plus a specific margin. The MUFG First Facilities were fully repaid in December 2020. The interest rate of the MUFG First Facilities is LIBOR plus a specific margin.

On February 18, 2019, the Company and MUFG entered into a new facility agreement, wherein MUFG agreed to provide term loan facilities ("**Facility I**") and revolving loan facilities ("**Facility II**") amounting to US$100,000,000 and US$50,000,000 respectively, with a total facility amount of US$150,000,000 ("**MUFG Second Facilities**" and, together with the MUFG First Facilities, the "**MUFG Facilities**"). The MUFG Second Facilities will mature in November 2021. The interest rate of the MUFG Second Facilites is LIBOR plus a specific margin.

On February 28, 2019, the Company made its first drawdown under the MUFG Second Facilities, and used a portion of the drawn amount to fully repay Facility C of MUFG First Facilities. Facility C was terminated upon its full repayment.

In a certificate dated June 24, 2019, MUFG transferred its commitments under the MUFG Second Facilities in the amount of US$31,100,000 under Facility I and US$16,666,667 under Facility II to PT Bank Mandiri (Persero) Tbk.

On August 2, 2019, the Company and MUFG signed an amendment agreement to the MUFG Second Facilities under which the total commitments decreased to US$100,000,000, consisting of Facility I amounting to US$66,666,667 and Facility II amounting to US$33,333,333.

In a certificate dated September 2, 2019, MUFG transferred its commitments under the MUFG Second Facilities in the amount of US$15,620,000 under Facility I and US$10,000,000 under Facility II to PT Bank Negara Indonesia (Persero) Tbk.

The MUFG Facilities are secured by:

1. Fiducia over inventories;

2. Fiducia over receivables;

3. Fiducia over moveable assets;

4. Fiducia over insurance; and

5. Pledge of certain bank accounts.

In accordance with the MUFG Facilities, the Company must comply with loan covenants including financial covenants such as debt to EBITDA ratio, fixed charge coverage ratio and security coverage ratio.

As of September 30, 2020 and December 31, 2019, the annual interest rates on the MUFG Facilites ranged from 2.15% to 4.91% and 3.91% to 5.80%, respectively.

As of September 30, 2020, we had US$83.5 million of principal amount outstanding under the MUFG Facilities. As of the date of this Offering Memorandum, we had US$57.8 million outstanding under the MUFG Facilities, comprising only amounts outstanding under the MUFG Second Facilities. As of the Early Settlement Date (as defined in the Tender Offer Memorandum) of the Concurrent Tender Offer and Consent Solicitation, we expect US$53.3 million to be outstanding under the MUFG Facilities due to an upcoming amortization payment that will be funded using cash on hand. The MUFG Second Facilities are expected to be repaid in full with the proceeds of this offering, see "*Use of Proceeds*."

Long-term Debt

The Company has long-term interest bearing debt to PT Hexa Finance Indonesia ("**Hexa**"). The loan shall be repaid over a two year schedule that started from 2019.

On September 16, 2019, the Company entered into a new finance agreement with Hexa, wherein Hexa agreed to provide debt to the Company for purchasing inventory.

The annual interest rates of the loan with Hexa is LIBOR plus a specific margin as of September 30, 2020 and December 31, 2019, respectively.

As of September 30, 2020, we had US$0.9 million of principal amount outstanding under our loan with Hexa.

Finance Leases

As of September 30, 2020, the Company has facility leases with outstanding amounts as follows: (1) PT Caterpillar Finance Indonesia for US$105.6 million; (2) PT Verena Multi Finance Tbk for US$27.6 million; (3) PT Orix Indonesia Finance for US$14.9 million; (4) PT Mitsubishi UFJ Lease & Finance Indonesia for US$14.1 million; (5) PT SMFL Leasing Indonesia for US$9.3 million; (6) PT Chandra Sakti Utama Leasing for US$5.7 million; (7) PT BRI Multifinance for US$4.1 million; (8) PT Bumiputera — BOT Finance for US$1.7 million; (9) PT Takari Kokoh Sejahtera for US$1.1 million; and (10) other leases below US$1,000,000 amounting to US$14.9 million.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes" the term the "Company" refers to only to PT Bukit Makmur Mandiri Utama, a company incorporated with limited liability under the laws of Indonesia, and not to any of its Subsidiaries. Each future Subsidiary of the Company that guarantees the Notes is referred to as a "Subsidiary Guarantor," and each guarantee of a Subsidiary Guarantor of the Notes is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an Indenture, to be dated as of the Original Issue Date, among the Company, The Bank of New York Mellon, as trustee (the "Trustee") and as collateral agent (the "Collateral Agent").

The following is a summary of certain provisions of the Indenture, the Notes, and the Security Documents (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You should read the Indenture, the Notes and the Security Documents as they, and not this "Description of the Notes," define your rights as Holders. Copies of the Indenture and the Security Documents will be available for inspection on or after the Original Issue Date at the corporate trust office of the Trustee, currently located at 240 Greenwich Street, New York, NY 10286, United States of America.

Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- guaranteed by any future Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption "— The Subsidiary Guarantees" and in "Risk Factors — Risks Relating to the Notes and the Collateral;"
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- secured by the Collateral as described below under "— Security."

The Notes will mature on February 10, 2026 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 7.75% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on February 10 and August 10 of each year (each an "Interest Payment Date"). The first interest payment, will be made on August 10, 2021 in respect of the period from (and including) February 10, 2021, to (but excluding) August 10, 2021.

Except as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

Interest on the Notes will be paid to Holders of record at the close of business on January 26 or July 26 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of or interest on the Notes is not a Business Day in the relevant place of payment, then payment of principal or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360-day year comprising twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by wire transfer by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 240 Greenwich Street, New York, NY 10286, United States of America), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, if the Notes are in certificated form and the Company is acting as its own paying agent, at the option of the Company, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note register or by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof.

Future Subsidiary Guarantees

On the Original Issue Date, the Company has no Subsidiaries. Unless designated as an "Unrestricted Subsidiary" in accordance with the "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," covenant below, all future Subsidiaries of the Company will be Restricted Subsidiaries. The Company will cause each future Subsidiary that becomes a Restricted Subsidiary after the Original Issue Date, promptly upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes on a senior basis. Each Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a Subsidiary Guarantor.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- will be a general obligation of such Subsidiary Guarantor;
- will be effectively subordinated to secured obligations of such Subsidiary Guarantor, if any, to the extent of the assets of such Subsidiary Guarantor serving as security therefor;
- will be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- will rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated obligations pursuant to applicable law); and
- will be secured by the Collateral as described below under "— Security."

Under the Indenture, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. Each Subsidiary Guarantor will agree (1) that its obligations under its Subsidiary Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) to waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under its Subsidiary Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

Concurrently with the execution of its Subsidiary Guarantee, each Subsidiary Guarantor incorporated in the Republic of Indonesia will also be required to enter into a Deed of Guarantee governed by the laws of Indonesia which will provide for such Subsidiary Guarantor's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia.

The obligations of any Future Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "*Risk Factors — Risks Relating to the Notes and the Collateral — Any future Subsidiary Guarantees may be challenged under applicable bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws, which could impair the enforceability of such future Subsidiary Guarantees*."

Notwithstanding the foregoing, the Company may elect to have any Restricted Subsidiaries that are acquired in connection with the Acquisition not provide a Subsidiary Guarantee; *provided* that, if any such acquired Restricted Subsidiary becomes a Wholly Owned Restricted Subsidiary, to the extent not prohibited by law or regulation, the Company shall, within 30 days of such Restricted Subsidiary becoming a Wholly Owned Restricted Subsidiary, cause such Restricted Subsidiary to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes on a senior basis.

Under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its future Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not guarantee the Notes.

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or discharge as described under "— Defeasance — Defeasance and Discharge;"

- upon the designation by the Company of such Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary; or

- upon the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of a Subsidiary Guarantor to a Person who is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, if such sale, disposition, exchange or other transfer is made in a manner not in violation of the terms of the Indenture.

Security

The obligations of the Company under the Notes (including Additional Notes issued in accordance with the Indenture) and any Future Subsidiary Guarantors under the Subsidiary Guarantees and each of the Company and any Future Subsidiary Guarantors under the Indenture will, on the Original Issue Date, be secured on a first priority basis by a Lien, subject to Permitted Liens, on the Debt Service Accrual Account (the "Collateral"). Except for certain Permitted Liens, the Collateral will not be shared with any other creditors of the Company or any Subsidiary Guarantors. The agreements evidencing the Liens to secure the Notes and the Subsidiary Guarantees on, the Collateral are referred to as the "Security Documents."

Debt Service Accrual Account

Within seven days of the Original Issue Date, the Company will establish an account (the "Debt Service Accrual Account") in Singapore with Sumitomo Mitsui Banking Corporation (the "Debt Service Accrual Account Bank"). Pursuant to the Indenture, the Company shall be required to deposit into the Debt Service Accrual Account, on or prior to the sixth day of each calendar month, commencing on March 6, 2021 an amount equal to one-sixth (1/6) of each interest payment (together with any Additional Amounts related thereto) due on the next succeeding Interest Payment Date, so that prior to such Interest Payment Date there are sufficient funds available on deposit in the Debt Service Accrual Account to pay the interest (together with Additional Amounts) due on such Interest Payment Date.

Prior to each Interest Payment Date, the Company will instruct the Debt Service Accrual Account Bank to withdraw funds from the Debt Service Accrual Account on such Interest Payment Date in an amount equal to the interest (together with Additional Amounts) due under the Indenture on such Interest Payment Date and apply such funds to the payment of interest (together with Additional Amounts) on the Notes. Funds deposited in the Debt Service Accrual Account will be maintained in U.S. dollars and will be permitted, to the extent such investment is available, to be invested by the Company only in financial instruments specified in clauses (1), (2) and (5) of the definition of Temporary Cash Investment. The Company will deposit in the Debt Service Accrual Account all principal, premium and interest payments from such Temporary Cash Investments received by the Company with respect to funds held in the Debt Service Accrual Account.

On the Original Issue Date, as security for the payment and performance by the Company of its obligations under the Notes, any Future Subsidiary Guarantors under the Subsidiary Guarantees and each of the Company and any Future Subsidiary Guarantors under the Indenture, the Company will grant the Collateral Agent, for the benefit of the Holders and the Trustee, a first priority Lien (subject to Permitted Liens) over the Debt Service Accrual Account and all rights, title and interest in and to all amounts on deposit in the Debt Service Accrual Account (including interest, principal and premium payments from any Temporary Cash Investments made with funds in the Debt Service Accrual Account) at any time.

If the Notes become due and payable following the occurrence of an Event of Default under the Notes, the funds remaining on deposit in the Debt Service Accrual Account shall be paid solely to the order of the Trustee for the benefit of the Holders and the Debt Service Accrual Account Bank shall release such funds in the Debt Service Accrual Account at the direction of the Trustee, which shall apply such funds in accordance with the provisions of the Indenture and the Security Documents in and towards payment of the amounts due under the Notes and the Indenture.

Funds remaining on deposit in the Debt Service Accrual Account on the maturity date of the Notes will be applied to the payment of interest and Additional Amounts on the Notes, and any remaining balance shall be applied to the payment of principal and premium, if any, due on the Notes.

Enforcement of security

The first priority Lien (subject to Permitted Liens) over the Collateral will be granted to the Collateral Agent, which will hold such Lien granted pursuant to the Security Documents with sole authority as directed by the written instructions of the Holders or the Trustee pursuant to the Indenture and the Security Documents to exercise remedies under the Security Documents. The Collateral Agent has agreed to act as secured party on behalf of the Holders under the Security Documents, to follow the instructions provided to it by the Holders or the Trustee in accordance with the Indenture and the Security Documents and to carry out certain other duties.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the exclusive right, as directed by the Trustee acting on the written instructions of the Holders (subject to receipt of indemnity, security and/or prefunding to its satisfaction) holding not less than 25.0% in aggregate principal amount of the Notes then outstanding under the Indenture, to manage, perform and enforce the terms of the Security Documents and to exercise and enforce all privileges, rights and remedies thereunder according to such written instructions, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including following the occurrence of an Event of Default under the Indenture.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be applied as follows:

first, to the Collateral Agent to the extent necessary to reimburse it for any fees and properly incurred costs and expenses (including legal fees and properly incurred expenses) in connection with the collection or distribution of such amounts held or realized or in connection with fees and properly incurred costs and expenses (including legal fees and properly incurred expenses) in enforcing its remedies under the Security Documents and preserving the Collateral and all amounts owed to the Collateral Agent, or for which the Collateral Agent is entitled to indemnification and/or security and/or prefunding, under the Security Documents or the Indenture;

second, to the Trustee, to the extent necessary to reimburse it for any fees and properly incurred costs and expenses (including legal fees and properly incurred expenses) in connection with the collection or distribution of such amounts held or realized or in connection with fees and properly incurred costs and expenses (including legal fees and properly incurred expenses) in enforcing its remedies under the Security Documents, the administration of its duties, and preserving the Collateral and all amounts owed to, or for which the Trustee is entitled to indemnification and/or security and/or prefunding under, the Security Documents or the Indenture;

third, to the Trustee for the benefit of Holders; and

fourth, any surplus remaining after such payments will be paid to the Company or whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive security and/or indemnification and/or prefunding to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of its Liens on the Collateral. Except as expressly set forth in the Indenture and the Security Documents, neither the Collateral Agent, nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title or protection of any Collateral, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, priority, sufficiency, continuation or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or any delay in doing so.

The Security Documents provide that the Company will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful default of the Collateral Agent.

Release of security

The security created in respect of the Collateral granted under the Security Documents to secure the Notes may be released in certain circumstances, including:

- upon repayment in full of the Notes and satisfaction of all other obligations under the Indenture and the Security Documents;
- upon defeasance and discharge of the Notes as provided below under the caption "— Defeasance — Defeasance and Discharge;" and
- with the consent of the Holders of the requisite percentage of Notes in accordance with the provisions described under the caption "— Amendments and Waiver."

No release of Collateral shall be effective against the Collateral Agent, the Trustee or the Holders until the Company and the relevant Subsidiary Guarantor has delivered to the Collateral Agent and the Trustee an Officers' Certificate and an Opinion of Counsel stating that all requirements relating to such release in the Indenture and the Security Documents have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture and the Security Documents.

Further Issues

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees, if any, and the Security Documents) in all respects (or in all respects except for the issue date, issue price and the first interest period and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided that* the issuance of any such Additional Notes would then be permitted under the proviso to clause (1) of the "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant described below, and *provided further* that the Additional Notes will not be issued under the same CUSIP, ISIN or Common Code as the Notes unless such Additional Notes are fungible with the Notes for U.S. federal income tax purposes.

In addition, the issuance of any Additional Notes by the Company will be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Subsidiary Guarantees and the Security Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;

(2) the Company shall have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture; and

(3) the Company shall have delivered to the Trustee and the Collateral Agent one or more Opinions of Counsel, in form satisfactory to the Trustee and the Collateral Agent confirming, among other things, that the issuance of the Additional Notes does not conflict with applicable law and

that, after giving pro forma effect to the issuance of the Additional Notes and any transactions related thereto, the Liens created under the Security Documents, as amended, extended, renewed, restated, supplemented or otherwise modified or replaced pursuant to such transaction, are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening or preference period, in equity or law, that such Liens were not otherwise subject to immediately prior to the issuance of such Additional Notes and such amendment, extension, renewal, restatement, supplement, modification or replacement.

Optional Redemption

At any time prior to February 10, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time on or after February 10, 2023, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to the redemption date if redeemed during the twelve-month period beginning on February 10 of the years indicated below:

Year	Percentage
2023	103.875%
2024	101.9375%
2025	100.0%

The Company will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any national securities exchange and/or are held through a clearing system, in compliance with the requirements of the principal national securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system; or

(2) if the Notes are not listed on any national securities exchange or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that, upon a Change of Control Triggering Event, it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the

Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure of the Company to purchase tendered Notes would constitute an Event of Default under the Indenture.

The Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer to be made by the Company and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The ability of the Company to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "*Risk Factors — Risks Relating to the Notes and the Collateral — The Company may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a Change of Control Triggering Event as required by the Indenture governing the Notes*."

The phrase "all or substantially all," as used with respect to the assets of the Company in the definition of "Change of Control," will be interpreted under New York law and its interpretation will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

No Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes and all payments under the Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, any Subsidiary Guarantor or any Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") of the Company or any Subsidiary Guarantor is organized or resident for tax purposes or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required by a Relevant Jurisdiction, the Company, the applicable Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

(a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note or Subsidiary Guarantee, as the case may be, and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under the Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, any Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be, addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with the Relevant Jurisdiction, or other pertinent information, if and to the extent that due and timely compliance with such request is required by statute, regulation or administrative practice of the Relevant Jurisdiction to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(b) any tax, duty, assessment or other governmental charge which is payable other than by deduction or withholding from payments of principal or interest of the Notes;

(c) any tax required to be withheld or deducted under Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") (or any amended or successor versions of such Sections) ("FATCA"), any current or future regulations or other official guidance thereunder, any intergovernmental agreement entered into in connection with FATCA, any agreements entered into pursuant to Section 1471(b) of the Code, or any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement;

(d) any estate, inheritance, gift, sale, transfer, capital gains, excise, personal property or similar tax, assessment or other governmental charge;

(e) any Note presented for payment by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a Member State of the European Union; or

(f) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a) through (e);

(2) with respect to any payment of the principal of, or premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee to a Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in income under the laws of the Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Notwithstanding the foregoing, the limitations on the obligations of the Company, a Surviving Person or any Subsidiary Guarantor, as applicable, to pay Additional Amounts set forth in clause (1)(a)(iii) above will not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause (1)(a)(iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Note than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as U.S. Internal Revenue Service Forms W-8BEN, W-8BEN-E and W-9). For the avoidance of doubt, no Holder or beneficial owner of a Note shall have any obligation to establish eligibility for a reduced withholding tax rate under any income tax treaty.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company, any Subsidiary Guarantor or any Surviving Person, as the case may be, will also (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Company, any Subsidiary Guarantor or any Surviving Person, as the case may be, will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable, and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to the Holders on the payment date.

The Indenture will further provide that if the Company or any Subsidiary Guarantor conducts business in any jurisdiction (an "Additional Jurisdiction") other than a Relevant Jurisdiction and, as a result, is required by the law of such Additional Jurisdiction to deduct or withhold any amount on account of taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within such Additional Jurisdiction from payments under the Notes or, as the case may be, a Subsidiary Guarantee, which would not have been required to be so deducted or withheld but for such conduct of business in such Additional Jurisdiction, all references in this Offering Memorandum and in the Indenture to a Relevant Jurisdiction shall be construed to include a reference to such Additional Jurisdiction.

In addition, the Company will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto (other than a transfer of the Notes by a Holder).

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Company or the Surviving Person of the Company, as the case may be, in whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person of the Company, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(a) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a jurisdiction in which the Company or a Surviving Person of the Company is organized or resident for tax purposes (or any political subdivision or taxing authority thereof) (a "Relevant Taxing Jurisdiction"); or

(b) any change in, or amendment to, the existing official position, interpretation or the stating of an official position regarding the application or interpretation of such laws, or regulations or rulings promulgated thereunder (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective (i) with respect to the Company or any Surviving Person of the Company on or after the Original Issue Date and (ii) with respect to any Future Subsidiary Guarantor, on or after the date such Future Subsidiary Guarantor became a Subsidiary Guarantor, with respect to any payment due or to become due under the Notes or any Subsidiary Guarantee, or the Indenture, the Company, any Subsidiary Guarantor, or any Surviving Person of any of the foregoing, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, the relevant Subsidiary Guarantor or any Surviving Person of any of the foregoing, as the case may be; *provided* that changing the jurisdiction of the Company, a Subsidiary Guarantor or the Surviving Person of any of the foregoing is not a reasonable measure for the purposes of this section; *provided further that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, any Subsidiary Guarantor, or any Surviving Person of any of the foregoing, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due, *provided further* that where any such requirement to pay Additional Amounts is due to taxes of the Republic of Indonesia (or any political subdivision or taxing authority thereof or therein), this provision shall only have effect to permit the Notes to be redeemed in the event that the rate of withholding or deduction in respect of which Additional Amounts are required is in excess of 20.0%.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company or the Surviving Person of the Company, as the case may be, will deliver to the Trustee:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, the relevant Subsidiary Guarantor or such Surviving Person, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in each case of recognized international standing with respect to tax matters of the Relevant Taxing Jurisdiction, that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall accept and be entitled to conclusively rely on such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed will be cancelled as soon as is practicable.

Open Market Purchases

The Company and any Restricted Subsidiary may purchase Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws and regulations, so long as such acquisition does not otherwise violate the terms of the Indenture. Any Notes acquired by the Company or any Restricted Subsidiary will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Disqualified or Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness), or issue any Preferred Stock or Disqualified Stock (other than Disqualified Stock of a Restricted Subsidiary held by the Company so long as it is so held) *provided that* the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, after giving pro forma effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (w) no Default has occurred and is continuing, (x) the Fixed Charge Coverage Ratio would not be less than 2.5 to 1.0 and (y) the Consolidated Net Debt to EBITDA Ratio would be not greater than (i) 4.0 to 1.0 if Incurred prior to August 10, 2022, (ii) 3.75 to 1.0 if Incurred after August 10, 2022 but prior to February 10, 2023 and (iii) 3.5 to 1.0 if Incurred thereafter.

(2) Notwithstanding the foregoing, the Company and any Restricted Subsidiary may Incur Indebtedness to the extent provided below:

(a) Indebtedness under the Notes (excluding any Additional Notes) and any Subsidiary Guarantee and any related Deed of Guarantee;

(b) Any Pari Passu Guarantee;

(c) Indebtedness of the Company outstanding on the Original Issue Date, excluding Indebtedness permitted under clause (2)(d) of this covenant;

(d) Indebtedness of the Company or any Subsidiary Guarantor owed to the Company or any Subsidiary Guarantor; *provided that* any event which results in any Subsidiary Guarantor to which such Indebtedness is owed ceasing to be a Subsidiary Guarantor or any subsequent transfer of such Indebtedness (other than to the Company or any Subsidiary Guarantor), shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (2)(d);

(e) Refinancing Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then-outstanding Indebtedness (or Indebtedness repaid substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under proviso to clause (1) of this covenant or any of clauses (2)(a), (2)(c) or (2)(e) of this covenant and any refinancings thereof; provided that (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is pari passu with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee will only be permitted under this clause (2)(e) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made pari passu with the remaining Notes or such Subsidiary Guarantee, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (C) such new Indebtedness has an aggregate principal amount, or if Incurred with original issue discount, an aggregate issue price, that is equal to or less than the aggregate principal amount, or if Incurred with original issue discount, the aggregate accreted value, then outstanding (plus premiums, accrued interest, underwriting discounts, costs (including any defeasance costs), fees and expenses) under the Indebtedness being refinanced and (D) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Subsidiary Guarantor pursuant to Hedging Obligations entered into in the ordinary course of business and solely for the purpose of protecting the Company or such Subsidiary Guarantor from fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(g) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit issued in the ordinary course of business to the extent that such letters of credit are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the third business day following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary in connection with one or more standby letters of credit, performance and surety bonds, bankers' acceptances or surveyor appeal bonds issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(i) Indebtedness arising from agreements of the Company or a Subsidiary Guarantor providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets of the Company or any Subsidiary Guarantor or any Capital Stock of any Subsidiary Guarantor; *provided that* the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and the Subsidiary Guarantors in connection with such disposition;

(j) Indebtedness of the Company or a Subsidiary Guarantor arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five business days of Incurrence;

(k) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(l) Indebtedness Incurred by the Company or any Subsidiary Guarantor, *provided that* the aggregate principal amount of Indebtedness Incurred under this clause (2)(l) at any time outstanding does not exceed 5.0% of Total Assets and any Refinancing Indebtedness Incurred to Refinance such Indebtedness;

(m) Indebtedness Incurred by the Company or any Subsidiary Guarantor, including Indebtedness represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations, to finance all or any part of the purchase price (including adjustment of purchase price or similar obligations) or cost of construction, development, leasing, installation, improvement or expansion of property (real or personal), assets, machinery, plant or equipment (including through the acquisition of Capital Stock of any Person that owns such property (real or personal), assets, machinery, plant or equipment which will, upon such acquisition, become a Subsidiary Guarantor) to be used in the Permitted Business; provided that (i) such Indebtedness shall be Incurred no later than 180 days after the acquisition, construction, development, leasing, installation, improvement or expansion of such property (real or personal), assets, machinery, plant or equipment and (ii) the aggregate principal amount of Indebtedness Incurred under this clause (m) at any time outstanding (together with refinancings thereof) does not exceed (x) 15.0% of Total Assets until February 10, 2023 and (y) 10.0% of Total Assets thereafter;

(n) Indebtedness Incurred by the Company or any Restricted Subsidiary in connection with the Acquisition; *provided* that the aggregate principal amount of Indebtedness Incurred under this clause (n) at any time outstanding does not exceed US$250.0 million (or Dollar Equivalent thereof), and, *provided* further that, at the time such Indebtedness is Incurred, the Company would have been permitted to Incur an amount equal to such Indebtedness under the proviso to clause (1) of this covenant, and any Refinancing Indebtedness Incurred to Refinance such Indebtedness.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Disqualified or Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one type of Indebtedness, the Company, in its sole discretion, shall classify such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types, and the Company may from time to time reclassify any such item of Indebtedness into one or more types of Indebtedness described above.

(4) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an incurrence of Indebtedness; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in the Consolidated Fixed Charges of the Company as accrued.

(5) The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such Refinancing. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency value.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any of the Restricted Subsidiaries' Capital Stock (other than dividends or distributions payable solely in shares of the Company's Capital Stock or by a Subsidiary Guarantor in its Capital Stock (in each case other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of any such Capital Stock) held by Persons other than the Company or any Wholly Owned Subsidiary Guarantor;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Subsidiary Guarantor;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Subsidiary Guarantor); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving pro forma effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Company could not Incur at least US$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and the Restricted Subsidiaries after the Original Issue Date, shall exceed the sum of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter in which the 2022 Original Issue Date occurs and ending on the last day of the Company's most recently ended fiscal quarter after such day for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the 2022 Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, and including any Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the

Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company); plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's balance sheet upon conversion or exchange (other than by a Subsidiary of the Company) subsequent to the 2022 Original Issue Date of any Indebtedness (other than Subordinated Indebtedness) of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the 2022 Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Subsidiary Guarantor or from the Net Cash Proceeds from the sale of any such Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a guarantee provided by the Company or any Subsidiary Guarantor after the Original Issue Date of an obligation of another Person, or (C) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries that become Subsidiary Guarantors in accordance with the Indenture, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Subsidiary Guarantor after the Original Issue Date in any such Person.

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the making of any principal payment or the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution by or sale of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock), other than by or to a Subsidiary of the Company; *provided that*, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(4) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution to or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such

Capital Stock); *provided that*, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;

(6) the declaration of any dividend with respect to the Company's Capital Stock, to the extent such dividend is immediately set off against amounts payable to the Company under the Delta Loan and no cash dividend, distribution or other payment is made in respect thereof; or

(7) the making of any Investments in any Person that is primarily engaged in a Permitted Business, when taken together with all other Investments made pursuant to this clause (7) since the Original Issue Date, not to exceed 7.5% of Total Assets, *provided* that, immediately after giving effect to any Investment made pursuant to this clause (7), the Company could Incur at least US$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock,"

provided that in the case of clause (2), (3), (4) or (7) above, no Default will have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein, and *provided further* that, each Restricted Payment made pursuant to clauses (1), (5) and (7) of this paragraph (but in the case of each Restricted Payment made pursuant to clauses (1) and/or (5), only to the extent that dividends are paid to Persons other than the Company or a Restricted Subsidiary) shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments. Each Restricted Payment made pursuant to clauses (2), (3), (4), (5) (but only to the extent that dividends are paid to the Company or a Restricted Subsidiary) and (6) of this paragraph will be excluded in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted under the Indenture and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary,

provided that (x) the priority of any Preferred Stock Incurred in accordance with the Indenture in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Capital Stock shall not be deemed to be a restriction on the ability to make distributions on Capital Stock under clause (a) of this paragraph (1); and (y) subordination of loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances or a restriction on the ability to make distributions on Capital Stock under clauses (a) and (b) of this paragraph (1).

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

(a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture, or the Security Documents, or any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(b) imposed pursuant to agreements relating to Indebtedness secured by Liens granted under clause (13) of the definition of "Permitted Liens"; *provided that* the encumbrances and restrictions imposed pursuant to any such agreements are no more restrictive in any material respect than those encumbrances or restrictions imposed by the Existing Equipment Financings;

(c) existing under or by reason of applicable law, rule, regulation or order;

(d) customary non-assignment provisions in contracts and licenses entered into in the ordinary course of business;

(e) provisions limiting the disposition or distribution of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements entered into with the approval of the Board of Directors, which limitation is applicable only to the assets that are the subject of such agreements;

(f) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(g) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Subsidiary Guarantor, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(h) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Subsidiary Guarantor not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, reduce the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary; or

(i) with respect to a Subsidiary Guarantor and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Subsidiary Guarantor that is permitted by the "— Limitation on Sales and Issuances of Capital Stock," "— Limitation on Indebtedness and Disqualified or Preferred Stock" and "— Limitation on Asset Sales" covenants.

Limitation on Sales and Issuances of Capital Stock

The Company will not, directly or indirectly, sell and will not permit any Restricted Subsidiary to issue or sell, directly or indirectly, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or, other than with respect to Capital Stock of the Company, a Wholly Owned Subsidiary Guarantor;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Subsidiary Guarantor;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving pro forma effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under "— Limitation on Restricted Payments" if made on the date of such issuance or sale, and such issuance or sale is made in accordance with, the "— Limitation on Asset Sales" covenant; and

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary which remains a Restricted Subsidiary after any such issuance or sale; *provided that* the Company or any Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("Guaranteed Indebtedness") of the Company or any Subsidiary Guarantor, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of the Notes by such Restricted Subsidiary (and, if such Restricted Subsidiary is incorporated in the Republic of Indonesia, enters into a Deed of Guarantee governed by the laws of Indonesia providing for such Restricted Subsidiary's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia) and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee (or related Deed of Guarantee) until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (B) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

Limitation on Transactions with Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with any holder of 10% or more of any class of Capital Stock of the Company (or any Affiliate of such holder) or (y) any Affiliate of the Company or any Restricted Subsidiary (each, an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company or such Restricted Subsidiary or any such holder; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees to directors or commissioners of the Company or any Subsidiary Guarantor who are not employees of the Company or any Restricted Subsidiary;

(2) transactions otherwise permitted under the Indenture between or among the Company and any Subsidiary Guarantor or between or among Subsidiary Guarantors;

(3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described above under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) transactions pursuant to any management or services agreement between the Company and Delta, *provided that* all such Affiliate Transactions involve an aggregate consideration not in excess of US$5.0 million in each year;

(5) the payment of reasonable and customary compensation to officers and directors of the Company or any Restricted Subsidiary, including pursuant to employee stock or share option schemes;

(6) loans or advances to employees in the ordinary course of business not to exceed US$7.5 million in the aggregate at any one time outstanding; and

(7) the Incurrence of, and other transactions pursuant to the Delta Loan.

In addition, the requirements of clause (2) of the first paragraph of this covenant will not apply to (i) Investments (other than Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant and (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date.

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Collateral, except Permitted Liens.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation to be secured by such Lien is subordinated in right of payment to the Notes or any Subsidiary Guarantee, prior to) the obligations so secured for so long as such obligations are so secured.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into any Sale and Leaseback Transaction; *provided that* the Company or a Subsidiary Guarantor may enter into a Sale and Leaseback Transaction if:

(1) the Company could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the proviso to clause (1) of the covenant described under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Limitation on Liens," in which case the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or the Subsidiary Guarantor, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale, unless:

(1) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(2) in the case of an Asset Sale that constitutes an Asset Disposition, the Company could Incur at least US$1.00 of Indebtedness under the proviso to clause (1) of the covenant described above under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock" after giving pro forma effect to such Asset Disposition; and

(3) at least 75% of the consideration received consists of cash, *provided* that for purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities, as shown on the Company's most recent consolidated balance sheet provided to the Trustee, of the Company or any Subsidiary Guarantor (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Subsidiary Guarantor, as the case may be, from further liability; and

(b) any securities, notes or other obligations received by the Company or any Subsidiary Guarantor from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Subsidiary Guarantor, as the case may be, into cash, to the extent of the cash received in such conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or the applicable Restricted Subsidiary, as the case may be, may apply such Net Cash Proceeds to:

(1) permanently repay any Senior Indebtedness of the Company or any Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly permanently reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary;

(2) acquire properties and assets (other than current assets) that will be used in the Permitted Business ("Replacement Assets"); or

(3) acquire the Capital Stock of any Person primarily engaged in the Permitted Business if, after giving effect thereto, such Person becomes a Subsidiary Guarantor in accordance with the Indenture,

provided that, pending the application of Net Cash Proceeds in accordance with clauses (1), (2) or (3) of this paragraph, such Net Cash Proceeds may be temporarily invested only in Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1), (2) or (3) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equal or exceed US$10.0 million (or the Dollar Equivalent thereof), within five days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x), the numerator of which is equal to the outstanding principal amount of the Notes, and (y), the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Subsidiary Guarantor may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes will be purchased on a pro rata basis (subject to the minimum denomination requirements specified in the Indenture). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on Business Activities of the Company

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

Use of Proceeds

The Company will not, and will cause the Restricted Subsidiaries not to, use the net proceeds from the sale of the Notes issued and sold on the Original Issue Date in any amount or for any purpose other than in the approximate amounts and for the purposes specified under the caption "Use of Proceeds" in this Offering Memorandum.

Designation of Restricted and Unrestricted Subsidiaries

As of the date of the Indenture, the Company has no Subsidiaries. Any future Subsidiary of the Company shall be a Restricted Subsidiary, unless designated as an "Unrestricted Subsidiary" in accordance with this covenant. The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary, *provided that* (1) in no event will any license, authorization or concession to operate the Permitted Business be transferred to or held by an Unrestricted Subsidiary to the extent such transfer would have a material and adverse effect on the business prospects, financial condition or results of operation of the Company or any Subsidiary Guarantor; (2) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (3) such Restricted Subsidiary does not own any Disqualified Stock of the Company or any Disqualified or Preferred Stock of any Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock" or the grant of such Lien would violate the covenant described under the caption "— Limitation on Liens;" (4) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (5) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary and none of the Company or any Restricted Subsidiary guarantees or provides credit support for the Indebtedness of such Restricted Subsidiary; and (6) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently designated would be permitted to be made by the covenant described under the caption "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred under the covenant described under the caption "— Limitation on Indebtedness and Disqualified or Preferred Stock;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred under the covenant described under the caption "— Limitation on Liens;" (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) such Unrestricted Subsidiary will, upon such designation, (i) execute and deliver to the Trustee a supplemental Indenture by which it shall become a Subsidiary Guarantor, and (ii) enter into a related Deed of Guarantee governed by the laws of Indonesia providing for such Unrestricted Subsidiary's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia.

All designations under this covenant must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary or desirable to engage in the Permitted Business (if any); (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body; except to the extent that failure to so obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries taken as a whole or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not, and the Company will not permit any Subsidiary Guarantor to, directly or indirectly, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee on substantially identical terms; *provided that* this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Maintenance of Insurance

The Company will, and will cause its Restricted Subsidiaries to, maintain insurance coverage with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses.

Suspension of Certain Covenants

If on any date following the Original Issue Date, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default has occurred and is continuing (such date, a "Suspension Date"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions (collectively, the "Suspended Covenants") will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock;"

(2) "— Certain Covenants — Limitation on Restricted Payments;"

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;"

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock;"

(5) "— Certain Covenants — Limitation on Business Activities of the Company;"

(6) clauses (1)(a), (2) and (3) of the covenant described under "— Certain Covenants — Limitation on Sale and Leaseback Transactions;"

(7) "— Certain Covenants — Limitation on Asset Sales;" and

(8) clauses (3), (4), (5)(a) and (7) of the first paragraph and clauses (3), (4), (5)(a) and (6) of the second paragraph of "— Consolidation, Merger and Sale of Assets."

Upon the occurrence of any Suspension Date, the amount of Excess Proceeds from Net Cash Proceeds shall be reset at zero. If at any time the Notes' credit rating is downgraded from an Investment Grade rating by any Rating Agency or if a Default or Event of Default occurs and is continuing, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the "Reinstatement Date") and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Notes subsequently attain an Investment Grade rating from both of the Rating Agencies and no Default or Event of Default is in existence (in which event the Suspended Covenants shall no longer be in effect for such time that the Notes maintain an Investment Grade rating from both of the Rating Agencies and no Default or Event of Default is in existence); *provided, however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture, the Notes or the Subsidiary Guarantees with respect to the Suspended Covenants based on, and none of the Company or any of its Restricted Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period (as defined below), which actions or events would not have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the Suspension Date and the Reinstatement Date is referred to as the "Suspension Period."

On the Reinstatement Date, all Indebtedness Incurred during the Suspension Period will be classified to have been Incurred pursuant to clauses (1) or (2) of the covenant summarized under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock" (in each case to the extent such Indebtedness would be permitted to be Incurred thereunder as of the Reinstatement Date and after giving effect to Indebtedness Incurred prior to the Suspension Period and outstanding on the Reinstatement Date). To the extent such Indebtedness would not be so permitted to be Incurred pursuant to clauses (1) or (2) of the covenant summarized under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock," such Indebtedness will be deemed to have been outstanding on the Original Issue Date, so that it is classified under clause (2)(c) of the covenant summarized under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock." Calculations made after the Reinstatement Date of the amount available to be made as

Restricted Payments under the covenant summarized under the caption "— Certain Covenants — Limitation on Restricted Payments" will be made as though the covenant summarized under the caption "— Certain Covenants — Limitation on Restricted Payments" had been in effect since the Original Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under clause (c) of the first paragraph of the covenant under the caption "— Certain Covenants — Limitation on Restricted Payments."

During any Suspension Period, the Board of Directors may not designate any Subsidiary as an Unrestricted Subsidiary pursuant to the Indenture.

Promptly following the occurrence of any Suspension Date or Reinstatement Date, the Company will provide an Officers' Certificate to the Trustee regarding such occurrence. The Trustee shall have no obligation to independently determine or verify if a Suspension Date or Reinstatement Date has occurred or notify the Holders of any Suspension Date or Reinstatement Date. The Trustee may provide a copy of such Officers' Certificate to any Holder of the Notes upon written request. There can be no assurance that the Notes will ever achieve an Investment Grade rating or that, if achieved, any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such fiscal year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with Indonesian FAS and audited by a member firm of an internationally recognized firm of independent accountants; and

(b) as soon as they are available, but in any event within 45 calendar days after the end of each of the first, second and third fiscal quarters of the Company, copies of the unaudited financial statements (on a consolidated basis and in the English language) of the Company in respect of such quarter, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the consolidated financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period,

provided that if at any time the Common Stock of the Company is listed for trading on a stock exchange, the Company will additionally furnish to the Trustee, as soon as they are available but in any event not more than five business days after they are filed with or furnished to such exchange, true and correct copies (in the English language) of any financial or other report filed with or furnished to such exchange.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio and the Consolidated Net Debt to EBITDA Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio and the Consolidated Net Debt to EBITDA Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio and the Consolidated Net Debt to EBITDA Ratio, together with a certificate from the Company's

external auditors verifying the accuracy and correctness of the calculation and arithmetic computation (to the extent such auditor generally provides such certifications); and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

All historical financial statements shall be prepared in accordance with Indonesian FAS as in effect on the date of such report or financial statement (or otherwise on the basis of Indonesian FAS as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in (1) above may, in the event of a change in applicable Indonesian FAS, present earlier periods on a basis that applied to such periods.

At any time that the Company has Subsidiaries which are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of the Company, then the annual, semi-annual and quarterly financial information required by clause (1) above shall include a summary presentation, either on the face of the financial statements or in the footnotes thereto or in the operating and financial review of the financial statements of the revenue, EBITDA (as presented in this Offering Memorandum), net income, cash, total assets, total debt, shareholders equity, capital expenditures and interest expense of such Unrestricted Subsidiaries.

Furthermore, the Company and the Subsidiary Guarantors have each agreed that, for as long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, it shall supply to (i) any Holder or beneficial owner of a Note or (ii) a prospective purchaser of a Note or a beneficial interest therein designated by such Holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act upon the request of any such Holder, beneficial owner or prospective purchaser.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) the failure to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event," or "— Certain Covenants — Limitation on Asset Sales," or the default in the performance of any of the obligations set forth under the captions "— Consolidation, Merger and Sale of Assets" or "— Future Subsidiary Guarantees;"

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$15 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness

now exists or will hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) a failure to pay principal of, or interest or premium (subject to the applicable grace period in the relevant documents) on, such Indebtedness when the same becomes due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$15 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Company or any Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (3) effects any general assignment for the benefit of creditors;

(9) any Subsidiary Guarantor denies or disaffirms in writing its obligations under its Subsidiary Guarantee or any Subsidiary Guarantee is finally determined in any judicial proceeding to be unenforceable or invalid or will for any reason cease to be in full force and effect, or any Subsidiary Guarantor repudiates the Indenture, the Notes or its Subsidiary Guarantee, or does or causes or permits to be done any act or thing evidencing an intention to repudiate such agreement or, except as permitted by the Indenture;

(10) a moratorium is agreed or declared in respect of any Indebtedness of any Subsidiary Guarantor or any governmental authority shall take any action to condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Company or any Subsidiary Guarantor or all or a substantial part of the Capital Stock of the Company or any Subsidiary Guarantor, the Notes or any Subsidiary Guarantee, or the Company or any Subsidiary Guarantor shall be prevented from exercising normal control over all or a substantial part of its property;

(11) the capital and/or currency exchange controls in place in the Republic of Indonesia on the Original Issue Date shall be modified or amended in a manner that prevents or will prevent the Company or any Subsidiary Guarantor from performing its payment obligations under the Indenture, the Notes, any Subsidiary Guarantee or any Security Document;

(12) the failure of the Company to create or maintain, a first-priority Lien (subject to any Permitted Liens) on, or to maintain, the Debt Service Accrual Account in accordance with the provisions described under "— Security;"

(13) any default by the Company in the performance of any of its obligations under the Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral, taken as a whole, in any material respect;

(14) the Company denies or disaffirms its obligations under any Security Document or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first-priority Lien over the Collateral (subject to any Permitted Liens); or

(15) it is or will become unlawful for the Company or any Restricted Subsidiary to perform or comply with any of its obligations under or in respect of the Notes, any Subsidiary Guarantee, the Indenture or any Security Document.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to receiving indemnity and/or security (including by way of prefunding) to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs, the principal of, premium, if any, and accrued and unpaid interest, and Additional Amounts, if any, on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

If an Event of Default occurs and is continuing, the Trustee may, and shall upon the written request of Holders of at least 25% in aggregate principal amount of outstanding Notes, (a) take such action on behalf of the Holders as the Trustee is directed by the written instructions of the Holders, *provided that* the Trustee will be under no obligation to take any action unless such Holders have offered to the Trustee security and/or indemnity (including by way of prefunding) satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such written request, and (b) give the Collateral Agent a written notice of such Event of Default (an "Event of Default Notice") stating (i) the nature of the Event of Default and (ii) the action requested to be taken by the Collateral Agent with respect to the Collateral, if any, whereupon the Collateral Agent will forthwith take such action, *provided that* the Collateral Agent will be under no obligation to foreclose or take any action unless such Holders have offered to the Collateral Agent security and/or indemnity (including by way of prefunding) satisfactory to it against the costs, expenses and liabilities that might be incurred by it in compliance with such request.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders unless the requisite number of Holders have instructed in writing and offered to the Trustee security and/or indemnity (including by way of prefunding) to its satisfaction against the losses, liabilities and expenses that might be incurred by it in compliance with such request or direction, *provided that*, with respect to a written request or direction from Holders to enforce the Deed of Guarantee, or any other document governed under the laws of the Republic of Indonesia against the Subsidiary Guarantors or any other Person, such security and indemnity shall include, without limitation (and without limiting the Trustee's ability to accept other forms of security and/or indemnity), prefunding by the requesting Holders of an account in the name of the Trustee in such amounts as the Trustee determines in its sole and absolute discretion. The foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity or security to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting Holders.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee (subject to the Trustee being indemnified and/or secured (including by way of prefunding) to its satisfaction by such Holders), may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest, and Additional Amounts, if any, on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee will be under no obligation and may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability or to the extent that it does not receive security and/or indemnification (including by way of prefunding) to its satisfaction, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

Notwithstanding anything to the contrary in the Indenture, the Deed of Guarantee, the Security Documents or any other document relating to the Notes, in the event the Trustee shall receive written instructions and security and/or indemnity and/or prefunding from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole and absolute discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole and absolute discretion, exercise any one or more of the following options:

(i) refrain from acting on any such conflicting instructions;

(ii) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of the Indenture (and always subject to such indemnification, security and/or prefunding as is satisfactory to the Trustee); and

(iii) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party as a result of its choosing to act or refrain from acting as outlined above.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders unless the requisite number of Holders have instructed the Trustee in writing and have offered to the Trustee security and/or indemnity (including by way of pre-funding) to its satisfaction (which, in the case of a direction to enforce the Deed of Guarantee, or any other document governed under the laws of the Republic of Indonesia against the Guarantors or any other Person, shall be subject to the provisions of the Indenture) against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security (including by way of prefunding) satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security (including by way of prefunding) satisfactory to it; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest and Additional Amounts, if any, on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee, on or before a date not more than 90 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and the Restricted Subsidiaries and the Company's and the Restricted Subsidiaries' performance under the Notes, the Indenture and the Security Documents, and that each of the Company and the Restricted Subsidiaries have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture and the Security Documents. See "— Provision of Financial Statements and Reports."

The Trustee, the Collateral Agent and the Agents are not obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders for any loss arising from any failure by it to do so. The Trustee, the Collateral Agent and the Agents may assume that no such Event of Default or Default has occurred and that the Company and the Subsidiary Guarantors are performing their respective obligations under the Indenture, the Notes and the Security Documents unless the Collateral Agent, the Agents, or a Responsible Officer of the Trustee has received written notice of the occurrence of an Event of Default or Default.

Consolidation, Merger and Sale of Assets

The Company will not, directly or indirectly, consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Company and the Restricted Subsidiaries (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person unless each of the following conditions is satisfied:

(1) the Company will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") will be a corporation organized and validly existing under the laws of Indonesia and will expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture, the Notes and the Security Documents, as the case may be, and the Indenture, the Notes and the Security Documents, as the case may be, will remain in full force and effect;

(2) immediately after giving effect to such transaction on a pro forma basis, no Default will have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, will have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock;"

(5) the Company delivers to the Trustee (a) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver (i) a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and (ii) a Deed of Guarantee governed by the laws of Indonesia providing for such Subsidiary Guarantor's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia; and

(7) no Rating Decline will have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into, another Person, permit any Person to merge with or into it or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets will be the Company or another Subsidiary Guarantor or will become a Subsidiary Guarantor concurrently with the transaction, and such Person shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor under the Indenture, the Notes and the Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts,, and shall enter into a Deed of Guarantee governed by the laws of Indonesia providing for such Subsidiary Guarantor's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia) and the Indenture, the Notes and the Subsidiary Guarantee, and such Deed of Guarantee, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction on a pro forma basis, no Default will have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company will have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under the proviso to clause (1) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock;"

(5) the Company delivers to the Trustee (a) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph and (b) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline will have occurred,

provided that this paragraph will not apply to (a) any consolidation, merger, sale or other disposition that complies with the "— Certain Covenants — Limitation on Asset Sales" covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "— Subsidiary Guarantees — Release of Subsidiary Guarantees" and (2) a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or any Restricted Subsidiary that may adversely affect the Holders.

No Payments for Consents

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Security Documents or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude Holders in any jurisdiction where (A) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Company would require the Company or any of its Subsidiaries to (i) file a registration statement, prospectus or similar document or subject the Company or any of its Subsidiaries to ongoing periodic reporting or similar requirements under the securities laws (including but not limited to the United States federal securities laws and the laws of the European Union or its member states), which the Company in its sole discretion determines would be burdensome, (ii) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject itself or any of its Subsidiaries to taxation in such jurisdiction if it is not otherwise so subject; or (B) such solicitation would not otherwise be permitted under applicable law in such jurisdiction.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(1) the Company (a) has deposited with the Trustee (or its agent), in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;

(2) the Company has delivered to the Trustee (a) either (i) an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Company's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (b) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 183 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(3) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

(4) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of the Restricted Subsidiaries is a party or by which the Company or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, each of the Subsidiary Guarantees will terminate and the Liens on the Collateral will be discharged.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(a) and (7) of the first paragraph and clauses (3), (4), (5)(a) and (6) of the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants," other than as described under "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries; "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering," clause (3) under "Events of Default" with respect to such clauses (3), (4), (5)(a) and (7) of the first paragraph and clauses (3), (4), (5)(a) and (6) of the second paragraph under "— Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "— Events of Default" with respect to such other covenants and clauses (5), (6), (7) and (8) under "— Events of Default" shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2)(b) and (3) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel of recognized standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes, the Subsidiary Guarantees and the Security Documents may be amended or supplemented, without notice to or the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes;

(2) to comply with the provisions described under "— Consolidation, Merger and Sale of Assets;"

(3) to evidence and provide for the acceptance of appointment by a successor Trustee or Collateral Agent;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(6) to effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC, Euroclear or Clearstream;

(7) to add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(8) to conform the text of the Indenture, the Notes, any Subsidiary Guarantee or the Security Documents to any provision of this "Description of the Notes" to the extent that the relevant provision in the Indenture, the Notes, any Subsidiary Guarantee or the Security Documents was intended to be a verbatim recitation of the relevant provision of this "Description of the Notes;"

(9) add additional collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional collateral as provided or permitted under the Indenture and the Security Documents;

(10) to provide for uncertificated Notes in addition to or in place of Certificated Notes; or

(11) to make any other change that would provide any additional rights or benefits or that do not materially and adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments to the Indenture, the Notes, any Subsidiary Guarantee or the Security Documents may be made by the Company, any Subsidiary Guarantor, the Collateral Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes (including, without limitation, consent obtained in connection with a purchase of, or tender offer or exchange offer for Notes), and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company or any Subsidiary Guarantor with any provision of the Indenture, the Notes, any Subsidiary Guarantee or the Security Documents; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release any Subsidiary Guarantor from its Subsidiary Guarantee or modify any Subsidiary Guarantee in any manner adverse to the Holders (or release any Deed of Guarantee or modify any Deed of Guarantee in any manner adverse to the Holders), in any such case except as provided in the Indenture;

(9) reduce the amount payable upon a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale, may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer, or an Offer to Purchase with the Excess Proceeds from an Asset Sale, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under "— Certain Covenants — Limitation on Asset Sales;"

(10) change the redemption date or the redemption price of the Notes from that stated under the captions "— Optional Redemption" or "— Redemption for Taxation Reasons;"

(11) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts;

(12) release any Collateral, except as provided in the Indenture and the Security Documents;

(13) amend, change or modify any provision of the Indenture relating to the Collateral in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture or the Security Documents; or

(14) amend, change or modify any provision of the Indenture affecting the ranking of the Notes or any Subsidiary Guarantee (or related Deed of Guarantee) in a manner that adversely affects the Holders.

Unclaimed Money

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, or any Subsidiary Guarantor in the Indenture, any Security Document, or in any of the Notes or the Subsidiary Guarantees if any, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, or any Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees, if any. Such waiver may not be effective to waive liabilities under the federal securities laws of the United States.

Concerning the Trustee, the Collateral Agent and the Agents

The Bank of New York Mellon is to be appointed as Trustee under the Indenture, and will also be appointed as registrar (the "**Registrar**"), transfer agent (the "**Transfer Agent**") and paying agent (the "Paying Agent, together with the Registrar and the Transfer Agent, the "**Agents**") with regard to the Notes. However the Company may change the Agents without notice to the Holders, and the Company may act as paying agent. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Company and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption in the event that a global certificate is exchanged for definitive certificates. In addition, in the event that a global certificate is exchanged for definitive certificates, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.

The Bank of New York Mellon will initially act as Collateral Agent under the Security Documents in respect of the Security over the Collateral. The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral charged, assigned or granted pursuant to the Security Documents as are set forth in the Indenture and the Security Documents. Under certain circumstances, the Collateral Agent may have obligations under the Security Documents that are in conflict with the interests of the Holders.

The Collateral Agent and the Trustee will be under no obligation to exercise any rights or powers conferred under the any of the Security Documents or the Indenture for the benefit of the Holders unless the requisite number of Holders have instructed in writing and offered to the Collateral Agent and the Trustee security and/or indemnity (including by way of prefunding) satisfactory to the Collateral Agent and the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Collateral Agent and the Trustee, that it is solely responsible for its own independent appraisal of, and investigation into, all risks arising under or in connection with the Security Documents and has not relied on and will not at any time rely on the Collateral Agent or the Trustee in respect of such risks.

Notwithstanding anything to the contrary herein, whenever the Trustee is required or entitled by the terms of the Indenture to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee and the Collateral Agent are entitled to conclusively rely on all certifications received pursuant to the Indenture and the Security Documents without investigating the accuracy, authenticity and validity of those certifications.

The Trustee, the Collateral Agent and the Agents will not be responsible for the performance by any other person appointed by the Company in respect of the Notes and, unless notified in writing to the contrary, will assume that the same are being duly performed.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Restricted Global Note"; and together with the Regulation S Global Notes, the "Global Notes") and will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such system. Investors may also hold such interests through organizations other than Euroclear or Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither the Company, nor any of the Subsidiary Guarantors, the Trustee nor any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Company expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Company also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The Company expects that DTC will take any action permitted to be taken by a Holder (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Transfer Restrictions."

The Company understands that DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies and certain other organizations that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Company, any Subsidiary Guarantor, the Trustee or any Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed within 90 days, the Company will issue certificated notes in registered form ("Certificated Notes"), which may bear the legend referred to under "Transfer Restrictions," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "Transfer Restrictions," in accordance with any applicable rules and procedures of DTC, in addition to the procedures provided for under the Indenture.

The Clearing Systems

General

DTC, Euroclear and Clearstream have advised the Company as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchaser. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of global notes will be deposited with a custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

Trading between Euroclear and Clearstream Participants. Secondary market trading between Euroclear participants and Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Euroclear or Clearstream Purchaser. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will receive the Notes against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream participant's account. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream and that purchase Notes from DTC participants for credit to Euroclear participants or Clearstream participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream account) in accordance with the clearing system's customary procedures;

(2) borrowing the Notes in the United States from a DTC participant no later than one day prior to settlement, which would give the Notes sufficient time to be reflected in the borrower's Euroclear account or Clearstream account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream participants.

Trading between Euroclear or Clearstream Seller and DTC Purchaser. Due to the time zone differences in their favor, Euroclear participants or Clearstream participants may employ their customary procedures for transactions in which Notes are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream will credit the Notes to the DTC participant's account against payment. Payment will include interest accrued on the Notes from and including the last interest payment date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the

31st day of the month, payment will include interest accrued to the Notes excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. The payment will then be reflected in the account of the Euroclear participant or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account will instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or Subsidiary Guarantor at the registered office of the Company; (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of DTC. Any such notice shall be deemed to have been delivered on the day such notice is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company, and each Subsidiary Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Subsidiary Guarantees and the Indenture, or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc. of 400 Madison Avenue, 4th Floor, New York, NY10017 for receipt of service of process in any such suit, action or proceeding.

Governing Law

The Notes, the Subsidiary Guarantees and the Indenture provide that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Security Documents will be governed by Singapore law.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"**2022 Original Issue Date**" means February 13, 2017.

"**Acquired Indebtedness**" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"**Acquisition**" means the acquisition of a coal mining services provider in Australia and/or Indonesia with active coal mining operations in Australia and/or Indonesia at the time of such acquisition.

"**Adjusted Treasury Rate**" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)"or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after February 10, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"**Affiliate**" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director, commissioner or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Applicable Premium**" means with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note on February 10, 2023, plus all required remaining scheduled interest payments due on such Note (but excluding accrued and unpaid interest to the redemption date) through February 10, 2023, computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such redemption date.

"**Asset Acquisition**" means (1) an Investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"**Asset Disposition**" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property, assets, fleet or equipment (including any sale or issuance of Capital Stock) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary to any Person; *provided that* "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets, or rights granted to others pursuant to leases or licenses (which, for the avoidance of doubt, does not include sales of fleet and equipment), in each case in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments";

(3) a transfer of assets between or among the Company and any Subsidiary Guarantor;

(4) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of $2.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(5) a sale or the disposition of cash or Temporary Cash Investment;

(6) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the Permitted Business;

(7) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Lien in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Liens";

(8) a transaction covered by the covenant described under the caption "— Consolidation, Merger and Sale of Assets";

(9) foreclosures, condemnation, eminent domain or any similar action on assets; and

(10) a sale, transfer or other disposition to the Company or a Wholly Owned Subsidiary Guarantor, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary to the Company or any Wholly Owned Subsidiary Guarantor.

"**Attributable Indebtedness**" means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, determined in accordance with Indonesian FAS, *provided*, however, that if such Sale and Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligation."

"**Average Life**" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"**Beneficial Owner**" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or exercisable only upon the occurrence of a subsequent condition. The terms "Beneficially Owns" and "Beneficially Owned" will have a corresponding meaning.

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"**Business Day**" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, the Republic of Singapore or the Republic of Indonesia (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock.

"**Capitalized Lease**" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with Indonesian FAS, is required to be capitalized on the balance sheet of such Person.

"**Capitalized Lease Obligations**" means the discounted present value of the rental obligations under a Capitalized Lease.

"**Change of Control**" means at any time, the occurrence of one or more of the following events:

(1) the direct or indirect sale of all or substantially all the consolidated assets of the Company to another Person;

(2) Delta is the beneficial owner of less than 100.0% (less one share) of the total voting power of the Voting Stock of the Company or a Surviving Person;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act), other than the Permitted Holders, becomes the Beneficial Owner, directly or indirectly, of (i) a larger percentage of the voting power of the Voting Stock of Delta than the Permitted Holders and (ii) 35% or more of the total voting power of the Voting Stock of Delta;

(4) individuals who on the Original Issue Date constituted the Board of Directors (together with any new directors whose election was approved by a vote of at least two-thirds of the members of the Board of Directors then in office who were members of the Board of Directors on the Original Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Company or Delta.

"**Change of Control Triggering Event**" means the occurrence of both a Change of Control and a Rating Decline.

"**CIC**" means China Investment Corporation.

"**Clearstream**" means Clearstream Banking S.A.

"**Commodity Hedging Agreement**" means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices and not for speculation.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

"**Comparable Treasury Price**" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

"**Consolidated Net Debt to EBITDA Ratio**" means, on any Transaction Date, the ratio of:

(1) the aggregate consolidated amount of Indebtedness of the Company and its consolidated Restricted Subsidiaries outstanding, less cash and Temporary Cash Investments, in each case, as set forth on the most recently available quarterly consolidated balance sheet of the Company provided to the Trustee (which the Company shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements), calculated on a pro forma basis to give effect to (i) the Incurrence, repayment or redemption of any Indebtedness and the application of proceeds therefrom and (ii) the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries, in each case occurring subsequent to the date of the most recently available quarterly consolidated balance sheet of the Company and its Restricted Subsidiaries; to

(2) an amount equal to the aggregate Consolidated EBITDA for the Four Quarter Period;

provided, *however*, that in making the foregoing calculations:

(a) pro forma effect will be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the Reference Period relating to such Four Quarter Period (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period will be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect will be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Dispositions) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect will be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation will be based upon the Four Quarter Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**Consolidated EBITDA**" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) provision for income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period that reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business);

all as determined on a consolidated basis for such Person and its Subsidiaries (excluding Unrestricted Subsidiaries) in conformity with Indonesian FAS; *provided that*, if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with Indonesian FAS) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of the Subsidiary Guarantors; and *provided further* that the amounts referred to in clauses (2) and (3) relating to a Restricted Subsidiary will be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent that a corresponding amount would be permitted at the date of determination to be dividended to the Company or a Subsidiary Guarantor by such Restricted Subsidiary without prior government approval (that has not been obtained), and without direct or indirect restriction pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

"**Consolidated Fixed Charges**" means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Subsidiary Guarantor, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock); *provided that* dividends declared, accrued or accounted for in one period shall not be included in "Consolidated Fixed Charges" of a later period when subsequently paid in such later period).

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with Indonesian FAS for such period of such Person and its Subsidiaries (other than Unrestricted Subsidiaries), plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Subsidiaries (other than Unrestricted Subsidiaries), without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, such Person or any of its Subsidiaries (other than Unrestricted Subsidiaries), (7) any capitalized interest and (8) all other non-cash interest expense; *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"**Consolidated Net Income**" means, with respect to any Person (the "Subject Person") for any period, the aggregate of the net income (or loss) of such Person and its Subsidiaries (other than Unrestricted Subsidiaries) for such period, on a consolidated basis, determined in conformity with Indonesian FAS; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (but not loss) of any Person that is not the Company or a Restricted Subsidiary or that is accounted for by the equity method of accounting except to the extent of the amount of dividends or similar distributions actually paid in cash to the Subject Person or a Subsidiary (other than an Unrestricted Subsidiary) of the Subject Person during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company or a Restricted Subsidiary realized on sales of Capital Stock of the Company or any Restricted Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects;

(7) any net after-tax extraordinary or non-recurring gains; and

(8) any interest or other income or gain under or in connection with the Delta Loan.

"**Consolidated Net Worth**" means, at any date of determination, stockholders' equity as set forth on the most recently available annual, semi-annual or quarterly consolidated balance sheet of the Company and its Restricted Subsidiaries provided to the Trustee, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary or the Delta Loan, each item to be determined in conformity with Indonesian FAS.

"**Currency Agreement**" means any foreign exchange forward contract, currency swap agreement, currency option or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates and not for speculation.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Delta**" means PT Delta Dunia Makmur Tbk, a company incorporated under the laws of Indonesia.

"**Delta Loan**" means the intercompany loan owed to the Company by Delta in an aggregate principal amount of up to US$270 million pursuant to an intercompany loan agreement dated November 2, 2009 (as amended from time to time) between the Company and Delta.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 366 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 366 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 366 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under the captions "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event."

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination or, in the case of the Indonesian Rupiah, at the average of the buying and selling exchange rate of the Indonesian Rupiah to the U.S. dollar quoted by Bank Indonesia.

"**DTC**" means The Depository Trust Company.

"**Euroclear**" means Euroclear Bank SA/NV.

"**Exchange Act**" means the U.S. Securities and Exchange Act of 1934, as amended.

"**Existing Equipment Financings**" means mortgage financings, lease obligations or purchase money obligations of the Company outstanding on the Original Issue Date which were Incurred for the purpose of financing all or any part of the cost of acquisition or lease of movable property, fleet or equipment leased or to be leased to customers of the Company in the ordinary course of business.

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"**Fixed Charge Coverage Ratio**" means, on any Transaction Date, the ratio of (a) the aggregate amount of Consolidated EBITDA for the Four Quarter Period with respect to such Transaction Date to (b) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(1) *pro forma* effect will be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the Reference Period relating to such Four Quarter Period (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period will be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness;

(2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(3) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(4) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(5) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period, *provided that* to the extent that clause (4) or (5) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the Four Quarter Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"**Four Quarter Period**" means, as of any Transaction Date, the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company will use its best efforts to compile in a timely manner) are available and have been provided to the Trustee.

"**GIC**" means the Government of Singapore Investment Corporation.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term "guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"**Holder**" means the Person in whose name a Note is registered in the Note register.

"**Incur**" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all obligations to redeem or repurchase Disqualified Stock issued by such Person and all Attributable Indebtedness in respect of Sale and Leaseback Transactions entered into by such Person;

(10) the liquidation preference of any Preferred Stock, other than Disqualified Stock which is covered by the preceding clause (9), issued by any Restricted Subsidiary of such Person; and

(11) all obligations of such Person under conditional sale on other title retention agreements relating to assets purchased by such Person.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with Indonesian FAS;

(2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) that the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if the Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person.

"**Indonesia**" means the Republic of Indonesia.

"**Indonesian FAS**" means Indonesian Financial Accounting Standards as in effect from time to time.

"**Interest Rate Agreement**" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"**International Bank**" means a bank or trust company organized under the laws of the United States of America, any state thereof, Singapore, Japan, the United Kingdom, Hong Kong, Australia or any member state of the European Union.

"**Investment**" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under the captions "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments": (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Company's proportionate interest in the assets (net of the Company's proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary), of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"**Investment Grade**" means a rating of "Aaa," "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or an equivalent rating representing one of the four highest rating categories of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Moody's or Fitch or both, as the case may be.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"**Net Cash Proceeds**" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

(b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and the Restricted Subsidiaries, taken as a whole;

(c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with Indonesian FAS and reflected in an Officers' Certificate delivered to the Trustee; and

(e) any portion of the purchase price in respect of such Asset Sale placed in escrow (excluding amounts as and when released from escrow and received by the Company or any Restricted Subsidiary); and

(2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"**Northstar Equity Partners**" means any of Northstar Equity Partners I Ltd, Northstar Equity Partners II Ltd, Northstar Equity Partners III Ltd, and any of their successor funds in respect of which Northstar Advisors Pte. Limited is the investment manager.

"**Offer to Purchase**" means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis (subject to the minimum denominations below);

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company or the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis (subject to the proviso in the immediately following sentence) Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the requirements of the relevant Offer to Purchase, the Company will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under the Notes and the Indenture by virtue of its compliance with such securities laws or regulations.

"**Officer**" means one of the directors, managing directors or officers of the Company or a Subsidiary Guarantor, as applicable.

"**Officers' Certificate**" means a certificate signed by two Officers.

"**Opinion of Counsel**" means a written opinion, from legal counsel of internationally recognized standing who is reasonably acceptable to the Trustee that meets the requirements of the Indenture.

"**Original Issue Date**" means the date on which the Notes are originally issued under the Indenture.

"**Pari Passu Guarantee**" means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), or a guarantee by the Company of Indebtedness of a Subsidiary Guarantor; *provided that* (i) the Company or such Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock;" and (ii) such guarantee ranks *pari passu* with the Notes (if given by the Company) or any outstanding Subsidiary Guarantee (if given by the Company.

"**Permitted Business**" means any business conducted or proposed to be conducted by the Company (as described in this Offering Memorandum) and other businesses reasonably related or ancillary thereto being the provision of mining services, mining, infrastructure, logistics, power generation and distribution, engineering procurement and construction, and activities related or ancillary thereto.

"**Permitted Holders**" means Northstar Equity Partners, TPG, GIC, CIC, Mr. Ashish Gupta, Mr. Ronald Sutardja or any of their respective Affiliates.

"**Permitted Investment**" means:

(1) any Investment in the Company or a Subsidiary Guarantor that is primarily engaged in a Permitted Business or a Person that will, upon the making of such Investment, become a Subsidiary Guarantor that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Subsidiary Guarantor that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with Indonesian FAS and not in excess of $2.0 million (or the Dollar Equivalent thereof) at any time outstanding;

(4) stock, obligations or securities received in satisfaction of claims or judgments, in compromise or settlement of debts created in the ordinary course of business or by reason of a composition or readjustment of debts or reorganization of another Person;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment by one Unrestricted Subsidiary in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Subsidiary Guarantor against fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Subsidiary Guarantor, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) any securities or other Investments received as consideration in, or retained in connection with Asset Sales, including Asset Dispositions, made in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales;"

(9) pledges or deposits (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described in the definition of "Permitted Liens;"

(10) repurchases of the Notes;

(11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet; and

(12) investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers.

"**Permitted Liens**" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with Indonesian FAS shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with Indonesian FAS shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, customs duties, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens on property or assets of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person (i) becomes a Subsidiary Guarantor or (ii) is merged with or into or consolidated with the Company or any Subsidiary Guarantor; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Subsidiary Guarantor other than the property or assets of such Person (if such Person becomes a Subsidiary Guarantor) or the property or assets acquired by the Company or such Subsidiary Guarantor (if such Person is merged with or into or consolidated with the Company or such Subsidiary Guarantor); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Subsidiary Guarantor or was merged with or into or consolidated with the Company or a Subsidiary Guarantor;

(6) Liens in favor of the Company or any Wholly Owned Subsidiary Guarantor;

(7) Liens arising from the rendering of a final judgment or order against the Company or any Subsidiary Guarantor that do not give rise to an Event of Default;

(8) Liens securing reimbursement obligations with respect to (i) letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof or (ii) in favour of any bank having a right of set-off, revocation, refund or chargeback with respect to money or instruments of the Company or any Subsidiary Guarantor on deposit with or in the possession of such bank;

(9) Liens existing on the Original Issue Date;

(10) Liens securing the Notes and the Subsidiary Guarantees (including Additional Notes issued in accordance with the Indenture) under the Security Documents;

(11) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock"; *provided that* such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced;

(12) Liens securing Indebtedness Incurred pursuant to clause (2)(l) of the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock";

(13) Liens securing Indebtedness Incurred by the Company or any Subsidiary Guarantor under the proviso to clause (1) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock" represented by mortgage financings, lease obligations or purchase money obligations and Incurred for the purpose of financing all or any part of the cost of acquisition or lease of movable property, fleet or equipment leased or to be leased to customers of the Company or any Subsidiary Guarantor in the ordinary course of business, *provided* that (a) such Lien is created prior to, at the time of or within 90 days after completion of the acquisition of such property, fleet or equipment, (b) the principal amount of Indebtedness secured by such Lien does not exceed 90% of the lesser of the cost or Fair Market Value of such property or assets at the time of grant of such Lien, and (c) such Lien shall not extend to or cover any property or assets other than such items of movable property, fleet or equipment so acquired or developed, and any improvements on such items;

(14) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations Incurred under clause (2)(f) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock," *provided that* Indebtedness related to such Hedging Obligation is, and is permitted under the covenant described under the caption "— Certain Covenants — Limitation on Liens" to be, secured by a Lien on the same property securing such Hedging Obligation;

(15) any interest or title of a lessor in the property subject to any operating lease;

(16) minor survey exceptions, minor encumbrances, easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favour of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(17) Liens securing Indebtedness Incurred by the Company or any Restricted Subsidiary relating to bid, performance or surety bonds or letters of credit or bank guarantees issued in the ordinary course of business;

(18) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance, other types of social security and other types of related statutory obligations;

(19) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(20) Liens resulting from escrow arrangements securing indemnification or similar liabilities unrelated to Indebtedness entered into in connection with a disposition of assets of the Company or a Restricted Subsidiary or Capital Stock of a Restricted Subsidiary;

(21) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller in the ordinary course of business;

(22) Liens securing Indebtedness Incurred pursuant to clause (2)(m) of the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock;" and

(23) Liens securing Indebtedness Incurred pursuant to clause (2)(n) of the covenant under the caption "— Certain Covenants — Limitation on Indebtedness and Disqualified or Preferred Stock."

provided that for the purposes of any Lien over the Collateral, "Permitted Liens" will include only Liens described in paragraphs (1) and (10) above.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Rating Agencies**" means (1) Moody's and (2) Fitch and (3) if Moody's or Fitch or both shall not make a rating of the Notes publicly available, a nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or organizations, as the case may be, selected by the Company, which shall be substituted for Moody's or Fitch or both, as the case may be.

"**Rating Category**" means (i) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories), (ii) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); and (iii) the equivalent of any such category of Fitch or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for Fitch; "1," "2" and "3" for Moody's; or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to Fitch, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"**Rating Date**" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"**Rating Decline**" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes, the Company or the Company and its Subsidiaries, is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(c) in the event the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"**Reference Period**" means, with respect to any Transaction Date, the period commencing on the first day of the Four Quarter Period with respect to such Transaction Date and ending on and including the Transaction Date.

"**Reference Treasury Dealer**" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such redemption date.

"**Refinance**" means in respect of any Indebtedness, to refinance, refund, replace, exchange, renew, repay, prepay, purchase, defease, discharge or extend or issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinancing, "Refinances" and "Refinanced" shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of the Company or any Restricted Subsidiary existing on the Original Issue Date or Incurred in compliance with the Indenture including any Indebtedness that Refinances Refinancing Indebtedness; *provided, however,* that (i) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred to with original issue discount), the aggregate accreted value) then outstanding (plus premiums, accrued interest, fees, defeasance costs and expenses) under the Indebtedness being Refinanced, (ii) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Subsidiary Guarantee, shall only be permitted if (A) in case the Notes are refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or any Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee, as the case may be, (iii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor; and (v) in no event may unsecured Indebtedness of the Company or any Subsidiary Guarantor be Refinanced with secured Indebtedness.

"**Responsible Officer**" means, when used with respect to the Trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day to day administration of the Indenture.

"**Restricted Subsidiary**" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"**Sale and Leaseback Transaction**" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Senior Indebtedness**" of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of the Company or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (a) any obligation to the Company or any Restricted Subsidiary, (b) trade payables or (c) Indebtedness Incurred in violation of the Indenture.

"**Significant Subsidiary**" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated under the Securities Act, as such regulation is in effect on the Original Issue Date; *provided that* in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"**Specified Corporate Trust Office**" means The Bank of New York Mellon, Singapore Branch, One Temasek Avenue, #02-01 Millenia Tower, Singapore 039192; Facsimile: +65 6883 0338; Attention: Corporate Trust — PT Bukit Makmur Mandiri Utama.

"**Stated Maturity**" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"**Subordinated Indebtedness**" means any Indebtedness of the Company or any Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity of which more than 50.0% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any Restricted Subsidiary that guarantees the obligations of the Company under the Indenture and the Notes; *provided that* "Subsidiary Guarantor" does not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"**Temporary Cash Investment**" means any of the following:

(1) direct obligations of the United States of America, any agency thereof, the United Kingdom, the Republic of Singapore, Japan or Hong Kong, or obligations fully and unconditionally guaranteed by the United States of America, any agency thereof, the United Kingdom, the Republic of Singapore, Japan or Hong Kong, in each case maturing within 180 days of the date of acquisition thereof;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company organized under the laws of the United States of America or any state thereof, Japan, Singapore, the United Kingdom or Hong Kong and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$500 million (or the Dollar Equivalent thereof) and has outstanding long-term debt which is rated at least "A" by S&P, Fitch or Moody's;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P or Fitch;

(5) securities maturing within 180 days of the date of acquisition thereof issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, Japan, the United Kingdom, Singapore or Hong Kong or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Fitch or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 90 days of the date of acquisition thereof issued by (i) any bank then classified as BUKU 3 or BUKU 4 by Bank Indonesia or (ii) any bank incorporated or licensed to operate under the laws of the Republic of Indonesia whose long term debt rating by Moody's, Fitch or S&P is as high or higher than any of those banks listed in sub-clause (i); *provided, however*, that no more than 50.0% of the aggregate of all Temporary Cash Investments may at any date of determination be invested pursuant to this clause (7); and

(8) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by any Indonesian branch of an International Bank,

provided that (i) such International Bank has capital, surplus and undivided profits aggregating in excess of US$500 million (or the Dollar Equivalent thereof) and has outstanding long-term debt which is rated at least "A" by S&P, Fitch or Moody's and (ii) such accounts, certificates of deposit and money market deposits, respectively, are unconditionally guaranteed by such International Bank.

"**Total Assets**" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with Indonesian FAS as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that "Total Assets" will be calculated after giving pro forma effect to reflect (without duplication) (a) the cumulative value of all assets, real or personal property, machinery, plant and equipment, the acquisition, development, installation, expansion, construction or improvement of which requires or required the Incurrence of Indebtedness, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or financial institutional lender providing such Indebtedness (but only to the extent that such cumulative value is not reflected in such total consolidated assets as of the last day of such fiscal quarter) and (b) any asset acquisitions and asset dispositions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made since the last day of such fiscal quarter and on or prior to such date of determination.

"**TPG**" means TPG Capital L.P. or any funds or other pooled investment vehicles (i) controlled by TPG Capital L.P. or any of its Affiliates or (ii) in respect of which TPG Capital L.P. or any of its Affiliates is the general partner.

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 30 business days.

"**Transaction Date**" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"**U.S. Government Obligations**" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided that* (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"**Wholly Owned**" means, with respect to any Subsidiary, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law or a legal requirement to have more than one shareholder) by the Company or one or more Wholly Owned Subsidiaries of the Company.

TAXATION

The following summary is based on applicable tax laws as in effect on the date of this Offering Memorandum, and is subject to changes in such laws, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any jurisdiction other than the ones described below. Prospective purchasers in all jurisdictions are advised to consult their own tax advisors as to tax consequences applicable to the acquisition, ownership and disposition of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject.

Indonesian Taxation

The following is a summary of certain Indonesian tax consequences relevant to prospective holders of the Notes that are not tax resident in Indonesia and have no permanent establishment in Indonesia. The summary does not address any laws other than the tax laws of Indonesia in force and as they are applied in practice as of the date of this Offering Memorandum. The summary represents a general guide only and should not be relied upon by individual or corporate holders of the Notes offered hereby. It is recommended that prospective investors of the Notes seek independent tax advice relevant to their facts and circumstances.

General

Generally, an individual is considered a non-resident of Indonesia if the individual:

- is not domiciled in Indonesia;
- is not present in Indonesia for more than 183 days within a 12-month period; and
- is not present in Indonesia during a tax year with the intention of residing in Indonesia.

A company will be considered a non-resident of Indonesia if it is not established or domiciled in Indonesia.

Non-resident individuals and non-resident companies are further classified into those that have a permanent establishment in Indonesia, and those that do not. Those that have a permanent establishment in Indonesia will, in general, be subject to the same taxation rules as a tax resident. Therefore this section assumes that the non-resident individual and non-resident company do not have a permanent establishment in Indonesia.

In determining the tax residency of an individual or company and the allocation of taxing rights on income between two countries, consideration will also be given to the provisions of any applicable tax treaty which Indonesia has concluded with other jurisdictions.

In this section, both a non-resident individual and a non-resident company will be referred to as "**Non-resident Taxpayers**" unless the context states otherwise.

Subject to the provisions of any applicable tax treaty, Non-resident Taxpayers who derive income sourced in Indonesia from (among other things):

- the sale of certain assets situated in Indonesia; and
- interest, or payments in the nature of interest, such as premiums,

are generally subject to a withholding tax on that income at the final rate of 20.0%.

For the sale of certain Indonesian assets by Non-resident Taxpayers with no permanent establishment in Indonesia, the 20.0% withholding tax is imposed on the estimated net income.

Withholding tax on interest and other payments related to the Notes

Payments of principal under the Notes are not subject to withholding tax in Indonesia.

Based on Government Regulation No. 16/2009 dated February 9, 2009 ("**GR No-16/2009**"), which has been most recently amended by Government Regulation No. 55/2019 dated August 7, 2019 and effective on August 12, 2019 ("**GR No-55/2019**"), and Ministry of Finance Regulation No. 85/PMK.03/2011 dated May 23, 2011 ("**MoF Reg No-85/2011**"), which has been amended by Ministry of Finance Regulation No. 07/PMK.011/2012 dated January 13, 2012 ("**MoF Reg No-07/2012**"), any amount paid by a tax resident company in the form of interest and/or discount (which in general is also treated as interest) in relation to bonds ("**Obligasi**") that have a maturity exceeding 12 months will be subject to a final withholding tax under Article 4(2) of the Income Tax Law. The withholding tax object in relation to interest is the gross amount of the interest, while the withholding tax object for any discount is any excess of the transfer value (or nominal/face value if held to maturity date) over the acquisition cost of the Notes.

This final tax will apply to the Notes because the maturity of the Notes is more than 12 months.

The amount of any payments by any future Subsidiary Guarantors, which are Indonesian tax residents, that is attributable to an interest or premium payment are also subject to withholding tax in Indonesia.

For a Non-resident Taxpayer, final withholding tax of 20.0% applies to interest received on the Notes. However, the withholding tax rate could be reduced or exempted under an applicable tax treaty. For example, under the U.S.-Indonesia Tax Treaty, the interest withholding tax rate is reduced to 10.0%.

The application of the tax treaty rate or benefits is subject to the completion of certain requirements by the Non-resident Taxpayer as stipulated by the Indonesian tax regulations. See "*Application of Tax Treaties under Indonesian Tax Regulations*" below.

As described under "*Description of the Notes — Additional Amounts*" the Company will be required to pay Additional Amounts in respect of withholding tax for payments under or with respect to the Notes.

Taxation on sale or disposal of Notes

Income derived by a Non-resident Taxpayer, without a permanent establishment in Indonesia, from the disposal of notes to another Non-resident Taxpayer may not be subject to Indonesian income tax. However under GR No-16/2009 which has been most recently amended by GR No-55/2019, and MoF Reg No-85/2011, which has been amended by MoF Reg No-07/2012 Non-resident Taxpayers without a permanent establishment in Indonesia may be subject to Indonesian withholding tax on any gain derived from the sale or other disposal of notes to an Indonesian resident. Under GR No-16/2009 and its amendments, a gain on such sales would be subject to Indonesian withholding tax as the Director General of Tax ("**DGT**") would treat the capital gain as Indonesian-sourced interest. Therefore, any gain from the sale of notes to an Indonesian tax resident by an investor that is not an Indonesian tax resident where the transactions is conducted through a securities company, dealer or bank in Indonesia (either as intermediary or buyer) will be subject to the 20% Indonesian withholding tax normally applicable to Indonesian-sourced interest.

However, if the Non-resident Taxpayer is a tax resident of a country that has concluded a tax treaty with Indonesia then relief from the imposition of such withholding tax might be available, subject to the provisions of that tax treaty regarding the classification of gains from the disposal of the Notes, and satisfaction of eligibility and reporting requirements under the relevant tax treaty and domestic tax regulations (see *"— Application of Tax Treaties under Indonesian Tax Regulations"* and *"— Certificate of Domicile"* below).

Under Article 3A of MoF Reg No-07/2012, any negative discount or loss incurred from the disposal of the New Notes can be deducted from the amount of interest income in calculating the withholding tax on interest.

Withholding tax agent

Based on Article 4 of MoF Reg No-85/2011, the following parties are liable for the withholding tax obligation on interest on the Notes or gains from disposal of the Notes:

(a) Bond issuer or custodian as appointed paying agent, with respect to:

i. interest and/or discount received or earned by the noteholders of interest-bearing notes on the interest payment date; and

ii. discount received or gained by the noteholders of non-interest bearing notes at the maturity of the Notes;

(b) Securities companies, dealers, or banks, acting as an intermediary (broker), in regard to interest on the Notes and/or discount received or gained by the noteholders (sellers) during transactions;

(c) Securities companies, dealers, banks, pension funds, and mutual funds, as a direct buyer of the Notes without intermediary (broker) parties, with respect to interest on the Notes and/or discount received or gained by the noteholders (sellers) during a sale of the Notes; and/or

(d) If the Notes are directly sold without intermediary parties (brokers), a custodian or sub-registry (as a recording party of the ownership change of the Notes) will be required to withhold the final income tax payable from the noteholders (sellers) before the ownership change is completed.

Agreements for the Avoidance of Double Taxation

Indonesia has concluded tax treaties with a number of countries including Australia, Belgium, Canada, China, France, Germany, Japan, The Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America.

Where a tax treaty exists and the eligibility requirements of that treaty are satisfied, a reduced rate of withholding tax may be applicable in the case of interest (or payments in the nature of interest such as premium) paid by the Company or any future Subsidiary Guarantor. To obtain the benefit of an applicable tax treaty, the Non-resident Taxpayer must be the actual owner of the economic benefits of the income (referred to as the beneficial owner of the income) and comply with the eligibility requirements of the tax treaty and the specific requirements in Indonesia. See "— *Beneficial Owner*," "— *Application of Tax Treaties under Indonesian Tax Regulations*" and "— *Certificate of Domicile*" for further details.

Beneficial Owner

Under Indonesian tax regulations the actual owner of the economic benefits of the income (beneficial owner), is defined as the income recipient who is not acting as:

- an agent, which refers to an individual or company who acts as an intermediary and carries out activities for and/or on behalf of other parties;

- a nominee, which refers to an individual or company which legally owns (legal owner) an asset and/or income, for the benefit of, or acts under the instruction of, the actual asset owner and/or the actual party which actually enjoys the benefit of the income; or

- a conduit company, which is a company who enjoys benefits from the tax treaty in relation to the income arising in another country, whilst the economic benefits from that income is owned by persons in a country who cannot enjoy tax treaty benefits if the income was received directly.

These concepts are implemented in the regulations by requiring Non-resident Taxpayers to satisfy certain tests in order to be viewed as the "beneficial owner" and not engaged in treaty abuse.

Application of Tax Treaties under Indonesian tax regulations

In accordance with Indonesian DGT Regulation No. PER-25/PJ/2018 dated November 21, 2018 regarding the Procedures for Applying Double Tax Avoidance Treaties ("**PER-25/2018**"), the Indonesian tax withholder is allowed to withhold tax at the reduced rate in accordance with a tax treaty, provided that:

a. the Non-resident Taxpayer is not an Indonesian tax resident;

b. the Non-resident Taxpayer is a tax resident of a tax treaty partner;

c. the administrative requirements have been fulfilled;

d. there is no tax treaty misuse by the Non-resident Taxpayer; and

e. the Non-resident Taxpayer is the beneficial owner of the income (if so required by the tax treaty).

If the above requirements are not met, then the tax withholder shall withhold tax in accordance with Indonesian tax regulations, i.e. at the rate of 20.0%.

Under PER-25/2018, misuse of a tax treaty can happen if one of the purposes of the arrangement(s) or transaction(s) is to obtain a benefit under the tax treaty contrary to the object and purpose of the tax treaty or if the transactions/structure do not have substance. A lack of substance is considered to occur if:

a. the transaction or structure does not have economic substance;

b. the legal form of the structure/transactions is different from the economic substance;

c. the business operation is not managed by its own management and the management does not have appropriate authority to carry out transactions;

d. the entity's assets, other than the assets to generate income from Indonesia, are not sufficient and adequate to carry out business operations in the tax treaty partner country;

e. the entity does not have sufficient qualified employees to conduct its business operations; or

f. the entity has no active business other than receiving income from dividend, interest and/or royalty originating from Indonesia.

Where the Non-resident Taxpayer is required by a tax treaty to be the beneficial owner of the income (e.g. for interest income) then, in addition to satisfying the conditions for non-abuse of the tax treaty, that Non-resident Taxpayer must fulfill the following:

a. if it is an individual, it is not acting as an agent or nominee, or

b. if it is a company, it is not acting as an agent, nominee or conduit, and the company:

    i. has the power to use or enjoy the funds, assets, or right to earn income from Indonesia;

    ii. does not use more than 50% of its total income (non-consolidated) to fulfill obligations to other parties (excluding payments of reasonable remuneration to employees and other expenses normally incurred by the company in running the business);

    iii. bears the risk on its own assets, capital and/or liabilities; and

iv. it does not have any contractual or legal obligation to transfer the whole or part of the income received from Indonesia to another party.

In the case that there is a misuse of the tax treaty or the income recipient is not the beneficial owner, the following are applied:

a. the tax withholder is not allowed to implement the regulations stipulated in the tax treaty and must withhold tax in accordance with Indonesia's tax regulations, i.e. withholding tax at the rate of 20.0%; and

b. the Non-resident Taxpayer who misuses the tax treaty cannot apply for a refund for the overpayment of tax.

If there is a difference between the legal form of a structure/scheme and the economic substance, the applicable tax regulations will be the tax regulations in accordance with the economic substance (substance over form).

Certificate of Domicile ("COD")

The administrative requirements to be fulfilled by the Non-resident Taxpayer to enjoy the tax treaty benefits are in the COD form, which must be:

a. in the form prescribed in the attachment to PER-25/2018 (i.e. DGT Form);

b. filled in completely by the Non-resident Taxpayer;

c. signed by the Non-resident Taxpayer;

d. certified by the competent tax authority in the tax treaty partner country (or a separate COD shall be provided by the foreign tax authority as was used prior to the application of PER-25/2018); and

e. the form must be provided to the Indonesian tax withholder before the end of the deadline to submit the monthly tax returns for the relevant tax payable period.

The certified first page of DGT Form or the separate COD used in lieu thereof, has a validity based on the period specified on the document, to a maximum of 12 months, and may be reused during this time for other payments to that Non-resident Taxpayer.

The Non-resident Taxpayer should provide the original COD form to the tax withholder (if this is the first transaction with an Indonesian tax withholder that is utilizing the COD); otherwise the Non-resident Taxpayer shall provide to the tax withholder a copy of the electronic receipt of the lodgment of the original COD for the first transaction. The tax withholder is required to submit the COD (if it is the first transaction using the COD) or electronic lodgment receipt (for future transactions) in the relevant monthly tax return via e-filing.

In the case that there is income received or earned by a Non-resident Taxpayer, but no tax is withheld in Indonesia according to the tax treaty, the tax withholder is still obliged to arrange reporting of the COD.

Tax residency

With regard to the tax residency country of the recipient of certain income (including interest income), Article 26 paragraph (1a) of Law No. 36 of 2008 on Income Tax (and its elucidation), states that the domicile country of a Non-resident Taxpayer (that does not conduct business activities through a permanent establishment in Indonesia), is defined as the country where the Non-resident Taxpayer who truly receives the benefits of such income, resides or domiciles. The law also includes further requirements about the country of domicile as follows:

- that the domicile country of the Non-resident Taxpayer who derives income from Indonesia (not through a permanent establishment in Indonesia) is determined based on the domicile country of the Non-resident Taxpayer that actually receives the benefits of the income (hereinafter referred to as the beneficial owner). Accordingly, the country of domicile shall not only be determined based on COD, but also on residence or domicile of the beneficiary of the income;

- in the event that the beneficial owner is an individual, his/her country of domicile shall be the country where the individual resides or lives; and

- if the beneficial owner is a company (corporate or enterprise), its country of domicile shall be the country in which the owner or the shareholders with more than 50.0% ownership (either individually or commonly) of the company domiciles or where "effective management" is.

Stamp duty

In Indonesia, nominal stamp duty applies on a per document basis, and is not related to the value of the transaction. Stamp duty applies to certain documents made, executed or brought into Indonesia or intended to be used as evidence for civil proceedings. Documents subject to stamp duty include notarial deeds, documents evidencing or recording the receipt of money and securities instruments. The nominal amount of the Indonesian stamp duty for any kind of securities transaction having a value greater than Rp.1,000,000 is Rp.6,000. Commencing January 1, 2021, the amount of Indonesian stamp duty will become Rp.10,000 irrespective of the value of the transaction.

Generally, the stamp duty is due at the time the document is executed. Stamp duty is payable by the party that benefits from the executed document unless both parties state otherwise.

Other Indonesian Taxes

There are no Indonesian estate, inheritance, succession, or gift taxes generally applicable to the acquisition, ownership or disposition of the Note by Non-resident Taxpayers. There are no Indonesian registration or similar taxes or duties payable by the holders of the Notes.

Certain United States Federal Income Considerations

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the Notes. Except to the extent set forth below, the discussion addresses only U.S. Holders (as defined below) that purchase Notes in the original offering, hold the Notes as capital assets, and use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, persons required to accelerate the recognition of any item of gross income as a result of such income being recognized on an "applicable financial statement" and persons holding the Notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or foreign taxes, the Medicare tax on net investment income or the federal alternative minimum tax. Prospective investors should note that no rulings have been, or are expected to be, sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS or a court will not take contrary positions.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES UNDER THE FEDERAL, STATE AND LOCAL LAWS OF THE UNITED STATES, INDONESIA AND THE LAWS OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "**U.S. Holder**" means the beneficial owner of a Note that for U.S. federal income tax purposes is

- a citizen or individual resident of the United States,

- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any political subdivision thereof,

- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person, or

- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

"**Non-U.S. Holder**" means a person that is a beneficial owner of a Note other than a U.S. Holder.

The treatment of partners in a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that owns Notes may depend on the status of such partners and the status and activities of the partnership and such persons should consult their own tax advisors about the consequences of an investment in the Notes.

Potential Contingent Payment Debt Instrument Treatment

In certain circumstances the Company may be required to make payments on a Note that would change the yield of the Note. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event*" and "*— Optional Redemption.*" This obligation may implicate the provisions of Treasury regulations relating to contingent payment debt instruments ("**CPDIs**"). According to the applicable Treasury regulations, certain contingencies will not cause a debt instrument to be treated as a CPDI if such contingencies, as of the date of issuance, are "remote or incidental" or certain other circumstances apply. The Company intends to take the position that the Notes are not CPDIs. This determination is binding on each holder of the Notes unless such holder discloses its contrary position in the manner required by the applicable Treasury regulations. This determination, however, is not binding on the IRS and if the IRS were to successfully challenge this determination, a holder may be required to accrue income on the Notes that such holder owns in excess of stated interest, and to treat as ordinary income rather than capital gain any income realized on the taxable disposition of such Notes before the resolution of the contingency. If the Notes are not CPDIs but such contingent payments were required to be made, it would affect the amount and timing of the income that a U.S. Holder recognizes. U.S. Holders are urged to consult their own tax advisors regarding the potential application to the Notes of the CPDI rules and other rules above and the consequences thereof. The remainder of this discussion assumes that the Notes will not be treated as CPDIs.

Interest

Stated interest paid to a U.S. Holder, and any Additional Amounts with respect to withholding tax on the Notes (including the amount of tax withheld from payments of interest and Additional Amounts), will be includible in the U.S. Holder's gross income as ordinary interest income at the time interest and Additional Amounts are received or accrued in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes. It is expected, and the remainder of this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Interest on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any Indonesian income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including redemption) of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid interest, which will be taxable as interest) and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will be equal to the amount that the U.S. Holder paid for the Note. Any such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the Note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

If foreign income tax is withheld on the sale, exchange or other taxable disposition of the Notes, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the foreign income tax. Gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of the Notes generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a Note that is subject to foreign income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for that foreign income tax unless the U.S. Holder can apply the credit (subject to applicable limitations) against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the foreign income tax if it does not elect to claim a foreign tax credit with respect to any foreign income taxes paid or accrued during the taxable year.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest and Additional Amounts on or gain with respect to the Notes. A Non-U.S. Holder generally will not be subject to U.S. federal income tax on a net income basis on payments or upon or gain from the sale, exchange or other taxable disposition (including redemption) of a Note, unless that payment or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of principal of, and interest on, Notes (including Additional Amounts), and to proceeds from the sale, exchange or other taxable disposition (including redemption) of Notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders generally will be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of Notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The Notes generally are expected to constitute "specified foreign financial assets" unless they are held in accounts maintained by financial institutions. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of the Notes. Prospective purchasers of Notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

J.P. Morgan (S.E.A.) Limited and UBS AG Singapore Branch (the "**Initial Purchasers**"), are acting as the initial purchasers of the offering of Notes. Subject to the terms and conditions stated in the purchase agreement dated the date of this Offering Memorandum (the "**Purchase Agreement**") among us and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase from us, the principal amount of the Notes set forth opposite their respective name below.

Initial Purchaser	Principal Amount
J.P. Morgan (S.E.A.) Limited	US$260,000,000
UBS AG Singapore Branch	US$140,000,000
Total	**US$400,000,000**

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all of the Notes if they purchase any of the Notes. The initial offering price is set forth on the cover page of this Offering Memorandum. After the Notes are released for sale, the Initial Purchasers may change the offering price and other selling terms. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. Delivery of the Notes is expected to occur on or about February 10, 2021.

We have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of any of such liabilities.

We have been advised that the Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum within the United States, through their respective U.S. broker-dealer affiliates, to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. See "*Transfer Restrictions.*" The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements, of the Securities Act. See "*Transfer Restrictions*." The price at which the Notes are offered may be changed at any time without notice.

We have agreed not to, for a period of 30 days after the date of this Offering Memorandum (i) offer for sale, sell, or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any debt securities substantially similar to the Notes or securities convertible into or exchangeable for such debt securities, or sell or grant options, rights or warrants with respect to such debt securities or securities convertible into or exchangeable for such debt securities, (ii) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such debt securities, (iii) file or cause to be filed a registration statement, including any amendments, with respect to the registration of debt securities substantially similar to the Notes or securities convertible, exercisable or exchangeable into debt securities or (iv) publicly announce an offering of any debt securities substantially similar to the Notes or securities convertible or exchangeable into such debt securities, in each case without the prior written consent of the Initial Purchasers.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been obtained from the SGX-ST for the listing of the Notes on the SGX-ST. However, we cannot assure you that we will be able to maintain a listing of the Notes on the SGX-ST, or that, if listed, a trading market will develop. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive registered Notes. In addition, in the event that a Global Note is exchanged for definitive registered Notes, an announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive registered Notes, including details of the paying agent in Singapore. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. We also cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice at their sole discretion. In addition, market-making activity will be subject to the limits imposed by applicable law. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

In connection with this offering, UBS AG Singapore Branch, as stabilizing manager, or any person acting for it, may purchase and sell Notes in the open market. These transactions may, to the extent permitted by law, include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales (or over-allotments) involve secondary market sales by the Initial Purchasers of a greater number of Notes than they are required to purchase in the offering. Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions involve bids to purchase Notes so long as the stabilizing bids do not exceed a specified maximum. Purchases to cover short positions and stabilizing purchases, as well as other purchases by the Initial Purchasers for their own accounts, may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time. These activities will be undertaken solely for the account of the stabilizing manager and not for and on behalf of the Company.

The Initial Purchasers and certain of their respective subsidiaries or affiliates have in the past provided, and may provide from time to time in the future, certain investment banking, financial advisory, commercial banking and other services for us, Delta and/or our or their respective subsidiaries and affiliates, for which they have received and expect to continue receiving customary fees and expenses. The Initial Purchasers and their respective subsidiaries or affiliates may also engage in investment or commercial banking and other dealings with us, Delta and/or our or Delta's respective subsidiaries and affiliates (including without limitation transactions involving commercial lending, hedging, derivative and structured products) in the ordinary course of business from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, the Initial Purchasers and their respective affiliates may, from time to time, engage in other transactions with, and perform services for, us or our affiliates in the ordinary course of their business. The Initial Purchasers or their respective affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold Notes on behalf of clients or in the capacity of investment advisors. While each Initial Purchaser and its affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause an Initial Purchaser or its affiliates or its clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. Each Initial Purchaser may receive returns on such transactions and has no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes.

Each Initial Purchaser or its affiliates may purchase the Notes for its own account or enter into secondary market transactions or derivative transactions relating to the Notes, including, without limitation, purchase, sale (or facilitation thereof), stock borrowing or credit or equity-linked derivatives such as asset swaps, repackagings and credit default swaps, at the same time as the offering of the Notes. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Memorandum relates (notwithstanding that such selected counterparties may also be a purchaser of the Notes). As a result of such transactions, an Initial Purchaser or its affiliates may hold long or short positions relating to the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Initial Purchaser or any affiliate of an Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on our behalf in such jurisdiction.

We expect to deliver the Notes against payment for the Notes on or about February 10, 2021 which is the eleventh business day following the date of this Offering Memorandum (such settlement cycle being referred to as "T+11"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next succeeding business day will be required, because the Notes initially will settle in T+11, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers who wish to trade the Notes on the pricing date or the next succeeding business day should consult their own advisers.

Selling Restrictions

General

We and the Initial Purchasers have not taken any action, nor will we and the Initial Purchasers take any action, that would permit a public offering of Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Transfer Restrictions*" for a description of other restrictions on the transfer of Notes. Accordingly, the Notes are being offered and sold only (1) in the United States to "qualified institutional buyers" in reliance on Rule 144A and (2) outside the United States in offshore transactions in reliance on Regulation S. Resales of the Notes are restricted as described under "Transfer Restrictions."

Until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

As used herein, the term "United States" has the meaning given to it in Regulation S.

United Kingdom

Each of the Initial Purchasers has represented, warranted and agreed that:

(1) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and

(2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area and United Kingdom retail investors

Prohibition of Sales to EEA and UK Retail Investors — Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or in the United Kingdom.

For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Initial Purchasers has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

- where no consideration is or will be given for the transfer;

- where the transfer is by operation of law;

- as specified in Section 276(7) of the SFA; or

- as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Indonesia

The Notes have not been offered or sold and will not be offered or sold in Indonesia or to any Indonesian nationals, corporations or residents, including by way of invitation, offering or advertisement, and this Offering Memorandum and any other offering material relating to the Notes has not been distributed, and will not be distributed, in Indonesia or to any Indonesian nationals, corporations or residents.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

We have not registered the Notes under the Securities Act and the Notes may only be offered or sold (i) within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above and otherwise in this section of this Offering Memorandum have the meanings given to them by Regulation S and Rule 144A.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

(1) You understand and acknowledge that the Notes have not been and will not be registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including resales pursuant to Rule 144A, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom, or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (3) below.

You are not our "affiliate" (as defined in Rule 144 under the Securities Act), you are not acting on our behalf and you are either:

(a) a qualified institutional buyer and are aware that any sale of these Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another qualified institutional buyer; or

(b) purchasing Notes in an offshore transaction in accordance with Regulation S.

(2) You acknowledge that none of us, the Initial Purchasers or any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you. You represent that you are only relying on this Offering Memorandum in making your investment decision with respect to the Notes. You acknowledge that the Initial Purchasers make no representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(3) You are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other available exemption from registration available under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of these Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes prior to (x) the date which is one year (or such shorter period of time as permitted by Rule 144(d) under the Securities Act or any successor provision thereunder) after the later of the date of the original issue of these Notes and the last date on which we or any of our affiliates were the owner of such Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the "Resale Restriction Termination Date") only:

(a) to us or any of our affiliates;

(b) pursuant to a registration statement which has been declared effective under the Securities Act;

(c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a qualified institutional buyer that purchases for its own account or for the account of another qualified institutional buyer to whom you give notice that the transfer is being made in reliance on Rule 144A;

(d) outside the United States in offshore transactions meeting the requirements of Rule 904 under the Securities Act; or

(e) pursuant to any other available exemption from the registration requirements of the Securities Act;

subject in each of the foregoing cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be within the seller or account's control, and in compliance with any applicable state securities laws.

You acknowledge that we, the Trustee and the Transfer Agent reserve the right prior to any offer, sale or other transfer of the Notes pursuant to clause (e) above prior to the Resale Restriction Termination Date of the Notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the Trustee and the Transfer Agent.

(4) You acknowledge that each Note will contain a legend substantially in the following form:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) (A "QIB") OR (B) IT IS NOT IN THE UNITED STATES, IS NOT ACQUIRING THIS NOTE FOR THE ACCOUNT OR BENEFIT OF A PERSON WITHIN THE UNITED STATES AND IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT, WITHIN THE TIME PERIOD REFERRED TO UNDER RULE 144 UNDER THE SECURITIES ACT AS IN EFFECT ON THE DATE OF THE TRANSFER OF THIS NOTE, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) TO THE ISSUER OR ANY OF ITS AFFILIATES THEREOF, (B) TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT, (D) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRANSFER AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS."

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(5) You acknowledge that the Transfer Agent will not be required to accept for registration or transfer any Notes acquired by you, except upon presentation of evidence satisfactory to us and the Transfer Agent that the restrictions set forth herein have been complied with.

(6) You acknowledge that:

(a) we, the Initial Purchasers, the Transfer Agent and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that, if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify us, the Initial Purchasers and the Transfer Agent promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements.

(7) You agree that you will give to each person to whom you transfer these Notes notice of any restrictions on the transfer of the Notes.

(8) You understand that no action has been taken in any jurisdiction (including the United States) by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "Plan of Distribution."

RATINGS

The Notes are expected to be rated "Ba3" by Moody's and "BB-" by Fitch. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not address the payment of any additional amounts and do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of the Company, or on the Company. See "*Risk Factors — Risks Relating to the Notes and the Collateral — The ratings assigned to the Notes may be lowered or withdrawn*."

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for the Company by Milbank LLP as to matters of United States federal and New York law and Ginting & Reksodiputro as to matters of Indonesian law. Certain legal matters will be passed upon for the Initial Purchasers by Sidley Austin LLP as to matters of United States federal securities law and New York law, and Witara Cakra Advocates as to matters of Indonesian law.

INDEPENDENT AUDITORS

Our Audited Financial Statements included in this Offering Memorandum have been audited by Aria Kanaka & Rekan (Mazars), registered public accountants. Our Unaudited Interim Financial Statements included in this Offering Memorandum have been reviewed by Aria Kanaka & Rekan (Mazars), registered public accountants.

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN INDONESIAN FAS AND U.S. GAAP

Our financial statements included in this offering memorandum have been prepared in conformity with Indonesian FAS, which differ in certain significant respects from U.S. GAAP. This summary is not an exhaustive list of all the differences between Indonesian FAS and U.S. GAAP. We have not attempted to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in our financial statements (or notes thereto). Certain of those differences that may have a material effect on our financial statements are summarized below. Our management has not quantified the effects of the differences discussed below. Accordingly, our financial statements could be materially different if prepared in accordance with U.S. GAAP.

Regulatory bodies that promulgate Indonesian FAS and U.S. GAAP have significant on-going projects that could affect the differences between Indonesian FAS and U.S. GAAP described below and the impact that these differences could have on our financial statements in the future. In making an investment decision, investors must rely upon their own examination of us, the terms of this offering and our financial information.

Inventories

Under Indonesian FAS, PSAK 14, inventories are carried at the lower of cost or net realizable value. Net realizable value is defined as the estimated selling price less the estimated costs of completion and the estimated costs necessary to complete the sale. First-in-first-out ("FIFO") and weighted average methods are permitted for determining cost. Last-in, first-out (LIFO) is not permitted.

U.S. GAAP, ASC 330, "Inventory", is similar to Indonesian FAS. Inventories are stated at the lower of cost or net realizable value. Last-in, first-out (LIFO), First-in-first-out ("FIFO") and weighted average methods are permitted for determining cost.

Accounting for inventory write-downs under Indonesian FAS and U.S. GAAP is substantially similar. The principal difference is that, under Indonesian FAS, inventory provisions can be written back up, resulting in a reduction in expense in the period in which the reversal occurs. Under U.S. GAAP, a provision to write down inventories to the lower of cost or market cannot be reversed should the market value recover prior to sale or disposition. As a result, under U.S. GAAP, write-downs of inventory can only be recovered through sale or disposition.

Fixed assets

Under Indonesian FAS, PSAK 16, fixed assets are carried at historical cost less accumulated depreciation and impairment loss ("cost model") or at revalued amount less any accumulated depreciation and subsequent accumulated impairment losses ("revaluation model'). The frequency of revaluations depends upon the changes in fair values of the items of fixed assets being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of fixed assets experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of fixed assets with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

Under U.S. GAAP, fixed assets are carried at historical cost less accumulated depreciation and impairment loss; revaluations are not permitted. Depreciation is required to be recorded using an approach in which the carrying amount of the asset is spread over its expected useful life in such a way as to allocate it as equitably as possible to the periods during which services are obtained from the use of the asset.

Impairment of Long-Lived Assets

Under Indonesian FAS, PSAK 48, an entity should assess at each financial position date whether there are any indications that an asset may be impaired. If there is any such indication, the assets must be tested for impairment. Certain assets such as goodwill, intangible assets with indefinite useful life are tested for impairment annually, regardless of existence of impairment indication. Assets are tested whether their carrying value exceeds their recoverable amount. Recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. The fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Value in use of an asset is calculated by estimating future cash flows to be derived from the asset and discounting the cash flows using a pre-tax market rate that reflects current assessments of the time value of money and the risks specific to the asset. Since asset seldom generates income individually, most assets are tested for impairment in its cash-generating unit ("CGU"), which is the smallest identifiable group of assets that generates inflows that are largely independent from the cash flows from other CGUs. An impairment loss is recorded in the profit or loss. Reversal of impairment losses is required in certain circumstances where the loss ceases to exist is permitted for assets other than the goodwill. The amount written up is reduced by the amount that would have been recognized as depreciation had the impairment not occurred.

Assets whose value will be recovered principally through sale rather than through continuing use should be classified as assets held for sale. The assets held for sale should be measured at the lower of carrying amount and fair value less costs to sell.

Under U.S. GAAP, long-lived assets held and used and certain identifiable finite-lived intangible assets of an entity are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the relevant asset may not be recoverable and the impairment test is a two-step approach. Firstly, impairment is assessed on the basis of undiscounted cash flows that are expected to result from the use and eventual disposal of the asset. If such undiscounted cash flows are less than carrying amount, the impairment loss is measured as the amount by which the carrying amount exceeds fair value. Impairment of long-lived assets — Indefinite-lived intangible assets, including goodwill, are governed by ASC 360 under U.S. GAAP, which provides a number of indicators that an entity should consider to determine if indefinite lived intangible assets should be combined for impairment testing purposes. Under U.S. GAAP, if an impairment loss is recognized, the adjusted carrying amount becomes the new cost basis of the long-lived asset to be depreciated over its remaining useful life. Reversal of impairment losses is prohibited.

Land Use Rights

In Indonesia, except for ownership rights (Hak Milik) granted to individuals, the title of land rests with the Government of Indonesia under the Basic Agrarian Law No. 5 of 1960. Land-use is accomplished through land rights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. Land rights generally are freely tradable and may be pledged as security under borrowing agreements. The facts and circumstances for each type of land rights is analyze in determining the accounting for each of these land rights so that it can accurately represent an underlying economic event or transaction. If the land rights do not transfer control of the underlying assets, but give the rights to use the underlying assets, it applies the accounting treatment of these transactions as leases under PSAK 73, "Leases". If the land rights are substantially similar to land purchases, it applies PSAK 16, "Property, Plant and Equipment" under which land rights are recognized at cost and not depreciated.

Under U.S. GAAP, ASC 840, "Leases", land use rights are considered as leases. Any premium paid for such rights represents prepaid lease payments which should be amortized over the period the holder is expected to retain the land rights.

Capitalization of Interest Cost

Under Indonesian FAS, PSAK 26, interest on borrowings directly attributable to the acquisition, construction or production of qualifying assets is capitalized during the period that is required to complete and prepare each asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. An entity shall recognize other borrowing costs as an expense in the period in which it incurs them. An entity shall disclose (a) the amount of borrowing costs capitalized during the period; and (b) the capitalization rate used to determine the amount of borrowing costs eligible for capitalization.

U.S. GAAP ASC 835, "Interest", requires capitalization of borrowing costs on qualifying assets. To qualify, assets must require a period of time to prepare them for their intended use. Examples are assets that an enterprise constructs for its own use (such as facilities) and assets intended for sale or lease that are constructed as discrete projects (such as ships or real estate projects). However, interest cannot be capitalized for inventories that are routinely manufactured or otherwise produced in large quantities on a repetitive basis. Investments accounted for using the equity method meet the criteria for a qualifying asset while the investee has activities in progress necessary to commence its planned principal operations, provided that the investee's activities include the use of funds to acquire qualifying assets for its operations.

The interest cost eligible for capitalization shall be the interest cost recognized on borrowings and other obligations. The amount capitalized is to be an allocation of the interest cost incurred during the period required to complete the asset. The interest rate for capitalization purposes is to be based on the rates on the enterprise's outstanding borrowings. If the enterprise associates a specific new borrowing with the asset, it may apply the rate on that borrowing to the appropriate portion of the expenditures for the asset. A weighted average of the rates on other borrowings is to be applied to expenditures not covered by specific new borrowings. Judgment is required in identifying the borrowings on which the average rate is based.

Leases

Under Indonesian FAS, PSAK 73, a single lessee accounting model is used, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. Upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. After lease commencement, a lessee shall measure the right-of-use asset using a cost model. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined.

Under U.S. GAAP, two standards currently apply for accounting leases, ASC 840 and ASC 842. ASC 842 application is mandatory for listed companies while private companies can still apply ASC 840.

ASC 840 "Lease" states that financial or capital leases are recognized if one of the following criteria is met: (i) ownership of the leased asset transfers to the lessee at the end of the lease term; (ii) the lease contains a bargain purchase option; (iii) the lease term is equal to 75% or more of the estimated useful life of the asset; or (iv) the net present value of the minimum lease payments equals or exceeds 90% of the underlying fair value of the leased asset less any investment tax credit retained by the lessor. If the lease meets the criterion of either (i) or (ii) above, the asset is amortized in a manner consistent with the lessee's normal depreciation policy for owned fixed assets. If the lease does not meet the criterion (i) or (ii) above, the asset is amortized in a manner consistent with the lessee's normal depreciation policy, except that the period of amortization shall be the lease term. This asset shall be amortized to its expected value, if any, to the lessee at the end of the lease term. For leases not meeting any of the four criteria for a capital lease above, lease payments are expensed as incurred (operating lease) on a straight-line basis. ASC 840 defines a lease as an agreement conveying the right to use property, plant or equipment for a stated period of time.

ASC 842 “Leases” requires a lessee to classify a lease as either a finance or operating lease. Only leases classified as finance leases are treated as financing arrangements and accounting for operating leases will generally continue to produce a straight-line total lease expense. ASC 842 does not provide guidance on exclusion of certain leases of low-value assets from classification as finance lease.

Deferred Tax

Under Indonesian FAS, PSAK 46, deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount except for temporary differences arising from goodwill (for deferred tax liability only), or at the time of the initial recognition of assets or liabilities from a transaction which is not a business combination transaction and that affects neither accounting profit nor taxable profit and investments in subsidiaries, branches, associates and joint ventures, but only where certain criteria apply Currently enacted rates or substantially enacted rates are used in the determination of deferred income tax. A deferred tax asset is recognized if it is probable that sufficient taxable profit will be available against which the temporary difference can be utilized. When an entity makes a distinction between current and non-current assets and liabilities in its financial statements, it should not classify deferred tax assets (liabilities) as current assets (liabilities).

ISAK 34 “Uncertainty over Income Tax Treatments” clarifies how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment, using the principles in PSAK 46. An uncertain tax treatment is defined as any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

U.S. GAAP, ASC 740, “Income Taxes”, is similar to Indonesian FAS except that no initial recognition exemption and there is exemption for the initial recognition of deferred tax on leveraged leases. Use of substantively enacted rates is not permitted as tax rates and tax laws used must have been enacted. A deferred tax asset is recognized in full but is then reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax asset will not be realized. Deferred tax assets and liabilities are systematically classified as non-current starting from reporting period after December 15, 2016.

Under FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109”, a tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position is sustainable based on its technical merits. The tax position is measured, using the cumulative probability model, as the largest amount of tax benefit that is more than 50% likely to be realized upon ultimate settlement.

Employee Benefits — Defined Benefit Plans

Under Indonesian FAS, PSAK 24, the liability recognized in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of plan assets. Projected unit credit method is used to determine the benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates or market yields of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. Government bond yields are used where there is no deep market in high-quality corporate bonds. Valuation of plan assets is measured at fair value or using discounted cash flows if market prices are unavailable. Expected return on plan assets is determined based on market expectations at the beginning of the period for returns over the entire life of obligation. Actuarial gain/loss arising from experience adjustments, changes in actuarial assumptions is recognized immediately in other comprehensive income. The expenses will be made up of service cost, interest cost, recognized past service costs and curtailment or settlement impacts. Disclosures of the amount and line items of the profit or loss in which each component is recorded, are required. Positive and negative past-service cost is recognized in the profit or loss in the period of a plan amendment. Gains and losses on curtailments or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs.

Under U.S. GAAP, ASC 715, "Compensation-Retirement Benefits", entities are required to record on the balance sheet the full funded status (the differences between the fair value of the plan assets and the projected benefit obligation) of pension plans or the accumulated post-retirement benefit obligation of other post-retirement plans. The offset amount is recorded to other comprehensive income. Unlike in Indonesian FAS where government bonds may be used, U.S. GAAP requires that the discount rates should be based on the rate at which the pension obligation could be effectively settled. Companies may look to the rate of return on high-quality, fixed-income investments with similar durations to those of the benefit obligation, to establish the discount rate. Plan assets are measured at fair value less cost to sale for balance sheet recognition and disclosure purposes. However, for the purposes of determining the expected return on plan assets and the related accounting for asset gains and losses, plan assets can be measured by using either fair value or a calculated value that recognizes changes in fair value over a period of not more than five years. Positive prior-service costs for current and former employees are recognized in other comprehensive income at the date of the adoption of the plan amendment and are amortized over the employee's remaining service lives, years of service to full eligibility date, or life expectancy. Negative prior-service costs are recognized as a prior service credit to other comprehensive income and are used first to offset previous positive prior-service costs included in accumulated other comprehensive income. Any remaining prior-service credits should then be amortized over the remaining service period of the active employees unless all or almost all plan participants are inactive, in which case the amortization period would be the plan participants' life expectancies. Actuarial gains and losses can be either recognized immediately or amortized, while unrecognized prior service costs are amortized as a component of net periodic benefit cost. Further, U.S. GAAP requires, at a minimum, a liability for the amount of the unfunded accumulated benefit obligation to be recognized at the balance sheet date.

Bonds Issuance Costs

Under Indonesian FAS, PSAK 71, transaction costs associated with the issuance of debt instruments include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs are deducted to the fair value of the financial liability at initial recognition. The financial liability shall subsequently be measured at amortized cost using effective interest method.

Under U.S. GAAP, prior to reporting periods beginning December 15, 2015, debt issuance costs are classified as deferred charges and recognized as additional interest expense over the term of the debt instrument under the effective interest method. Afterwards, the requirements are similar to Indonesian FAS.

Classification of Long-term Debt

Under Indonesian FAS, PSAK 1, financial liabilities classify as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue. When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current.

U.S. GAAP specifically provides that current liabilities are also intended to include long-term obligations that are or will be callable by the creditor either because the debtor's violation of a provision of the debt agreement at the balance sheet date makes the obligation callable or because the violation, if not cured within a specified grace period, will make the obligation callable. Accordingly, such callable obligations shall be classified as current liabilities unless the creditor has waived or subsequently lost the right to demand repayment for more than one year (or operating cycle, if longer) from the balance sheet date. For long-term obligations containing a grace period within which the debtor may cure the violation, it is probable that the violation will be cured within that period, thus preventing the obligation from becoming callable.

Modification or Exchange of Debt Instruments

Under Indonesian FAS, PSAK 71, an exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred of liabilities assumed, shall be recognized in profit or loss.

U.S. GAAP provides that from the debtor's perspective, an exchange of debt instruments between or a modification of a debt instrument by a debtor and a creditor in a non-troubled debt situation is deemed to have been accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. A substantial modification of terms should be accounted for like, and reported in the same manner as, a debt extinguishment.

Components of Financial Statements, Presentation and Disclosures

Indonesian FAS, PSAK 1, permits an entity to use titles for the statements other than those used in the standard. The amendments clarify that a reporting entity should not present a material item, transaction or other event in an obscure manner. Under Indonesian FAS PSAK 1, an entity may present its expenses either by function or nature. Certain disclosures are required if the entity chooses to present the expenses by function.

In general, the disclosure requirements under Indonesian FAS and U.S. GAAP are similar. U.S. GAAP, ASC 205, "Presentation of Financial Statements", requires specific disclosures including, among others, concentrations of credit risk, significant customers and suppliers, fair value of financial instruments, use of estimates, earnings per share (for publicly traded companies), income taxes, guarantees, pensions and other post-retirement employee benefits, business, segment disclosures and comprehensive income. An entity may present its income statement in (1) a single-step format (all expenses are classified by function and deducted from total income to arrive at income before tax) or (2) a multiple-step format (operating and nonoperating expenses are separated before presenting income before tax). Events that take place after the reporting date (refinancing, covenant violation waiver, and so forth) are generally considered in the classification of debt as of the reporting date, unlike with Indonesia FAS, these events are generally not considered.

ASU 2011-12 — Comprehensive Income (Topic 220) was issued on December 23, 2011. The amendments in this ASU supersede certain pending paragraphs in ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, to effectively defer only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow time to reconsider the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities.

ASU 2011-11 — Balance Sheet (Topic 210) was issued on December 16, 2011. The objective of this ASU is to provide enhanced disclosure that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position. This includes the effect or potential effect of rights of setoff associated with an entity's recognized assets and recognized liabilities within the scope of this ASU. The amendments require enhanced disclosure by requiring additional information about financial instruments and derivative instruments that are either (1) offset in accordance with Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with Section 210-20-45 or Section 815-10-45.

ASU 2011-05 — Comprehensive Income (Topic 220) was issued on June 16, 2011. Under this, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. In both options, an entity is required to present each component of net income together with total net income, each component of other comprehensive income together with a total for other comprehensive income, and a total amount for comprehensive income. This amendment eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This amendment does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income.

Cash Flow Statements

Under Indonesian FAS, PSAK 2, cash includes cash equivalents with maturities of three months or less from the date of acquisition and may include bank overdrafts. For public companies, direct cash flows method (cash flows derived from aggregating cash receipts and payments associated with operating activities) is required. However, companies which present their cash flows using the direct method are not required to present a reconciliation of net income to net cash flows from operating activities. Cash flows from interests received and paid are disclosed in a consistent manner from period to period as operating, investing or financing activities. Beginning January 1, 2018, entities are required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from: cash flows, such as drawdowns and repayments of borrowings; non-cash changes, such as acquisitions, disposals and unrealized exchange differences.

U.S. GAAP is similar to Indonesian FAS, except that bank overdrafts are excluded. Accordingly, changes in the balances of overdrafts are classified as financing cash flows, rather than being included within cash and cash equivalents. Direct or indirect cash flows method (cash flows derived from adjusting net income for non-cash transactions such as depreciation) can be used. If the direct method is used, a reconciliation of net income to cash flows from operating activities must be disclosed. Such reconciliation should show (a) the effects of all deferrals of past operating cash receipts and payment, such as changes during the period in inventory, deferred income, and all accrual of expected future operating cash receipts and payments, such as changes during the period in receivables and payables; and (b) the effects of all items which cash effects are investing or financing cash flows, such as depreciation, amortization of goodwill, gains or losses on sales of fixed assets and discontinued operations and gains or losses on extinguishment of debt. Cash flows from interests received and paid are classified in the statement of cash flows as operating activities only.

Revenue Recognition

Under Indonesian FAS, PSAK 72, an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services through a five-step model framework (1) Identify the contract(s) with a customer (2) Identify the performance obligations in the contract (3) Determine the transaction price (4) Allocate the transaction price to the performance obligations in the contract (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Under U.S. GAAP, ASC 606, "Revenue from Contracts with Customers", revenue recognition is similar to Indonesian FAS, which applies the five-step model framework. Under both U.S. GAAP and Indonesian IFAS, one of the criteria for a contract is that the consideration to which the entity will be entitled in exchange for the goods and services that will be transferred to the customer must be probable of collection. Under U.S. GAAP, an entity must assess whether it is probable that it will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. Indonesian FAS, PSAK 72 does not include in its definition reference to "substantial" criteria.

Provision and Contingencies

Under Indonesian FAS, PSAK 57, a provision is recorded when the following three conditions are met: (a) an entity has a present obligation as a result of a past event; (b) it is probable that an outflow of resources embodying the economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The anticipated cash flows are discounted using a pre-tax discount rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability (for which the cash flow estimates have not been adjusted) if the effect is material. If a range of estimates is predicted and no amount in the range is more likely than any other amount in the range, the 'mid-point' of the range is used to measure the liability. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the entity's control. A contingent asset is recognized only when the realization of the associated benefit, such as an insurance recovery, is virtually certain. A contingent liability is a possible obligation whose outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits, or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote.

Under U.S. GAAP, ASC 450, "Contingencies,", if a range of estimates is present and no amount in the range is more likely than any other amount in the range, the "minimum' (rather than the mid-point) amount is used to measure the liability. A provision is only discounted when the timing of the cash flows is fixed or reliably determinable. An accrual for a contingent loss is required if it is probable that there is a present obligation resulting from a past event and an outflow of economic resources is reasonably estimable. Probable is defined under U.S. GAAP as likely to occur, which is generally considered a 75% threshold.

Related Party Transactions

Under Indonesian FAS, PSAK 7, related party relationships are generally determined by reference to the control or indirect control or exercise of significant influence of one party by another in making financial and operating decisions. Disclosures include: (i) relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them; and (ii) key management personnel compensation in total and for each of the following categories: short-term employee benefits, post-employment benefits, other long-term benefits; termination benefits and share-based payment. If an entity has entered into related party transactions during the periods covered by the financial statements, it is required to disclose the nature and extent of the related party relationships as well as the following information: the amount of the transactions; the amount and terms of outstanding balances, including commitments, provisions for doubtful debts related to the amount of outstanding balances; and the expense recognized during the period in respect of bad or doubtful debts due from related parties which are made separately for the parent; entities with joint control or significant influence over the entity; subsidiaries; associates; joint ventures in which the entity is a participant in the joint venture; key management personnel of the entity or its parent; and other related parties.

Under U.S. GAAP, ASC 850, "Related Party Disclosures,", for transactions with related parties, there is a requirement to disclose the nature and extent of any transactions with all related parties, the nature of the relationship, the amounts involved in a transaction, the amount, terms and nature of the outstanding balances and any doubtful amounts related to those outstanding balances for each major category of related parties. U.S. GAAP is substantially similar to Indonesian FAS in this respect, except that for control relationships, disclosures are required regardless of whether transactions occur. Unless it is necessary to understanding the relationship between parties, there is no specific requirement to disclose the name of the related party (other than the immediate parent entity, the ultimate parent entity and the ultimate controlling party). The disclosure of compensation of key management personnel is not required within the financial statements.

Under U.S. GAAP, loans made to shareholders or ultimate parent companies, including interest income earned thereon, for which repayment is effected by the dividends declared by the lender to the same shareholders or ultimate parent companies, are accounted for as a capital transaction of the lender. Accordingly, the reported amount of loans to related parties and shareholders would reduce the amount reported for net shareholders' equity.

Accounting for Guarantees

Under Indonesian FAS, a guarantor has a policy choice of applying accounting for insurance under PSAK 62 or accounts for the guarantee under PSAK 71, Financial Instruments, which the guarantee shall be recognized as liability at the time the guarantee is issued and measured at fair value. Under PSAK 62, a guarantor applies a liability adequacy test that meets specified minimum requirements, including (a) consideration of current estimates of all contractual cash flows, and of related cash flows such as claim handling costs, as well as cash flows resulting from embedded options and guarantees; and (b) if the test shows that the liability is inadequate, the entire deficiency is recognized in profit or loss.

Under U.S. GAAP, ASC 460, if an issued financial guarantee contract is eligible for the scope exception from derivative accounting, then it is accounted for under the guarantees Codification Topic and the credit impairment Codification Topic. When the issuer is required to apply the guarantees Codification Topic to a financial guarantee contract, a liability for the non-contingent obligation of the contract is recognized initially at fair value. Subsequent to initial recognition, the issuer will typically reduce the non-contingent obligation, by a credit to earnings, as the guarantor is released from the risk under the guarantee. The release from risk is generally recognized over the term of the guarantee using one of the following methods: (1) only on expiry or settlement of the guarantee; (2) by a systematic and rational amortization method; or (3) as the fair value of the guarantee changes.

Loans to (from) Related Parties and Shareholders

Under Indonesian FAS, PSAK 71, financial asset or a financial liability is recognized in its statement of financial position when, and only when, the entity fulfilled the conditions required under PSAK 71. Financial assets are classify as amortized cost, fair value through other comprehensive income or fair value through profit or loss. Financial liabilities are classify as amortized cost, except (1) for financial liabilities at fair value through profit or loss, (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, (3) financial guarantee contracts, (4) commitments to provide a loan at a below-market interest rate, and (5) contingent consideration recognized by an acquirer in a business combination.

Under U.S. GAAP, a transaction with related parties should be recorded based on its substance. There is no requirement to record related party loans as equity transactions.

Consolidation

Under Indonesian FAS, PSAK 65, consolidation is required only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

Under U.S. GAAP, an entity should first consider the guidance under ASC 810, "Consolidation", "Consolidation of Variable Interest Entities" (FIN 46(R)), which requires an entity to be consolidated by analyzing whether the investor is the VIE's primary beneficiary and whether the investor has a controlling financial interest in the VIE. Variable interest entities include entities such as special purpose entities and other entities not previously regarded as special purpose entities under U.S. GAAP. Variable interest entities are evaluated for consolidation based on all contractual, ownership, or other interests that expose their holders to the risks and rewards of the entity, where such interests are termed variable interests. An investor is considered as primary beneficiary of the VIE if it has the obligation to absorb losses or right to receive benefits generated by the VIE and the power to direct activities of the VIE.

If it has been determined that an entity is a variable interest entity, ASC 810 generally requires consolidation when one of the companies in a group directly or indirectly has a controlling financial interest in the other companies. The usual condition for a controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule, ownership by one company, directly or indirectly, of over 50% of the outstanding voting shares of another company suggests that consolidation is required in the preparation of consolidated financial statements, unless control is temporary and does not rest with the majority owner.

Consolidated financial statements under U.S. GAAP are prepared using uniform accounting policies for all of the entities in a group except when a subsidiary has specialized industry accounting principles. Retention of the specialized accounting policy in consolidation is permitted in such cases. Similar to Indonesian FAS, the consolidation of subsidiary accounts can be drawn up at a different reporting date but adjustments are generally not made for transactions that occur in the gap period. Minority interests are presented within the equity section.

GLOSSARY OF CERTAIN TERMS USED IN THE OFFERING MEMORANDUM

The explanations of certain terms used in this Offering Memorandum are not intended as technical definitions, but have been provided to assist the reader to understand certain terms as used in this Offering Memorandum. We have also included abbreviations and acronyms of certain units of measurement in this Offering Memorandum.

"Adaro"	PT Adaro Indonesia.
"Agents"	Collectively, the Collateral Agent, the Paying Agent, the Transfer Agent and the Registrar, each as defined herein.
"ash"	Impurities consisting of iron, alumina and other incombustible matter that are contained in coal. Since ash increases the weight of coal, it adds to the cost of handling and can affect the burning characteristics of coal.
"bank cubic meter" or "BCM"	A measure of the volume of overburden waste material.
"barge"	A long and large, usually flat-bottomed, boat of between 180 to 300 feet that is towed by a tugboat.
"Berau"	PT Berau Coal.
"bituminous coal"	The most common type of coal and characterized by a total moisture content of less than 14.0% by weight and an energy value of between 5,400 and 7,100 kcal/kg. Bituminous coal is a soft, dense and black coal containing large amounts of carbon, often with well-defined bands of bright and dull material. It is used primarily as fuel in steam-electric power generation, with substantial quantities also used for heat and power applications in manufacturing and to make coke.
"blasting"	The process of causing an explosion in the overburden and/or coal of a mine in order to enable the heavy equipment to operate more efficiently.
"blending"	The process of coal mixing to obtain the desired coal quality.
"calorific value"	The amount of heat released by coal during its combustion with oxygen.
"Capesize"	Capesize ships are cargo ships too large to traverse the Panama Canal (i.e., larger than both panamax and suezmax vessels). Capesize vessels are typically above 150,000 deadweight tonnes.

"Change of Control Offer"	Following a Change of Control Triggering Event, an Offer to Purchase all outstanding Notes by the Company at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the Offer to Purchase Payment Date.
"Clearstream"	Clearstream Banking S.A
"coal"	A readily combustible black or brownish-black rock with a composition, including inherent moisture, which consists of more than 50.0% by weight and more than 70.0% by volume of carbonaceous material. It is formed from plant remains that have been compacted, hardened, chemically altered and metamorphosed by heat and pressure over time.
"coal seam" or "seam"	Coal deposits occur in layers in a bed of coal lying between a roof and floor with each layer called a "coal seam" or "seam."
"coking coal"	Coal used to make coke and also referred to as metallurgical coal.
"Company"	PT Bukit Makmur Mandiri Utama.
"CPDIs"	Contingent payment debt instruments.
"Delta"	PT Delta Dunia Makmur Tbk. and its consolidated subsidiaries.
"Delta Intercompany Loan"	An unsecured intercompany loan pursuant to which the Company loaned Delta US$260.0 million entered into on November 2, 2009. As of September 30, 2020, the outstanding principal balance of the Delta Intercompany Loan was US$93.5 million.
"DGMC"	The Director General of Mineral and Coal.
"DMO"	Under MEMR Regulation No. 34 of 2009 on Domestic Market Obligation, which has been revoked and pursuant to the MEMR Decree No. 261K/30/MEM/2019 of 2019 on Fulfillment of Domestic Needs for Coal of 2020, the Indonesian government require of the mining companies to meet the domestic demand by selling a portion of their annual production output to Indonesian customers.
"DTC"	The Depository Trust Company.

"EIFR"	Environmental Incident Frequency Rate, which measures the number of environmental-related incidents (times one million) over total working hours for each relevant period, where environmental-related incidents are defined by prevailing environmental regulations.
"Environmental Law"	Law No. 32 of 2009 on Environmental Protection and Management.
"Euroclear"	Euroclear Bank SA/NV.
"Exchange Act"	The U.S. Securities Exchange Act of 1934, as amended.
"Explosive Regulations"	Decree of Minister of Mining and Energy No. 555.K/26/M.PE/1995 on General Mining Occupational Safety and Health and Regulation of Head of National Police No. 2 of 2008 on Supervision, Control and Safety of Commercial Explosive Materials regulating explosives usage in Indonesia for mining purposes.
"Fitch"	Fitch Ratings Ltd.
"free on board (FOB)"	The price paid for coal excluding freight and insurance costs where the buyer pays and arranges for transportation (and insurance thereof) and the seller's responsibility stops at delivery to the point of origination.
"Government"	Unless the context otherwise requires, refers to the Government of Indonesia.
"GW"	Gigawatts
"high wall"	An unexcavated face of exposed overburden and coal in a surface mine or bank on the uphill side of a contour mine excavation.
"IAPI"	The Indonesian Institute of Certified Public Accountants.
"Implementation of Prudential Principles Report"	An initial report on the implementation of prudential principles.
"Indenture"	The indenture relating to the notes.
"Indonesia"	The Republic of Indonesia.
"Indonesian Coal Industry Summary Report"	The report entitled "Indonesian Coal Industry Summary Report" that is included in the Appendix to this Offering Memorandum, as prepared by Wood Mackenzie and containing forward-looking information on the global coal markets, including coal supply, demand and price forecasts.

"Indonesian Company Law"	Law No. 40/2007 on Limited Liability Companies of Indonesia.
"Indonesian FAS"	Indonesian Financial Accounting Standards, which differ in certain significant respects from U.S. GAAP and International Financial Reporting Standards.
"Initial Purchaser"	Each of J.P. Morgan (S.E.A.) Limited and UBS AG Singapore Branch (collectively, the "Initial Purchasers").
"IRS"	The U.S. Internal Revenue Service.
"IUP"	A mining license (*Izin Usaha Pertambangan*).
"IUPK"	A special mining license (*Izin Usaha Pertambangan Khusus*).
"JORC"	The Joint Ore Reserves Committee
"kcal/kg"	Kilocalorie per kilogram.
"Kideco"	PT Kideco Jaya Agung.
"KP"	A mining authorization (*a Kuasa Pertambangan*).
"KPIs"	Key performance indicators focused on operational excellence, profitability and free cash flow generation.
"Labor Law"	Law No. 13 of 2003 regarding Employment enacted by President Megawati on March 25, 2003.
"Labor Union Law"	Law No. 21 of 2000 regarding Labor Unions, issued by the Government in 2000.
"Law No. 24/2009"	Law No. 24 of 2009 on National Flag, Language, Coat of Arms, and Anthem enacted on July 9, 2009.
"LTIFR"	Lost Time Injury Frequency Rate, which measures the number of accidents per one million man working hours.
"LTISR"	Lost Time Injury Severity Rate, which measures the number of lost work days per hundred workers.
"management"	The commissioners, directors and the senior management team of our Company as at the date of this Offering Memorandum.
"MEMR"	The Minister of Energy and Mineral Resources.
"Mining Law"	Law No. 4 of 2009 on Mineral and Coal issued on 12 January 2009.
"Mining Services Company"	A company which intends to provide core mining services.

"Moody's"	Moody's Investor Service Ltd
"Newcastle Index"	Coal price index published by global COAL of quality 6,322 Kcal/kg and 1.0% sulfur Free On Board Newcastle port.
"Non-resident Taxpayers"	Collectively, non-resident individuals and non-resident corporations.
"Non-U.S. Holder"	A person that is a beneficial owner of a Note other than a U.S. Holder.
"Notes"	The US$400,000,000 7.75% Senior Notes due 2026 to be issued by the Company.
"NTP"	Northstar Tambang Persada Ltd.
"OEM"	Original equipment manufacturer.
"OJK"	The Indonesian Financial Services Authority.
"OTR"	Off the road.
"OTR tires"	Off-the-road tires.
"overburden"	Any material, consolidated or unconsolidated, such as layers of earth and rock, that overlies a coal seam or lies in between a number of coal seams (typically called interburden). In surface mining operations, overburden is removed prior to coal extraction.
"PAMA"	PT Pamapersada Nusantara.
"Panamax"	Ships classified as Panamax are of the maximum dimensions that will fit through the locks of the Panama Canal. A Panamax cargo ship would typically have a cargo capacity of approximately 65,000 – 90,000 deadweight tonnes.
"PBI 16/10/2014"	Bank Indonesia Regulation No. 16/10/PBI/2014 on The Receipt of Foreign Exchange Proceeds from Export and Withdrawal of Foreign Exchange Offshore Loan, issued on May 14, 2014, as amended by Bank Indonesia Regulation No. 17/23/PBI/2015 dated December 28, 2015, as implemented by Bank Indonesia Circular No. 18/5/DSta dated April 6, 2016 on Withdrawal of Foreign Exchange Offshore Loan.
"PBI 16/22/2014"	Bank Indonesia Regulation No. 16/22/PBI/2014 dated December 31, 2014 on Reporting of Foreign Exchange Activity and Reporting of Application of Prudential Principles in relation to an Offshore Loan Management for Non-Bank Corporation.
"PD 59/1972"	Presidential Decree No. 59 of 1972 on Acceptance of Offshore Credit dated October 12, 1972.

"probable reserves"	The economically mineable part of an indicated, and in some circumstances, a measured resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified (as defined in the 2012 JORC Code).
"Prudential Principles of Offshore Loan for Non-Bank Corporations Circular Letter"	Circular Letter No. 16/24/DKEM, issued by the Bank of Indonesia, dated December 30, 2014 as amended by Circular Letter No. 17/18/DKEM dated June 30, 2015 and Circular Letter No. 18/6/DKEM dated April 22, 2016.
"Prudential Principles of Offshore Loan for Non-Bank Corporations Regulation"	Bank Indonesia Regulation No. 16/21/PBI/2014 on Application of Prudential Principles in Management of Offshore Loan of Non-Bank Corporations, as lastly amended by Bank Indonesia Regulation No. 18/4/PBI/2016, issued by the Bank of Indonesia on December 29, 2014.
"PSAK 24"	A revised Indonesian accounting standard in relation to employee benefits.
"PSAK 73"	A revised Indonesian accounting standard in relation to leases.
"reclamation"	The process of restoring the environment to its original state following mining activities. The process commonly includes "recontouring" or reshaping the land to its approximate original appearance. Reclamation operations are usually underway before the mining of a particular site is completed. Reclamation is regulated by applicable local law.
"rehabilitation"	The process of restoring topsoil and planting vegetation. The process commonly includes planting native grass and ground covers.
"reserve"	Coal, about which size, form, distribution, quantity and quality are known, and which is mineable considering the economic, technical, legal and environmental aspects at the time of measurement.
"Rupiah" and "Rp."	Indonesian Rupiah, the lawful currency of Indonesia.
"SDJ"	PT Sungai Danau Jaya (a subsidiary of the Geo Energy Group).

"Securities Act"	The U.S. Securities Act of 1933, as amended.
"semi-soft coking coal"	Coal that is typically blended with hard coking coal prior to being charged into coke oven batteries to produce coke. Coking coals have certain physical properties that cause them to soften, liquefy and then resolidify into hard but porous lumps when heated in the absence of air.
"SGX-ST"	The Singapore Exchange Securities Trading Limited.
"SIS"	PT Sapta Indra Sejati, a subsidiary of PT Adaro Energy, Tbk.
"strip" or "strip ratio"	A strip ratio is the number of cubic meters of overburden needing removal to access one tonne of coal. A strip ratio of 4:1 means that four cubic meters of overburden must be stripped to produce one tonne of ROM coal.
"sub-bituminous coal"	Dull black coal that ranks between lignite and bituminous coal with total moisture content typically more than 18.0%, volatile matter more than 35.0% on a dry mineral matter free basis by weight and/or an energy value ranging from 3,900 to 5,440 kcal/kg nar.
"sulfur"	One of the elements present, in varying quantities, in coal that contributes to environmental degradation when coal is burned. Sulfur dioxide is produced as a gaseous by-product of coal combustion.
"TAM"	PT Tadjahan Antang Mineral.
"Tax Treaty"	Any applicable double tax treaty between Indonesia and another country.
"thermal coal"	Coal used in thermal plants to generate electricity.
"tonne"	A metric tonne or tonne which is equivalent to 1,000 kilograms, or 2,204.60 pounds. The metric tonne, and not the net ton or British tonne, is the unit of weight measure referred to in this Offering Memorandum.
"U.S."	The United States of America.
"U.S. Dollars" and "US$"	United States dollars, the lawful currency of the United States of America.
"U.S. GAAP"	United States generally accepted accounting principles.

"U.S. Holder"	The beneficial owner of a Note that for U.S. federal income tax purposes is (a) a citizen or individual resident of the United States, (b) a corporation organized in or under the laws of the United States or any political subdivision thereof, (c) a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person, or (d) an estate the income of which is subject to U.S. federal income taxation regardless of its source.
"VAT"	Any value added tax.
"WIUP"	A mining area business license (*Wilayah Izin Usaha Pertambangan*).

INDEX TO THE FINANCIAL STATEMENTS

Special Purpose Financial Statements comprising Interim Financial Statements as of September 30, 2020 and for the Nine-Month Period then Ended (Unaudited) with Report on Review of Interim Financial Information and Financial Statements as of December 31, 2019, 2018 and 2017 and each of the years then ended (Audited) with Independent Auditor's Report

PT BUKIT MAKMUR MANDIRI UTAMA

SPECIAL PURPOSE FINANCIAL STATEMENTS COMPRISING

INTERIM FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2020 AND
FOR THE NINE-MONTH PERIOD
THEN ENDED (UNAUDITED)

WITH

REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION

AND

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019, 2018 AND 2017 AND
EACH OF THE YEARS THEN ENDED (AUDITED)

WITH INDEPENDENT AUDITOR'S REPORT

PT Bukit Makmur Mandiri Utama
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Penjaringan - Penjaringan
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**BOARD OF DIRECTORS' STATEMENT LETTER
REGARDING RESPONSIBILITY FOR
THE INTERIM FINANCIAL STATEMENTS OF
PT BUKIT MAKMUR MANDIRI UTAMA
AS OF SEPTEMBER 30, 2020 AND
FOR THE NINE-MONTH PERIOD THEN ENDED**

We, the undersigned:

1. Name : Una Lindasari
   Office address : PT Bukit Makmur Mandiri Utama
   The Honey Lady Building, Central Business District (CBD)
   Pluit Jl. Pluit Selatan Raya No. 1, Jakarta Indonesia
   Domicile address : Jl. Sekolah Duta VI No. UB 35, RT 004, RW 014, Kelurahan Pondok Pinang
   Kecamatan Kebayoran Lama
   Phone number : 021-6613636
   Position : Director

2. Name : Sorimuda Pulungan
   Office address : PT Bukit Makmur Mandiri Utama
   The Honey Lady Building, Central Business District (CBD)
   Pluit Jl. Pluit Selatan Raya No. 1, Jakarta Indonesia
   Domicile address : Bangun Reksa Indah II C/1, RT 001, RW 006, Kelurahan Pondok Pucung
   Kecamatan Karang Tengah
   Phone number : 021-6613636
   Position : Director

declare that:

1. We are responsible for the preparation and presentation of the interim financial statements of PT Bukit Makmur Mandiri Utama;
2. The interim financial statements of PT Bukit Makmur Mandiri Utama have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information contained in the interim financial statements of PT Bukit Makmur Mandiri Utama have been disclosed in a complete and truthful manner;

   b. The interim financial statements of PT Bukit Makmur Mandiri Utama do not contain any incorrect information or material facts, nor do they omit information or material facts;
4. We are responsible for PT Bukit Makmur Mandiri Utama's internal control system.

This statement is made in all truth.

For and on behalf of the Board of Directors

METERAI TEMPEL
TGL. 20
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6000
ENAM RIBU RUPIAH

Una Lindasari	**Sorimuda Pulungan**
Director	Director

Jakarta, November 23, 2020

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No. 4031/BUMA/M-AKR/XI/2020

Report on Review of Interim Financial Information

Shareholders, Boards of Commissioners and Directors
PT Bukit Makmur Mandiri Utama

Introduction

We have reviewed the accompanying interim financial statements of PT Bukit Makmur Mandiri Utama ('the Company"), which comprise the interim statements of financial position as of September 30, 2020 and 2019, and the interim statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the nine-month periods then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial statements in accordance with Indonesian Financial Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", established by the Indonesian Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the interim financial position of PT Bukit Makmur Mandiri Utama as of September 30, 2020 and 2019, and its interim financial performance and cash flows for the nine-month periods then ended, in accordance with Indonesian Financial Accounting Standards.

Other matter

This report has been prepared solely for inclusion in the Offering Memorandum in connection with the proposed offering of the Senior Notes.

ARIA KANAKA & REKAN
Registered Public Accountants

Aria Kanaka, CPA
No. AP.: 0101

November 23, 2020

Aria Kanaka & Rekan

Registered Public Accountants — License No.: 832/KM.1/2014

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No. 00390/2.1011/AU.1/05/0101-2/1/XI/2020

Independent Auditor's Report

Shareholders, Boards of Commissioners and Directors
PT Bukit Makmur Mandiri Utama

We have audited the accompanying financial statements of PT Bukit Makmur Mandiri Utama (the "Company"), which comprise the statement of financial position as of December 31, 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on such financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PT Bukit Makmur Mandiri Utama as of December 31, 2019, and its financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Aria Kanaka & Rekan
Registered Public Accountants — License No.: 832/KM.1/2014

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Other matters

Prior to this report, we have issued independent auditor's report No. 00009/2.1011/AU.1/05/0101-2/1/II/2020 dated February 14, 2020, No. 00011/2.1011/AU.1/05/0101-1/1/II/2019 dated February 28, 2019 and No. 3073/BUMA/M-AKR/II/2018 dated February 28, 2018 on the financial statements of PT Bukit Makmur Mandiri Utama as of December 31, 2019, 2018 and 2017 and for the years then ended, respectively, and expressed an unmodified opinion.

This report has been prepared solely also for inclusion in the Offering Memorandum in connection with the proposed offering of the Senior Notes.

ARIA KANAKA & REKAN
Registered Public Accountants

Aria Kanaka, CPA
No. AP.: 0101

November 23, 2020

PT BUKIT MAKMUR MANDIRI UTAMA
INTERIM STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(Expressed in United States Dollar, unless otherwise stated)

		September 30,		December 31,		
	Notes	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	2c,2l,4	145,819,393	29,445,849	69,026,765	53,703,446	40,363,491
Restricted cash and cash equivalents	2d,2l,5	2,534,668	4,264,191	29,270,194	11,451,935	11,427,857
Trade receivables - net						
Third parties	2e,2l,6	179,327,772	264,537,840	223,067,895	221,846,972	174,777,002
Other receivables - net						
Third parties	2e,2l	7,212,553	9,392,730	13,140,723	5,344,644	1,159,161
Related parties	2e,2h,2l,27a	1,260,873	2,026,487	1,960,842	1,832,891	1,883,290
Due from related party	2h,2l,27b	93,500,000	93,500,000	93,500,000	95,000,000	150,000,000
Inventories - net	2g,7	45,290,694	54,125,045	54,249,301	33,427,131	28,427,255
Prepaid taxes	2p,17a	15,156,811	32,804,514	29,085,443	46,546,820	36,295,943
Prepayments and advances	2f,8	5,938,690	15,532,892	9,039,846	18,830,571	8,952,718
Other current assets	2l	3,792,983	12,145,728	7,751,227	11,005,025	1,528,039
Total Current Assets		499,834,437	517,775,276	530,092,236	498,989,435	454,814,756
NON-CURRENT ASSETS						
Trade receivables - net						
Third party	2e,2l,6	-	-	-	-	3,889,707
Deferred tax assets - net	2p,17e	1,427,328	2,812,256	6,795,868	5,626,676	8,542,074
Fixed assets - net	2i,2j,2k,9	526,943,183	605,925,272	589,180,287	656,751,809	483,553,191
Other non-current assets	2l,2m,2p,10	69,215,608	97,423,910	113,077,703	78,384,848	101,548,528
Total Non-Current Assets		597,586,119	706,161,438	709,053,858	740,763,333	597,533,500
TOTAL ASSETS		**1,097,420,556**	**1,223,936,714**	**1,239,146,094**	**1,239,752,768**	**1,052,348,256**

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

(Expressed in United States Dollar, unless otherwise stated)

	Notes	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)	December 31, 2018 (Audited)	December 31, 2017 (Audited)
LIABILITIES AND EQUITY						
SHORT-TERM LIABILITIES						
Trade payables						
Third parties	2l,2n,11	45,183,685	103,274,471	84,794,454	128,756,779	101,583,147
Other payables						
Third parties	2l	3,414,843	322,143	368,566	4,581,455	232,813
Related party	2h,2l	66,937	406,615	2,226,420	1,698,932	2,272,705
Taxes payable	2p,17c	529,309	888,075	852,775	947,302	4,851,744
Accrued expenses	2l,12	27,316,226	43,921,315	47,546,000	46,763,906	43,344,578
Deferred income	2j	1,649,119	188,492	1,601,704	-	-
Current maturities of long-term liabilities:						
Bank loans	2l,14	29,878,295	42,154,194	42,117,629	24,674,384	11,779,725
Long-term debt	2l,15	760,931	-	735,713	67,403	386,135
Lease liabilities	2j,2l,16	81,062,004	67,942,876	78,933,982	72,145,839	55,177,594
Other short-term liabilities		-	6,154	-	6,024	42,960
Total Short-Term Liabilities		189,861,349	259,104,335	259,177,243	279,642,024	219,671,401
LONG-TERM LIABILITIES						
Deferred income	2j	4,281,902	688,141	5,364,641	-	-
Employee benefits obligation	2o,18	43,396,850	49,168,155	57,763,537	45,178,995	47,854,767
Long-term liabilities - net of current maturities:						
Senior Notes	2l,13	345,796,447	343,009,141	343,685,106	341,085,650	338,697,386
Bank loans	2l,14	53,052,271	83,029,470	72,365,261	81,103,633	39,544,143
Long-term debt	2l,15	129,088	-	705,493	-	67,403
Lease liabilities	2j,2l,16	118,049,765	141,289,484	163,932,529	176,278,267	123,770,738
Total Long-Term Liabilities		564,706,323	617,184,391	643,816,567	643,646,545	549,934,437
Total Liabilities		754,567,672	876,288,726	902,993,810	923,288,569	769,605,838
EQUITY						
Capital stock - Rp 1,000,000 par value per share Authorized - 4,250,000 shares Issued and fully paid - 2,050,000 shares	19	216,330,401	216,330,401	216,330,401	216,330,401	216,330,401
Share-based compensation reserve	2t,20	-	-	-	-	(26,534)
Retained earnings						
Appropriated	19	14,403,066	14,403,066	14,403,066	14,403,066	14,403,066
Unappropriated		112,119,417	116,914,521	105,418,817	85,730,732	52,035,485
Total Equity		342,852,884	347,647,988	336,152,284	316,464,199	282,742,418
TOTAL LIABILITIES AND EQUITY		**1,097,420,556**	**1,223,936,714**	**1,239,146,094**	**1,239,752,768**	**1,052,348,256**

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

PT BUKIT MAKMUR MANDIRI UTAMA
INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in United States Dollar, unless otherwise stated)

	Notes	September 30, 2020 (9 months) (Unaudited)	September 30, 2019 (9 months) (Unaudited)	December 31, 2019 (12 months) (Audited)	December 31, 2018 (12 months) (Audited)	December 31, 2017 (12 months) (Audited)
NET REVENUES	2r,21	494,175,141	690,338,935	881,812,079	892,458,605	764,608,154
COST OF REVENUES	2r,22	(431,549,076)	(567,751,278)	(739,102,810)	(676,757,914)	(539,400,989)
GROSS PROFIT		62,626,065	122,587,657	142,709,269	215,700,691	225,207,165
Operating expenses	2r,23	(19,979,861)	(34,873,580)	(51,648,953)	(48,788,271)	(49,829,779)
Other income	24	8,113,269	3,610,378	6,961,411	3,337,691	2,524,215
Other expenses	26	(13,237,566)	(4,244,826)	(4,826,827)	(5,319,390)	(36,784,300)
Finance income		2,725,176	1,131,965	1,352,168	994,250	894,094
Finance cost	25	(38,917,306)	(44,389,445)	(58,385,535)	(54,887,196)	(51,906,006)
PROFIT BEFORE INCOME TAX		1,329,777	43,822,149	36,161,533	111,037,775	90,105,389
INCOME TAX EXPENSE	2p,17d	(3,005,879)	(14,504,015)	(14,297,334)	(32,631,217)	(40,051,648)
PROFIT (LOSS) FOR THE PERIOD/YEAR		(1,676,102)	29,318,134	21,864,199	78,406,558	50,053,741
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD/YEAR						
Item that will not be reclassified to profit or loss						
Remeasurement of defined employee benefits	2o,18	10,739,363	2,487,540	(2,901,485)	7,051,585	(5,257,062)
Income tax related with item that will not be reclassified to profit or loss	2p,17e	(2,362,661)	(621,885)	725,371	(1,762,896)	1,314,266
Other Comprehensive Income (Loss) for the Period/Year After Income Tax		8,376,702	1,865,655	(2,176,114)	5,288,689	(3,942,796)
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**6,700,600**	**31,183,789**	**19,688,085**	**83,695,247**	**46,110,945**

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

PT BUKIT MAKMUR MANDIRI UTAMA
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in United States Dollar, unless otherwise stated)

	Issued and Fully Paid	Retained Earnings		
	Capital Stock	**Appropriated**	**Unappropriated**	**Total Equity**
Balance as of January 1, 2019	216,330,401	14,403,066	85,730,732	316,464,199
Comprehensive income for the nine-month period (unaudited)	-	-	31,183,789	31,183,789
Balance as of September 30, 2019 (Unaudited)	**216,330,401**	**14,403,066**	**116,914,521**	**347,647,988**
Balance as of January 1, 2020	216,330,401	14,403,066	105,418,817	336,152,284
Comprehensive income for the nine-month period (unaudited)	-	-	6,700,600	6,700,600
Balance as of September 30, 2020 (Unaudited)	**216,330,401**	**14,403,066**	**112,119,417**	**342,852,884**

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

PT BUKIT MAKMUR MANDIRI UTAMA
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in United States Dollar, unless otherwise stated)

	Notes	Issued and Fully Paid Capital Stock	Share-based Compensation Reserve	Retained Earnings		Total Equity
				Appropriated	Unappropriated	
Balance as of January 1, 2017		216,330,401	(168,069)	11,403,066	60,864,540	288,429,938
Comprehensive income for the year (audited)		-	-	-	46,110,945	46,110,945
Dividend	19	-	-	-	(51,940,000)	(51,940,000)
Appropriation of retained earnings	19	-	-	3,000,000	(3,000,000)	-
Compensation costs of management and senior employees share ownership program	2t,20	-	141,535	-	-	141,535
Balance as of December 31, 2017 (Audited)		216,330,401	(26,534)	14,403,066	52,035,485	282,742,418
Comprehensive income for the year (audited)		-	-	-	83,695,247	83,695,247
Dividend	19	-	-	-	(50,000,000)	(50,000,000)
Compensation costs of management and senior employees share ownership program	2t,20	-	26,534	-	-	26,534
Balance as of December 31, 2018 (Audited)		216,330,401	-	14,403,066	85,730,732	316,464,199
Comprehensive income for the year (audited)		-	-	-	19,688,085	19,688,085
Balance as of December 31, 2019 (Audited)		**216,330,401**	**-**	**14,403,066**	**105,418,817**	**336,152,284**

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

(Expressed in United States Dollar, unless otherwise stated)

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	**2019 (9 months) (Unaudited)**	**2019 (12 months) (Audited)**	**2018 (12 months) (Audited)**	**2017 (12 months) (Audited)**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	534,100,579	643,058,502	880,238,776	853,355,159	730,707,556
Cash paid to suppliers and employees	(326,728,430)	(496,182,854)	(660,428,046)	(590,793,166)	(460,129,760)
Cash generated from operations	207,372,149	146,875,648	219,810,730	262,561,993	270,577,796
Interest received	2,725,176	1,131,965	1,352,168	994,250	894,094
Payment of interest	(45,459,878)	(50,325,937)	(54,884,478)	(51,496,661)	(64,012,375)
Refund (payment) of income taxes	13,928,632	(20,044,872)	(27,656,919)	(37,080,664)	(40,008,526)
Net Cash Flows Provided by Operating Activities	178,566,079	77,636,804	138,621,501	174,978,918	167,450,989
CASH FLOWS FROM INVESTING ACTIVITIES					
Withdrawal (placement) of restricted cash in banks	26,735,526	7,187,744	(17,818,259)	(24,078)	17,246,976
Proceeds from sale of fixed assets	2,411,060	13,548,339	73,143,931	108,948,307	47,655,076
Acquisition of fixed assets	(17,978,662)	(85,411,951)	(114,167,100)	(260,395,964)	(117,237,993)
Net Cash Flows Provided by (Used in) Investing Activities	11,167,924	(64,675,868)	(58,841,428)	(151,471,735)	(52,335,941)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of leases	(73,026,999)	(57,776,818)	(75,131,171)	(68,468,484)	(48,602,184)
Payment of bank loans	(32,150,000)	(148,250,000)	(158,966,666)	(87,875,000)	(530,042,588)
Payment of long-term debt	(551,187)	(67,403)	(127,164)	(386,135)	(356,542)
Proceeds from bank loans	-	168,333,333	168,333,333	141,750,000	128,750,000
Decrease in due from related party	-	-	-	5,000,000	-
Proceeds from senior notes	-	-	-	-	346,451,000
Cash dividend paid	-	-	-	-	(20,000,000)
Net Cash Flows Used in Financing Activities	(105,728,186)	(37,760,888)	(65,891,668)	(9,979,619)	(123,800,314)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	84,005,817	(24,799,952)	13,888,405	13,527,564	(8,685,266)
EFFECT OF FOREIGN EXCHANGE CHANGES ON CASH AND CASH EQUIVALENTS	(7,213,189)	542,355	1,434,914	(187,609)	(121,911)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	69,026,765	53,703,446	53,703,446	40,363,491	49,170,668
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	**145,819,393**	**29,445,849**	**69,026,765**	**53,703,446**	**40,363,491**

Supplementary information of cash flows is disclosed in Note 33.

The accompanying notes to the interim financial statements are an integral parts of these interim financial statements.

(Expressed in United States Dollar, unless otherwise stated)

1. GENERAL

a. Establishment and General Information

PT Bukit Makmur Mandiri Utama (the "Company") was established in the Republic of Indonesia on December 7, 1998 based on Notarial Deed No. 19 of Raden Johanes Sarwono, S.H. The Company's Articles of Association were approved by the Ministry of Justice of the Republic of Indonesia in its Decision Letter No. C-5698.HT.01.01.Th.2000 dated March 8, 2000 and published in State Gazette No. 74, Supplement No. 10876 dated September 13, 2002.

The Company's Articles of Association have been amended several times, the most recent being based on Notarial Deed No. 01 dated January 7, 2020, made by Humberg Lie, S.H., notary in North Jakarta, concerning the amendment of article 3 of Articles of Association regarding the Company purpose and objectives. The amendment was accepted by the Ministry of Law and Human Rights of the Republic of Indonesia based on its Letter No. AHU-0001411.AH.01.02.TAHUN 2020 dated January 9, 2020.

The Company's activities are development, general trading, mining industry with basic activity of coal and turf excavation and construction support services and construction. The Company started its commercial operations in 1998.

The Company is domiciled in Jakarta and its head office is located at The Honey Lady Building, Central Business District ("CBD") Pluit, Jl. Pluit Selatan Raya No. 1, Jakarta.

PT Delta Dunia Makmur Tbk ("Delta"), incorporated in the Republic of Indonesia, is the Company's ultimate parent company.

b. Board of Commissioners and Directors and Employees

The composition of the Company's Boards of Commissioners and Directors as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 was as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Board of Commissioners					
President Commissioner	Sunata Tjiterosampurno	Sunata Tjiterosampurno	Sunata Tjiterosampurno	Sunata Tjiterosampurno	Sunata Tjiterosampurno
Commissioner	Eddy Porwanto Poo	Eddy Porwanto Poo	Eddy Porwanto Poo	Eddy Porwanto Poo	Eddy Porwanto Poo
Commissioner	Eng Aik Meng	Eng Aik Meng	Eng Aik Meng	Eng Aik Meng	Eng Aik Meng
Commissioner	James Lawrence Juwana	Ari Susanto Endrotomo	Ari Susanto Endrotomo	Ari Susanto Endrotomo	Hua Fung Teh
Board of Directors					
President Director	Ronald Sutardja	Ronald Sutardja	Ronald Sutardja	Ronald Sutardja	Ronald Sutardja
Director	Sorimuda Pulungan	Sorimuda Pulungan	Sorimuda Pulungan	Sorimuda Pulungan	Sorimuda Pulungan
Director	Indra Dammen Kanoena	Indra Dammen Kanoena	Indra Dammen Kanoena	Indra Dammen Kanoena	Indra Dammen Kanoena
Director	Una Lindasari	Una Lindasari	Una Lindasari	Una Lindasari	Una Lindasari
Director	Iwan Fuad Salim	Iwan Fuad Salim	Iwan Fuad Salim	Jason Craig Thompson	Jason Craig Thompson
Director	-	Jason Craig Thompson	A Eko Prihadi H.N	A Eko Prihadi H.N	-
Director	-	A Eko Prihadi H.N	-	-	-

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the Company had 10,928, 14,186, 13,012, 14,528 and 11,304 employees, respectively (unaudited).

c. Completion of the Interim Financial Statements

The management of the Company is responsible for the preparation of these interim financial statements which have been authorized for issue by the Board of Directors on November 23, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation of the Interim Financial Statements and Statement of Compliance

The interim financial statements have been prepared in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise of the Statements of Financial Accounting Standards ("PSAK") and Interpretation of Financial Accounting Standards ("ISAK") issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants, including applicable new or revised standards effective January 1, 2020.

The interim financial statements, except for the interim statement of cash flows, have been prepared on an accrual basis of accounting using the historical cost concept, except for certain accounts that are measured on the basis described in the related accounting policies.

The preparation of interim financial statements in conformity with Indonesian Financial Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the interim financial statements are disclosed in Note 3.

The interim statement of cash flows is prepared using the direct method, and classified into operating, investing and financing activities.

The presentation currency used in the preparation of the interim financial statements is the United States Dollar ("USD"), which is also the functional currency of the Company.

When the entity adopts accounting policy retrospectively or restates items in its interim financial statements or the entity reclassifies the items in its interim financial statements, the interim statements of financial position at the beginning of comparative period are presented.

The accounting policies adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2019, except for the adoption of new and revised standards as well as interpretations effective January 1, 2020.

b. New and Revised Statements and Interpretation of Financial Accounting Standards Effective in the Current Year

The following adoption of new standards and interpretations, which effectively applied for the period starting on or after January 1, 2020 as follows:

- PSAK No. 71 – Financial Instruments
- PSAK No. 72 – Revenue from Contract with Customer
- PSAK No. 73 – Leases

The adoption of PSAK No. 71 and PSAK No. 72 did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

In relation to the implementation of PSAK No. 73 – Leases, the Company as the lessee recognized right-of-use asset and lease liabilities related to leases which were previously classified as operating leases based on PSAK No. 30 – Leases, except for short-term leases or leases of low value assets (Note 2j).

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

In accordance with the transition requirements in PSAK No. 73 – Leases, the Company elected to apply retrospectively with the cumulative effect of initial implementation recognised at January 1, 2020 and not restate the comparative information. The Company chose to recognize right-of-use asset at the initial application for leases which were previously classified as operating lease at the same amount of lease liabilities adjusted by the amount of any previously recognized lease prepayment. As of January 1, 2020, the Company recorded right-of-use asset in fixed assets and lease liabilities amounting to USD 25,107,968 (Notes 9 and 16).

c. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks, and investments with original maturities within three (3) months or less and are not pledged as collateral or restricted in use.

d. Restricted Cash and Cash Equivalents

Cash in banks and time deposits which are restricted in use, are presented as “Restricted Cash and Cash Equivalents. Restricted cash and cash equivalents to be used to pay currently maturing obligations that are due within one (1) year are presented under current assets. Other cash in banks accounts and time deposits that are restricted in use are presented under non-current assets.

e. Trade and Other Receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables from related parties are receivables balance reflecting loan given to related parties of the Company.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, if the impact of discounting is significant, less any provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectible are written off by reducing the carrying amount directly. Provision for doubtful receivables are measured based on expected credit losses by reviewing the collectibility of individual or collective balances in a lifetime of trade receivables using simplified approach with considering the forward-looking information at the end of each reporting period. Doubtful receivables are written-off during the period in which they are determined to be not collectible.

The amount of the impairment allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognized in profit or loss within “impairment charges”. When a trade and other receivable for which an impairment allowance had been recognized becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against “impairment charges” in profit or loss.

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

f. Prepayment

Prepayment is amortized over the period benefited using straight-line method.

g. Inventories

Inventories are valued at the lower of cost or net realizable value (“NRV”). NRV is the estimated selling price in the ordinary course of business less direct cost to sell. Cost of inventories 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. Transactions with Related Parties

The Company discloses transactions with related parties as defined in PSAK No. 7 (Amendment 2015), “Related Party Disclosures”.

The transactions are made based on terms agreed by the parties, whereas such terms may not be the same as those transactions with unrelated parties.

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

i. Fixed Assets

The Company has chosen the cost model as the accounting policy for its fixed assets measurement.

All fixed assets are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, cost are included in the asset’s carrying amount or recognized as a separate assets, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

	Years	Percentage (%)
Buildings	5 - 20	5 - 20
Heavy equipment	8	12.5
Vehicles	5	20
Office equipment, furniture and fixtures	4	25
Machinery and project equipment	5	20

Land is stated at cost and not depreciated.

The costs of repairs and maintenance are charged to profit or loss as incurred; replacement or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be reliably measured.

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

An item of fixed assets 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 profit or loss in the year the asset is derecognized. At the end of the reporting period, the Company made regular review of the useful lives of the assets' residual values, depreciation method and residual life based on the technical conditions.

Construction-in-progress is stated at cost and presented as part of "Fixed Assets" in the statement of financial position. All costs incurred in relation with the construction of these assets are capitalized as part of the cost of the fixed assets in progress. The accumulated costs will be reclassified to the appropriate fixed asset accounts when construction are completed and the assets and ready for their intended use and depreciated when it is ready for its intended use and depreciated upon operation.

j. Lease

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset for a period of time in exchange for consideration.

The Company leases certain fixed asset by recognising the right-of-use asset and lease liabilities. The right-of-use assets are stated at cost, less accumulated depreciation and impairment. Right-of-use assets are depreciated over the shorter of the useful life of the assets or the lease term.

Lease liabilities are measured at the present value of the lease payments that are not paid. Each lease payment is allocated between the liability portion and finance cost. Lease liabilities are classified in long-term liabilities, except for those with maturities of 12 months or less which are presented as current liabilities. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability.

The Company does not recognise right-of-use assets and lease liabilities for:
- short-term leases that have a lease term of 12 months or less; or
- leases with low-value assets.

Payments made under those leases are charged to profit or loss on a straight-line basis over the period of the lease.

For assets sold under a sale and leaseback transaction, the Company determines if the asset transfer qualifies as a sale of asset or not.

If the transfer of asset qualifies as a sale of asset, the Company measures a right-of-use asset arising from the leaseback as the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. The Company recognizes gain or loss limited to the proportion relates to the rights transferred to the buyer-lessor.

If there is a difference between sale proceeds and fair value of the asset, the difference is recorded either as a prepayment of lease payments (if the sales proceeds is below market terms) or a financial liability (if the sales proceeds is above market terms).

If the transfer of asset does not qualify as a sale of asset, the Company does not de-recognize the transferred asset, and any excess of sales proceeds over the carrying amount of the asset is deferred and amortized over the lease term.

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

k. Impairment of Non-Financial Assets

The Company evaluates at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Where it is not possible to estimate the recoverable amount of an individual assets, the Company estimates the recoverable amount of the cash-generating unit of the assets. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognized immediately in the profit or loss.

An impairment loss recognized in prior periods for an asset will be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset will be increased to its recoverable amount, but will not exceed the carrying amount that would have been determined (net of amortization or depreciation) if had no impairment loss been recognized for the asset in prior years. That increase is a reversal of an impairment loss recognized immediately in profit or loss.

l. Financial Instruments

(1) Financial assets

Effective January 1, 2020, the Company has applied PSAK No. 71, which set the requirements in classification and measurement, impairment in value of financial assets and hedging accounting. The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss or other comprehensive income, (ii) financial assets at amortized cost. Classification and measurement of financial assets are based on business model and contractual cash flows – whether from solely payment of principal and interest. Management determines the classification of its financial assets at initial recognition and cannot change the classification already made at initial application.

The Company has financial assets classified as financial assets at amortized cost. Financial assets at amortized cost consist of cash and cash equivalents, trade receivables, other receivables, due from related party and other assets. Financial assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial assets at amortized cost are recognised initially at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Prior to January 1, 2020, financial assets are recognized initially at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value. Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments ("HTM"), loans and receivables, or available-for-sale financial assets ("AFS"). The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the designation of such assets at the end of each reporting period. The Company classified its financial assets as loans and receivables.

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

Impairment of financial assets

At each reporting period, the Company assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions, that is indicative of significant increases in credit risk since initial recognition.

The Company applied a simplified approach to measure such expected credit loss for trade receivables, other receivables and contract assets without significant financing component.

Derecognition of financial assets

The Company derecognizes financial assets when, and only when: the contractual rights to the cash flows from the financial asset expire; or the contractual rights to receive the cash flows of the financial asset are transferred to another entity or the contractual rights to receive the cash flows of the financial asset are retained but it assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets certain conditions. When the Company transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset.

(2) Financial liabilities

There are no changes in classification and measurement of financial liabilities.

Financial liabilities within the scope of PSAK No. 71 are classifies as follows: (i) financial liabilities at amortized cost, (ii) financial liabilities at fair value through profit and loss (FVPTL) or other comprehensive income (FVOCI). The Company determines the classification of its financial liabilities at initial recognition.

The Company has financial liabilities classified into the financial liabilities measured at amortized cost. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, inclusive of directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method. The amortization of the effective interest rate is included in finance costs in the profit or loss.

Financial liabilities measured at amortized cost are trade and other payables, accrual and long-term borrowings. Financial liabilities are classified as long-term liabilities when the remaining maturity is more than 12 months, and as short-term liabilities when the remaining maturity is less than 12 months.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Where an existing financial liability is replaced by another liability with substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

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

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparties.

(4) Financial instruments measured at amortized cost

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

(5) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

PSAK No. 60, "Financial Instruments: Disclosures" requires disclosure of fair value measurement by level of the following fair value measurement hierarchy:

i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
ii. Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level2); and
iii. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price, while financial liabilities use ask price. These instrument are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as minimum as possible on estimates. If all significant input required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are use to determine fair value for the remaining financial instruments.

m. Intangible Assets

Intangibles assets, which consist of computer software and license are stated at cost less accumulated amortization. Computer software and license are amortized using the straight-line method over three (3) years to eight (8) years.

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

n. Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as short-term liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as long-term liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

o. Employee Benefits

The Company determines its employee benefits liabilities under Labor Law No. 13/2003 dated March 25, 2003 (the "Labor Law") and employment benefits under the Company's own employee benefit programs based on PSAK No. 24 (Revised 2013), "Employee Benefits". Under PSAK No. 24, the cost of post employment benefits and other long-term employee benefits are determined using the "Projected Unit Credit" actuarial valuation method.

The Company recognizes gains or losses on the curtailment or settlement when it occurs. A curtailment occurs when an entity is demonstrably committed to make a significant reduction in the number of employees covered by a plan; or amends the terms of a defined benefit plan so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits. Before determining the effect of a curtailment or settlement, the Company remeasures the obligation using current actuarial assumptions.

p. Taxation

The tax expense comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns ("SPT") with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

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. 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 is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and deferred tax liabilities are offset if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Additional tax principal and penalty amounts based on Tax Assessment Letters ("SKP") are recognized as income or expense in the current year/period profit or loss. However when further avenue is sought, such amounts are deferred if they meet the asset recognition criteria.

(Expressed in United States Dollar, unless otherwise stated)

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

q. Foreign Currency Transactions and Balances and Translation

Transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing at the time the transactions are made. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are adjusted to functional currency to reflect the middle exchange rate published by Bank Indonesia at the last banking transaction date of the period.

The gains or losses resulted from such adjustment or settlement of each monetary asset and liability denominated in foreign currencies are credited or charged as current year profit or loss.

The closing exchange rates used as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
British Poundsterling	1.28	1.23	1.31	1.27	1.34
European Euro	1.17	1.09	1.12	1.14	1.19
100 Japanese Yen	0.95	0.93	0.92	0.91	0.89
Singaporean Dollar	0.73	0.72	0.74	0.73	0.75
Australian Dollar	0.71	0.68	0.70	0.71	0.78
10,000 Indonesian Rupiah	0.67	0.71	0.72	0.69	0.74
Hongkong Dollar	0.13	0.13	0.13	0.13	0.13

r. Revenues and Expense Recognition

In determining revenue recognition, the Company analyze the transaction through the following five steps of assessment:

1. Identify contracts with customers with certain criteria as follows:
   a. The contract has been agreed by the parties involved in the contract
   b. The Company can identify the rights of relevant parties and the term of payment for the goods or services to be transferred
   c. The contract has commercial substance
   d. It is probable that the Company will receive benefits for the goods or service transferred

2. Identify the performance obligations in the contract, to transfer distinctive goods or services to the customer.

3. Determine the transaction price, net of discounts, rebates and Value Added Tax (“VAT”), which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

4. Allocate the transaction price to each performance obligation on the basis of the selling price of each goods or services promised in the contract.

5. Recognize revenue when performance obligation is satisfied (over time or at a point in time).

Contract assets are presented under “Trade receivables”.

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

Revenues for rendering mining services are recognized when such services are rendered to customers. Claims from insurance are recognized as income upon received.

Expenses are recognized when incurred (accrual basis).

s. Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each end of reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

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

t. Share-based Payment

The Company has cash-settled share plans that are settled by the cash payment. The fair value of the share plans is recognized as an employee expense over the expected vesting period or over the period when the employee becomes unconditionally entitled to the awards. The fair value of the share plans is determined at the date of grant, taking into account any market based vesting conditions attached to the award. The Company uses fair values provided by independent appraiser calculated using the Black-Scholes valuation model.

Non-market based vesting conditions (e.g. presence with the Company) are taken into account in estimating the number of awards likely to vest. The estimated number of awards likely to vest is reviewed at each statement of financial position date up to the vesting date, at which point the estimate is adjusted to reflect the actual awards issued. No adjustment is made to the profit or loss account after the vesting date even if the awards are forfeited or not exercised.

As of December 31, 2017, the Company has equity-settled share plans that are settled either by the issuance of shares by the parent company, by the purchase of shares on market or by the use of shares previously acquired as part of a share buyback. The fair value of the share plans is recognized as an employee expense over the expected vesting period or over the period when the employee becomes unconditionally entitled to the awards, with a corresponding entry to equity.

u. Events after The Reporting Period

Any post period-end events that provide additional information about the Company's position at the end of reporting period (adjusting event) is reflected in the interim financial statements. Any post period-end event that is not an adjusting event is disclosed in the notes to the interim financial statements when material.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements, in conformity with Indonesian Financial Accounting Standards, requires management to make estimations and assumptions that affect amounts reported therein. Due to inherent uncertainty in making estimates, actual results reported in future periods may differ from those estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

The Company based its assumptions and estimates on parameters available when the interim financial statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions as they occur.

The following judgements, estimates and assumptions made by management in the process of applying the Company's accounting policies have the most significant effects on the amounts recognized in the interim financial statements:

<u>Determining functional currency</u>

Judgement is used to determine the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity.

The factors considered in determining the functional currency of the Company include, among others, the currency:

- that mainly influences sales prices for goods and services;
- of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services;
- that mainly influences labor, material and other costs of providing goods or services;
- in which funds from financing activities are generated; and
- in which receipts from operating activities are usually retained.

<u>Determining classification of financial assets and financial liabilities</u>

The Company determines the classification of certain assets and liabilities as financial assets and financial liabilities by judging if they meet the definition set forth in PSAK No. 71, Financial Instrument. Accordingly, the financial assets and financial liabilities are accounted for in accordance with the Company's accounting policies disclosed in Note 2l.

<u>Determining fair value and calculation of cost amortization of financial instruments</u>

The Company records certain financial assets and liabilities at fair values and at amortized costs, which require the use of accounting estimates. While significant components of fair value measurement and assumptions used in the calculation of cost amortisation were determined using verifiable objective evidence, the fair value or amortization amount would differ if the Company utilized different valuation methodology or assumption. Such changes would directly affect the Company's profit or loss. Further details are disclosed in Note 29.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

<u>Assessing recoverable amounts of financial assets</u>

The Company evaluates specific accounts where it has information that certain customers are unable to meet their financial obligations. In these cases, the Company uses judgement, based on available facts and circumstances, including but not limited to the lenghts of its relationship with the customer and the customer's current credit status based on any available third party credit reports and known market factors, to record specific provisions for customers against amounts due to reduce its receivable amounts that the Company expects to collect. These specific provisions are re-evaluated and adjusted as additional information received affects the amounts of allowance for impairment loss of receivables. Further details are disclosed in Note 6.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Assessing recoverable amounts of non-financial assets

Allowance for impairment loss and obsolescence of inventories is estimated based on available facts and circumstances, including but not limited to, the inventories' own physical conditions, their market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The allowance is re-evaluated and adjusted as additional information received affects the amount estimated. Further details are disclosed in Note 7.

The recoverable amounts of fixed assets, intangible assets and other non-financial assets are based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets. Estimated future cash flows include estimates of future revenues. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in adjustments to the provision of impairment already booked. Further details are disclosed in Notes 2i and 9.

Determining depreciation and amortization method and estimated useful lives of fixed assets and intangible assets

The Company depreciates fixed assets and amortizes intangible assets based on the straight-line basis over their estimated useful lives Management properly estimates the useful lives of these fixed assets to be within 4 to 20 years while intangible assets to be within 3 to 8 years. These are common life expectancies applied in the industries where the Company conducts its businesses. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, and therefore future depreciation and amortization charges could be revised. Further details are disclosed in Notes 2i, 2m, 9 and 10.

Estimation of pension cost and employee benefits

The determination of the obligations and cost for pension and employee benefits liabilities is dependent on the selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, annual salary increase rate, annual employee turn-over rate, disability rate, retirement age and mortality rate.

While the Company believes that its assumptions are reasonable and appropriate, significant differences in the actual results or significant changes in the assumptions may materially affect its estimated liabilities for post-employement benefits, other long-term employee benefits and net employee benefits expense. Further details are disclosed in Note 18.

Determining provision for share-based payments

For stock options share-based plan, the provision is based on the market value of options at grant date, determined by independent appraiser whose valuation is dependent on the election of certain assumptions. Those assumptions include among others, expected volatility of the Parent Company's share price, expected life of the options, expected dividend yield, and the risk-free interest rates.

The determination of the provision for all share-based plans are based on management's best estimate of the number of grants which are likely to vest as of the end of the reporting period. Further details are disclosed in Note 20.

(Expressed in United States Dollar, unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Determining income taxes

Significant judgement is involved in determining provision for corporate income tax. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for expected corporate income tax issues based on estimates as to whether additional corporate income tax will be due. Further details are disclosed in Note 17.

The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. Further details are disclosed in Note 17.

Evaluating provisions and contingencies

The Company is involved in various legal and tax proceedings. The management exercises its judgement to distinguish between provisions and contingencies mainly through consultation with the Company's legal counsel handling those proceedings. The Company sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and takes the relevant risks and uncertainty into account.

In certain circumstances, the Company may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Company applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK No. 57, Provisions, Contingent Liabilities and Contingent Asset. The Company makes an analysis of all tax positions related to income taxes and Value-Added Tax to determine if a tax liability for unrecognized tax benefit should be recognized.

Lease agreements

The Company has entered into lease agreements as lessee. The management exercise judgement in determining whether an agreement is, or contains a lease and whether the lease has lease term of 12 months or less and low-value assets. Further details are disclosed in Note 16.

4. CASH AND CASH EQUIVALENTS

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Cash on hand					
US Dollar	1,587,150	1,587,150	1,587,150	1,590,192	1,598,501
Rupiah	33,644	65,018	49,474	138,540	89,648
Other currencies	3,515	3,251	3,444	789	3,598
Sub-total	1,624,309	1,655,419	1,640,068	1,729,521	1,691,747

(Expressed in United States Dollar, unless otherwise stated)

4. CASH AND CASH EQUIVALENTS *(Continued)*

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Cash in banks					
Rupiah					
MUFG Bank, Ltd.	68,572,254	1,394,513	24,973,055	3,381,676	16,189,805
PT Bank Negara Indonesia (Persero) Tbk	19,929,709	4,722,330	3,458,824	11,455,857	6,301,195
PT Bank Mandiri (Persero) Tbk	6,550,010	1,731,574	4,068,817	418,611	423,523
PT Bank Central Asia Tbk	807,508	-	867,114	-	-
Others (each below USD10,000)	5,920	2,445	3,565	6,116	-
Sub-total	95,865,401	7,850,862	33,371,375	15,262,260	22,914,523
US Dollar					
MUFG Bank, Ltd.	34,980,024	12,572,846	7,665,990	22,998,277	15,227,921
PT Bank Negara Indonesia (Persero) Tbk	2,051,138	80,441	4,056,350	56,763	57,099
PT Bank Mandiri (Persero) Tbk	1,243,554	3,286,281	5,028,049	1,226,544	472,201
Sub-total	38,274,716	15,939,568	16,750,389	24,281,584	15,757,221
Total cash in banks	134,140,117	23,790,430	50,121,764	39,543,844	38,671,744
Time Deposit					
Rupiah					
PT Bank Negara Indonesia (Persero) Tbk	6,703,311	-	13,668,072	-	-
PT Bank Mandiri (Persero) Tbk	3,351,656	-	3,596,861	-	-
MUFG Bank, Ltd.	-	-	-	12,430,081	-
Sub-total	10,054,967	-	17,264,933	12,430,081	-
US Dollar					
PT Bank Negara Indonesia (Persero) Tbk	-	4,000,000	-	-	-
Total time deposit	10,054,967	4,000,000	17,264,933	12,430,081	-
Total	**145,819,393**	**29,445,849**	**69,026,765**	**53,703,446**	**40,363,491**

All cash in banks were placed with third parties.

4. CASH AND CASH EQUIVALENTS *(Continued)*

Cash equivalents consist of deposits in Rupiah and US Dollar currencies with original maturities of three (3) months or less and earned interest at annual rate as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Rupiah	4.00% - 7.00%	4.55% - 7.25%	4.55% - 7.25%	5.79%	-
US Dollar	-	2%	-	-	-

5. RESTRICTED CASH AND CASH EQUIVALENTS

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
US Dollar					
Sumitomo Mitsui Banking Corporation, Singapore ("SMBC") (Note 13)	2,298,118	2,291,906	29,058,033	11,324,892	11,312,425
MUFG Bank, Ltd. ("MUFG") (Note 14)	236,550	1,972,285	212,161	127,043	115,432
Total	**2,534,668**	**4,264,191**	**29,270,194**	**11,451,935**	**11,427,857**

The Company placed restricted funds in SMBC and MUFG for Senior Notes and bank loans purposes (Notes 13 and 14).

Restricted cash equivalents as of December 31, 2019 consist of deposits in US Dollar currency with original maturities of three (3) months or less and earned interest at annual rate of 1.75% - 1.90%.

6. TRADE RECEIVABLES

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Third parties					
PT Berau Coal	65,635,065	111,005,122	87,069,255	106,434,214	102,243,735
PT Sungai Danau Jaya	19,715,379	7,425,105	14,400,146	10,004,686	22,602,006
PT Pada Idi	19,440,755	30,771,601	31,375,898	24,692,392	833,361
PT Adaro Indonesia	15,602,811	22,031,722	19,407,757	16,592,380	13,804,161
PT Tanah Bumbu Resources	14,635,887	23,627,252	13,407,622	15,771,645	-

(Expressed in United States Dollar, unless otherwise stated)

6. TRADE RECEIVABLES *(Continued)*

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
PT Indonesia Pratama	12,689,216	17,679,297	11,731,466	5,833,709	-
PT Angsana Jaya Energi	10,640,664	9,862,299	11,891,055	10,160,655	12,707,000
PT Kideco Jaya Agung	8,259,591	14,823,251	9,929,318	9,842,109	6,460,014
PT Tadjahan Antang Mineral	6,051,481	7,216,896	6,401,410	7,053,827	7,543,237
PT Insani Bara Perkasa	5,221,246	6,927,664	5,593,394	4,624,246	-
PT Bukit Baiduri Energi	1,004,390	1,004,390	1,004,390	1,004,390	1,004,390
PT Jasapower Indonesia	389,559	1,313,908	1,682,946	4,403,340	1,910
PT Maruwai Coal	214,796	11,688,900	10,010,420	3,100,765	-
PT Arutmin Indonesia	-	-	-	3,180,842	12,180,842
Others (each below USD 1,000,000)	955,545	289,046	291,431	276,385	414,666
Total	180,456,385	265,666,453	224,196,508	222,975,585	179,795,322
Less: Allowance for impairment loss	(1,128,613)	(1,128,613)	(1,128,613)	(1,128,613)	(1,128,613)
Net	179,327,772	264,537,840	223,067,895	221,846,972	178,666,709
Less: Current portion	(179,327,772)	(264,537,840)	(223,067,895)	(221,846,972)	(174,777,002)
Non-Current Portion	**-**	**-**	**-**	**-**	**3,889,707**

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the management believes that allowance for impairment loss on trade receivables was adequate to cover impairment losses on trade receivables.

Details of trade receivables based on currencies were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Rupiah	159,612,393	255,467,929	207,325,547	207,331,098	142,900,089
US Dollar	20,843,992	10,198,524	16,870,961	15,644,487	36,895,233
Total	**180,456,385**	**265,666,453**	**224,196,508**	**222,975,585**	**179,795,322**

Details of aging schedule of trade receivables based on invoices issued were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Current	138,744,683	207,733,632	163,695,197	194,058,109	156,819,534
Past due					
1 to 30 days	18,696,963	17,435,832	28,480,395	5,088,550	15,232,043

(Expressed in United States Dollar, unless otherwise stated)

6. TRADE RECEIVABLES *(Continued)*

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
31 to 60 days	1,118,142	5,190,373	48,370	3,163,475	-
61 to 90 days	1,593,165	1,325,545	-	3,115,382	-
Over 90 days	20,303,432	33,981,071	31,972,546	17,550,069	3,854,038
Non-current					
Past due					
Over 1 year	-	-	-	-	3,889,707
Total	180,456,385	265,666,453	224,196,508	222,975,585	179,795,322
Less: Allowance for impairment loss	(1,128,613)	(1,128,613)	(1,128,613)	(1,128,613)	(1,128,613)
Net	**179,327,772**	**264,537,840**	**223,067,895**	**221,846,972**	**178,666,709**

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, trade receivables were used as collateral for bank loans (Note 14).

7. INVENTORIES

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Spare-parts	33,691,714	37,687,873	39,743,304	19,984,955	15,237,257
Tires	8,268,727	10,433,301	11,050,894	10,378,447	12,087,843
Explosives	2,447,486	4,114,205	2,738,319	1,552,130	1,067,666
Lubricants	928,737	1,185,338	1,252,098	1,354,661	1,134,502
Fuel	282,741	628,321	396,513	156,938	113,394
Infrastructure material	95,061	112,867	84,168	-	3
Total	45,714,466	54,161,905	55,265,296	33,427,131	29,640,665
Less: Allowance for impairment loss	(423,772)	(36,860)	(1,015,995)	-	(1,213,410)
Net	**45,290,694**	**54,125,045**	**54,249,301**	**33,427,131**	**28,427,255**

(Expressed in United States Dollar, unless otherwise stated)

7. INVENTORIES *(Continued)*

Movements in allowance for impairment loss were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Beginning balance	1,015,995	-	-	1,213,410	1,908,094
Provision (recovery) during the period/year	(592,223)	36,860	1,015,995	(1,213,410)	(694,684)
Ending Balance	**423,772**	**36,860**	**1,015,995**	**-**	**1,213,410**

Based on the evaluation of the inventory condition, the management believes that the allowance for impairment loss is adequate to cover possible loss on obsolete and slow-moving inventories as of September 30, 2020 and 2019 and December 31, 2019 and 2017. As of December 31, 2018, the Company believes that there is no objective evidence of inventory obsolescence, thus no impairment was provided.

Certain inventories were insured with a third party for possible losses from all risks, with the total sum insured amounting to Rp 582,140 million (USD 39,022,643), Rp 752,278 million (USD 53,074,537), Rp 764,784 million (USD 55,016,401), Rp 420,749 million (USD 29,055,270), Rp 401,572 million (USD 29,640,666) as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, respectively, which the management believes is adequate to cover possible loss on insured assets.

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, all inventories were pledged as collateral associated with bank loans (Note 14).

8. PREPAYMENTS AND ADVANCES

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Advances	5,244,813	13,523,725	7,936,723	19,480,272	11,861,661
Prepayments					
Software renewal and maintenance	1,136,590	1,102,226	845,090	1,473,559	1,561,975
Rent	396,003	534,530	426,522	566,296	585,489
Insurance	146,911	1,986,999	985,210	661,155	790,911
Others	-	-	-	-	52,500
Total	6,924,317	17,147,480	10,193,545	22,181,282	14,852,536
Less: Current portion	(5,938,690)	(15,532,892)	(9,039,846)	(18,830,571)	(8,952,718)
Non-Current Portion (Note 10)	**985,627**	**1,614,588**	**1,153,699**	**3,350,711**	**5,899,818**

Non-current portion represents advances for purchase of fixed assets.

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS

	September 30, 2020 (Unaudited)				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost:					
Direct ownership					
Land	2,813,419	187,675	-	-	3,001,094
Buildings	69,651,615	-	739,323	2,831,546	71,743,838
Heavy equipment	1,267,770,972	11,224,874	18,961,184	3,577,185	1,263,611,847
Vehicles	2,898,413	11,780	-	-	2,910,193
Office equipment, furniture and fixtures	18,482,682	424,441	52,244	300,980	19,155,859
Machinery and project equipment	52,199,893	283,662	1,141,722	2,487,858	53,829,691
Sub-total	1,413,816,994	12,132,432	20,894,473	9,197,569	1,414,252,522
Right-of-use assets					
Buildings	738,033	244,724	-	-	982,757
Heavy equipment	432,535,532	2,010,296	-	687,153	435,232,981
Vehicles	24,369,935	2,434,344	-	-	26,804,279
Sub-total	457,643,500	4,689,364	-	687,153	463,020,017
Construction in progress	8,173,453	6,319,366	-	(9,884,722)	4,608,097
Total cost	1,879,633,947	23,141,162	20,894,473	-	1,881,880,636
Accumulated depreciation:					
Direct ownership					
Buildings	19,305,289	5,796,103	713,846	-	24,387,546
Heavy equipment	1,102,080,901	42,803,523	17,100,353	-	1,127,784,071
Vehicles	2,706,929	50,005	-	-	2,756,934
Office equipment, furniture and fixtures	11,006,998	2,449,664	51,049	-	13,405,613
Machinery and project equipment	30,247,727	4,692,037	1,094,835	-	33,844,929
Sub-total	1,165,347,844	55,791,332	18,960,083	-	1,202,179,093
Right-of-use assets					
Building	-	618,116	-	-	618,116
Heavy equipment	99,997,848	40,756,973	-	-	140,754,821
Vehicles	-	11,385,423	-	-	11,385,423
Sub-total	99,997,848	52,760,512	-	-	152,758,360
Total	1,265,345,692	108,551,844	18,960,083	-	1,354,937,453
Net Book Value	**614,288,255**				**526,943,183**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

	September 30, 2019 (Unaudited)				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost:					
Direct ownership					
Land	2,632,278	136,786	-	-	2,769,064
Buildings	59,052,007	51,410	12,383	7,369,512	66,460,546
Heavy equipment	1,166,929,159	17,989,127	38,023,877	164,411,814	1,311,306,223
Vehicles	4,060,040	20,315	19,356	27,163	4,088,162
Office equipment, furniture and fixtures	15,140,647	2,324,720	6,644	1,088,638	18,547,361
Machinery and project equipment	50,348,971	2,839,802	1,672,457	4,373,524	55,889,840
Sub-total	1,298,163,102	23,362,160	39,734,717	177,270,651	1,459,061,196
Assets under finance lease					
Heavy equipment	466,201,282	20,841,646	-	(103,159,451)	383,883,477
Construction in progress	56,809,605	26,877,976	-	(74,111,200)	9,576,381
Total	1,821,173,989	71,081,782	39,734,717	-	1,852,521,054
Accumulated depreciation:					
Direct ownership					
Buildings	13,834,282	3,911,343	9,426	-	17,736,199
Heavy equipment	961,938,453	58,762,944	26,169,533	94,676,498	1,089,208,362
Vehicles	3,942,395	41,408	13,403	-	3,970,400
Office equipment, furniture and fixtures	8,572,968	2,266,774	6,045	-	10,833,697
Machinery and project equipment	29,008,072	4,985,393	1,651,705	-	32,341,760
Sub-total	1,017,296,170	69,967,862	27,850,112	94,676,498	1,154,090,418
Assets under finance lease					
Heavy equipment	147,126,010	39,921,323	-	(94,676,498)	92,370,835
Total	1,164,422,180	109,889,185	27,850,112	-	1,246,461,253
Provision for impairment	-	134,529	-	-	134,529
Net Book Value	**656,751,809**				**605,925,272**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

	December 31, 2019 (Audited)				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost:					
Direct ownership					
Land	2,632,278	220,911	39,770	-	2,813,419
Buildings	59,052,007	51,410	1,875,293	12,423,491	69,651,615
Heavy equipment	1,166,929,159	22,436,864	106,620,119	185,025,068	1,267,770,972
Vehicles	4,060,040	23,892	19,355	(1,166,164)	2,898,413
Office equipment, furniture and fixtures	15,140,647	2,312,699	22,504	1,051,840	18,482,682
Machinery and project equipment	50,348,971	3,609,943	2,034,303	275,282	52,199,893
Sub-total	1,298,163,102	28,655,719	110,611,344	197,609,517	1,413,816,994
Assets under finance lease					
Heavy equipment	466,201,282	79,974,489	-	(113,640,239)	432,535,532
Construction in progress	56,809,605	35,467,655	134,529	(83,969,278)	8,173,453
Total	1,821,173,989	144,097,863	110,745,873	-	1,854,525,979
Accumulated depreciation:					
Direct ownership					
Buildings	13,834,282	5,722,485	896,795	645,317	19,305,289
Heavy equipment	961,938,453	77,693,213	41,864,847	104,314,082	1,102,080,901
Vehicles	3,942,395	61,922	13,403	(1,283,985)	2,706,929
Office equipment, furniture and fixtures	8,572,968	3,099,380	21,903	(643,447)	11,006,998
Machinery and project equipment	29,008,072	6,529,836	2,013,435	(3,276,746)	30,247,727
Sub-total	1,017,296,170	93,106,836	44,810,383	99,755,221	1,165,347,844
Assets under finance lease					
Heavy equipment	147,126,010	52,627,059	-	(99,755,221)	99,997,848
Total	1,164,422,180	145,733,895	44,810,383	-	1,265,345,692
Net Book Value	**656,751,809**				**589,180,287**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

	December 31, 2018 (Audited)				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost:					
Direct ownership					
Land	1,420,362	1,211,916	-	-	2,632,278
Buildings	47,031,874	506,045	362,910	11,876,998	59,052,007
Heavy equipment	989,589,338	-	122,133,557	299,473,378	1,166,929,159
Vehicles	4,738,484	19,969	723,916	25,503	4,060,040
Office equipment, furniture and fixtures	12,720,039	1,753,011	341,029	1,008,626	15,140,647
Machinery and project equipment	42,651,147	1,844,908	974,280	6,827,196	50,348,971
Sub-total	1,098,151,244	5,335,849	124,535,692	319,211,701	1,298,163,102
Assets under finance lease					
Heavy equipment	393,490,797	154,242,858	-	(81,532,373)	466,201,282
Construction in progress	41,715,234	252,773,699	-	(237,679,328)	56,809,605
Total	1,533,357,275	412,352,406	124,535,692	-	1,821,173,989
Accumulated depreciation:					
Direct ownership					
Buildings	10,363,678	3,435,600	58,382	93,386	13,834,282
Heavy equipment	836,157,574	70,010,233	15,528,667	71,299,313	961,938,453
Vehicles	4,535,797	130,512	723,914	-	3,942,395
Office equipment, furniture and fixtures	7,306,218	2,223,546	339,613	(617,183)	8,572,968
Machinery and project equipment	24,832,387	5,077,208	968,527	67,004	29,008,072
Sub-total	883,195,654	80,877,099	17,619,103	70,842,520	1,017,296,170
Assets under finance lease					
Heavy equipment	166,608,430	51,360,100	-	(70,842,520)	147,126,010
Total	1,049,804,084	132,237,199	17,619,103	-	1,164,422,180
Net Book Value	**483,553,191**				**656,751,809**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

	December 31, 2017 (Audited)				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
Cost:					
Land	1,459,458	-	39,096	-	1,420,362
Buildings	41,816,645	-	331,457	5,546,686	47,031,874
Heavy equipment	969,495,786	-	66,984,238	87,077,790	989,589,338
Vehicles	6,633,755	11,980	1,907,251	-	4,738,484
Office equipment, furniture and fixtures	10,031,334	1,389,513	1,373,449	2,672,641	12,720,039
Machinery and project equipment	33,089,359	1,710,487	1,730,077	9,581,378	42,651,147
Sub-total	1,062,526,337	3,111,980	72,365,568	104,878,495	1,098,151,244
Assets under finance lease					
Heavy equipment	291,722,005	101,768,792	-	-	393,490,797
Construction in progress	18,449,239	128,144,490	-	(104,878,495)	41,715,234
Total	1,372,697,581	233,025,262	72,365,568	-	1,533,357,275
Accumulated depreciation					
Buildings	7,952,607	2,572,019	160,948	-	10,363,678
Heavy equipment	793,657,146	63,419,183	20,918,755	-	836,157,574
Vehicles	6,073,559	369,489	1,907,251	-	4,535,797
Office equipment, furniture and fixtures	7,051,631	1,503,966	1,249,379	-	7,306,218
Machinery and project equipment	22,638,513	3,796,683	1,602,809	-	24,832,387
Sub-total	837,373,456	71,661,340	25,839,142	-	883,195,654
Assets under finance lease					
Heavy equipment	130,285,538	36,322,892	-	-	166,608,430
Total	967,658,994	107,984,232	25,839,142	-	1,049,804,084
Net Book Value	**405,038,587**				**483,553,191**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

The impact of initial application of PSAK No. 73 – Leases are as follows (Note 2b):

	Balance as of January 1, 2020	Adjustment of PSAK No. 73		Adjusted Beginning Balance
	(Audited)	Additions	Reclassifications	(Unaudited)
Cost				
Assets under financial lease				
Heavy equipment	432,535,532	-	(432,535,532)	-
Right-of-use assets				
Building	-	738,033	-	738,033
Heavy equipment	-	-	432,535,532	432,535,532
Vehicles	-	24,369,935	-	24,369,935
Total	432,535,532	25,107,968	-	457,643,500
Accumulated Depreciation				
Assets under financial lease				
Heavy equipment	99,997,848	-	(99,997,848)	-
Right-of-use assets				
Building	-	-	-	-
Heavy equipment	-	-	99,997,848	99,997,848
Vehicles	-	-	-	-
Total	99,997,848	-	-	99,997,848
Net Book Value	**332,537,684**			**357,645,652**

Depreciation were charged as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Cost of revenues (Note 22)	107,214,938	108,284,151	143,531,990	130,364,355	105,993,153
Operating expenses (Note 23)	1,336,906	1,605,034	2,201,905	1,872,844	1,991,079
Total	**108,551,844**	**109,889,185**	**145,733,895**	**132,237,199**	**107,984,232**

(Expressed in United States Dollar, unless otherwise stated)

9. FIXED ASSETS *(Continued)*

The details of gain on sale and disposal of fixed assets were as follows:

	September 30,		**December 31,**		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Proceeds from sale and disposal of fixed assets	2,411,060	13,548,339	73,143,931	108,948,307	47,655,076
Net book value	(1,934,390)	(11,884,605)	(65,800,961)	(106,916,589)	(46,526,426)
Additional deferred income	(189,662)	(942,458)	(7,205,857)	-	-
Net (Note 24)	**287,008**	**721,276**	**137,113**	**2,031,718**	**1,128,650**

Any excess of sales proceeds over the carrying amount of the asset for sale and leaseback transaction is deferred and amortized over the lease term.

The initial aplication of PSAK No. 73 – Leases did not affect the above deferred income as the transaction for sale and leaseback was not applied retrospectively.

Certain fixed assets were insured for possible losses from all risks with various insurance companies, with the total sum insured amounting to Rp 35,936,040 million (USD 2,408,904,712) and Rp 34,362,368 million (USD 2,424,324,021) and Rp 35,394,024 million (USD 2,546,149,515) and Rp 29,793,301 million (USD 2,057,406,323) and Rp 23,863,106 million (USD 1,761,374,826) as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, respectively, which the management believes were adequate to cover possibilities of loss on insured assets.

Construction-in-progress represents costs capitalized in connection with the construction of the Company's fixed assets at its mine sites, which are not yet ready for their intended use.

The percentage of completion for construction-in-progress as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 ranged from 53% - 99%, 0.3% - 99%, 22% - 99%, 1% - 99% and 1% - 99%, respectively, of total budgeted costs. Most of the assets under construction are estimated to be completed in 2020.

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, moveable fixed assets were pledged as collateral associated with bank loans (Note 14).

In December 2019, the Company written-off fixed assets amounting to USD 134,529.

As of September 30, 2020, management believed that the fair value of fixed assets approximates the fair value as of November 30, 2019 amounting to USD 921,125,374 based on valuation by Kantor Jasa Penilai Publik Nirboyo A., Dewi A. & Rekan, an independent appraiser, using the market data and cost method.

Based on management consideration, there were no circumstances or changes in conditions that would indicate impairment in fixed asset, therefore management did not recognize any provision for asset impairment as September 30, 2020 and December 31, 2019, 2018 and 2017, other than those disclosed above. Management is of the view that the provision for impairment of fixed assets is sufficient as of September 30, 2019.

(Expressed in United States Dollar, unless otherwise stated)

10. OTHER NON-CURRENT ASSETS

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Claims for tax refund (Note 17b)	45,517,997	66,503,904	87,779,073	54,130,341	59,005,774
Intangible assets	12,445,475	14,241,217	13,869,105	5,950,373	3,459,478
Refundable deposit	10,233,142	15,030,834	10,242,459	14,920,056	33,150,091
Advances for purchase of fixed assets (Note 8)	985,627	1,614,588	1,153,699	3,350,711	5,899,818
Others	33,367	33,367	33,367	33,367	33,367
Total	**69,215,608**	**97,423,910**	**113,077,703**	**78,384,848**	**101,548,528**

11. TRADE PAYABLES

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
PT United Tractors Tbk	10,451,414	25,460,798	15,861,468	36,327,108	35,197,258
PT Trakindo Utama	7,595,529	19,536,598	19,173,163	30,732,861	21,681,899
PT Pertamina (Persero)	2,728,537	3,875,660	6,222,102	3,708,169	5,386,723
PT Eka Dharma Jaya Sakti	1,553,047	1,947,816	1,666,072	4,098,429	1,950,354
PT Bina Pertiwi	1,213,807	20,643	-	5,317	303
PT Shell Indonesia	1,175,824	3,160,289	3,067,188	4,232,459	3,315,718
PT Merlin Wijaya	843,890	1,265,503	1,389,678	1,429,454	1,088,422
PT Mexis	840,698	1,515,310	1,537,739	1,170,420	-
PT United Tractors Pandu Engineering	579,444	2,525,887	1,299,010	5,147,687	297,486
PT Pindad (Persero)	531,692	1,658,352	2,095,594	1,683,407	2,653,601
PT Hexindo Adiperkasa Tbk	530,809	4,632,356	2,835,544	4,743,864	2,432,600
PT Eurotruk Transindo	442,102	1,278,592	1,118,315	1,172,177	882,143
PT DNX Indonesia	426,204	1,014,879	1,170,300	731,651	795,141
PT Andalan Multi Kencana	302,613	1,586,126	1,055,681	1,631,776	939,562
PT Epiroc Southern Asia	288,103	1,005,877	584,514	1,560,442	1,123,205
PT Prima Unggul Persada	169,918	542,638	425,574	1,704,178	1,242,144
PT Altrak 1978	156,840	1,406,379	1,087,082	977,128	746,829
PT Intecs Teknikatama Industri	16,488	2,270	36,037	1,797,214	912,611
PT Berau Coal	733	53,801	1,578	1,167,125	47,414
PT Microsoft Indonesia	-	3,520,828	2,175,558	30,981	131,549
PT Kalibesar Raya Utama	-	1,568,381	27	-	196,035
PT Well Racom Nusantara	-	1,140,406	10,904	28,793	252,435
Others (each below USD 1,000,000)	15,335,993	24,555,082	21,981,326	24,676,139	20,309,715
Total	**45,183,685**	**103,274,471**	**84,794,454**	**128,756,779**	**101,583,147**

(Expressed in United States Dollar, unless otherwise stated)

11. TRADE PAYABLES *(Continued)*

Trade payables based on currencies were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Rupiah	45,024,510	102,976,203	84,633,103	126,484,925	101,008,551
US Dollar	145,591	291,132	145,563	240,334	544,049
Singaporean Dollar	12,020	7,136	12,005	37,677	7,169
Australian Dollar	1,564	-	3,783	1,993,843	23,378
Total	**45,183,685**	**103,274,471**	**84,794,454**	**128,756,779**	**101,583,147**

Trade payables include payables for the purchase of fixed assets.

12. ACCRUED EXPENSES

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Material consumption	11,297,488	26,614,976	14,670,618	20,659,633	11,726,890
Interest	4,280,966	5,005,683	13,532,554	13,595,975	13,172,853
Employee compensation and benefits	3,743,485	2,355,951	5,576,683	1,550,000	9,500,000
Rental	3,025,792	3,123,489	3,199,325	3,384,553	1,985,803
Maintenance service	1,386,063	913,921	3,518,001	985,266	2,504,953
Subcontractor general services	1,297,833	1,009,458	1,167,764	1,006,323	585,082
Catering and laundry	731,474	2,111,572	1,861,332	2,015,582	1,080,395
Professional fee	204,143	665,937	737,813	1,703,061	118,621
Others (each below USD 1,000,000)	1,348,982	2,120,328	3,281,910	1,863,513	2,669,981
Total	**27,316,226**	**43,921,315**	**47,546,000**	**46,763,906**	**43,344,578**

13. SENIOR NOTES

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Senior Notes	350,000,000	350,000,000	350,000,000	350,000,000	350,000,000
Unamortized discount and transaction cost	(4,203,553)	(6,990,859)	(6,314,894)	(8,914,350)	(11,302,614)
Net	**345,796,447**	**343,009,141**	**343,685,106**	**341,085,650**	**338,697,386**

(Expressed in United States Dollar, unless otherwise stated)

13. SENIOR NOTES *(Continued)*

On February 13, 2017, the Company issued Senior Notes amounting to USD 350,000,000 with a selling price of 98.986%. The Senior Notes will mature in 2022. The Senior Notes bear a fixed interest rate of 7.75%, which is payable semi-annually in arrears on August 13 and February 13 of each year commencing on August 13, 2017. The Senior Notes are listed in the Singapore Exchange Securities Trading Limited.

The proceed of the Senior Notes was used to repay the previous bank loan facility.

The Senior Notes were issued under an Indenture between the Company and The Bank of New York Mellon, as trustee. The Bank of New York Mellon is not a related party to the Company.

On December 28, 2018, the Company issued First Supplemental Indenture based on consent from majority of the Holders, which amended certain terms within the original Senior Notes Indenture.

The Senior Notes were rated Ba3 and BB- by Moody's Investor Service, Inc. and Fitch Ratings Ltd., respectively.

The Senior Notes were secured by first priority liens over the Debt Service Accrual Account (Note 5). There were no sinking fund payments for the Senior Notes.

14. BANK LOANS

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
MUFG Bank, Ltd. ("MUFG")	83,466,667	126,333,333	115,616,667	106,250,000	52,375,000
Unamortized transaction cost	(536,101)	(1,149,669)	(1,133,777)	(471,983)	(1,051,132)
Net	82,930,566	125,183,664	114,482,890	105,778,017	51,323,868
Less: Current portion	(29,878,295)	(42,154,194)	(42,117,629)	(24,674,384)	(11,779,725)
Non-Current Portion	**53,052,271**	**83,029,470**	**72,365,261**	**81,103,633**	**39,544,143**

On February 7, 2017, the Company and MUFG entered into a facility agreement, wherein MUFG agreed to provide term loan facilities ("Facility A") and revolving loan facilities ("Facility B") each amounting to USD 50,000,000, with total facility amount of USD 100,000,000 ("MUFG Facilities"). The loans will mature in 2021. The interest rate of the loan facilities is LIBOR plus specific margin.

On March 16, 2018, the Company and MUFG, entered into an amendment facility agreement whereby MUFG agreed to provide additional revolving loan facilities ("Facility C") amounting to USD 50,000,000, under the same terms and conditions with that of Facility A and B, except that it matured in 2019. The interest rate of Facility C remains the same with that of Facility A and B, which is LIBOR plus specific margin.

Collectively, the three facilities shall be referred to as MUFG First Facilities.

The proceeds of the MUFG First Facilities were used to repay the previous bank loan facility.

On September 20, 2018, the Company and MUFG entered into an amendment for the extension of the maturity for the Facility C agreement from 2019 to 2020. There were no changes other than the maturity date.

(Expressed in United States Dollar, unless otherwise stated)

14. BANK LOANS *(Continued)*

On February 18, 2019, the Company and MUFG entered into a new facility agreement, wherein MUFG agreed to provide term loan facilities ("Facility I") and revolving loan facilities ("Facility II") amounting to USD 100,000,000 and USD 50,000,000, respectively, with total facility amount of USD 150,000,000 ("MUFG Second Facilities"). The facilities will mature in 2021.

On February 18, 2019, the Company and MUFG signed an amendment agreement to MUFG First Facilities in relation to change of several terms within the MUFG First Facilities.

On February 28, 2019, the Company executed the first drawdown of MUFG Second Facilities, whereby a portion of the drawn amount were used to fully repay Facility C of MUFG First Facilities. Subsequent to the full repayment, Facility C was terminated.

On August 2, 2019, MUFG Second Facilities became a syndicated loan provided by MUFG Bank, Ltd., PT Bank Mandiri (Persero) Tbk and PT Bank Negara Indonesia (Persero) Tbk consisting of Facility I amounting to USD 66,666,667 and Facility II amounting to USD 33,333,333 with total facilities amounting to USD 100,000,000.

The loan facilities are secured by:

- Fiduciary security over inventories
- Fiduciary security over receivables
- Fiduciary security over moveable fixed assets
- Fiduciary security over insurance
- Pledge of certain bank acounts

In accordance with MUFG Facilities, the Company is required to comply with financial covenants such as debt to EBITDA ratio, fixed charge coverage ratio and security cover ratio. The management is of the opinion that all covenants have been met as of September 30, 2020.

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the annual interest rates on bank loans ranged from 2.15% to 4.91%, 4.06% to 5.80%, 3.91% to 5.80%, 4.39% to 5.77% and 3.99% to 5.75%, respectively.

15. LONG-TERM DEBT

	September 30,		**December 31,**		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
PT Hexa Finance Indonesia	890,019	-	1,441,206	-	-
PT Modular Mining Indonesia	-	-	-	67,403	453,538
Total	890,019	-	1,441,206	67,403	453,538
Less: Current portion	(760,931)	-	(735,713)	(67,403)	(386,135)
Non-Current Portion	**129,088**	**-**	**705,493**	-	**67,403**

This account represents long-term interest-bearing debt of the Company to PT Hexa Finance Indonesia ("Hexa") and PT Modular Mining Indonesia ("Modular"). The loan shall be repaid over two (2) years schedule starting from 2019 to Hexa and five (5) years schedule starting from 2014 to Modular.

(Expressed in United States Dollar, unless otherwise stated)

15. LONG-TERM DEBT *(Continued)*

In 2019, the long-term debt to Modular was fully repaid.

On September 16, 2019, the Company and Hexa entered into a new finance agreement, wherein Hexa has agreed to provide debt to the Company for inventory.

The annual interest rates on long-term debt of PT Hexa Finance Indonesia as of September 30, 2020 and December 31, 2019 and PT Modular Mining Indonesia as of December 31, 2018 and 2017 were LIBOR plus specific margin and 8.00%, respectively.

16. LEASE LIABILITIES

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Years					
2018	-	-	-	-	63,812,701
2019	-	20,321,864	-	86,896,207	50,255,597
2020	25,440,971	78,598,242	91,663,984	74,703,756	40,128,837
2021	84,893,709	67,630,101	80,478,853	63,492,382	31,076,382
2022	63,849,306	47,522,356	60,197,179	43,334,360	13,759,062
2023	30,790,864	17,607,887	29,526,844	13,401,746	-
2024	6,760,083	1,208,975	6,740,472	-	-
Total minimum lease payments	211,734,933	232,889,425	268,607,332	281,828,451	199,032,579
Less: Interest not yet due	(11,441,692)	(23,657,065)	(25,740,821)	(33,404,345)	(20,084,247)
Sub-total	200,293,241	209,232,360	242,866,511	248,424,106	178,948,332
Unamortized interest from leases which were previously classified as operating leases	(1,181,472)	-	-	-	-
Total lease liabilities	199,111,769	209,232,360	242,866,511	248,424,106	178,948,332
Less: Current portion	(81,062,004)	(67,942,876)	(78,933,982)	(72,145,839)	(55,177,594)
Non-Current Portion	**118,049,765**	**141,289,484**	**163,932,529**	**176,278,267**	**123,770,738**

Details of leases based on lessors were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
PT Caterpillar Finance Indonesia	105,585,656	154,405,951	142,200,877	188,968,056	126,821,085
PT Verena Multi Finance Tbk (prev. PT IBJ Verena Finance)	27,628,534	6,108,095	32,687,027	2,715,898	2,772,782

(Expressed in United States Dollar, unless otherwise stated)

16. LEASE LIABILITIES *(Continued)*

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
PT Orix Indonesia	14,925,718	20,441,249	19,103,661	21,537,623	12,379,685
PT Mitsubishi UFJ Lease & Finance Indonesia	14,090,109	6,303,455	20,775,063	12,176,535	22,085,141
PT SMFL Leasing Indonesia	9,330,937	2,189,768	9,940,048	2,570,463	-
PT Chandra Sakti Utama Leasing	5,656,934	9,656,185	8,656,372	12,655,623	4,991,667
PT BRI Multifinance Indonesia	4,146,969	5,255,227	4,986,723	1,704,944	-
PT Bumiputera - BOT Finance	1,727,250	2,493,574	2,307,512	3,030,422	3,714,824
PT Takari Kokoh Sejahtera	1,067,003	1,504,604	1,398,322	1,811,740	2,204,003
PT Hitachi Capital Finance Indonesia	613,083	874,252	810,906	1,057,054	1,290,189
PT Hexa Finance Indonesia	-	-	-	195,748	2,688,956
Others (each below USD 1,000,000)	14,339,576	-	-	-	-
Total	199,111,769	209,232,360	242,866,511	248,424,106	178,948,332
Less: Current portion	(81,062,004)	(67,942,876)	(78,933,982)	(72,145,839)	(55,177,594)
Non-Current Portion	**118,049,765**	**141,289,484**	**163,932,529**	**176,278,267**	**123,770,738**

In relation to the implementation of PSAK No. 73 – Leases, the Company recorded lease liability of USD 25,107,968 as of January 1, 2020, which were previously classified as operating leases based on PSAK No. 30 – Leases (Note 2b). The future minimum lease payments and details of leases based on lessors include outstanding balance related to PSAK No. 73 adjustment as of September 30, 2020 amounted to USD 14,339,576 with details as follows:

	September 30, 2020 (Unaudited)
Lease liabilities	
Current	5,519,207
Non-current	8,820,369
Total	**14,339,576**

Expense relating to short-term leases and leases of low-value assets for the nine-month period ended September 30, 2020 were recorded in cost of revenues and operating expenses amounted to USD 2,009,433 and USD 335,562, respectively.

a. PT Orix Indonesia Finance

On May 31, 2017 and August 24, 2017, the Company and PT Orix Indonesia Finance (“Orix”) entered into a new finance lease agreements, wherein Orix has agreed to provide financing to the Company for heavy equipment and shall be repaid over sixty (60) months based on the repayment schedule.

16. LEASE LIABILITIES *(Continued)*

The facilities amount have been fully drawn.

On May 25, 2018 and July 25, 2018, the Company and Orix entered into a new finance lease agreement, wherein Orix has agreed to provide a financing to the Company for heavy equipment. The facility amount has been fully drawn.

On July 25, 2019, the Company and Orix entered into a new finance lease agreement, wherein Orix has agreed to provide a financing to the Company for heavy equipment. The facility amount has been fully drawn.

On March 23, 2020, the Company and Orix entered into a new finance lease agreement, wherein Orix has agreed to provide a financing to the Company, for heavy equipment.

The finance lease shall be repaid over five (5) years schedule from the drawing date.

The interest rate of the finance lease is three (3) months LIBOR plus a margin per annum.

b. PT Caterpillar Finance Indonesia

On February 8, 2011, the Company and PT Caterpillar Finance Indonesia ("CFI") entered into a finance lease agreement and amended it on August 15, 2011, wherein CFI has agreed to provide financing to the Company for heavy equipment.

The finance lease shall be repaid over a five (5) to seven (7) year schedule from the drawing date. The interest rate of the finance lease is three (3) months LIBOR plus margin per annum.

On August 23, 2016 and September 4, 2017, CFI agreed to amend and increase the facility amount.

On November 28, 2018 and January 11, 2019, the Company and CFI entered into an amendment finance lease agreement, wherein CFI agreed to provide facility for heavy equipment.

The finance lease shall be repaid over five (5) years schedule from the drawing rate.

The interest rate of the finance lease is three (3) months LIBOR plus a margin per annum.

c. PT Hexa Finance Indonesia

On February 8, 2011, the Company and PT Hitachi Construction Machinery Finance Indonesia ("Hitachi") entered into a finance lease agreement, wherein Hitachi has agreed to provide financing for heavy equipment.

The availability period of the facility has expired.

The finance lease shall be repaid over seven (7) year schedule from the drawing date.

In June 2015, the Company and Hitachi signed an addendum to the finance lease agreement where Hitachi changed its name to PT Hexa Finance Indonesia ("Hexa"), without changing any other part of the finance lease agreement.

The interest rate of the finance lease is a base interest rate plus a margin per annum.

In February 2019, the outstanding loan has been fully repaid.

16. LEASE LIABILITIES *(Continued)*

d. PT Mitsubishi UFJ Lease & Finance Indonesia

On May 10, 2011, the Company and PT Mitsubishi UFJ Lease & Finance Indonesia ("MULI") entered into a finance lease agreement, wherein MULI has agreed to provide financing to the Company for heavy equipment.

On August 1, 2011, MULI agreed to increase the facility amount.

The availability period of the facility has expired.

The finance lease shall be repaid in over a four (4) year schedule from the drawing date and may be extended for the next three (3) years.

In June 2015, MULI agreed to extend most of the individual lease agreements until three (3) years from each respective original maturity date.

On April 14, 2014 and June 30, 2015, the Company and MULI entered into a Master Finance Lease Agreement, wherein MULI agreed to provide additional facility for equipment financing and shall be repaid over a three (3) year and four (4) year schedule, respectively, from the drawing date. The availability period of the facility has expired.

On October 19, 2016, the Company and MULI entered into a Master Finance Lease Agreement, wherein MULI agreed to provide a facility for equipment financing. The facility amount has been fully drawn.

On October 25, 2019, the Company and MULI entered into an amendment finance lease agreement, wherein MULI agreed to provide facility for heavy equipment.

The finance lease shall be repaid in over a four (4) year schedule from the drawing date.

The interest rate of the finance lease is a base interest rate plus a margin per annum. The facilities amount have been fully drawn.

e. PT Chandra Sakti Utama Leasing

On November 21, 2016, the Company and PT Chandra Sakti Utama Leasing ("CSUL") entered into a finance lease agreement and amended it on December 13, 2016, wherein CSUL has agreed to provide financing to the Company for heavy equipment.

The finance lease shall be repaid over four (4) years schedule from the drawing date.

On July 16, 2018 and August 30, 2018, the Company and CSUL entered into a Master Finance Lease Agreement, wherein CSUL agreed to provide additional financing to the Company for heavy equipment. The facility amount has been fully drawn.

The finance lease shall be repaid over five (5) years schedule from the drawing date.

The interest rate of the finance lease is three (3) months LIBOR plus margin per annum.

f. PT Bumiputera – BOT Finance

On October 31, 2017, the Company and PT Bumiputera – BOT Finance ("BOT") entered into a finance lease, wherein BOT has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2022.

16. LEASE LIABILITIES *(Continued)*

The interest rate of the finance lease is three (3) months LIBOR plus margin.

g. PT Hitachi Capital Finance Indonesia

On November 15, 2017, the Company and PT Hitachi Capital Finance Indonesia ("HCFI") entered into a finance lease, wherein HCFI has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2022.

The interest rate of the finance lease is three (3) months LIBOR plus margin.

h. PT Verena Multi Finance (prev. PT IBJ Verena Finance)

On December 4, 2017, the Company and PT IBJ Verena Finance ("IBJ") entered into a finance lease, wherein IBJ has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2022.

On August 8, 2019 and December 13, 2019, the Company and IBJ entered into a finance lease agreements, wherein IBJ has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2024.

The interest rate of the finance lease is three (3) months LIBOR plus margin.

i. PT Takari Kokoh Sejahtera

On December 15, 2017, the Company and PT Takari Kokoh Sejahtera ("TKS") entered into a finance lease, wherein TKS has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2022.

The interest rate of the finance lease is based on MUFG USD Market Rate per three (3) months plus margin.

j. PT SMFL Leasing Indonesia

On February 5, 2018, the Company and PT SMFL Leasing Indonesia ("SMFL") entered into a finance lease, wherein SMFL has agreed to provide financing to the Company for heavy equipment. The finance lease shall be repaid in over five (5) years period, ending in 2023.

On October 30, 2019, the Company and SMFL entered into a finance lease agreement, wherein SMFL has agreed to provide financing for heavy equipment. The finance lease shall be repaid in over four (4) years period, ending in 2023.

On February 27, 2020, the Company and SMFL entered into a finance lease agreement, wherein SMFL has agreed to provide financing for heavy equipment. The finance lease shall be repaid in over four (4) years period, ending in 2024.

The interest rate of the finance lease is three (3) months LIBOR plus margin.

k. PT BRI Multi Finance

On December 20, 2018, the Company and PT BRI Multifinance ("BRI") entered into a finance lease, wherein BRI has agreed to provide financing to the Company for heavy equipment purchases. The finance lease shall be repaid in over five (5) years period, ending in 2023.

The interest rate of the finance lease is three (3) months LIBOR plus margin. The facility amount has been fully drawn.

(Expressed in United States Dollar, unless otherwise stated)

16. LEASE LIABILITIES *(Continued)*

For the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017, the annual interest rates on finance leases ranged from 3.25% to 6.71%, 5.27% to 7.56%, 4.91% to 7.56%, 4.76% to 7.44% and 4.35% to 6.21%, respectively.

17. TAXATION

a. Prepaid Taxes

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Value-Added Tax	7,511,060	23,743,883	29,085,443	46,546,820	36,295,943
Income Taxes	7,645,751	9,060,631	-	-	-
Total	**15,156,811**	**32,804,514**	**29,085,443**	**46,546,820**	**36,295,943**

b. Claims for Tax Refund

This account consists of claims against Tax Assessment Letters and Tax Collection Letters issued by the Director General of Taxes and overpayments of corporate income taxes and Value-Added Tax with total amounting to USD 45,517,997, USD 66,503,904, USD 87,779,073, USD 54,130,341 and USD 59,005,774 as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, respectively (Note 17f).

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, claims for tax refund was presented as part of “Other non-current assets” in the statement of financial position. As of the date of this report, management believes that the claim amounts can be recovered or used for offsetting future tax liabilities.

c. Taxes Payable

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Income taxes					
Article 4 (2)	27,246	45,297	36,501	71,808	22,213
Article 15	-	720	5,490	2,440	917
Article 21	369,856	639,123	740,728	540,000	414,646
Article 23	125,919	186,960	69,944	182,109	131,317
Article 26	6,288	15,975	112	150,945	7,942
Article 29	-	-	-	-	4,274,709
Total	**529,309**	**888,075**	**852,775**	**947,302**	**4,851,744**

(Expressed in United States Dollar, unless otherwise stated)

17. TAXATION *(Continued)*

d. Income Tax Expense

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Current tax expense	-	12,311,480	14,741,155	31,478,715	38,938,374
Deferred tax expense (income)	3,005,879	2,192,535	(443,821)	1,152,502	1,113,274
Income Tax Expense	**3,005,879**	**14,504,015**	**14,297,334**	**32,631,217**	**40,051,648**

Reconciliation between profit before income tax expense as shown in the statement of profit or loss and other comprehensive income and estimated taxable income (fiscal loss) for the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017 was as follows:

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Profit before income tax per statement of profit or loss and other comprehensive income	1,329,777	43,822,149	36,161,533	111,037,775	90,105,389
Temporary differences					
Employee benefits obligation	(2,828,292)	5,775,455	7,844,464	4,543,480	7,050,886
Fixed assets	(4,644,704)	(1,348,316)	4,393,311	2,739,897	(64,624)
Leases	(16,019,154)	(11,819,996)	(13,179,433)	(2,605,295)	4,060,588
Allowance for impairment loss	(725,277)	172,708	1,152,160	(1,217,604)	(695,227)
Share-based payment	-	-	(27,382)	(120,484)	(119,885)
Provision for back-end fee	-	-	-	-	(16,674,297)
Accrued expenses	(2,419,101)	(1,550,000)	1,592,163	(7,950,000)	1,989,465
Total	(26,636,528)	(8,770,149)	1,775,283	(4,610,006)	(4,453,094)
Permanent differences					
Non-deductible expenses	12,483,397	16,348,966	23,235,849	20,321,650	71,463,733

(Expressed in United States Dollar, unless otherwise stated)

17. TAXATION *(Continued)*

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	**2019 (9 months) (Unaudited)**	**2019 (12 months) (Audited)**	**2018 (12 months) (Audited)**	**2017 (12 months) (Audited)**
Depreciation of previously leased assets	-	-	-	-	2,257
Income (expense) subject to final tax	(3,732,731)	(2,155,043)	(2,208,045)	(834,558)	(1,364,788)
Total	8,750,666	14,193,923	21,027,804	19,487,092	70,101,202
Estimated taxable income (fiscal loss) for the period/year	(16,556,085)	49,245,923	58,964,620	125,914,861	155,753,497
Current Tax Expense	**-**	**12,311,480**	**14,741,155**	**31,478,715**	**38,938,374**

e. **Deferred Tax Assets – Net**

	Balance as of January 1, 2020 (Audited)	**Credited (Charged) to Profit or Loss**	**Charged to Other Comprehensive Income**	**Balance as of September 30, 2020 (Unaudited)**
Employee benefits	13,002,949	(2,182,578)	(2,362,661)	8,457,710
Fixed assets	(61,977)	(986,164)	-	(1,048,141)
Leases	(7,520,044)	(2,621,642)	-	(10,141,686)
Allowance for impairment loss	589,401	(231,366)	-	358,035
Tax loss	-	3,642,339	-	3,642,339
Accrued expenses	785,539	(626,468)	-	159,071
Deferred Tax Assets - Net	**6,795,868**	**(3,005,879)**	**(2,362,661)**	**1,427,328**

	Balance as of January 1, 2019 (Audited)	**Credited (Charged) to Profit or Loss**	**Charged to Other Comprehensive Income**	**Balance as of September 30, 2019 (Unaudited)**
Employee benefits	10,316,462	1,443,864	(621,885)	11,138,441
Fixed assets	(1,160,305)	(337,080)	-	(1,497,385)
Leases	(4,225,186)	(2,954,999)	-	(7,180,185)
Allowance for impairment loss	301,361	43,178	-	344,539
Share-based payment	6,846	-	-	6,846
Accrued expenses	387,498	(387,498)	-	-
Deferred Tax Assets - Net	**5,626,676**	**(2,192,535)**	**(621,885)**	**2,812,256**

(Expressed in United States Dollar, unless otherwise stated)

17. TAXATION *(Continued)*

	Balance as of January 1, 2019 (Audited)	Credited (Charged) to Profit or Loss	Credited to Other Comprehensive Income	Balance as of December 31, 2019 (Audited)
Employee benefits	10,316,462	1,961,116	725,371	13,002,949
Fixed assets	(1,160,305)	1,098,328	-	(61,977)
Leases	(4,225,186)	(3,294,858)	-	(7,520,044)
Allowance for impairment loss	301,361	288,040	-	589,401
Share-based payment	6,846	(6,846)	-	-
Accrued expenses	387,498	398,041	-	785,539
Deferred Tax Assets - Net	**5,626,676**	**443,821**	**725,371**	**6,795,868**

	Balance as of January 1, 2018 (Audited)	Credited (Charged) to Profit or Loss	Charged to Other Comprehensive Income	Balance as of December 31, 2018 (Audited)
Employee benefits	10,943,488	1,135,870	(1,762,896)	10,316,462
Fixed assets	(1,845,279)	684,974	-	(1,160,305)
Leases	(3,573,862)	(651,324)	-	(4,225,186)
Allowance for impairment loss	605,762	(304,401)	-	301,361
Share-based payment	36,967	(30,121)	-	6,846
Accrued expenses	2,374,998	(1,987,500)	-	387,498
Deferred Tax Assets - Net	**8,542,074**	**(1,152,502)**	**(1,762,896)**	**5,626,676**

	Balance as of January 1, 2017 (Audited)	Credited (Charged) to Profit or Loss	Credited to Other Comprehensive Income	Balance as of December 31, 2017 (Audited)
Employee benefits	7,866,500	1,762,722	1,314,266	10,943,488
Fixed assets	(1,829,123)	(16,156)	-	(1,845,279)
Leases	(4,589,009)	1,015,147	-	(3,573,862)
Allowance for impairment loss	779,568	(173,806)	-	605,762
Share-based payment	66,938	(29,971)	-	36,967
Provision for back-end fee	4,168,575	(4,168,575)	-	-
Accrued expenses	1,877,633	497,365	-	2,374,998
Deferred Tax Assets - Net	**8,341,082**	**(1,113,274)**	**1,314,266**	**8,542,074**

The impact from the change of effective tax rate to the beginning balance of deferred tax assets amounted to USD 815,504 which was charged to the current period profit or loss.

Deferred tax assets of USD 3,642,339 as of September 30, 2020 have been recognized related to fiscal loss of USD 16,556,085, which will be expired in period 2025.

(Expressed in United States Dollar, unless otherwise stated)

17. TAXATION *(Continued)*

f. Tax Assessments

As of September 30, 2020, the outstanding and ongoing tax audit results and claims for tax refunds are as follows:

Type of Tax	Period	Remaining Claim		Status
CIT	2008	Rp	12,041 million	Pending Supreme Court's decision
CIT	2009	Rp	7,909 million	Pending Supreme Court's decision
CIT	2010	Rp	6,295 million	Pending Supreme Court's decision
CIT	2011	Rp	8,020 million	Pending Supreme Court's decision
CIT	2019	Rp	14,375 million	Ongoing tax audit process
VAT	2012	Rp	1,117 million	Pending Supreme Court's decision
VAT	2013	Rp	3,596 million	Pending Supreme Court's decision
VAT	2018	Rp	855 million	Ongoing tax objection process
VAT	2019	Rp	424,744 million	Ongoing tax audit process

Directorate General of Tax (DGT) has submitted Motion for Reconsideration with the Supreme Court against the Tax Court decision on CIT, VAT, Income Taxes Article 21 and Article 26 for fiscal year 2008 and CIT for fiscal years 2009 - 2010. In 2018, the Company received the copies of the Supreme Court's decisions pertaining to the Motion for Reconsideration filed by the DGT for VAT, Income Taxes Article 21 and Article 26 for fiscal year 2008 and CIT Fiscal Years 2008 and 2010. The Supreme Court rejected the Motion for Reconsideration filed by the DGT. The Company believes that the amounts claimed are fully recoverable.

In June and July 2017, the Company received the Supreme Court's Decision which rejected the Company's tax appeal in relation to VAT for the fiscal years 2001-2002 and Article 23 for the fiscal year 2002. As a result, the Company provided an allowance for impairment loss related to VAT for the fiscal years 2001-2002 and Article 23 for the fiscal years 2001-2002 amounting to USD 32,641,409. On September 12, 2017, the Company has filed the second Motion for Reconsideration to the Supreme Court.

In August 2019, the Company received the 2015 Tax Court decision which granted the Company's appeal amounted to USD 4,673,231.

In September 2019, the Company received the Supreme Court's Decision which rejected the Company's tax appeal in relation to CIT for the fiscal year 2012. As a result, the Company recorded it as an expense in the profit or loss.

In September 2019, based on tax audit result, the Company received Corporate Tax Underpayment Assessment Letter for fiscal year 2016 amounting to USD 12,707,469. Portion of such underpayment has been set off with the 2015 Tax Court decision. On November 8, 2019, the Company has submitted tax objection against this tax assessment letter.

In October 2019, the Company received the Tax Court's decision, which granted tax appeal in relation to CIT for the fiscal year 2014. In February 2020, the Company received the claim amounted to USD 8,436,861.

(Expressed in United States Dollar, unless otherwise stated)

17. TAXATION *(Continued)*

In January 2020, the Company received Value-Added Tax Overpayment Assessment Letters for period January to June 2018 amounting to Rp 358,971 million.

In May 2020, the Company received Corporate Tax Overpayment Assessment Letters for fiscal year 2018 amounting to USD 2,007,184.

In May 2020, the Company received Value Added Tax Overpayment Assessment Letters for period July to December 2018 amounting to Rp 316,140 million from Rp 318,151 million previously claimed. On May 28, 2020, the Company has submitted tax objection against this Tax Assessment Letter amounting to Rp 855 million.

In June 2020, the Company received Tax Objection Decisions pertaining to CIT for fiscal year 2016 and VAT for period October - December 2017 amounting to USD 10,697,944 and Rp 10,632 million, respectively.

g. Administration

Under the taxation laws of Indonesia, companies submit tax returns on the basis of self-assessment. New rules are applicable to fiscal year 2008 and subsequent years stipulating that the DGT may assess or amend taxes within five years from the time the tax becomes due.

In March 2020, Government Regulation in Lieu of Law No. 1 Year 2020 was enacted, which became Law No. 2 Year 2020 in May 2020. This law was reducing the flat rate of corporate income tax to become 22% for fiscal year 2020 and 2021 and to become 20% for fiscal year 2022 onwards. The Company has applied the lower tax rate of 22% for 2020.

18. EMPLOYEE BENEFITS OBLIGATION

Details of employee benefits obligation were as follows:

	September 30,		**December 31,**		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Post-employment benefits	30,824,352	34,584,830	40,745,725	32,548,073	35,341,165
Retirement period preparation	4,276,182	4,689,330	5,270,472	4,293,632	4,703,679
Other long-term employee benefits	8,296,316	9,893,995	11,747,340	8,337,290	7,809,923
Total	**43,396,850**	**49,168,155**	**57,763,537**	**45,178,995**	**47,854,767**

In addition to the employee benefits under Labor Law No.13/2003, the Company has the following benefit plan under a collective labor agreement:

a. separation pay equivalent to one (1) month pay;
b. an ex-gratia payment to be given upon retirement which is dependent on the retiring employee's years of service;
c. retirement period preparation equivalent to three (3) months pay;
d. two (2) month of paid leave for every five (5) years of service; and
e. service appreciation award consisting of certificate and certain gram of gold upon completion of five (5) years of service and continually for every additional five (5) years of service.

(Expressed in United States Dollar, unless otherwise stated)

18. EMPLOYEE BENEFITS OBLIGATION *(Continued)*

The Company recognized employee benefits as of September 30, 2020, December 31, 2019, 2018 and 2017 based on actuarial reports prepared by an independent actuarial firm, PT Sentra Jasa Aktuaria dated November 2, 2020, February 3, 2020, February 15, 2019 and February 1, 2018, respectively, with the following key assumptions:

Discount rate	:	3.85% - 8.04% in 2020, 5.53% - 8.30% in 2019, 8.25% in 2018 and 6.93% in 2017
Salary growth rate	:	5.00% in 2020, 7.00% in 2019 and 2018, 7.50% in 2017
Mortality rate	:	TMI-2019 in 2020, TMI-2011 in 2019, 2018 and 2017
Resignation rate	:	10% for employee before the age of 30 will linearly decrease until 0% at the age of 50 in 2020 and 52 in 2019, 2018 and 2017
Normal retirement age	:	55 years old

In the determination of other long-term employee benefits, additional assumption used by the Actuary was the price of gold per gram as of September 30, 2020, December 31, 2019, 2018 and 2017 amounting to Rp 705,200 per gram, Rp 705,200 per gram, Rp 580,239 per gram and Rp 580,240 per gram.

For the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017, the Company recognized expense (income) on other long-term employee benefits amounting to USD (712,571), USD 2,469,041, USD 4,604,937, USD 2,321,229 and USD 2,934,049, respectively, which was presented in the statement of profit or loss and other comprehensive income as part of “Operating Expenses” (Note 23).

Details of defined post-employment benefits obligations were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Present value of employee benefits obligation	30,824,352	34,584,830	40,745,725	32,548,073	35,341,165
Present value of employee of retirement period preparation	4,276,182	4,689,330	5,270,472	4,293,632	4,703,679
Total	**35,100,534**	**39,274,160**	**46,016,197**	**36,841,705**	**40,044,844**

Details of defined post-employment benefits expense which is presented in the statement of profit or loss and other comprehensive income as part of “Operating Expenses” (Note 23) were as follows:

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Service cost	3,240,751	3,508,907	5,695,786	4,555,306	5,092,335
Curtailments	-	-	(3,008,100)	-	-
Interest cost	2,313,014	2,330,422	3,124,121	2,642,005	2,312,757
Total	**5,553,765**	**5,839,329**	**5,811,807**	**7,197,311**	**7,405,092**

(Expressed in United States Dollar, unless otherwise stated)

18. EMPLOYEE BENEFITS OBLIGATION *(Continued)*

The movements in the defined post-employment employee benefits obligation were as follow:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Beginning balance	46,016,197	36,841,705	36,841,705	40,044,844	28,283,813
Employee benefits expense	5,553,765	5,839,329	5,811,807	7,197,311	7,405,092
Remeasurement of employee benefit	(10,739,363)	(2,487,540)	2,901,485	(7,051,585)	5,257,062
Benefits paid	(2,702,160)	(1,715,038)	(1,085,012)	(646,773)	(610,816)
Effect of foreign exchange	(3,027,905)	795,704	1,546,212	(2,702,092)	(290,307)
Ending Balance	**35,100,534**	**39,274,160**	**46,016,197**	**36,841,705**	**40,044,844**

Comparison of the present value of defined post-employment benefit obligation and the experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) arising on the plan liabilities over the last 5 years was as follows:

Date	Present Value of Obligation	Experience Adjustments
September 30, 2020	35,100,534	(4,271,485)
December 31, 2019	46,016,197	997,597
December 31, 2018	36,841,705	(254,835)
December 31, 2017	40,044,844	732,312
December 31, 2016	28,283,813	320,720

The sensitivity of employee benefit obligation to changes in the weighted assumptions is as follows:

	Impact on employee benefits obligation		
	Change in assumption	Present value of employee benefits obligation	Current service cost
Discount rate	Increase 1%	31,962,573	2,692,070
	Decrease 1%	38,734,715	3,313,777
Salary increase rate	Increase 1%	38,576,583	3,298,553
	Decrease 1%	32,053,534	2,700,868

19. CAPITAL STOCK AND CAPITAL MANAGEMENT

The details of issued and fully paid capital as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 were as follows:

	Number of Shares	Percentage of Ownership	Amount
PT Delta Dunia Makmur Tbk	2,049,999	99.99995%	216,330,295
Glenn T. Sugita	1	0.00005%	106
Total	**2,050,000**	**100.00000%**	**216,330,401**

19. CAPITAL STOCK AND CAPITAL MANAGEMENT *(Continued)*

The Limited Liability Company Law of the Republic of Indonesia No. 1/1995 introduced in March 1995, and amended by Law No. 40/2007 that was issued in August 2007, requires the establishment of a general reserve from net income amounting to at least 20% of a company's issued and paid-up capital. There is no time limit on the establishment of that reserve.

Pursuant to Circular Resolutions of Shareholders of the Company in lieu of Annual General Meeting of Shareholders dated May 22, 2017, it is stated that the shareholders of the Company have approved, among others, the distribution of dividend amounting to USD 51,940,000.

Pursuant to Circular Resolutions of Shareholders of the Company in lieu of Annual General Meeting of Shareholders dated May 22, 2017, it is stated that the shareholders of the Company have approved, among others, the appropriation of retained earnings amounting to USD 3,000,000.

Pursuant to Circular Resolutions of Shareholders of the Company in lieu of Annual General Meeting of Shareholders dated May 18, 2018, it is stated that the shareholders of the Company have approved, among others, the distribution of dividend amounting to USD 50,000,000.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. In addition, the externally imposed capital requirements will be further considered by the Company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain and adjust the capital structure, the Company may adjust the dividend payment to shareholders, issue new shares or raise debt financing. Under the Senior Notes Facility and the MUFG Facilities, the Company's ability to pay dividends to its shareholder is limited, and therefore the Company's ability to pay cash dividends to the shareholders may be limited throughout the term of Senior Notes Facility and MUFG Facilities.

The Company's policy is to maintain a healthy capital structure in order to secure access to financing at a reasonable cost.

20. SHARE-BASED PAYMENT

PT Delta Dunia Makmur Tbk, a shareholder, (Delta) implemented Management and Senior Employees Shares Ownership Program 2012-2016 ("MESOP Program") starting in 2012, whereby Delta annually grants Stock Options to purchase the Delta's shares ("Stock Options Program") to the Board of Directors of Delta and the Company and Incentive Shares ("Incentive Share Program") for Senior Employees in accordance to Bapepam-LK's rule No. IX.D.4, regarding Capital Increases Without Pre-emptive Rights.

Delta has successfully completed MESOP Program Phase I throughout 2012-2014 ("MESOP Program Phase I") through the implementation of Grant 1 and Grant 2 in 2012 and 2013, respectively, which were carried out based on the Delta's shareholders approval obtained during 2012 Extraordinary General Meeting of Shareholders ("2012 EGMS").

The MESOP Program Phase II were implemented throughout 2014 – 2016 ("MESOP Program Phase II") over the course of three (3) Grant Dates, based on Delta's shareholders' approval obtained during the 2014 Extraordinary General Meeting of Shareholders ("2014 EGMS"). As of December 31, 2016, Delta has implemented Grant 3, Grant 4 and Grant 5, in 2014, 2015 and 2016, respectively.

(Expressed in United States Dollar, unless otherwise stated)

20. SHARE-BASED PAYMENT *(Continued)*

The MESOP Program Phase III will be implemented throughout 2016 – 2021 ("MESOP Program Phase III"), consisting only of Stock Options Program, over the course of five (5) Grant Dates, based on the Delta's shareholders' approval obtained during the 2016 Extraordinary General Meeting of Shareholders ("2016 EGMS"). As of September 30, 2020, Delta has implemented Grant 1, Grant 2, Grant 3, Grant 4 and Grant 5 of MESOP Program Phase III.

The allocation of Stock Options and Incentive Shares on each grant date is based on the Delta's performance and subject to terms and conditions as determined by the Delta's Remuneration Committee, whose members are appointed by the Board of Commissioners of Delta.

The details of the MESOP Program are as follows:

a. Stock Option Program

Upon completion of the vesting conditions, each vested Stock Option can be converted into one Share with nominal value of Rp 50 per share during a scheduled Exercise Period by performing full payment of the Exercise Price.

Since the commencement of the MESOP Program, Delta has distributed the following Stock Options to the Company's Board of Directors:

Grant	Expiry date		Average Fair Value	Exercise Price per share	Options granted
2012	June	2014	Rp 35	Rp 700	43,000,000
2013 *		-	-	-	-
2014	June	2016	Rp 44	Rp 210 - 500	94,520,000
2015	June	2016	Rp 1	Rp 210 - 500	119,540,000
2016 *		-	-	-	-
2016	June	2021	Rp 152	Rp 210 - 500	180,978,000
2017	June	2021	Rp 652	Rp 210 - 500	47,347,400
2018	June	2021	Rp 521	Rp 210 - 500	47,346,900
2019	June	2021	Rp 266	Rp 210 - 500	28,964,125
2020	June	2021	Rp 44	Rp 210 - 500	28,964,125
					590,660,550

** No option was allocated*

The allocation of Stock Options were recognized at fair value based on estimation at grant date using the Black-Scholes model as calculated by an independent appraiser, with the following key assumptions:

	Assumption			
	2020	**2019**	**2018**	**2017**
Risk-free interest rate	4.77% per annum	6.02% per annum	6.40% per annum	6.77% per annum
Option period	1 year	2 years	3 years	4 years
Expected volatility of share price	60.36% per annum	56.89% per annum	65.55% per annum	64.34% per annum
Dividend yield	0.00% per annum	0.00% per annum	0.00% per annum	0.00% per annum

(Expressed in United States Dollar, unless otherwise stated)

20. SHARE-BASED PAYMENT *(Continued)*

The volatility used in the valuation is the standard deviation of the daily price movement of the Delta's share market price, which is the annualized rate of return for the Delta's shares during the last three (3) years.

Changes (mutation) in the number of outstanding options were as follows:

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Outstanding options at beginning of period/year	28,964,125	-	-	-	180,978,000
Options granted during the period/year	28,964,125	28,964,125	28,964,125	47,346,900	47,347,400
Total	57,928,250	28,964,125	28,964,125	47,346,900	228,325,400
Exercised options during the period/year	-	-	-	(47,346,900)	(228,325,400)
Outstanding Options at End of Period/Year	**57,928,250**	**28,964,125**	**28,964,125**	**-**	**-**

b. Incentive Share Program

The Incentive Shares allocated to eligible participants on each Grant Date are determined by Delta's Remuneration Committee based on Delta's performance where total value of allocated Incentive Shares for each Grant Date shall not exceed two percent (2%) of the Delta's Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") of the related performance year. The Shares are also subject to conditions set by Delta's Remuneration Committee and documented internally by Delta, which include but not limited to the following terms:

1. 50% of the allocated shares are locked-up for one (1) year from each respective Grant Date; and
2. Remaining 50% are locked-up for two (2) years from each respective Grant Date.

Since the commencement of the MESOP Program, Delta has distributed the following Incentive Shares to the Company's eligible Senior Employees:

Grant	Incentive Shares Issued	Fair Value
2012	18,775,000	Rp 335
2013	47,102,000	Rp 99
2014	25,332,000	Rp 167
2015	28,450,000	Rp 76
2016	31,735,000	Rp 128
Total	**151,394,000**	

The Incentive Shares were recognized at the fair value in accordance to PSAK No. 53 (Revised 2015), Share-based Payment.

The Incentive Share Program has concluded in 2018.

(Expressed in United States Dollar, unless otherwise stated)

20. SHARE-BASED PAYMENT *(Continued)*

For the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017, the Company recognized total compensation expense amounting to USD 67,562, USD 412,551, USD 550,069, USD 1,709,557 and USD 2,312,822, respectively, which is presented as part of "Operating Expenses" in the statement of profit or loss and other comprehensive income.

As of December 31, 2017, in relation to the MESOP program, the Company recognized share-based compensation reserve amounting to USD 26,534.

21. NET REVENUES

This account represents net revenues of the Company from coal mining services, rental of heavy equipment and other services amounting to USD 494,175,141, USD 690,338,935, USD 881,812,079, USD 892,458,605 and USD 764,608,154 for the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017, respectively.

Details of customers having transactions of more than 10% of net revenues were as follows:

	September 30,				December 31,					
	2020 (9 months) (Unaudited)		2019 (9 months) (Unaudited)		2019 (12 months) (Audited)		2018 (12 months) (Audited)		2017 (12 months) (Audited)	
PT Berau Coal	237,351,502	48%	335,113,234	49%	424,691,419	48%	445,888,656	50%	434,316,989	57%
PT Adaro Indonesia	62,035,387	13%	76,236,109	11%	99,875,048	11%	95,809,281	11%	84,148,707	11%
PT Indonesia Pratama	50,488,725	10%	61,649,778	9%	79,189,545	9%	9,911,488	1%	-	0%
PT Kideco Jaya Agung	41,197,332	8%	65,307,891	9%	82,237,621	9%	109,564,731	12%	91,252,981	12%
PT Sungai Danau Jaya	27,835,969	6%	23,595,089	3%	36,426,697	4%	74,382,554	8%	93,548,971	12%
Total	**418,908,915**	**85%**	**561,902,101**	**81%**	**722,420,330**	**81%**	**735,556,710**	**82%**	**703,267,648**	**92%**

22. COST OF REVENUES

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Depreciation (Note 9)	107,214,938	108,284,151	143,531,990	130,364,355	105,993,153
Salaries, wages and allowances	95,558,663	104,280,916	141,539,057	104,678,996	94,157,651
Repairs and maintenance services	86,917,910	138,101,550	178,486,822	197,450,038	157,305,012
Office overhead	42,809,409	50,614,962	64,499,603	48,097,593	42,767,494
Fuel	35,444,688	46,778,393	58,203,269	70,487,404	37,667,864
Blasting	19,287,143	31,541,874	39,507,058	36,540,630	30,739,052
Tires	15,019,021	18,305,896	23,633,900	21,799,829	19,259,713
Human resources	9,417,767	9,682,205	13,513,166	12,648,504	7,488,923
Lubricants	9,211,091	13,610,303	17,245,165	15,913,642	13,141,717
Mobilization	3,610,099	8,129,470	10,392,582	4,638,766	5,537,538
Transportation and travel	3,245,928	5,523,993	8,846,993	4,621,512	3,190,659

(Expressed in United States Dollar, unless otherwise stated)

22. COST OF REVENUES *(Continued)*

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	**2019 (9 months) (Unaudited)**	**2019 (12 months) (Audited)**	**2018 (12 months) (Audited)**	**2017 (12 months) (Audited)**
Rental	2,009,433	23,252,039	28,872,325	18,863,772	14,773,869
Infrastructure	1,021,263	5,391,196	6,197,724	3,127,889	1,532,741
Drilling	421,597	937,013	1,156,750	719,137	1,045,824
Labor supply	231,661	219,917	301,031	240,471	286,506
Amortization	114,312	91,896	122,830	188,644	95,885
Subcontractor	14,153	3,005,504	3,052,545	6,376,732	4,417,388
Total	**431,549,076**	**567,751,278**	**739,102,810**	**676,757,914**	**539,400,989**

Details of supplier having transactions of more than 10% of net revenues were as follows:

	September 30,				December 31,					
	2020 (9 months) (Unaudited)		2019 (9 months) (Unaudited)		2019 (12 months) (Audited)		2018 (12 months) (Audited)		2017 (12 months) (Audited)	
PT United Tractors Tbk	43,483,685	9%	83,187,539	12%	102,550,794	12%	100,407,765	11%	80,970,245	11%

23. OPERATING EXPENSES

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	**2019 (9 months) (Unaudited)**	**2019 (12 months) (Audited)**	**2018 (12 months) (Audited)**	**2017 (12 months) (Audited)**
Office overhead	7,295,895	9,141,470	14,668,491	13,420,258	9,542,451
Post-employment benefits (Note 18)	5,553,765	5,839,329	5,811,807	7,197,311	7,405,092
Employee compensation	3,809,054	10,186,624	15,919,592	14,733,699	19,446,806
Amortization	1,462,632	811,931	1,309,728	1,157,643	979,833
Depreciation (Note 9)	1,336,906	1,605,034	2,201,905	1,872,844	1,991,079
Human resources	761,521	2,438,951	3,592,451	4,537,449	2,765,625
Maintenance	280,933	1,273,291	2,058,623	2,420,417	3,950,396
Transportation and travel	191,726	1,107,909	1,481,419	1,127,421	814,448
Other long-term employee benefits (Note 18)	(712,571)	2,469,041	4,604,937	2,321,229	2,934,049
Total	**19,979,861**	**34,873,580**	**51,648,953**	**48,788,271**	**49,829,779**

(Expressed in United States Dollar, unless otherwise stated)

24. OTHER INCOME

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Interest from tax refund	6,068,385	-	-	-	-
Amortization of deferred income	1,224,986	65,827	239,512	-	-
Insurance claims	373,146	712,890	701,059	1,305,973	1,019,546
Gain on sale and disposal of fixed assets - net (Note 9)	287,008	721,276	137,113	2,031,718	1,128,650
Foreign exchange gain - net	-	2,110,385	5,883,727	-	376,019
Others	159,744	-	-	-	-
Total	**8,113,269**	**3,610,378**	**6,961,411**	**3,337,691**	**2,524,215**

25. FINANCE COST

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Senior Notes	23,960,417	24,322,083	32,640,417	32,459,583	29,023,750
Leases	8,806,143	12,223,324	15,618,073	14,109,839	7,475,673
Discount and transaction cost amortization	2,709,017	2,653,799	3,564,477	2,967,413	5,732,699
Bank loans	2,512,164	5,189,564	6,555,997	5,328,032	6,477,962
Amortization of leases which were previously classified as operating lease	893,750	-	-	-	-
Long-term debt	35,815	675	6,571	22,329	51,922
Back-end fee	-	-	-	-	3,144,000
Total	**38,917,306**	**44,389,445**	**58,385,535**	**54,887,196**	**51,906,006**

26. OTHER EXPENSES

	September 30,		December 31,		
	2020 (9 months) (Unaudited)	2019 (9 months) (Unaudited)	2019 (12 months) (Audited)	2018 (12 months) (Audited)	2017 (12 months) (Audited)
Foreign exchange loss - net	13,075,465	-	-	2,930,023	-
Bank charges	162,101	398,655	427,429	248,947	145,916
Allowance for impairment loss of claim for tax refund	-	-	-	-	32,641,409
Others	-	3,846,171	4,399,398	2,140,420	3,996,975
Total	**13,237,566**	**4,244,826**	**4,826,827**	**5,319,390**	**36,784,300**

(Expressed in United States Dollar, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Company entered into transactions with related parties. The nature of transactions and relationships with related parties were as follows:

Name of related party	Nature of Relationship with Related Party	Nature of Transaction
PT Delta Dunia Makmur Tbk	Shareholder	Loan and share-based payment

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

a. Employee receivables

The Company granted non-interest bearing loans to its employees, which will be collected through monthly salary deduction.

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, these loans amounted to USD 1,260,873, USD 2,026,487, USD 1,960,842, USD 1,832,891 and USD 1,883,290, respectively, and are presented as part of “Other receivables - Related parties” in the statements of financial position.

b. Due from related party

	September 30,		December 31,		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
PT Delta Dunia Makmur Tbk	93,500,000	93,500,000	93,500,000	95,000,000	150,000,000
Less: Current portion	(93,500,000)	(93,500,000)	(93,500,000)	(95,000,000)	(150,000,000)
Non-Current Portion	-	-	-	-	-
Percentage to Total Assets	**8.52%**	**7.64%**	**7.55%**	**7.66%**	**14.25%**

On November 2, 2009, the Company and PT Delta Dunia Makmur Tbk (“Delta”) entered into an Intercompany Loan Agreement amounting to USD 260,000,000 maturing on 2013 and to be repaid in cash or by offsetting against dividends declared by the Company.

On November 30, 2010, the Company and Delta entered into a Supplemental Agreement No. 1 to amend the Loan Agreement and allow for an additional USD 10,000,000 on the same terms as the existing USD 260,000,000 loan. In 2011 and 2010, the total proceeds of the additional drawdown amounted to USD 7,940,000 and USD 1,000,000, respectively.

The interest rate of the loan is LIBOR plus 6% per annum. Based on the amended agreement dated October 28, 2011, the interest rate of the loan was changed to be LIBOR plus 4.5% per annum which became effective on October 1, 2011. This loan is unsecured.

In 2014, the Company received repayment on the loan amounting to USD 30,000,000.

(Expressed in United States Dollar, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES *(Continued)*

On March 20, 2015, the Company and Delta entered into Amendment and Restated Loan Agreement to change the interest rate of the loan to be LIBOR plus 7% effective from January 1, 2015 and to extend the maturity date until 2019.

On June 10, 2015, the Company distributed dividend amounting to USD 20,000,000 entirely to Delta, wherein Delta has agreed to use the distributed dividend by immediately converting the full amount as payment of loan interest to the Company.

On June 13, 2016, the Company distributed dividend amounting to USD 57,846,434 entirely to Delta, wherein Delta has agreed to use the distributed dividend by immediately converting the full amount as payment of loan interest to the Company.

On July 1, 2016, the Company and Delta entered into Amendment and Restated Loan Agreement to omit the interest rate starting from July 1, 2016 and to omit the maturity date.

On May 22, 2017, the Company distributed dividend amounting to USD 51,940,000 entirely to Delta, wherein Delta has agreed to use the distributed dividend by immediately converting the USD 31,940,000 as payment of the loan principal to the Company and the remaining was cash dividend (Note 33).

On May 18, 2018, the Company distributed dividend amounting to USD 50,000,000 entirely to Delta, wherein Delta has agreed to use the distributed dividend by immediately converting the full amount as payment of the loan principal to the Company (Note 33).

In 2018, Delta made payment amounted to USD 5,000,000.

On October 19, 2019, the Company had repaid for the payable share base payment to Delta amounting to USD 1,500,000. Delta has agreed to converting the full amount as payment of the loan principal to the Company (Note 33).

The outstanding balance of this loan as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 amounted to USD 93,500,000, USD 93,500,000, USD 93,500,000, USD 95,000,000 and Rp 150,000,000, respectively.

c. Key management compensation

Key management consisted of the Company's Boards of Commissioners and Directors.

Details of remuneration of key management personnel by type were as follows:

	September 30,		**December 31,**		
	2020 (Unaudited)	**2019 (Unaudited)**	**2019 (Audited)**	**2018 (Audited)**	**2017 (Audited)**
Salaries and short-term benefits	1,513,392	1,887,581	2,365,483	2,303,451	3,327,445
Share-based payments	67,562	412,551	550,069	1,709,557	2,312,822
Total	**1,580,954**	**2,300,132**	**2,915,552**	**4,013,008**	**5,640,267**

(Expressed in United States Dollar, unless otherwise stated)

28. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the Company had monetary assets and liabilities denominated in foreign currencies as follows:

	September 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD
Assets				
Cash and cash equivalents				
Cash on hand				
Rupiah	501,908,100	33,644	921,565,132	65,018
European Euro	835	981	835	912
Japanese Yen	97,096	919	97,096	900
Australian Dollar	1,110	792	1,110	751
Singaporean Dollar	896	655	728	527
British Poundsterling	130	167	130	160
Hongkong Dollar	6	1	6	1
Cash in banks				
Rupiah	1,430,120,043,265	95,865,401	111,278,117,988	7,850,862
Time deposit				
Rupiah	150,000,000,000	10,054,967	-	-
Trade receivables - net				
Rupiah	2,381,097,682,597	159,612,393	3,621,002,421,326	255,467,929
Other receivables - net				
Rupiah	124,301,199,821	8,332,297	160,338,970,332	11,312,189
Australian Dollar	8,250	5,891	8,250	5,579
Prepaid Taxes				
Rupiah	112,049,986,144	7,511,060	336,545,802,374	23,743,883
Other current assets				
Rupiah	56,583,721,546	3,792,983	65,848,470,697	4,645,723
Other non-current assets				
Rupiah	513,577,663,594	34,426,710	798,342,552,092	56,324,436
Total Assets		319,638,861		359,418,870
Liabilities				
Trade payables				
Rupiah	671,675,640,180	45,024,510	1,459,584,701,322	102,976,203
Singaporean Dollar	16,437	12,020	9,861	7,136
Australian Dollar	2,190	1,564	-	-
Other payables				
Rupiah	51,941,194,040	3,481,780	8,999,185,992	634,908
Singaporean Dollar	-	-	459	332

(Expressed in United States Dollar, unless otherwise stated)

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

	September 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD
Taxes Payable				
Rupiah	7,896,231,662	529,309	12,587,575,050	888,075
Accrued expenses				
Rupiah	351,719,351,945	23,576,844	520,992,999,159	36,756,949
Australian Dollar	82,500	58,909	-	-
Other short-term liabilities				
Rupiah	-	-	87,228,000	6,154
Finance Leases				
Rupiah	213,917,798,296	14,339,576	-	-
Employee benefits obligation				
Rupiah	647,394,209,996	43,396,850	696,909,431,273	49,168,155
Total Liabilities		130,421,362		190,437,912
Net Assets		**189,217,499**		**168,980,958**

	December 31,					
	2019 (Audited)		2018 (Audited)		2017 (Audited)	
	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD
Assets						
Cash and cash equivalents						
Cash on hand						
Rupiah	687,759,995	49,474	2,006,197,116	138,540	1,214,551,104	89,648
European Euro	835	936	-	-	-	-
Japanese Yen	97,096	894	-	-	-	-
Australian Dollar	1,110	778	20	14	3,075	2,396
Singaporean Dollar	896	665	832	609	203	152
British Poundsterling	130	171	130	165	575	773
Hongkong Dollar	6	1	6	1	2,166	277
Cash in banks						
Rupiah	463,895,812,141	33,371,375	221,012,780,532	15,262,260	310,445,960,227	22,914,523
Time deposit						
Rupiah	239,742,222,223	17,264,933	180,000,000,000	12,430,081	-	-
Trade receivables - net						
Rupiah	2,882,034,505,806	207,325,547	3,002,361,636,240	207,331,098	1,936,010,400,910	142,900,089
Other receivables - net						
Rupiah	206,948,930,523	14,887,331	103,853,327,071	7,171,696	40,582,176,721	2,995,437
Australian Dollar	8,250	5,780	-	-	-	-
Prepaid Taxes						
Rupiah	404,317,032,897	29,085,443	674,044,507,115	46,546,820	491,737,436,070	36,295,943
Other current assets						
Rupiah	107,749,889,041	7,751,227	50,756,265,177	3,505,025	20,701,875,705	1,528,039
Other non-current assets						
Rupiah	730,407,887,971	52,543,512	646,012,845,837	44,611,066	581,294,952,342	42,906,330
Total Assets		362,288,067		336,997,375		249,633,607

(Expressed in United States Dollar, unless otherwise stated)

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

	December 31,					
	2019 (Audited)		2018 (Audited)		2017 (Audited)	
	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD	Foreign Currencies	Equivalent in USD
Liabilities						
Trade payables						
Rupiah	1,176,485,611,388	84,633,103	1,831,628,198,230	126,484,925	1,368,463,844,580	101,008,551
Singaporean Dollar	16,169	12,005	51,457	37,677	9,585	7,169
Australian Dollar	5,400	3,783	2,827,545	1,993,843	30,000	23,378
Other payables						
Rupiah	34,772,525,601	2,501,439	32,913,777,192	2,272,894	33,795,301,711	2,494,486
Singaporean Dollar	96	71	544	398	75	56
Japanese Yen	-	-	-	-	279,229	2,478
Hong Kong Dollar	-	-	-	-	1,090	139
Taxes Payable						
Rupiah	11,854,463,584	852,777	13,717,880,262	947,302	7,817,683,728	577,036
Accrued expenses						
Rupiah	498,877,630,344	35,887,869	498,143,568,247	34,399,804	370,802,198,797	27,369,516
Australian Dollar	97,500	68,309	-	-	-	-
Long-term liabilities						
Rupiah	-	-	87,233,544	6,024	582,008,625	42,960
Employee benefits obligation						
Rupiah	802,971,503,998	57,763,537	654,237,026,000	45,178,995	648,336,384,000	47,854,767
Total Liabilities		181,722,893		211,321,862		179,380,536
Net Assets		**180,565,174**		**125,675,513**		**70,253,071**

29. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise of cash and cash equivalents, trade receivables and trade payables mostly arising directly from the Company's operations and bank loans, senior notes, long-term debt and lease liabilities. The Company's other financial assets and liabilities include restricted cash and cash equivalents, other receivables, other current assets, other non-current assets, other payables, accrued expenses and balances with related parties.

The following tables set forth the carrying values and estimated fair value of financial instruments that are carried in the statement of financial position as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017:

	September 30, 2020 (Unaudited)		September 30, 2019 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	145,819,393	145,819,393	29,445,849	29,445,849
Restricted cash and cash equivalents	2,534,668	2,534,668	4,264,191	4,264,191
Trade receivables - net	179,327,772	179,327,772	264,537,840	264,537,840
Other receivables - net	8,473,426	8,473,426	11,419,217	11,419,217
Other current assets	3,792,983	3,792,983	12,145,728	12,145,728
Due from related party	93,500,000	93,500,000	93,500,000	93,500,000
Other non-current assets	10,233,142	10,233,142	15,030,834	15,030,834
Total Financial Assets	**443,681,384**	**443,681,384**	**430,343,659**	**430,343,659**

(Expressed in United States Dollar, unless otherwise stated)

29. FINANCIAL INSTRUMENTS *(Continued)*

	September 30, 2020 (Unaudited)		September 30, 2019 (Unaudited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Trade payables	45,183,685	45,183,685	103,274,471	103,274,471
Other payables	3,481,780	3,481,780	728,758	728,758
Accrued expenses	27,316,226	27,316,226	43,921,315	43,921,315
Bank loans	82,930,566	83,466,667	125,183,664	126,333,333
Long-term debt	890,019	890,019	-	-
Senior Notes	345,796,447	350,000,000	343,009,141	350,000,000
Lease liabilities	199,111,769	200,293,241	209,232,360	209,232,360
Total Financial Liabilities	**704,710,492**	**710,631,618**	**825,349,709**	**833,490,237**

	December 31, 2019 (Audited)		December 31, 2018 (Audited)		December 31, 2017 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash and cash equivalents	69,026,765	69,026,765	53,703,446	53,703,446	40,363,491	40,363,491
Restricted cash and cash equivalents	29,270,194	29,270,194	11,451,935	11,451,935	11,427,857	11,427,857
Trade receivables - net	223,067,895	223,067,895	221,846,972	221,846,972	178,666,709	178,666,709
Other receivables - net	15,101,565	15,101,565	7,177,535	7,177,535	3,042,451	3,042,451
Other current assets	7,751,227	7,751,227	11,005,025	11,005,025	1,528,039	1,528,039
Due from related party	93,500,000	93,500,000	95,000,000	95,000,000	150,000,000	150,000,000
Other non-current assets	10,242,459	10,242,459	14,920,056	14,920,056	33,150,091	33,150,091
Total Financial Assets	**447,960,105**	**447,960,105**	**415,104,969**	**415,104,969**	**418,178,638**	**418,178,638**
Financial Liabilities						
Trade payables	84,794,454	84,794,454	128,756,779	128,756,779	101,583,147	101,583,147
Other payables	2,594,986	2,594,986	6,280,387	6,280,387	2,505,518	2,505,518
Accrued expenses	47,546,000	47,546,000	46,763,906	46,763,906	43,344,578	43,344,578
Bank loans	114,482,890	115,616,667	105,778,017	106,250,000	51,323,868	52,375,000
Long-term debt	1,441,206	1,441,206	67,403	67,403	453,538	453,538
Senior Notes	343,685,106	350,000,000	341,085,650	350,000,000	338,697,386	350,000,000
Lease liabilities	242,866,511	242,866,511	248,424,106	248,424,106	178,948,332	178,948,332
Total Financial Liabilities	**837,411,153**	**844,859,824**	**877,156,248**	**886,542,581**	**716,856,367**	**729,210,113**

The following methods and assumptions are used to estimate the fair value:

Cash and cash equivalents, restricted cash and cash equivalents, trade receivables, other receivables, other current assets, due from related party, trade payables, other payables and accrued expenses reasonably approximate at their carrying values because they are short-term in nature that will be due within 12 months.

The carrying amount of restricted cash and cash equivalents, other non-current assets, bank loans, senior notes, long-term debt and leases liabilities approximate at their fair values because of their interest rate floated from financial instruments depend on adjustment by the banks and financial institutions.

(Expressed in United States Dollar, unless otherwise stated)

29. FINANCIAL INSTRUMENTS *(Continued)*

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Short-term financial instruments with remaining maturities of one year or less approximate to their carrying amounts as the impact of discounting is not significant.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is affected by various financial risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk. The Company's overall risk management objectives are to effectively manage these risks and minimize potential adverse effects on its financial performance.

a. Credit risk

The financial assets that potentially subject the Company to significant concentrations of credit risk consist principally of cash, trade receivables, other receivables, other current assets and due from related party. The Company has in place credit policies and procedures to ensure the ongoing credit evaluation and active account monitoring.

The Company's exposure to credit risk arises from the default of other parties, with maximum exposure equal to the carrying amount of these following instruments:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Financial Assets					
Cash in banks and cash equivalents	144,195,084	27,790,430	67,386,697	51,973,925	38,671,744
Restricted cash and cash equivalents	2,534,668	4,264,191	29,270,194	11,451,935	11,427,857
Trade receivables - net	179,327,772	264,537,840	223,067,895	221,846,972	178,666,709
Other receivables - net	8,473,426	11,419,217	15,101,565	7,177,535	3,042,451
Other current assets	3,792,983	12,145,728	7,751,227	11,005,025	1,528,039
Due from related party	93,500,000	93,500,000	93,500,000	95,000,000	150,000,000
Other non-current assets	10,233,142	15,030,834	10,242,459	14,920,056	33,150,091
Total	**442,057,075**	**428,688,240**	**446,320,037**	**413,375,448**	**416,486,891**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The aging analysis of loans and receivables as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 are as follows:

	September 30, 2020 (Unaudited)				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	1-30 Days	31-60 Days	More Than 60 Days	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	144,195,084	-	-	-	-
Restricted cash and cash equivalents	2,534,668	-	-	-	-
Trade receivables	138,744,683	18,696,963	1,118,142	20,767,984	1,128,613
Other receivables	2,263,566	70,166	32,848	6,106,846	75,043
Other current assets	3,792,983	-	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	10,233,142	-	-	-	-
Total	**395,264,126**	**18,767,129**	**1,150,990**	**26,874,830**	**1,203,656**

	September 30, 2019 (Unaudited)				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	1-30 Days	31-60 Days	More Than 60 Days	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	27,790,430	-	-	-	-
Restricted cash and cash equivalents	4,264,191	-	-	-	-
Trade receivables	207,733,632	17,435,832	5,190,373	34,178,003	1,128,613
Other receivables	3,069,737	1,256,917	1,798,371	5,294,192	78,146
Other current assets	12,145,728	-	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	15,030,834	-	-	-	-
Total	**363,534,552**	**18,692,749**	**6,988,744**	**39,472,195**	**1,206,759**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31, 2019 (Audited)				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	1-30 Days	31-60 Days	More Than 60 Days	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	67,386,697	-	-	-	-
Restricted cash and cash equivalents	29,270,194	-	-	-	-
Trade receivables	163,695,197	28,480,395	48,370	30,843,933	1,128,613
Other receivables	3,291,092	4,357,875	2,659,816	4,792,782	79,368
Other current assets	7,751,227	-	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	10,242,459	-	-	-	-
Total	**375,136,866**	**32,838,270**	**2,708,186**	**35,636,715**	**1,207,981**

	December 31, 2018 (Audited)				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	1-30 Days	31-60 Days	More Than 60 Days	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	51,973,925	-	-	-	-
Restricted cash and cash equivalents	11,451,935	-	-	-	-
Trade receivables	194,058,109	5,088,550	3,163,475	19,536,838	1,128,613
Other receivables	3,649,796	418,748	183,877	2,925,114	76,826
Other current assets	11,005,025	-	-	-	-
Due from related party	95,000,000	-	-	-	-
Other non-current assets	14,920,056	-	-	-	-
Total	**382,058,846**	**5,507,298**	**3,347,352**	**22,461,952**	**1,205,439**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31, 2017 (Audited)				
		Past Due But Not Impaired			
	Neither Past Due Nor Impaired	1-30 Days	31-60 Days	More Than 60 Days	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	38,671,744	-	-	-	-
Restricted cash and cash equivalents	11,427,857	-	-	-	-
Trade receivables	156,819,534	15,232,043	-	6,615,132	1,128,613
Other receivables	2,575,513	242,991	85,749	138,198	81,020
Other current assets	1,528,039	-	-	-	-
Due from related party	150,000,000	-	-	-	-
Other non-current assets	33,150,091	-	-	-	-
Total	**394,172,778**	**15,475,034**	**85,749**	**6,753,330**	**1,209,633**

The table below shows the credit quality of the Company's financial assets as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017:

	September 30, 2020 (Unaudited)				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Low Grade	Past Due But Not Impaired	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	144,195,084	-	-	-	-
Restricted cash and cash equivalents	2,534,668	-	-	-	-
Trade receivables	104,706,173	33,542,810	495,700	40,583,089	1,128,613
Other receivables	1,821,544	442,022	-	6,209,860	75,043
Other current assets	-	3,792,983	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	-	10,233,142	-	-	-
Total	**346,757,469**	**48,010,957**	**495,700**	**46,792,949**	**1,203,656**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	September 30, 2019 (Unaudited)				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Low Grade	Past Due But Not Impaired	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	27,790,430	-	-	-	-
Restricted cash and cash equivalents	4,264,191	-	-	-	-
Trade receivables	31,523,556	176,210,076	-	56,804,208	1,128,613
Other receivables	2,141,182	928,555	-	8,349,480	78,146
Other current assets	-	12,145,728	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	-	15,030,834	-	-	-
Total	**159,219,359**	**204,315,193**	**-**	**65,153,688**	**1,206,759**

	December 31, 2019 (Audited)				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Low Grade	Past Due But Not Impaired	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	67,386,697	-	-	-	-
Restricted cash and cash equivalents	29,270,194	-	-	-	-
Trade receivables	122,649,129	40,514,103	531,965	59,372,698	1,128,613
Other receivables	2,988,721	11,851	290,520	11,810,473	79,368
Other current assets	-	7,751,227	-	-	-
Due from related party	93,500,000	-	-	-	-
Other non-current assets	-	10,242,459	-	-	-
Total	**315,794,741**	**58,519,640**	**822,485**	**71,183,171**	**1,207,981**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31, 2018 (Audited)				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Low Grade	Past Due But Not Impaired	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	51,973,925	-	-	-	-
Restricted cash and cash equivalents	11,451,935	-	-	-	-
Trade receivables	26,434,489	167,623,620	-	27,788,863	1,128,613
Other receivables	1,982,919	1,666,877	-	3,527,739	76,826
Other current assets	-	11,005,025	-	-	-
Due from related party	95,000,000	-	-	-	-
Other non-current assets	-	14,920,056	-	-	-
Total	**186,843,268**	**195,215,578**	**-**	**31,316,602**	**1,205,439**

	December 31, 2017 (Audited)				
	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Low Grade	Past Due But Not Impaired	Individually Impaired
Financial Assets					
Cash in banks and cash equivalents	38,671,744	-	-	-	-
Restricted cash and cash equivalents	11,427,857	-	-	-	-
Trade receivables	20,264,178	136,555,356	-	21,847,175	1,128,613
Other receivables	2,047,936	527,577	-	466,938	81,020
Other current assets	351,117	1,176,922	-	-	-
Due from related party	150,000,000	-	-	-	-
Other non-current assets	-	33,150,091	-	-	-
Total	**222,762,832**	**171,409,946**	**-**	**22,314,113**	**1,209,633**

High grade cash in banks and cash equivalents are working cash fund placed, invested, or deposited in foreign and local banks belonging to the top banks in Indonesia.

High grade accounts are considered to be high value. The counterparties have remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Low grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

b. Foreign currency risk

The Company is exposed to changes in foreign currency exchange rates primarily from certain transactions, assets and liabilities in Rupiah which arise from daily operations. The Company monitors and manages the risk by buying or selling foreign currencies at spot rate when necessary.

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017 the Company's financial assets and liabilities in foreign currencies were as follows:

	September 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	In original currency	Equivalent in USD	In original currency	Equivalent in USD
Financial Assets				
Cash and cash equivalents				
Rupiah	1,580,621,951,365	105,954,012	112,199,683,120	7,915,880
European Euro	835	981	835	912
Japanese Yen	97,096	919	97,096	900
Australian Dollar	1,110	792	1,110	751
Singaporean Dollar	896	655	728	527
British Poundsterling	130	167	130	160
Hongkong Dollar	6	1	6	1
Trade receivables - net				
Rupiah	2,381,097,682,597	159,612,393	3,621,002,421,326	255,467,929
Other receivables - net				
Rupiah	124,301,199,821	8,332,297	160,338,970,332	11,312,189
Australian Dollar	8,250	5,891	8,250	5,579
Other current assets				
Rupiah	56,583,721,546	3,792,983	65,848,470,697	4,645,723
Other non-current assets				
Rupiah	3,448,182,590	231,142	71,277,276,951	5,028,734
Total Financial Assets				
Rupiah	4,146,052,737,919	277,922,827	4,030,666,822,426	284,370,455
European Euro	835	981	835	912
Japanese Yen	97,096	919	97,096	900
Australian Dollar	9,360	6,683	9,360	6,330
Singaporean Dollar	896	655	728	527
British Poundsterling	130	167	130	160
Hongkong Dollar	6	1	6	1

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	September 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	In original currency	Equivalent in USD	In original currency	Equivalent in USD
Financial Liabilities				
Trade payables				
Rupiah	671,675,640,180	45,024,510	1,459,584,701,322	102,976,203
Singaporean Dollar	16,437	12,020	9,861	7,136
Australian Dollar	2,190	1,564	-	-
Other payables				
Rupiah	51,941,194,040	3,481,780	8,999,185,992	634,908
Singaporean Dollar	-	-	459	332
Accrued expenses				
Rupiah	351,719,351,945	23,576,844	520,992,999,159	36,756,949
Australian Dollar	82,500	58,909	-	-
Finance Leases				
Rupiah	213,917,798,296	14,339,576	-	-
Total Financial Liabilities				
Rupiah	1,289,253,984,461	86,422,710	1,989,576,886,473	140,368,060
Australian Dollar	84,690	60,473	-	-
Singaporean Dollar	16,437	12,020	10,320	7,468
Asset (Liabilities) - Net				
Rupiah	2,856,798,753,458	191,500,117	2,041,089,935,953	144,002,395
European Euro	835	981	835	912
Australian Dollar	(75,330)	(53,790)	9,360	6,330
Singaporean Dollar	(15,541)	(11,365)	(9,592)	(6,941)
British Poundsterling	130	167	130	160
Hong Kong Dollar	6	1	6	1
Japanese Yen	97,096	919	97,096	900

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31,					
	2019 (Audited)		2018 (Audited)		2017 (Audited)	
	In original currency	Equivalent in USD	In original currency	Equivalent in USD	In original currency	Equivalent in USD
Financial Assets						
Cash and cash equivalents						
Rupiah	704,325,794,359	50,685,782	403,018,977,648	27,830,881	311,660,511,331	23,004,171
European Euro	835	936	-	-		
Japanese Yen	97,096	894	-	-	-	-
Australian Dollar	1,110	778	20	14	3,075	2,396
Singaporean Dollar	896	665	832	609	203	152
British Poundsterling	130	170	130	165	575	773
Hongkong Dollar	6	1	6	1	2,166	277
Trade receivables - net						
Rupiah	2,882,034,505,806	207,325,547	3,002,361,636,240	207,331,098	1,936,010,400,910	142,900,089
Other receivables - net						
Rupiah	206,948,930,523	14,887,331	103,853,327,071	7,171,696	40,582,176,721	2,995,437
Australian Dollar	8,250	5,780	-	-	-	-
Other current assets						
Rupiah	107,749,889,041	7,751,227	50,756,265,177	3,505,025	20,701,875,705	1,528,039
Other non-current assets						
Rupiah	3,295,215,830	237,049	65,135,000,000	4,497,963	104,579,000,000	7,719,147
Total Financial Assets						
Rupiah	3,904,354,335,559	280,886,936	3,625,125,206,136	250,336,663	2,413,533,964,667	178,146,883
European Euro	835	936	-	-	-	-
Japanese Yen	97,096	894	-	-	-	-
Australian Dollar	9,360	6,558	20	14	3,075	2,396
Singaporean Dollar	896	665	832	609	203	152
British Poundsterling	130	170	130	165	575	773
Hongkong Dollar	6	1	6	1	2,166	277
Financial Liabilities						
Trade payables						
Rupiah	1,176,485,611,388	84,633,103	1,831,628,198,230	126,484,925	1,368,463,844,580	101,008,551
Singaporean Dollar	16,169	12,005	51,457	37,677	9,585	7,169
Australian Dollar	5,400	3,783	2,827,545	1,993,843	30,000	23,378
Other payables						
Rupiah	34,772,525,601	2,501,439	32,913,777,192	2,272,894	33,795,301,711	2,494,486
Singaporean Dollar	96	71	544	398	75	56
Japanese Yen	-	-	-	-	279,229	2,478
Hongkong Dollar	-	-	-	-	1,090	139
Accrued expenses						
Rupiah	498,877,630,334	35,887,869	498,143,568,247	34,399,804	370,802,198,797	27,369,516
Finance leases						
Australia Dollar	97,500	68,309	-	-	-	-
Total Financial Liabilities						
Rupiah	1,710,135,767,323	123,022,411	2,362,685,543,669	163,157,623	1,773,061,345,088	130,872,553
Singaporean Dollar	16,265	12,076	52,001	38,075	9,660	7,225
Australian Dollar	102,900	72,092	2,827,545	1,993,843	30,000	23,378
Japanese Yen	-	-	-	-	279,229	2,478
Hongkong Dollar	-	-	-	-	1,090	139
Asset (Liabilities) - Net						
Rupiah	2,194,218,568,236	157,864,525	1,262,439,662,467	87,179,040	640,472,619,579	47,274,330
European Euro	835	936	-	-	-	-
Japanese Yen	97,096	894	-	-	(279,229)	(2,478)
Australian Dollar	(93,540)	(65,534)	(2,827,525)	(1,993,829)	(26,925)	(20,982)
Singaporean Dollar	(15,369)	(11,411)	(51,169)	(37,466)	(9,457)	(7,073)
British Poundsterling	130	170	130	165	575	773
Hongkong Dollar	6	1	6	1	1,076	138

If USD had weakened/strengthened by 5% for the nine-month periods ended September 30, 2020 and 2019 and for the year ended December 31, 2019 and 10% for the years ended December 31, 2018 and 2017 against Rupiah, with all other variables held constant, profit (loss) before tax would have decreased/increased approximately by USD 9,575,003, USD 7,200,122, USD 7,873,757, USD 8,717,905 and USD 4,727,434, respectively. There would be no impact on equity other than those already affecting profit and loss.

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

c. Interest rate risk

The Company's exposure to interest rate risk resulted from deposits with banks and credit facilities based on floating interest rates. The Company manages this financial risk by monitoring the market interest risk movement.

The following tables demonstrates the sensitivity of the Company's profit (loss) before tax and equity to a reasonably possible change in interest rates as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, with all variables held constant, (through the impact on floating rate credit facilities).

Cash flow interest rate risk:

	September 30, 2020 (Unaudited)			
	Effect on Profit Before Tax		Effect on Equity Before Tax	
	Based on +50 basis points	Based on -50 basis points	Based on +50 basis points	Based on -50 basis points
Floating-rate borrowings	(1,078,755)	1,078,755	(1,078,755)	1,078,755

	September 30, 2019 (Unaudited)			
	Effect on Profit Before Tax		Effect on Equity Before Tax	
	Based on +50 basis points	Based on -50 basis points	Based on +50 basis points	Based on -50 basis points
Floating-rate borrowings	(1,272,353)	1,272,353	(1,272,353)	(1,272,353)

	December 31, 2019 (Audited)			
	Effect on Profit Before Tax		Effect on Equity Before Tax	
	Based on +50 basis points	Based on -50 basis points	Based on +50 basis points	Based on -50 basis points
Floating-rate borrowings	(1,817,311)	1,817,311	(1,817,311)	1,817,311

	December 31, 2018 (Audited)			
	Effect on Profit Before Tax		Effect on Equity Before Tax	
	Based on +50 basis points	Based on -50 basis points	Based on +50 basis points	Based on -50 basis points
Floating-rate borrowings	(1,798,342)	1,798,342	(1,798,342)	1,798,342

	December 31, 2017 (Audited)			
	Effect on Profit Before Tax		Effect on Equity Before Tax	
	Based on +50 basis points	Based on -50 basis points	Based on +50 basis points	Based on -50 basis points
Floating-rate borrowings	(1,174,980)	1,174,980	(1,174,980)	1,174,980

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

d. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to support business activities on a timely basis. The Company maintains a balance between continuity of accounts receivable collectability and flexibility through the use of bank loans and other borrowings.

The following tables analyse the Company's financial liabilities into relevant maturity Company based on their contractual maturities for all non-derivative financial liabilities which are essential in understanding the timing of cash flows requirements as of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017. The amounts disclosed in the table are the contractual undiscounted cash flows.

	September 30, 2020 (Unaudited)		
	Contractual Cash Flows Amounts		
	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Financial Liabilities			
Trade payables	45,183,685	-	-
Other payables	3,481,780	-	-
Accrued expenses	27,316,226	-	-
Bank loans	31,802,862	53,217,568	-
Long-term debt	777,476	129,579	-
Senior Notes	27,125,000	360,096,528	-
Lease liabilities	73,201,870	125,909,899	-
Total Financial Liabilities	**208,888,899**	**539,353,574**	**-**

	September 30, 2019 (Unaudited)		
	Contractual Cash Flows Amounts		
	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Financial Liabilities			
Trade payables	103,274,471	-	-
Other payables	728,758	-	-
Accrued expenses	43,921,315	-	-
Bank loans	47,513,294	86,372,764	-
Senior Notes	27,577,083	399,277,083	-
Lease liabilities	79,785,239	153,104,185	-
Total Financial Liabilities	**302,800,160**	**638,754,032**	**-**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31, 2019 (Audited)		
	Contractual Cash Flows Amounts		
	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Financial Liabilities			
Trade payables	84,794,454	-	-
Other payables	2,594,986	-	-
Accrued expenses	47,546,000	-	-
Bank loans	46,748,753	74,753,328	-
Long-term debt	787,887	722,230	-
Senior Notes	27,577,083	380,817,014	-
Lease liabilities	91,663,984	176,943,349	-
Total Financial Liabilities	**301,713,147**	**633,235,921**	**-**

	December 31, 2018 (Audited)		
	Contractual Cash Flows Amounts		
	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Financial Liabilities			
Trade payables	128,756,779	-	-
Other payables	6,280,387	-	-
Accrued expenses	46,763,906	-	-
Bank loans	30,295,101	83,025,705	-
Long-term debt	68,077	-	-
Senior Notes	27,200,347	408,394,097	-
Lease liabilities	86,896,206	194,932,245	-
Total Financial Liabilities	**326,260,803**	**686,352,047**	**-**

(Expressed in United States Dollar, unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

	December 31, 2017 (Audited)		
	Contractual Cash Flows Amounts		
	Within 1 Year	After 1 Year but not more than 5 Years	More than 5 Years
Financial Liabilities			
Trade payables	101,583,147	-	-
Other payables	2,505,518	-	-
Accrued expenses	43,344,578	-	-
Bank loans	14,539,226	42,142,704	-
Long-term debt	408,464	68,077	-
Senior Notes	27,501,736	435,895,833	-
Lease liabilities	63,812,702	135,219,877	-
Total Financial Liabilities	**253,695,371**	**613,326,491**	**-**

31. SIGNIFICANT CONTRACTS AND AGREEMENTS

The Company has long-term mining and coal hauling contracts with the following parties:

Coal Concession Holder	Concession	Description of Services	Contract Duration
PT Berau Coal	Lati, Berau East Kalimantan	Coal mining and hauling operation	December 1998 - April 2025
	Suaran, Berau East Kalimantan	Coal hauling and road maintenance	January 2003 - December 2021
	Binungan, Berau East Kalimantan; Block 7	Coal mining and hauling operation	January 2003 - December 2020*
PT Adaro Indonesia	Paringin South Kalimantan	Coal mining and hauling operation	January 2009 - September 2022
PT Kideco Jaya Agung	Roto Middle, Roto South, East Kalimantan, Roto Pits A, B, C and M	Waste removal and coal production	January 2010 - September 2020
PT Sungai Danau Jaya	Kabupaten Tanah Bumbu, South Kalimantan	Mining services	June 2015 - Life of mine

(Expressed in United States Dollar, unless otherwise stated)

31. SIGNIFICANT CONTRACTS AND AGREEMENTS *(Continued)*

Coal Concession Holder	Concession	Description of Services	Contract Duration
PT Tadjahan Antang Mineral	Central Kalimantan	Mining services	August 2015 - August 2025
PT Angsana Jaya Energi	Kabupaten Tanah Bumbu, South Kalimantan	Mining services	March 2018 - December 2021
PT Pada Idi	Central Kalimantan	Mining services	July 2017 - July 2027
PT Tanah Bumbu Resources	Kabupaten Tanah Bumbu, South Kalimantan	Mining services	March 2018 - Life of mine
PT Insani Baraperkasa	Kabupaten Kutai Kartanegara, East Kalimantan	Mining services	April 2018 - December 2025
PT Indonesia Pratama	Kabupaten Kutai Kartanegara, East Kalimantan	Mining services	May 2018 - December 2026

* Both parties have entered into a term sheet to extend the contract and the amendment of contract finalization is still in process.

a. On December 1, 1998, PT Mentari Bukit Makmur ("MBM"), entered into an agreement with PT Berau Coal ("Berau"), for coal mining and haulage operations at Berau, Lati, East Kalimantan site. Starting 2007, the contract with Berau was assumed by the Company from MBM. On May 1, 2008, the Company has entered into Memorandum of Understanding with Berau extending the framework of cooperation under the contract until December 31, 2018.

   On October 1, 2010, the agreement was amended regarding the schedule of rates and fuel supply mechanism and on January 7, 2013, the agreement was amended regarding mining services rate. On December 27, 2010, Berau has appointed the Company as mining service contractor at Lati pit East 2, East Kalimantan starting July 1, 2011 until June 30, 2016. On January 7, 2013, the Company and Berau signed a contract to focus on operations in the West Lati pit with a new mining services rate which will be valid until December 31, 2017.

   On August 27, 2014, the agreement was amended regarding mining services rate and production volume. On November 8, 2016, the agreement was amended regarding production volume, mining service rate and extension of contract period until April 26, 2025.

b. The Company has an agreement with Berau, for coal haulage and road maintenance from Binungan Crushing Plant to Suaran Port. The term of the contract is until December 31, 2010. On May 1, 2008, the Company has entered into Memorandum of Understanding with Berau extending the framework of cooperation under the contract until December 31, 2018. On October 1, 2010, the agreement was amended regarding the schedule of rates and fuel supply mechanism. On November 27, 2019, the agreement was amended regarding contract extension until December 31, 2021 and changes in currency from US Dollar to Rupiah.

31. SIGNIFICANT CONTRACTS AND AGREEMENTS *(Continued)*

c. On January 1, 2003, the Company entered into an agreement with Berau for mining operation and coal haulage contract in Binungan Block 7 Mine Operation, Berau East Kalimantan. The term of the contract ended December 31, 2010. On January 18, 2008, both companies signed the letter of intent extending the mining contract work until December 31, 2018. On August 27, 2014, the Company entered into an agreement with Berau in regards to production volume and mining contract extension until March 2019. On November 8, 2016, the agreement was amended regarding contract extension until December 31, 2020, mining service rate and additional volume production.

   On March 26, 2020, both parties agreed to enter a term sheet in regards to change in pricing mechanism and mining contract extension until March 2025.

d. On January 21, 2002, the Company entered into an agreement with PT Adaro Indonesia ("Adaro") for mining and transportation of coal in South Kalimantan. On November 1, 2005, the agreement was amended, which among others included method of payment for overburden mining and transportation, fuel price formula, and agreed Rupiah exchange rate. On November 13, 2008, both parties signed the "Heads of Agreement" regarding the contract duration of a new contract effective January 1, 2009 for a period of five (5) years, volume and tonnages, pricing-overburden removal and terms of payment. On October 1, 2012, the Company and Adaro signed Amendment I regarding a change in mining services rate. This agreement has been extended several times, the most recent being extended until December 31, 2019. On December 22, 2016, the agreement was amended regarding contract extension until September 30, 2022 or when the coal resources have been fully extracted, mining service rate, and additional volume production. On July 6, 2017, both parties have signed an amendment regarding changes of the mining services rate.

e. On April 30, 2004, the Company entered into a contract agreement with PT Kideco Jaya Agung ("Kideco") for waste removal and coal production in Roto Middle Area, Pasir Mine East Kalimantan. A contract variation agreement was made on December 21, 2005, which included among others the schedule of work and prices, guaranteed work volume, payment and review of fuel price. On October 29, 2009, the Company revised the contract agreement with Kideco regarding the waste removal and coal production commencing on January 1, 2010 until December 31, 2019. On February 25, 2016, the agreement was amended regarding mining service rate. On June 8, 2017 and November 27, 2017, both parties have signed an amendment regarding changes of the mining services rate. Both parties have signed an amendment regarding the extension of term of the agreement until September 2020.

f. On June 29, 2015, the Company entered into an agreement with PT Sungai Danau Jaya for the provision of mining services in South Kalimantan with term of the contract throughout the life on mine. Both parties has signed the term sheet regarding the change of the rate in 2020.

g. On August 6, 2015, the Company entered into an agreement with PT Tadjahan Antang Mineral for the provision of mining services in Central Kalimantan with term of the contract until December 2018 with option for extension. On November 7, 2016, the agreement was amended regarding extension of period of contract until August 6, 2025 and additional volume production.

h. On November 16, 2016, the Company entered into an agreement with PT Angsana Jaya Energi for the provision of mining services in South Kalimantan with term of the contract until December 2018. On March 27, 2018, the agreement was amended regarding extension of period of contract until December 31, 2021.

i. On July 28, 2017, the Company entered into an agreement with PT Pada Idi for the provision of mining services in Central Kalimantan with term of the contract until July 28, 2027.

(Expressed in United States Dollar, unless otherwise stated)

31. SIGNIFICANT CONTRACTS AND AGREEMENTS *(Continued)*

j. On March 7, 2018, the Company entered into an agreement with PT Tanah Bumbu Resources for the provision of mining services in Kabupaten Tanah Bumbu, South Kalimantan with term of the contract until the life of mine. Both parties has signed the term sheet regarding the change of the rate in 2020.

k. On April 2, 2018, the Company entered into an agreement with PT Insani Baraperkasa for the provision of mining services in Kabupaten Kutai Kartanegara, East Kalimantan with term of the contract until December 31, 2025 with option for extension.

l. On May 3, 2018, the Company entered into an agreement with PT Indonesia Pratama for the provision of mining services in Kabupaten Kutai Kartanegara, East Kalimantan effective three (3) calendar months after the date of the agreement until December 31, 2025 or when the agreed volume is completed; whichever is earlier. On May 4, 2018, the agreement was amended regarding additional scope of works. On December 1, 2019, both parties agreed to extend the terms of the contract until December 31, 2026.

The Company has long-term contracts with suppliers:

a. On November 4, 2016, the Company entered into an agreement with PT Trakindo Utama for the provision of equipment, components, spare parts, services and machine rebuild for five (5) years.

b. On November 25, 2016 and December 29, 2016, the Company entered into an agreement with PT United Tractors Tbk for the provision of equipment, components, spare parts, services and machine rebuild for five (5) years.

32. COMMITMENTS

a. Capital Expenditures

As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the Company had purchase commitments for future capital expenditures amounting to USD 46,741,891, USD 71,335,593, USD 53,698,690, USD 102,552,069 and USD 275,926,935, respectively.

b. Leases as lessee

The Company has entered into commercial leases on certain heavy equipment, vehicles and buildings. As of September 30, 2020 and 2019 and December 31, 2019, 2018 and 2017, the future minimum rentals payable under those non-cancellable leases are as follows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Within one (1) year	152,932	18,840,948	18,646,881	17,450,867	14,716,224
More than one (1) year but less than five (5) years	-	14,483,495	12,000,016	18,862,466	14,815,324
Total	**152,932**	**33,324,443**	**30,646,897**	**36,313,333**	**29,531,548**

(Expressed in United States Dollar, unless otherwise stated)

33. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS

a. Non-cash transactions

Activities not affecting cash flows:

	September 30,		December 31,		
	2020 (Unaudited)	2019 (Unaudited)	2019 (Audited)	2018 (Audited)	2017 (Audited)
Acquisition of right-of-use assets through lease liabilities	27,787,036	7,909,426	7,909,426	42,638,730	47,447,600
Acquisition of fixed assets through trade payables	1,578,033	7,936,355	747,894	42,587,719	31,124,642
Acquisition of fixed assets through sales and leaseback	1,485,221	10,675,646	61,664,150	95,305,528	41,549,126
Realization of advances for purchase of fixed assets	1,153,699	3,350,711	3,350,711	5,899,818	1,565,719
Offset trade payables with long-term debt	-	-	1,500,967	-	-
Offset due from related party with other payables (Note 27b)	-	-	1,500,000	-	-
Offset due from related party with dividend (Note 27b)	-	-	-	50,000,000	31,940,000

b. Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities for the nine-month periods ended September 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017 are as follows:

September 30, 2020 (Unaudited)

						Non-cash Changes		
	Beginning Balance	Cash Flows	New debt	Transaction Cost	Amortization of Transaction Cost	New Leases	Leases previously classified as operating lease	Ending Balance
Senior Notes	343,685,106	-	-	-	2,111,341	-	-	345,796,447
Bank loans	114,482,890	(32,150,000)	-	-	597,676	-	-	82,930,566
Long-term debt	1,441,206	(551,187)	-	-	-	-	-	890,019
Lease liabilities	242,866,511	(73,026,999)	-	-	-	1,485,221	27,787,036	199,111,769
Total	**702,475,713**	**(105,728,186)**	**-**	**-**	**2,709,017**	**1,485,221**	**27,787,036**	**628,728,801**

September 30, 2019 (Unaudited)

						Non-cash Changes		
	Beginning Balance	Cash Flows	New debt	Transaction Cost	Amortization of Transaction Cost	New Leases	Leases previously classified as operating lease	Ending Balance
Senior Notes	341,085,650	-	-	-	1,923,491	-	-	343,009,141
Bank loans	105,778,017	20,083,333	-	(1,407,995)	730,309	-	-	125,183,664
Long-term debt	67,403	(67,403)	-	-	-	-	-	-
Leases liabilities	248,424,106	(57,776,818)	-	-	-	18,585,072	-	209,232,360
Total	**695,355,176**	**(37,760,888)**	**-**	**(1,407,995)**	**2,653,800**	**18,585,072**	**-**	**677,425,165**

(Expressed in United States Dollar, unless otherwise stated)

33. SUPPLEMENTARY INFORMATION TO STATEMENTS OF CASH FLOWS *(Continued)*

	December 31, 2019 (Audited)							
						Non-cash Changes		
	Beginning Balance	Cash Flows	New debt	Transaction Cost	Amortization of Transaction Cost	New Leases	Leases previously classified as operating lease	Ending Balance
Senior Notes	341,085,650	-	-	-	2,599,456	-	-	343,685,106
Bank loans	105,778,017	9,366,667	-	(1,626,815)	965,021	-	-	114,482,890
Long-term debt	67,403	(127,164)	1,500,967	-	-	-	-	1,441,206
Lease liabilities	248,424,106	(75,131,171)	-	-	-	69,573,576	-	242,866,511
Total	**695,355,176**	**(65,891,668)**	**1,500,967**	**(1,626,815)**	**3,564,477**	**69,573,576**	**-**	**702,475,713**

	December 31, 2018 (Audited)							
						Non-cash Changes		
	Beginning Balance	Cash Flows	New debt	Transaction Cost	Amortization of Transaction Cost	New Leases	Leases previously classified as operating lease	Ending Balance
Senior Notes	338,697,386	-	-	-	2,388,264	-	-	341,085,650
Bank loans	51,323,868	53,875,000	-	-	579,149	-	-	105,778,017
Long-term debt	453,538	(386,135)	-	-	-	-	-	67,403
Lease liabilities	178,948,332	(68,468,484)	-	-	-	137,944,258	-	248,424,106
Total	**569,423,124**	**(14,979,619)**	**-**	**-**	**2,967,413**	**137,944,258**	**-**	**695,355,176**

	December 31, 2017 (Audited)							
						Non-cash Changes		
	Beginning Balance	Cash Flows	Discount	Transaction Cost	Amortization of Transaction Cost	New Leases	Leases previously classified as operating lease	Ending Balance
Senior Notes	-	346,451,000	3,549,000	(13,223,570)	1,920,956	-	-	338,697,386
Bank loans	467,653,429	(401,292,588)	-	(23,409,811)	8,372,838	-	-	51,323,868
Long-term debt	810,080	(356,542)	-	-	-	-	-	453,538
Lease liabilities	138,553,790	(48,602,184)	-	-	-	88,996,726	-	178,948,332
Total	**607,017,299**	**(103,800,314)**	**3,549,000**	**(36,633,381)**	**10,293,794**	**88,996,726**	**-**	**569,423,124**

34. ECONOMIC CONDITIONS

The COVID-19 pandemic has spread across countries including Indonesia since early 2020, and has affected the business and economic activities of the Company to some extent. The Company has assessed the effects of the event to the Company's operations and business plan. Based on the assessment, the Company does not foresee any material uncertainty that may have significant adverse impact to the Company's business and operation or may cast significant doubt on the Company's ability to continue as a going concern.

The Company will closely monitor the development of the COVID-19 pandemic and take necessary action on its impact on the business, the financial position and operating results of the Company.

(Expressed in United States Dollar, unless otherwise stated)

35. EVENT AFTER THE REPORTING PERIOD

On October 5, 2020, the Indonesian House of Representatives passed the Omnibus Bill on Job Creation ("Omnibus Law"), which regulates 11 clusters, including simplification of business licensing, investment requirements, employment, ease of empowering micro, small and medium cooperatives (MSMEs), ease of doing business, support for innovation research, government administration, imposition of sanctions, land procurement, investment and government project, and economic zones.

This Omnibus Law may impact the Company on matters such as:
a. Employment, which revised some articles on Law No. 13/2003,
b. Taxation on Article 111

On November 2, 2020, the President of the Republic of Indonesia officially signed and enacted the Omnibus Law on Job Creation through the issuance of Law No. 11/2020.

The Company is evaluating the impact of this law on the Company's financial statements.

36. RECLASSIFICATION ACCOUNTS

Certain comparative figures as of December 31, 2018 have been reclassified to conform to the December 31, 2019 presentation. These reclassifications are as follows:

	December 31, 2018 (Audited)		
	As previously reported	Reclassification	As Reclassified
Statement of financial position			
Prepaid tax	47,874,059	(1,327,239)	46,546,820
Other non-current assets	77,057,609	1,327,239	78,384,848

Certain comparative figures as of December 31, 2017 have been reclassified to conform to the December 31, 2018 presentation. These reclassifications are as follows:

	December 31, 2017 (Audited)		
	As previously reported	Reclassification	As Reclassified
Statement of financial position			
Prepayments and advances	14,852,536	(5,899,818)	8,952,718
Other non-current assets	95,648,710	5,899,818	101,548,528
Statement of cash flows			
Cash paid to suppliers and employees	464,463,859	(4,334,099)	460,129,760
Acquisition of fixed assets	112,903,894	4,334,099	117,237,993

37. NEW/REVISED ACCOUNTING STANDARDS PRONOUNCEMENTS

The Board of Financial Accounting Standards of the Indonesian Institute of Accountants has released revisions, but not yet effective for the current reporting period, to several accounting standards that may have certain impacts on the interim financial statements.

37. NEW/REVISED ACCOUNTING STANDARDS PRONOUNCEMENTS *(Continued)*

The following standards are effective for financial statements for the period commencing from on or after January 1, 2021:

- PSAK No. 22 (Amendment) – Business Combination
- PSAK No. 112 – Accounting for Endowments

The Company is evaluating the potential impact of these new and revised standards on the Company's financial statements.

Indonesian Coal Industry Summary Report

PT Bukit Makmur Mandiri Utama

January 2021

Executive Summary

PT Bukit Makmur Mandiri Utama (BUMA) is a mining services company which operates in Kalimantan, providing its services to Indonesian coal miners. As such, BUMA is intrinsically linked with the coal market for its long-term viability and growth prospects.

Indonesia is the world's largest supplier of thermal coal to the seaborne market and is well placed to increase production in line with overall demand. This report outlines the demand drivers for coal from the Indonesian domestic and seaborne coal markets and key trends in supply for major exporting countries. The mines BUMA service primarily produce a sub-bituminous coal, as well as smaller amounts of lignite and bituminous coals. The mines have low cost positions, making them competitive in the seaborne market.

Despite various wide-spread government efforts to reduce carbon emissions and limit fossil fuel generation, we do not think global thermal coal demand has peaked. We project demand will continue to increase past the high of 7,094 Mt in 2018, peaking at 7,387 Mt by 2027 as countries pursue further domestic generation.

Driven by both increased importance of the Indonesian domestic coal fired power market and the seaborne export market, Indonesian, total thermal coal production is expected to increase from 545 Mt in 2020 to 638 Mt in 2024 (CAGR 4.0%), before retreating to 608 Mt in 2027 (CAGR -1.06). Indonesian seaborne thermal coal exports are forecast to increase from 422 Mt in 2020 to 442 Mt in 2023, before declining to 382 Mt in 2027 at the end of the forecast period.

Pacific Basin suppliers, primarily Indonesia and Australia, will continue to supply the majority of the seaborne market. Indonesia is well placed to service the export markets due to its proximity and resulting freight advantage to key markets in Asia. Further, coal mining in Indonesia is highly cost competitive due to inexpensive surface mining operations, the ability to utilise low cost-barging on waterways from mine to port and having low labour costs compared to other Pacific Basin producers.

A surge in global coal prices at the end of 2020, following both progress on COVID-19 vaccine candidates and colder than expected weather across Europe, China, Japan and elsewhere drove power generation to record highs and spurred demand for coal.

With most governments targeting a rebound in GDP growth and record stimulus packages being introduced across the global economy, 2021 and 2022 should see much stronger pricing than 2020. FOB Indonesia EcoCoal @ 4,200 kcal/kg GAR, (equivalent to the ICI-4 index), is forecast to achieve average annual prices of ~US$41/t in 2021 and ~US$43/t in 2022, with Newcastle benchmark FOB at US$80-88/t (in real 2020 dollars) for the same period.

For Indonesia specifically, in November 2020 the Indonesia Coal Mining Association (APBI-ICMA) signed a US$1.467 billion thermal coal trade deal with China’s China Coal Transportation and Distribution Association (CCTD), which is expected to support Indonesian coal exports from 2021, while signalling China’s intends to maintain the ban on Australian coal and looking to provide Indonesian producers with the certainty that will allow them to plan to fill the gap.

Longer term, structurally, prices are expected to stabilise at marginal cost levels by 2024. Newcastle benchmark FOB is expected to return to average annual values of US$79.0-80.0/t (in real 2020 dollars) by 2023/2024.

Contents

Figures

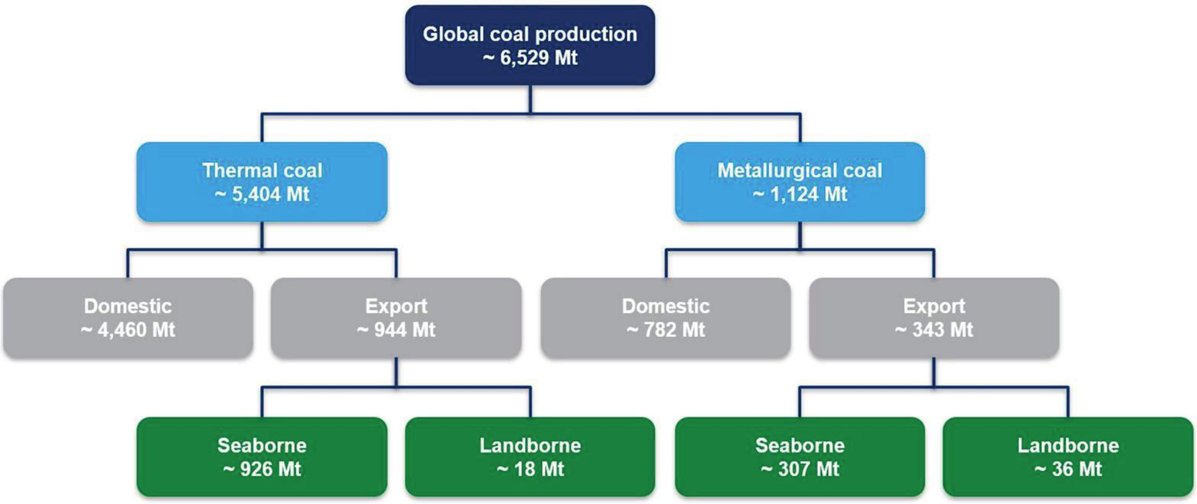
Tables

1. Coal market fundamentals

Coal is a widely distributed natural resource that is produced in many countries worldwide. The largest resources are found in China, the USA, Australia and Indonesia. Most coal (80% of global production in 2020) is used in the country in which it is mined. China and the USA in particular – the world's two largest coal producers – consume the majority of their coal domestically. Only 19% of global coal production is traded on the seaborne market. The remaining 1% represents landborne trade, including trade within Europe, into China from its neighbours, and between Canada and the USA. Despite being a relatively small proportion of global coal production, the seaborne coal market is important for the Indonesian coal industry, which is strongly dependent on exports.

Coal mining is not a uniform process, with methods of coal extraction dependent on local geography, position of the coal seam, geological properties of the surrounding material and capital available for infrastructure. Open pit (also known as open cut or surface mining) involves the use of trucks and shovels or draglines. The volume of rock that must be removed to reach the coal seam is a key component of surface mining costs. Underground mining involves use of longwalls or bord and pillar and is typically more expensive than surface mining. Mining in Indonesia is primarily open pit and all the mines BUMA services are open pit.

Figure 1 Global coal production by market and end-use (2020)



Source: *Wood Mackenzie H2 2020 Long Term Outlook (LTO)*

The coal market can be divided into two major sub-markets, thermal and metallurgical, based on the end-use of the coal:

Thermal coal is used in combustion processes to produce steam for power generation, heating, and industrial applications such as cement manufacture. Thermal coal can be further subdivided into different market tiers based on energy content[1]. The following energy-based classifications for thermal coal are used in this report:

- **Anthracite** Specific energy > 6,900 kcal/kg (gar)
- **Bituminous** Specific energy 5,400 – 6,900 kcal/kg (gar)
- **Sub-bituminous** Specific energy 4,500 – 5,400 kcal/kg (gar)
- **Low rank and lignite**[2] Specific energy < 4,500 kcal/kg (gar)

The mines that BUMA services produce a mixture of bituminous, sub-bituminous and lignite coals. In 2021 the mines BUMA services are forecast to produce 3% bituminous coal, 72% sub-bituminous coal and 25% lignite coals.

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[1] It should be noted that the ash content of the coal has a large effect on these numbers. For example, a high ash anthracite can have a similar energy content to a low ash sub-bituminous coal.

[2] The term low rank coal is a market based category developed by Wood Mackenzie to capture the difference in pricing between the pricing of sub-bituminous coal (e.g. Envirocoal at ~ 4,900kcal/kg gar) and the step down to coals such as Ecocoal (4,100 kcal/kg gar). True lignite is technically less than 3,500kcal/kg gar and very little is traded on the seaborne market however the naming convention is widely understood – especially when reviewing custom import and export statistics. For the purposes of this report, Low Rank Coal and Lignite are combined on a volume basis for the charts however refer to Low Rank Coal when referring to this specific product. ICI-4 coal has an energy classification of 4,200 kcal/kg (gar), the demand for which is documented in the lignite category.

Metallurgical coal is used in steel production. It is used either to produce coke, which is then fed into the top of a blast furnace along with iron ore; or for pulverised coal injection (PCI), where the coal is injected directly into the base of a blast furnace. Metallurgical coal is classified based primarily on the strength of the coke it produces:

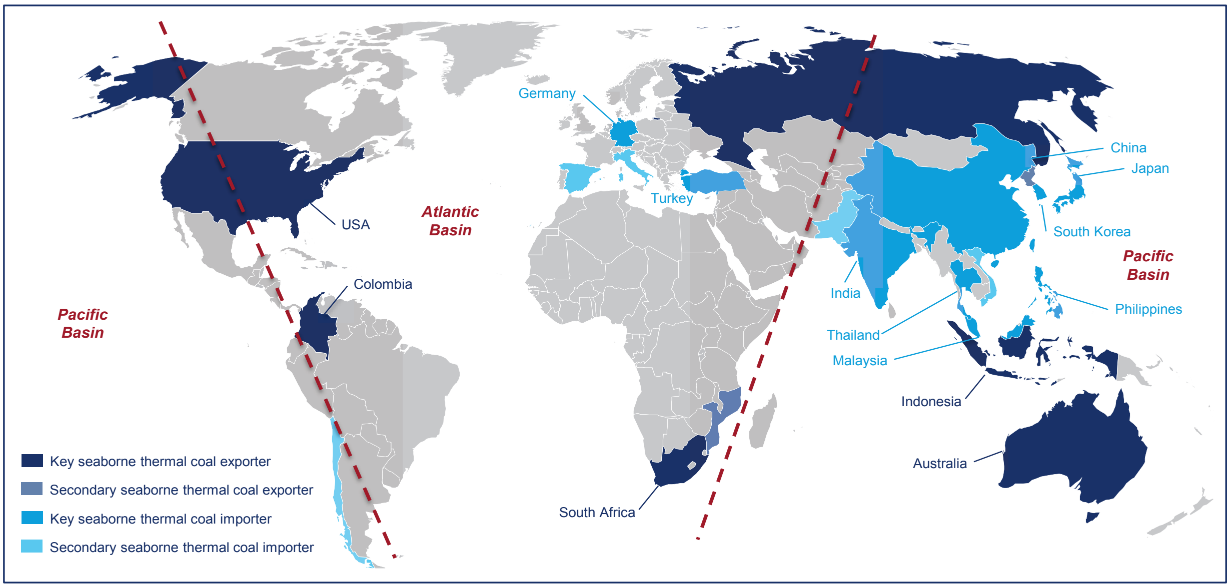
- **Hard coking coal (HCC)** Coal that forms high strength coke
- **Semi-soft coking coal (SSCC)** Coal that produces coke of a lower quality than hard or semi-hard coking coal
- **Pulverised coal injection (PCI)** Coal that is injected into a blast furnace to replace expensive coke

The mines that BUMA services do not produce metallurgical coal.

The markets for thermal and metallurgical coal operate generally independently of one another, although some degree of substitution between thermal coals and lower ranked metallurgical coals is possible. Thermal coal currently accounts for 75% of the total seaborne coal market, but for 99% of Indonesian production and exports.

The seaborne market for coal can also be divided into two sub-markets geographically, based around the Atlantic and Pacific Basins. The two markets are relatively segregated, primarily due to the relative cost of shipping between them. However, some inter-basin trade does occur, either due to quality considerations or when freight and price differentials allow exporters to compete in non-traditional markets.

Figure 2 Atlantic and Pacific basins



Source: Wood Mackenzie

Pacific Basin trade currently accounts for 80% of the seaborne market, with Indonesia and Australia being the largest suppliers. The developed Asian economies of Japan, South Korea and Taiwan (JKT) have traditionally been the principal Pacific Basin importers, however growth in these markets has been limited in recent years. Growth has been concentrated in the developing economies of China, India and, to a lesser extent, Southeast Asia (SEA). In the Atlantic Basin, South Africa, Russia and Colombia are the largest producers, supplying coal primarily into the European market.

Increasing from the COVID-19 related low of 1,233 Mt in 2020, the total volume of coal (both thermal and metallurgical) traded on the seaborne market is forecast to rise from 1,336 Mt in 2021 to 1,459 Mt in the forecast period (through to 2027).

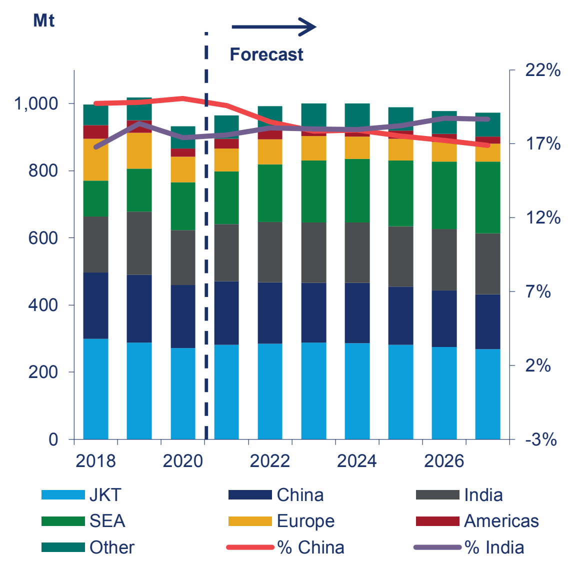
2. Seaborne thermal coal market

2.1. Seaborne thermal coal demand

Globally, the conflicting drivers of rising energy demand and cost competitiveness of coal, opposed by environmental concerns, are expected to see seaborne demand for thermal coal remain flat over the forecast after first recovering from the low's of 2020. Wood Mackenzie expects seaborne imports to rise from 933 Mt in 2020 to 973 Mt in 2027. The trend is expected to be due to policy-driven declines in China and Europe which we forecast will more than offset demand growth over by SEA and India. India is expected to overtake China as the largest demand centre for seaborne thermal coal in 2023.

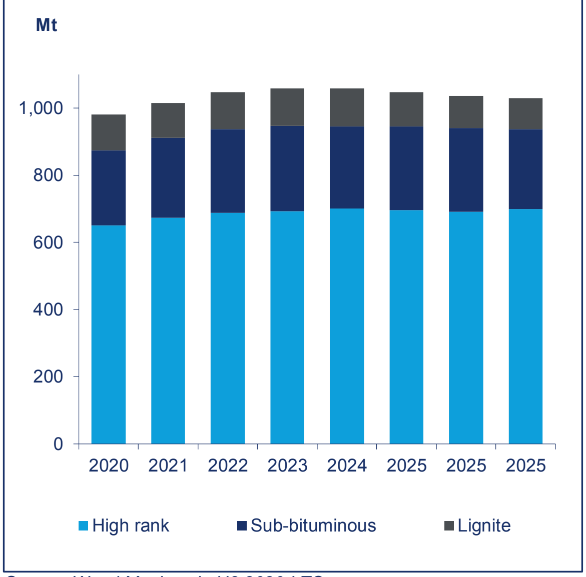
Changes in demand for different types of coal are shown in Figure 4. Increased availability of low cost, high quality coal and a push for energy efficiency has increased demand for high rank coal at the expense of lower ranked coals in recent years, impacting exports from Indonesia and the US Powder River Basin. As the price premium received by high rank coal increases over the forecast, demand for lower ranked coal is expected to increase.

Figure 3 Global seaborne thermal coal import demand by key country and region



Source: Wood Mackenzie H2 2020 LTO

Figure 4 Global seaborne thermal coal import demand by coal type



Source: Wood Mackenzie H2 2020 LTO

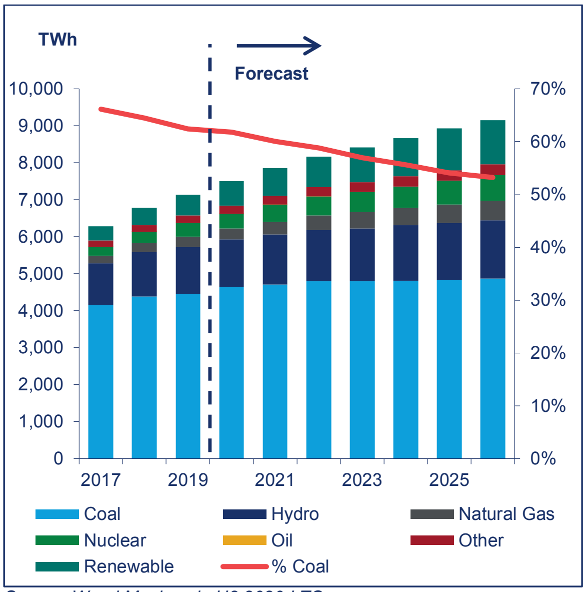
China

China is the world's largest producer and consumer of thermal coal. Despite high domestic production, China requires significant tonnages of seaborne imports to satisfy total thermal coal demand due to domestic supply issues such as mine cost inflation, insufficient infrastructure, and barriers in the state-controlled power market. China's total forecast 2021 thermal coal demand is 3745 Mt, of which 189 Mt is forecast to be met by seaborne imports.

The proportion of coal in China's energy mix is forecast to reduce slightly from 61% in 2021 to 58% in 2026, however this trend is expected to differ between regions. The construction of ultra-high voltage transmission is expected to allow for coal-fired power stations to be moved closer to supply sources, reducing seaborne demand from 189 Mt in 2021 to 164 Mt in 2027. Overall reduction in coastal demand and competition with domestic supply in the coastal market is expected to reduce China's coal imports over the forecast period. Imports are expected to continue to be required due to the high delivered cost of domestic supply to these markets, as well as quality requirements. China is likely to trend more towards imports of higher ranked coal throughout the forecast period due to quality constraints in the coastal market.

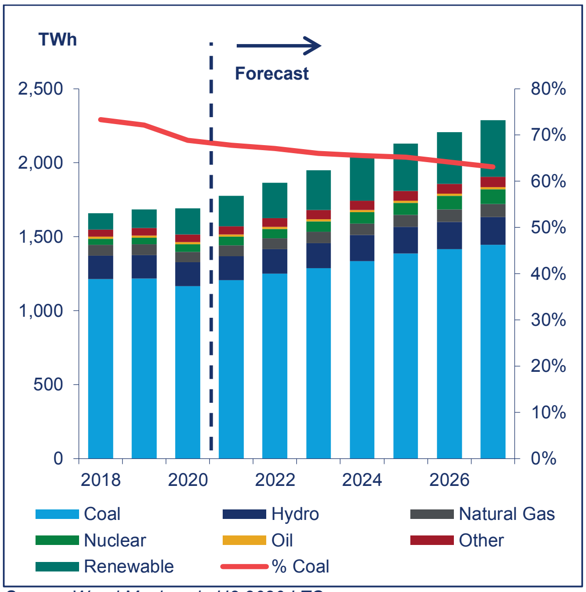
Renewables sit at the heart of China's initiatives for fuel diversification, environmental protection and carbon mitigation, with COP21 targets aimed at reducing carbon emissions by 60-65% per unit of gross domestic product (GDP) by 2030, compared to 2005 levels, and increasing use of non-fossil fuels to 15% of its primary energy mix by 2020 and 20% by 2030. China is already leading global renewables capacity growth and has exceeded its targets, achieving 27% non-fossil fuel use by 2020 and is forecast to achieve 30% by 2027.

Figure 5 Chinese power generation by fuel type



Source: Wood Mackenzie H2 2020 LTO

Figure 6 Indian power generation by fuel type



Source: Wood Mackenzie H2 2020 LTO

India

India is in early stages of infrastructure development and industrialisation, with large increases in power demand required to achieve its economic goals. While power generation is expected to remain coal dominated, and is forecast to grow at 3.12% CAGR from 2020 through 2027, alternatives are also being expanded with nuclear forecast to double and renewables more than doubling between 2020 and 2027. However, these are not likely to meet ambitious government targets, and this underpins demand for coal-fired power, where coal maintains a market share of over 60% throughout the forecast period. The key constraint to Indian power generation growth is the pace of reform, with accumulated losses of the power distribution companies at more than US$80 billion due to inadequate tariff revision, cross-subsidisation, and transmission losses. Currently, domestic coal supply accounts for 81% of demand, however supply is growing at a lower rate than demand and so India is expected to remain reliant on seaborne imports, which is expected to increase from 169 Mt in 2021 to 182 Mt in 2027.

India's COP21 commitments state that by 2030, at least 40% of its electricity is expected to be generated from non-fossil sources, including 175 GW of capacity by 2022. Renewable generation has become a key focus of the government's plans, given its role in assisting both energy independence and environment objectives. At 10% of power generation, renewables (excluding large hydro) became the second largest source in India's generation mix in 2020, after coal (69% in 2020).

Southeast Asia

Southeast Asia (SEA) has large capacity for energy growth, with the most populous countries increasing electrification and subsequently experiencing rapid growth in power demand. Cost economics favour coal for power generation. Power demand in SEA is forecast to increase from 1,661 TWh in 2020 to 2,101 TWh in 2027, with the proportion of coal-fired generation steady across SEA on average at 47% over the forecast period. Coal imported by these countries is typically sourced from Indonesia due to its low cost and proximity.

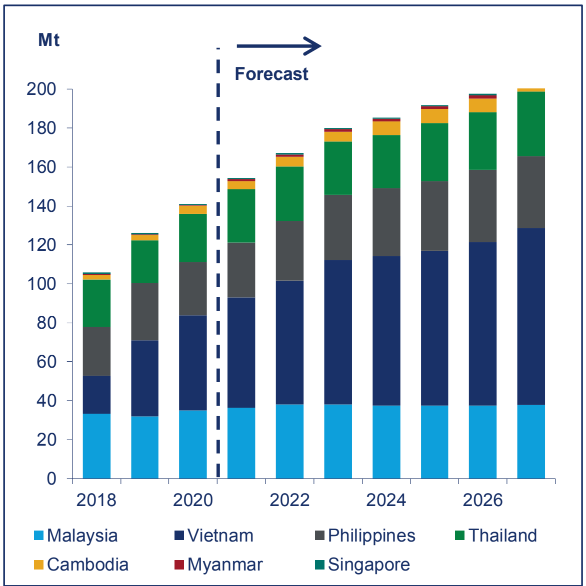
Malaysia depends almost entirely on imports to meet demand for coal-fired generation. The power sector has historically relied on cheap regulated gas to fuel growth in demand, however without price subsidies, over the forecast period coal is the most economical option to meet rising electricity demand and maintain reasonable tariffs as gas reserves deplete. Wood Mackenzie expects Malaysia's seaborne thermal coal demand to grow from 35 Mt in 2020 to 38 Mt in 2027 (1.14% CAGR). Malaysia's intended nationally determined contribution (INDC) targets is to reduce the emission intensity of GDP by 35% by 2030 relative to 2005. Including large scale hydro, 17% of power demand in Malaysia is met by renewables, with hydro making up 94% of this. Despite potential for solar and biomass, growth is limited due to a lack of funds available. Coal power generation is forecast to grow from 92 to 99 TWh over the forecast period, contributing 46% of Malaysia's power in 2027.

The Philippines is the second most expensive power market in Asia and experiences frequent power shortages. Coal is expected to be critical to meeting future power requirements, and 4 GW of coal-fired power plants are expected to come online by 2025. Philippine coal imports are predominantly from Indonesia. Wood Mackenzie expects seaborne thermal coal demand in the Philippines to grow from 27 Mt in 2020 to 37 Mt in 2027 (4.4% CAGR). The Philippines intends to undertake an emissions reduction of 70% by 2030 relative to its business as usual (BAU) scenario, although the president of the Philippines has declared that he will not honour the commitment made at COP21. Geothermal and large hydro form the bulk of existing renewable capacity, but new investments have slowed since investment was left to private entities who are exposed to the volatile power market, and who compete with cheap energy sources such as coal. By 2027, coal fired power may contribute 77 TWh, or 54% of total electrical output of the Philippines.

Wood Mackenzie expects Vietnam to have significant growth in thermal coal demand, with the power sector alone to increase 49 Mt between 2018 and 2027. As domestic production is constrained by geology and rising costs, it is expected that Vietnam will turn increasingly to the international market to meet demand and will become a more significant market, with seaborne demand forecast to grow from 19 Mt in 2018 to 91 Mt in 2027 (19% CAGR). Vietnam's INDC targets 8% greenhouse gas (GHG) reduction by 2030 compared to a BAU scenario. Vietnam's base case is 30% higher than Wood Mackenzie's, and with such a high BAU as reference, this appears achievable in the power sector. Historically, Vietnam has been very successful with hydro power development, however with major hydro projects already developed, Vietnam is looking at alternative solutions to boost its renewables presence, although these are expected to remain curtailed through the forecast period.

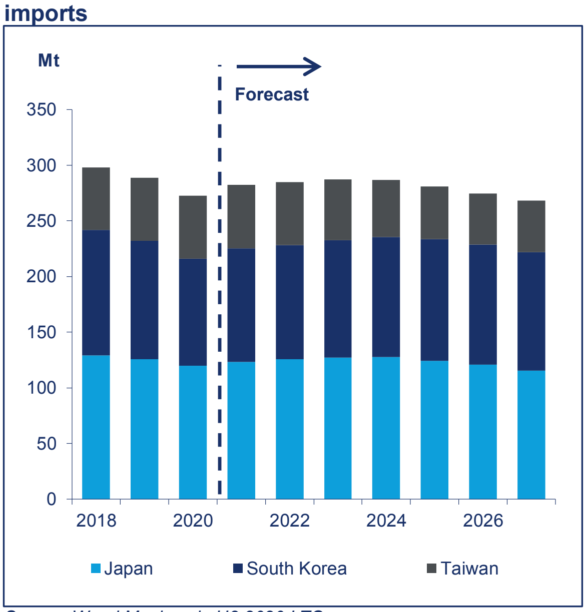
Thai thermal coal demand is supported by government desire to diversify away from gas-fired generation, however to date efforts to increase coal-fired generation have been challenged by strong public opposition. Despite this, it is expected that Thailand will require new-build coal-fired power to meet rising power demand in the central and southern regions. On top of this, seaborne demand is expected to be supported by declining domestic production, which is limited due to inferior quality and environmental concerns. As a result, seaborne demand is expected to increase from 25 Mt in 2020 to 33 Mt in 2027 (4.2% CAGR). At COP21, Thailand pledged to reduce its GHG emissions by 20% from projected BAU levels by 2030 and also aims to reduce energy intensity by 30% below 2010 levels by 2036. Renewable energy features prominently in Thailand's energy plans, and the country has been an early adopter of renewables within the SEA region.

Figure 7 SEA thermal coal seaborne imports



Source: Wood Mackenzie H2 2020 LTO

Figure 8 NEA (ex-China) thermal coal seaborne imports



Source: Wood Mackenzie H2 2020 LTO

Northeast Asia (excluding China)

The traditional Northeast Asian (NEA) demand centres of Japan, South Korea and Taiwan is expected to continue to import significant quantities of high-quality thermal coal, although annual demand is expected to decrease 4 Mt (-0.25% CAGR) throughout the forecast period (2020-2027) due to declining populations and static energy demand profiles.

Japan is reliant on the seaborne coal market due to a lack of domestic reserves. Despite increases in coal-fired generation capacity, imports are expected to decrease from 129 Mtpa (2018) to 115 Mtpa (2027) over the forecast due to increases in efficiency and the reduction of unsustainably high utilisation. Japan's COP21 commitment entails a GHG emission reduction of 26% by 2030 compared to 2013. Renewables are a priority of Japan's power policy and the country already levies a tax on coal consumption. The government is targeting renewables to make up 23% of power generation by 2030. Nuclear restart following the Fukushima accident are expected to continue to increase from 49 TWh in 2018 to 94 TWh in 2027 (7.5% CAGR). While historically Japan's coal power stations have been optimised for high-quality thermal coal, full liberalisation of the energy market in April 2016 and the enablement of domestic consumer switching has seen demand for low cost energy surge. In the first 6 months following full market liberalisation Tokyo Electric lost over 2 million customers from their switched to lower cost energy providers. Given this trend, the power market is considering all options for reducing power costs, including the building of new coal power stations optimised for cheaper, lower energy coal such as 4200 kcal/kg (gar). Should this eventuate, Indonesia's low sulphur 4200 kcal/kg (gar) coal would be a possible supply source.

South Korea also lacks domestic coal resources and sources the majority of its coal from the seaborne market. Wood Mackenzie expects imports to rise from 96 Mt in 2020 to 107 Mt in 2027 (CAGR 1.51%). South Korean consumers favour a mixture of high quality Australian coals and other lower quality types. South Korea plans to reduce its GHG emissions by 37% from the BAU level by 2030 and launched a carbon cap-and-trade scheme in January 2015. On the renewables front, the current aim is for 20% of electricity to be generated from renewable sources by 2030.

Wood Mackenzie expects coal to continue to be the dominant source for power generation in Taiwan with seaborne coal forecasting to peak at 57 Mt in 2019 through 2022, before falling back to 46 Mt in 2027 as renewables begin to be phased in and gas increases share. As Taiwan is not a UN-recognised state, it was not part of the COP21 agreement, however it still declared an INDC. Taiwan aims to reduce emissions by 20% below 2005 levels by 2030 and also passed an act in 2015 that sets a goal of cutting carbon emissions by 50% on 2005 levels by 2050.

2.2. Seaborne thermal coal supply

Global seaborne export supply of thermal coal is expected to remain in line with demand through to 2027, increasing slightly from 933 Mt in 2020 to 973 Mt in 2027. Pacific Basin suppliers, primarily Indonesia and Australia, is expected to continue to supply the majority of the seaborne market, however long-term growth is expected to include Atlantic producers as demand growth in Asia eventually results in increasing cross-basin trade that will benefit suppliers in the US and Colombia.

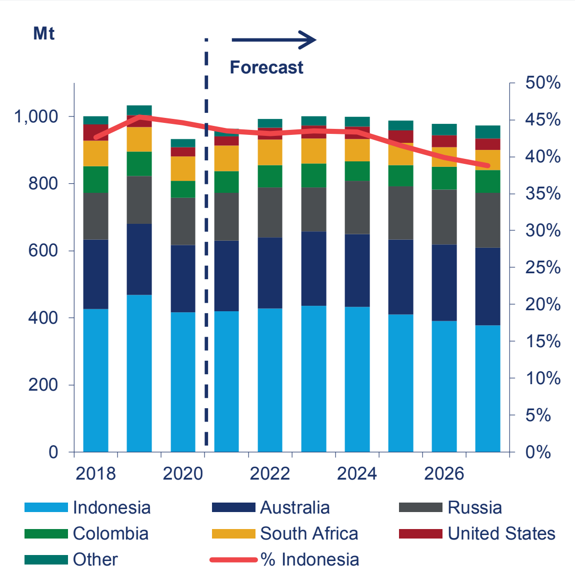
Indonesia

Indonesia is currently, and is expected to remain, the largest supplier of thermal coal into the seaborne market. However, Wood Mackenzie believes Indonesian seaborne thermal coal markets will peak in 2023 at 442 Mt, with exports from Indonesia then falling to 382 Mt in 2027.

Whilst Indonesia is forecast to remain the dominant low rank coal supplier, it will likely face increasing competition from higher rank coal producers in Australia post-2020 as environmental regulations related to CO_2 emissions become increasingly stringent. This, combined with growth from Australia, is expected to lead to Indonesia's share of the global market fall slightly from its high of 45% in 2020 to 39% by 2027. That said, Indonesia does remain best placed geographically to service the Indian and SEA demand centres, which is expected to support Indonesia's position as the largest seaborne exporter in the long term.

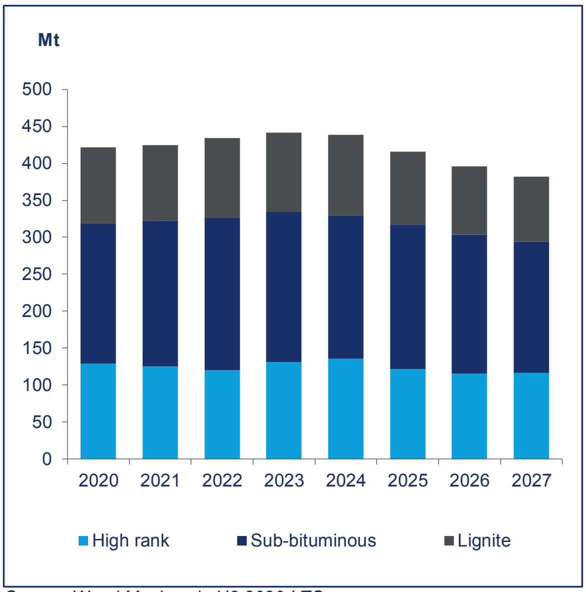
The relative share of sub-bituminous and lignite coal type as a percent of total export coal from Indonesia through 2026 is expected to expected to increase at the expense of bituminous coal, as reserves of higher ranked coal deplete. BUMA’s customers produce 75% sub-bituminous or high rank coal which is expected to continue to be preferentially mined from Indonesia.

Figure 9 Global seaborne thermal coal export supply by country



Source: Wood Mackenzie H2 2020 LTO

Figure 10 Indonesian seaborne thermal coal export supply by coal type



Source: Wood Mackenzie H2 2020 LTO

Other Suppliers

Australian exports of thermal coal are expected to increase from 202 Mt in 2020 (22% of thermal seaborne supply) to 232 Mt in 2027 (24% of thermal seaborne supply), in part due to the importance of Australia's high-energy, low-sulphur bituminous coal, especially in Japan, Korea and Taiwan.

Russia and Columbia are expected to increase their market share of thermal coal exports over the same period, from a combined tonnage of 191 Mt in 2020 (20% of thermal seaborne supply) to 231 Mt in 2027 (24% of thermal seaborne supply).

3. Indonesian coal sector overview

3.1. Reserves

Indonesia has vast quantities of coal, with reserves estimated at over 18.9 Bt. Thermal coal comprises the majority at 97.6% of total reserves. Three quarters of Indonesia's marketable thermal coal reserves are on Kalimantan and of that, 65% are in East Kalimantan. While Sumatra has abundant resources, a lack of infrastructure has limited their conversion to reserves. Lignite currently accounts for 25% of production but makes up 67% of marketable reserves, suggesting that over time Indonesia's coal quality will reduce as higher quality reserves are depleted.

Table 1 Marketable thermal coal reserves in Indonesia by state, company and coal type

State	Reserves (Mt)
East Kalimantan	9,175
South Sumatra	3,422
South Kalimantan	2,823
North Kalimantan	1,345
Central Kalimantan	818
Riau	465
Aceh	238
Jambi	147
Bengkulu	34
West Sumatra	10
West Kalimantan	3

Company	Reserves (Mt)
Bhakti Energi Persada	3,070
PTBA	1,716
Bumi Resources	1,441
Bayan Resources	1,070
Delma Mining	896
Adaro Energy	825
Golden Energy Mines	806
MEC	802
Tata	563
Indexim Investama	370
Others	6,921

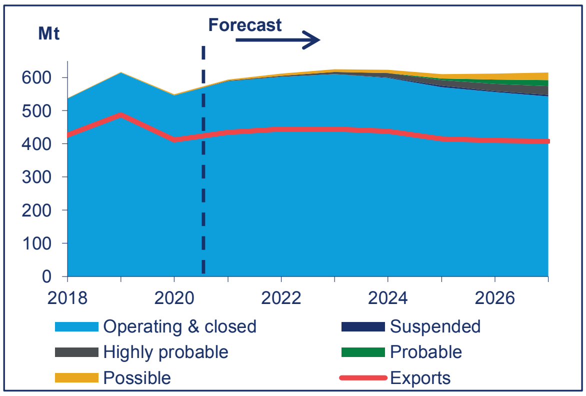
Coal Type	Reserves (Mt)
Anthracite	-
Bituminous	2,264
Sub-bituminous	3,913
Lignite	12,303

Source: Wood Mackenzie H2 2020 LTO

3.2. Production outlook

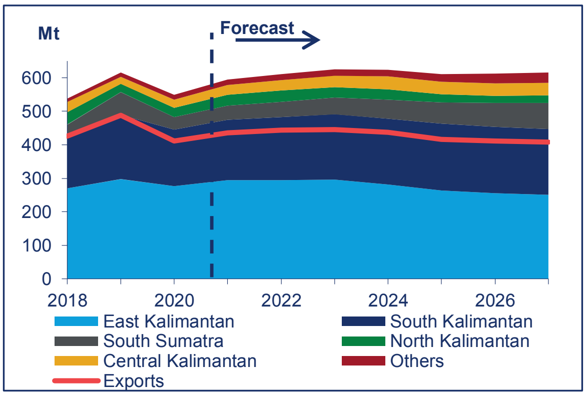
Figure 11 shows Wood Mackenzie's outlook for Indonesian thermal coal production, including our 'base case' forecast of marketable production from operating mines and projects as well as additional production from highly probable, probable and possible projects not included in our base case. This forecast is built up using a mine-by-mine 'bottom up' approach.

Figure 11 Indonesian marketable thermal coal production by mine development status



Source: Wood Mackenzie H2 2020 LTO

Figure 12 Indonesian marketable thermal coal production by state



Source: Wood Mackenzie H2 2020 LTO

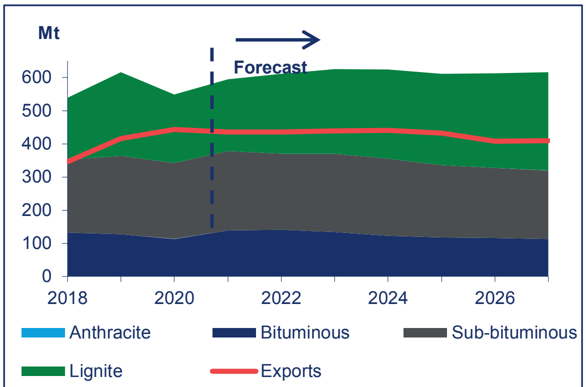
Indonesia's marketable production of coal is overwhelmingly made up of thermal coal at 99% of total production. Marketable production of thermal coal from operating mines and highly probable projects is forecast at 577 Mt in 2027, an increase from 2020 production levels of 547 Mt. Supply from currently operating mines forecast to close by 2027 is expected to be met by the probable and possible projects.

Indonesian thermal coal production is dominated by export operations in Kalimantan. Kalimantan accounted for 90% of total production in 2020 and is expected to remain the dominant supply region throughout the forecast period, with production growth in South Kalimantan being driven by increased thermal coal demand both domestically and internationally.

Production of bituminous and sub-bituminous coal is expected to decline over the forecast. The vast majority of production growth is expected to come from lignite and low rank mines, supported by the large reserves of low rank coal.

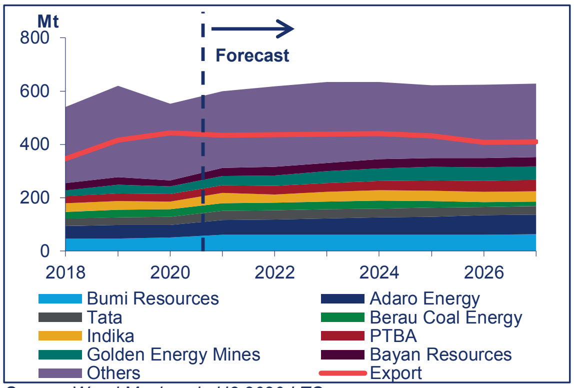
The eight largest producers accounted for 48% of total thermal coal production in Indonesia in 2020 and are expected to increase their market share to 56% by 2027.

Figure 13 Indonesian marketable thermal coal production by product type



Source: Wood Mackenzie H2 2020 LTO

Figure 14 Indonesian marketable thermal coal production by company

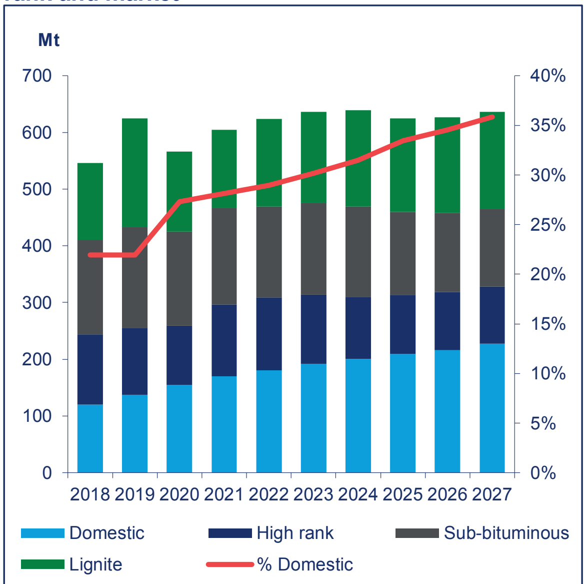


Source: Wood Mackenzie H2 2020 LTO

3.3. Demand outlook

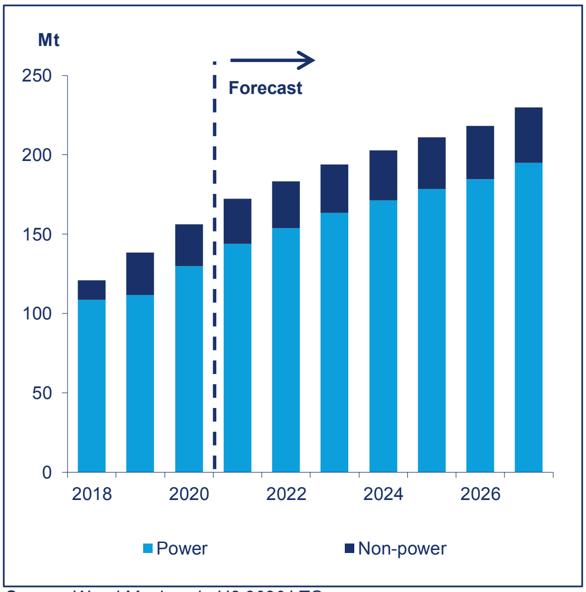
Demand for Indonesian thermal coal is largely based around the export market. However, as the country develops its domestic power sector, much of the future growth in coal production is expected to be aimed at the growing domestic market.

Figure 15 Demand for Indonesian thermal coal by rank and market



Source: Wood Mackenzie H2 2020 LTO

Figure 16 Indonesian domestic thermal coal demand



Source: Wood Mackenzie H2 2020 LTO

Indonesia is the world's fourth most populous country with more than 273 million people spread over 17,500 islands. Due to the highly dispersed population, the power sector has evolved as a combination of large interconnected grids catering to major population centres, combined with isolated power systems supplying to clusters of thinly populated remote villages on major islands, or standalone grids for the smaller islands. Power shortages are common due to insufficient generation capacity, and as power demand rises, commissioning of additional generation capacity will be required to mitigate ongoing power supply issues.

Wood Mackenzie forecasts robust domestic coal demand growth of 6% CAGR between 2020 and 2027. Indonesian domestic demand for thermal coal is driven primarily by the power generation sector, which comprises 90% of the domestic market. As new power plants are constructed, Wood Mackenzie expects coal demand from this sector to grow from 125 Mt in 2020 to 175 Mt by 2027, backed by a government policy supporting coal as part of a drive to increase economic development.

The policy support for this increase in power generation capacity is the ongoing 2015 35 GW Power Programme and its predecessor Crash Build programmes which call for the boosting of the country's installed capacity whilst reducing fuel oil consumption in the power sector in order to meet Indonesia's burgeoning electricity demand. Progress within the programme has been slow, which is unsurprising given the performance of previous fast-track programmes.

3.4. Infrastructure

Indonesian coal exports are not generally constrained by infrastructure bottlenecks because most operators utilise their own logistics chain and do not rely on third party infrastructure. This is a significant competitive advantage relative to other major seaborne thermal coal export countries.

In Indonesia, coal is predominantly barged. Although there are known constraints affecting barging in certain areas, Wood Mackenzie believes these have negligible effects on the overall system.

Forecast exports are expected to be primarily serviced by transhipment capacity. The low capital and operating costs of transhipment facilities offer a stable and sustainable comparative cost advantage for Indonesian exporters in the seaborne thermal trade market, however they load coal at a slower rate and are more susceptible to weather related disruptions compared to coal terminals. Indonesia's transhipment capacity has ample capacity to cater for our forecast of Indonesia's coal exports.

Wood Mackenzie estimates the total capacity of Indonesia's coal terminals at 145 Mtpa in 2020, with a total export loading capacity (including transhipment) of 455 Mtpa. Wood Mackenzie does not expect any additional capacity growth of Indonesia's coal terminals, however transhipment capacity is more flexible.

There have been several proposed projects to expand rail transport of coal in Indonesia. These projects have the potential unlock coal reserves that are stranded because of limited access to rivers suitable for barging. However, many of the projects have encountered financial, political and technical difficulties. The PT Mega Guna Ganda Semestra (MGGS) project, a consortium between China Railway Group and PT Royal Energi is a Public Private Partnership with the Central Kalimantan government aimed at connecting three coal centres in the province, being Puruk Cahu of Marung Raya regency, Bangkuang of South Barito regency and Lupak Dalam of Kapuas regency.

3.5. Indonesian Contractor Mining

Unlike other seaborne coal exporting countries, coal mining in Indonesia is dominated by contract miners. The growth of contractor-operated coal mining in Indonesia has been largely due to:

Historical legislation: Generation I Coal Cooperation Agreements stated that all the equipment purchased by the concession holder became the property of PTBA (the Indonesian government counterparty in the contract). Using contractors was a way of keeping the equipment out of government ownership.

Evolution of the industry: The evolution of the contractor-operated industry in Indonesia has allowed a number of companies to succeed as mining contractors. By optimising fleets over multiple operations, contractors can be more efficient than single operation mining companies.

Capital efficiency: Using contractors allows a mining company to efficiently manage its capital by focussing on asset development where the returns may be higher. Contract-mining not only provides capital efficiency but also gives more financial flexibility to the coal mining companies by not committing upfront capital required for the equipment and other assets.

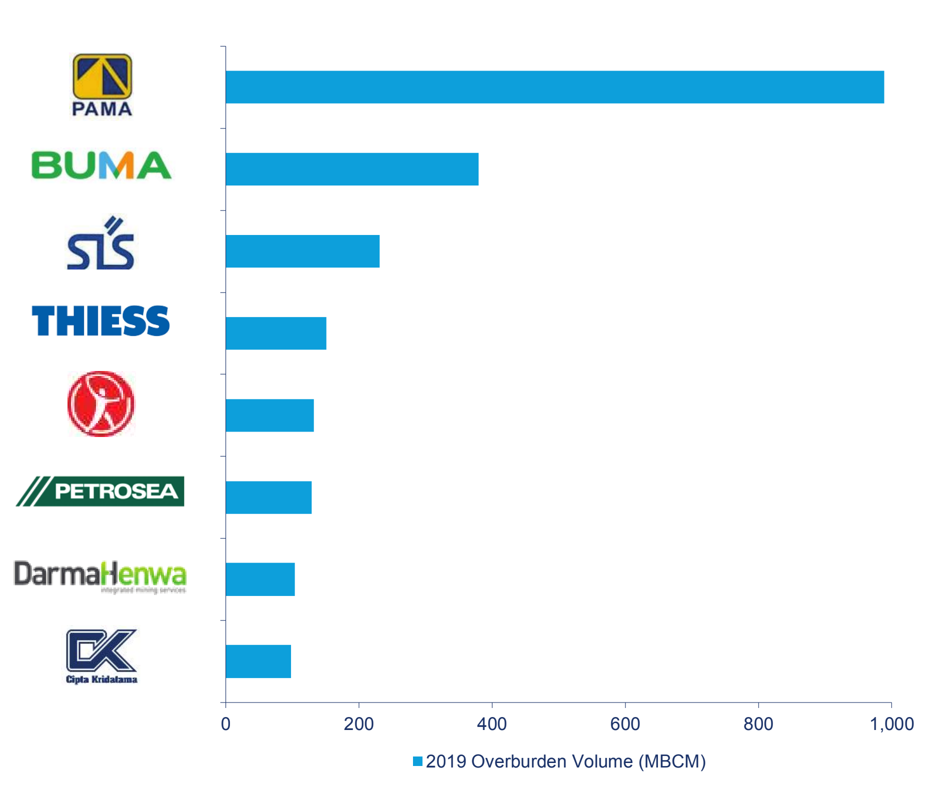
Strategic focus of the mining companies: Many coal mining companies in Indonesia were formed to create value by identifying and acquiring high quality assets and carrying out the exploration studies, mine planning, and logistics rather than mining as is done by the large diversified mining companies elsewhere.

While long term formal contractual agreements are often laissez faire in Indonesia, mining companies and contractors often have long term informal arrangements. These relationships are helpful to avoid interruptions and additional cost of demobilisation and mobilisation. It should be noted though most of the mining companies have diversified their risks by having more than one contractor at the site.

For the majority of contractual structures geological and mine development risks are borne by the coal mining companies while the contractor takes execution or mine operation related risks – e.g. labour productivity, equipment efficiency and consumables usage. Therefore, client relationships, equipment efficiency and labour productivity are the key success factors for mining contractors.

Wood Mackenzie estimates that approximately 4300 MBCM over overburden was removed at Indonesian coal mines in 2019, of which over half was moved by the 8 major mining contractors. By overburden moved, BUMA is the second largest mining contractor in Indonesia (total overburden volume 380 MBCM in 2019), equivalent to approximately 17% market share of the major Indonesian coal mining contractors.

Figure 17 Market share of key mining contractors in Indonesia (2019)



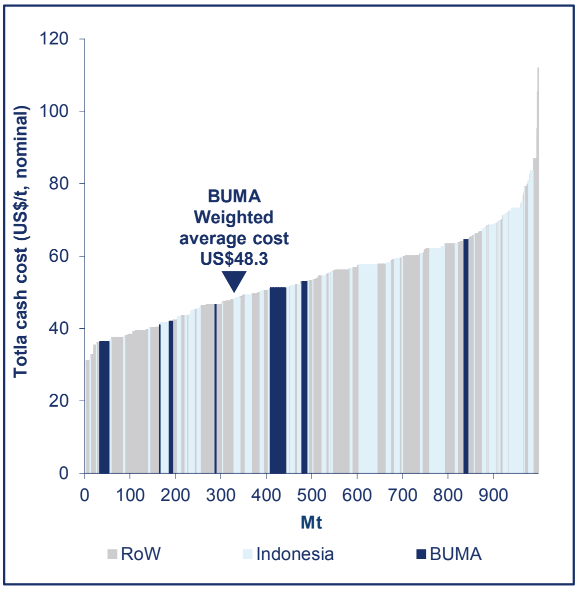
Source: Company Annual Company Reporting & Wood Mackenzie

4. Cost competitiveness of Indonesian coal

Over the past 18 years, growth in Indonesian coal supply was generally driven by its proximity to North Asian demand centres and the low-cost structure of their operations. Indonesian mines still tend to occupy the low-cost end of the global supply curve. Their competitiveness is based on a combination of factors: inexpensive surface mining operations, an extensive system of natural inland waterways enabling low cost-barging from mine to port, the use of transhipment facilities that have lower capital and lower operating costs than coal terminals and low labour costs compared to other Pacific Basin producers.

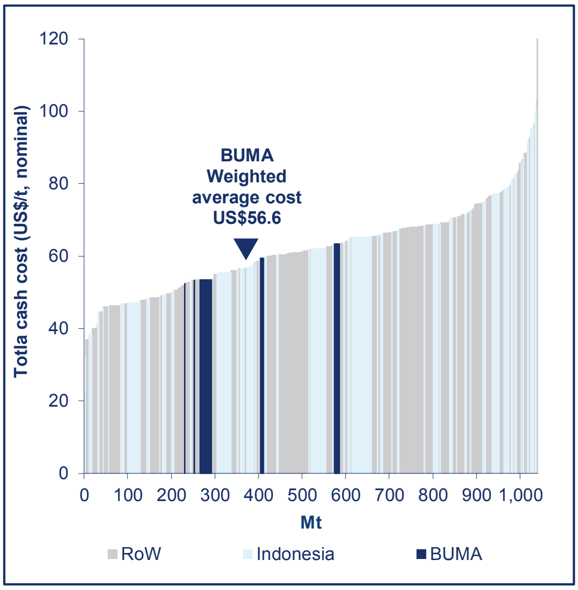
Coal preparation costs are also relatively low in Indonesia, as coal is often sold as either a raw (i.e. unwashed) product or after crushing (made possible due to low ash content).

Figure 18 Global seaborne thermal coal supply curve (2021, energy adjusted @ 6,322 kcal/kg)



Source: Wood Mackenzie. August 2020

Figure 19 Global seaborne thermal coal supply curve (2025, energy adjusted @ 6,322 kcal/kg)



Source: Wood Mackenzie August 2020

The depreciation component of total cash cost is also typically relatively low in Indonesia. This is due to the widespread use of contractors for mining operations and elsewhere in the supply chain, which reduces the level of capital expenditure (e.g. for equipment purchases) required by the mine owner.

The final big contributor to total cash cost is royalties and taxes. Indonesian royalties and taxes are among the highest in the world, second only to Venezuela of the major supply countries, and an additional tax on coal exports remains a possibility.

Australian coals tend to occupy the upper quartiles of the supply curve. The competitiveness of Australian coal production has been impacted by extreme competition for labour, materials and mining services compounded by a relatively strong Australian dollar compared to other coal exporting nations. US and Russian coal occupies the high cost end of the curve, indicative of very high mining and transportation costs.

The mines that BUMA services typically sit in the bottom half of the cost curve with a weighted average energy adjusted cost of $48.3/t in 2021, $5.5/t less than global weighted average and $6.7/t less than the Indonesian weighted average. By 2025, the weighted average energy adjusted cost of global seaborne thermal coal is forecast to increase to $61.9/t, with the mines BUMA services increasing at a lesser rate, to an average weighted cost of $56.6. These cost positions demonstrate that the mines BUMA services are very competitive at a global level both in 2021 and through to 2025. When compared to the Pacific market, the mines follow a similar trend.

Table 2 Total cash costs of BUMA's client mines

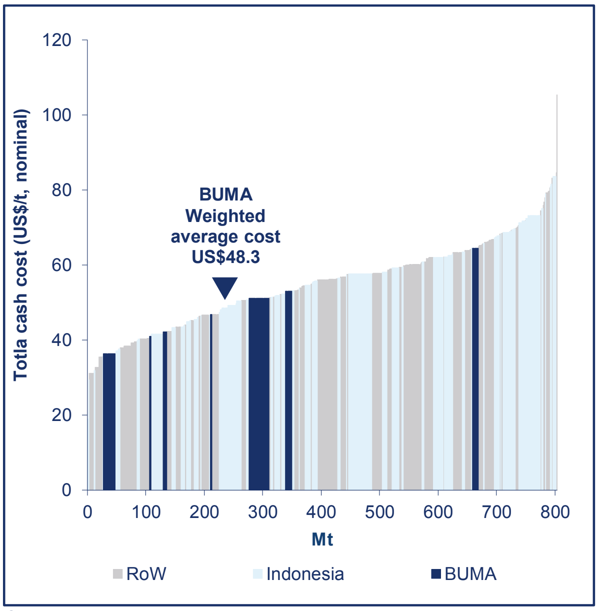
Mine	Non-adjusted		Energy adjusted		Specific Energy
	2021	2025	2021	2025	
Adaro (Paringin)[1.]	40	NA	51	NA	4270
Berau Coal (Lati)	51	47	68	59	4991
Berau Coal (Binungan)	42	51	53	63	5060
Sungai Danau Jaya (SDJ)[2.]	28	NA	42	NA	4194
Tadjahan Antang Mineral (TAM)	44	50	47	52	6000
Pada Idi (PAD)[3.]	NA	NA	NA	NA	NA
Insani Bara Perkasa (IBP)	30	39	41	53	4620
Indonesia Pratama (IPR)[4.]	25	36	36	53	4270

Source: Wood Mackenzie August 2020

Wood Mackenzie asset report / BUMA client mine mapping:
1. Adaro Paringin mine included in the Wood Mackenzie Adaro Tutupan report.
2. SDJ Wood Mackenzie report includes the Angsana Jaya Energi (AJE) and Tanah Bumbu Resources (TBR) assets.
3. Pada Idi (PAD) is not included in the Wood Mackenzie data set
4. IPR data is sourced from Wood Mackenzie's Tabang report

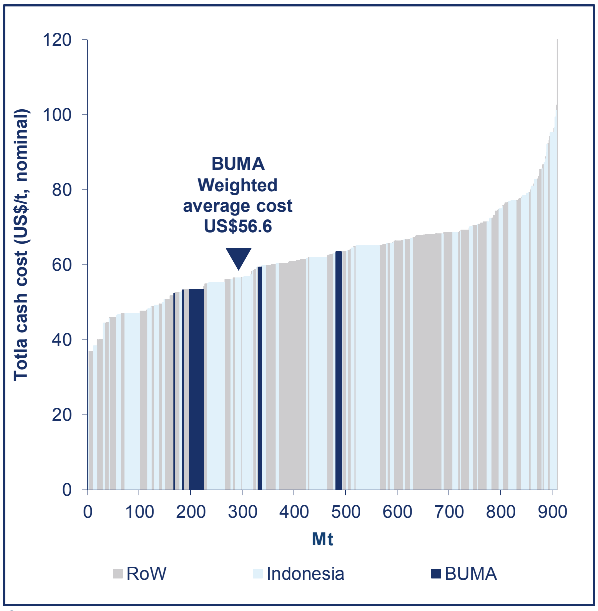
Note: BUMA's client mine total cash costs as shown in Figures 18, 19, 20 and 21 are expressed in energy and USD FX adjusted terms as modelled by Wood Mackenzie to allow equivalent comparison with other export coal producers. Likewise, Table 2 is modelled on a similar basis. Wood Mackenzie acknowledge the basis of this methodology may result in different values as to those reported by the individual mines.

Figure 20 Pacific seaborne thermal coal supply curve (2021, energy adjusted @ 6,322 kcal/kg)



Source: Wood Mackenzie August 2020

Figure 21 Pacific seaborne thermal coal supply curve (2025, energy adjusted @ 6,322 kcal/kg)



Source: Wood Mackenzie August 2020

5. Thermal coal pricing

HBA Pricing

Prices for Indonesian sub-bituminous and low rank coal are linked to the Newcastle benchmark price. Since the introduction of Indonesia's new mining law in 2009, the Indonesian government also publishes its own monthly coal reference price, the Harga Batubara Acuan (HBA). The 'headline' HBA for Newcastle benchmark quality coal is calculated based on a basket of spot price indices (including the Indonesian Coal Index - ICI), with minimum prices for Indonesian export brands then calculated by applying quality-based adjustments for energy, moisture, ash and sulphur. These minimum prices are used to calculate royalty payments for each producer. The aim of the regulation is to protect the government's royalty take by preventing transfer pricing (selling to a subsidiary at below market price).

ICI Reporting

The Argus/Coalindo Indonesian Coal Index (ICI) is a copyrighted coal price index report for prices achieved for the sale of Indonesian coals. Produced weekly, the report formulates a historic price index for five coals (ICI-1 through ICI-5) on a fob Kalimantan basis. Index prices are calculated with 50% input from PT. Coalindo Energy and 50% Argus Media Singapore. The Coalindo panel assessment, consisting of buyers, sellers and intermediaries use a methodology that excludes 10% of highest and 10% of lowest prices achieved. The Argus assessment is based on daily market surveys between buyers, sellers, transactional data, bids and offers.

BUMA use the ICI as the reference index for its tier pricing mechanism. It should be noted the ICI is not a forward-looking index. Wood Mackenzie's FOB Indonesia EcoCoal @ 4,200 kcal/kg GAR forecast is equivalent to the ICI-4 index coal and the FOB Indonesia EnviroCoal @ 5,000 kcal/kg GAR is equivalent to the ICI-3 index coal. These two coals represent the majority of coals under BUMA's contracts.

5.1. Historical pricing

The seaborne thermal coal market is reasonably transparent, with prices generally related to agreed reference prices or indices. The reference price for term contracts in the Pacific market has traditionally been based on the prices settled between Australian exporters and the Japanese Power Utilities (JPUs). The JPU reference price applies to bituminous coal of "Newcastle benchmark" quality, with a specific energy of 6,322 kcal/kg (gar).

Thermal coal prices have experienced significant fluctuations over the past decade. As a result of a five-year period of market oversupply between 2011 and 2016, thermal coal export prices declined by more than 50.0% to approximately US$65.0/tonne in 2016 from over US$100.0/tonne in 2011 for FOB Newcastle 6,000 kcal/kg coal. In Australia this was the result of enforced take-or-pay contracts and the "fixed cost reduction conundrum," where miners were electing to produce large volumes in order to increase productivity and lower unit costs. In Indonesia, low rank coal producers are reluctant to give up even very low margin potential by lowering production, whilst producers in the US have been aggressively exploring export opportunities as domestic regulations force the closure of coal-fired power plants.

After almost five consecutive years of declining prices and falling costs, prices increased dramatically in late 2016 to as high as US$109.9/tonne in November 2016 and remained strong through 2018, with prices for FOB Newcastle 6,000 kcal/kg coal averaging over US$100.0/tonne in 2018 driven by higher than expected seaborne demand in China and India due to domestic supply constraints. On the supply side, infrastructure-related issues in Australia and the US, a lack of investment in South Africa and Colombia, and consolidation of key thermal coal producers have contributed to persistent price strength. Since 2018, there has been a decoupling of coal prices, with supply tightness for premium quality coal keeping Newcastle benchmark prices elevated, but Chinese domestic price intervention and import control widening spreads for off-specification coal prices including ICI-3 and ICI-4.

In 2019, China's seaborne thermal imports exceeded expectations. However, prices for FOB Newcastle 6,000 kcal/kg coal dropped to as low as US$64.0/tonne in the fourth quarter of 2019, mainly driven by a decrease in demand growth which encouraged the Chinese government to implement policies to reduce imports into China, as well as a fall in gas prices and weak coal demand in Europe due to a reduction in coal-fired power generation capacities.

Off-specification coal prices, including ICI-3 and ICI-4, did not fall by the same amounts seen in higher CV coals. This is partly because of the lower base price these coals started at, but also strong demand from Southeast Asia, China, and India. Despite the demand uptick from these countries, it was met by Indonesian supply keeping the market well supplied and suppressing prices.

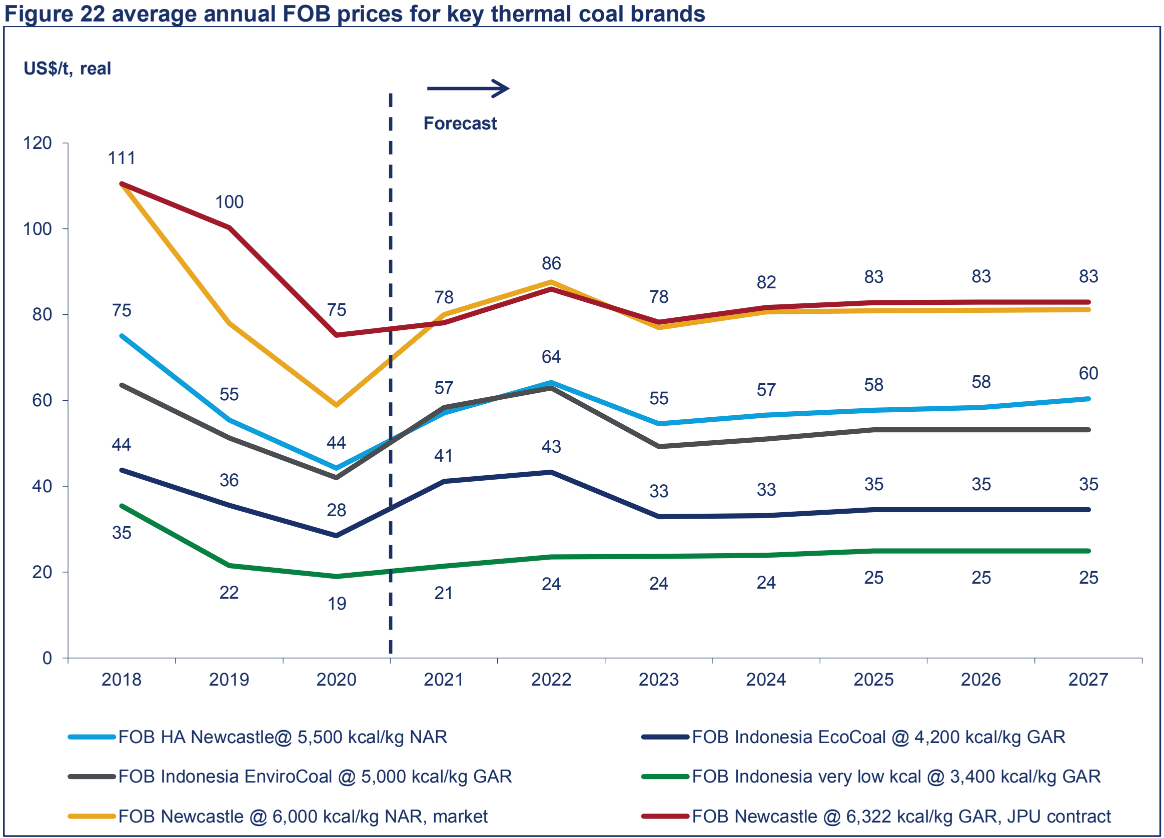
Further accelerating the downward price pressure seen in 2019, COVID-19 turned 2020 markets on their head, evidenced by a 4.0% decline in expected global GDP with the world reeling from the pandemic's economic impact. Global demand for commodities was impacted and a decreased demand for power resulted in a 3.0% fall in total global thermal coal demand and a 7.0% fall in seaborne demand as domestic supplies were supported.

Benchmark prices hit historical lows in the second and third quarter of 2020 amid lockdowns across the globe, as well as extended coal-to-gas switching risk and protectionist measures. Newcastle benchmark fell below US$50/t in August 2020 for the first time since late 2015.

Prices of seaborne thermal coal slowly started recovery from August, only to beginning accelerating towards the end of 2020 as Chinese imports increased ahead of winter and industrial demand from India strengthened. Colder than expected weather across Europe, China, Japan and elsewhere drove power generation to record highs in December and spurred demand for coal. However, spot supply is limited after producers spent the majority of the year cutting production to align with the demand destruction of the pandemic.

At the end of 2020, the FOB Newcastle 6,000 kcal/kg benchmark was achieving weekly prices of ~$81/tonne, up on the average annual price of $59/tonne for 2020.

Figure 22 average annual FOB prices for key thermal coal brands



Source: Wood Mackenzie STO December 2020 (2021 & 2022 forecast), H2 2020 LTO (2023-2027 Forecast). Note: FOB Indonesia EcoCoal @ 4,200 kcal/kg GAR is equivalent to the ICI-4 index and FOB Indonesia EnviroCoal @ 5,000 kcal/kg GAR is equivalent to the ICI-3 index. These two coals represent the majority of coals under BUMA's contracts.

5.2. Forecast

Prices throughout 2020 were deep into the cost curve and a correction was always necessary for demand to be met. The first three to four months of 2021 are likely to see a supply response to higher prices, as producers are running well under capacity at present. The expected result is a stabilisation in prices from record December/January spot, around March and April 2021, though not back to 2020 levels.

With most governments targeting a rebound in GDP growth and record stimulus packages being introduced across the global economy, 2021 and 2022 should see much stronger pricing than 2020.

Structurally, prices are expected to reach marginal cost levels by 2024. Wood Mackenzie expects strong supply responses from all exporters, post-coronavirus recovery and new coal-fired capacity growth in Asia during this phase. Overcapacity pressure peaked in 2020 with overcapacity forecast to reduce by half by 2022. Existing capacity is expected to start falling after 2023 due to reserve depletion, supporting a price return to marginal cost levels. Newcastle benchmark FOB is expected to return to average annual values of US$79.0-80.0/t (in real 2020 dollars) by 2023.

During the previous round of heavy oversupply (2012-2015), Newcastle prices almost perfectly tracked the 75th percentile cost curve of the global seaborne thermal coal supply, benchmark quality adjusted. Prices fell below 50th percentile for 6,322kcal GAR coal type from the second to mid fourth quarter of 2020. However, it is unsustainable to have prices below 50th percentile levels for a long period of time, and are expected to stabilise over US$80.0/t or the 90th percentile costs by 2024 as overcapacity pressure disappears.

From 2025 to 2029 operating and highly probably capacity is expected to be insufficient to meet demand. Higher prices are expected to be needed to incentivise projects to make up the shortfall. Between 123.0 and 172.0 Mt of new probable projects would be required by the end of 2029 to fill the supply gap. Large projects in Indonesia, Australia and South Africa all need to be incentivised at a price range of US$76.0-US$90.0 with 12-18% country specific IRR, benchmark quality adjusted. Therefore, Wood Mackenzie expects the Newcastle benchmark will grow to U$83.0-84.0 by the end of the decade.

6. Conclusion

Indonesia contains significant resources of high quality thermal and metallurgical coal and is the largest supplier to the seaborne market, providing energy to neighbouring developing countries and further afield. Coal production in Indonesia is relatively cheap in comparison to other countries due to its relatively simple geology and closer proximity to seaborne markets in Kalimantan, where the majority of Indonesia's marketable reserves are found. The evolution of the seaborne coal market and the Indonesian domestic coal market is based on the themes of economic growth and industrialisation, in particular increased electricity demand and higher levels of electrification. In India and SEA, the development of coal fired power plants is expected to remain one of the easiest and most cost effective ways to achieve these goals for at least the next seven years, ensuring coal demand growth. While the developed economies of NEA provide a base level of coal demand, the emerging economies of Southeast (including domestically in Indonesia) and South Asia provide upside demand potential and Indonesia, being a cheap and close producer of thermal coal, is well placed to gain market share. The mines that BUMA contracts to produce coal ranging from bituminous to lignite. Due to their low sulphur and ash contents, it is expected that they will remain in significant demand by the seaborne market. The mines also have low cost positions, making them very competitive in the seaborne market.

7. Glossary

Anthracite (and semi-anthracite) represents the most advanced stages in the coalification process. Anthracite has a carbon content of about 91% (daf) and is brittle and hard because most of the volatile matter and moisture has been expelled by the intense pressure and temperature in the final stages of coalification. Anthracite is used in a number of applications, including as a source of carbon in steel making, and in the manufacture of electrodes, inks and tiles.

Ash is the inorganic residue that remains after coal has been combusted. It is less than the mineral matter because of chemical changes that occur during combustion such as loss of water of hydration, carbon dioxide, and sulphurous gases from sulphides. There is an inverse relationship between ash and energy content, so coals with a low ash content are preferred. High ash coals also lead to higher ash disposal and maintenance requirements.

Bituminous coal (black coal) is the most sort-after rank of coal for commercial applications and is ranked in between sub-bituminous and anthracite coals. It has a carbon content in the range 80–91% (daf), a high specific energy, typically of over 5,400 kcal/kg gar, and low moisture content. It can be used in a wide range of applications depending on its particular quality characteristics, including power generation and heating; as well as coal-to-gas and coal-to-liquid applications, chemicals production, and coke making.

Blast furnace the receptacle for iron ore, coke and other raw materials used in the processing of iron ore into pig iron. Pig iron is subsequently processed into steel.

Brownfield refers to an area that is adjacent to an area that has previously been developed, and that is being expanded or re-developed for different mining uses.

Captive power refers to power generation facilities that supply power directly to local users – typically industrial facilities, but also domestic and commercial users in remote communities – rather than to the grid system. Captive power in Indonesia ranges from large oil, gas and hydro units powering industrial complexes, to thousands of small diesel turbines used as back-up supply in the case of power outages.

Conference of Parties (COP 21) The 21st annual meeting of nations that make up the United Nations Framework on Climate Change. Also known as the 2015 Paris Climate Conference. During this meeting the progress of each nation in dealing with climate change was reviewed and goals / targets set.

Cost and Freight (CFR) is a method of selling cargo whereby the seller pays for vessel loading costs and ocean freight, but not insurance.

Cost, Insurance and Freight (CIF) is a method of selling cargo whereby the seller pays for vessel loading costs, ocean freight and insurance.

Ecocoal Export coal from Bumi Resources' Arutmin Mulia mine is marketed under the Ecocoal brand. Ecocoal is one of the benchmark low rank export coal brands in the export market and has a specific energy of around 4,200 kcal/kg gar.

Energy Adjusted Thermal coal costs are adjusted for coal quality (calorific value or energy content of the coal), being referenced to the Australian export thermal coal benchmark of 6,322kcal/kg on a gar (gross air received) basis.

Energy Publishing Newcastle Export Index (NEX) (previously the Barlow Jonker Index) is an indicator of the spot price of Newcastle benchmark quality thermal coal in the Pacific market. It is determined based on actual spot sales when available, or via consultation with a panel of traders and shippers when not.

Envirocoal Export coal from Adaro Energy's Tutupan mine is marketed under the Envirocoal brand. Envirocoal is considered the benchmark sub-bituminous coal brand in the export market. It has a specific energy of around 5,000 kcal/kg gar.

Free moisture is surface water in the voids between coal particles that may be removed by drainage or evaporation.

Free on Board (FOB) is a method of selling cargo that excludes ocean freight and insurance, but includes vessel loading costs.

Greenfield refers to an area that has been previously undeveloped for mining uses.

Hardgrove Grindability Index (HGI) is a measure of hardness that indicates a coal's relative grindability or ease of pulverisation (relative to standard reference coals); a high HGI indicates that a coal is easy to grind and vice versa. High HGI coals may experience handling difficulties such as excess fines generation and spontaneous combustion. Low HGI coals are harder to grind and accordingly requiring higher milling energy and cost.

Half 2 2020 Long Term Outlook (H2 2020 LTO) Wood Mackenzie's Long-Term Thermal Coal outlook, published 18th December 2020.

Harga Batubara Acuan (HBA) is a monthly reference price published by the Indonesian government, and is used to determine the minimum price of coal sales. The headline HBA for Newcastle benchmark quality coal is calculated based on the monthly average of a basket of spot price indices. Minimum prices for Indonesian export brands are then calculated by applying various quality-based adjustments, with the adjustment formulae used published along with the monthly prices.

Inherent Moisture (IM) is the moisture bound within the coal pores or attached to the organic coal matter.

Japanese Power Utilities (JPU) Prices settled between Australian exporters and the JPU have historically been the reference for annual and long term thermal coal contracts in the Pacific market, with contracts typically based around the Japanese Fiscal Year.

Long term contracts are contracts of more than one year duration, but commonly three to five years. They stipulate the quantity and quality of coal to be delivered each year, though typically the price will be negotiated annually. The term 'evergreen' is also used to describe contracts – such as those between Australian suppliers and north Asian buyers – that are expected to continue indefinitely as long as the buyer and seller can agree on the annual price.

Low rank coal (lignite or brown coal) is a brownish-black coal composed of vegetable matter which has been altered more than in peat, but less than in sub-bituminous coal. It is found at relatively shallow depths and is physically weak, with a high moisture content, and a low carbon content of between 65% and 73% (daf). Other characteristics include low reflectance, high volatile matter, high oxygen levels and low specific energy. Lignite is mined for power generation and is also used for domestic heating in the form of briquettes. Small but increasing volumes are sold on the seaborne market.

Marketable reserves are the economically mineable part of a coal resource, with allowances for losses that may occur during mining. Appropriate assessments – including consideration of and modification by realistically assumed mining, economic, marketing, legal, environmental, social and governmental factors – have been carried out and demonstrate that extraction could reasonably be justified. The reserves data in this report is based on Wood Mackenzie's view of likely future commercial production, rather than JORC (or equivalent) compliant reserves estimates.

Metallurgical coal is used in steel production. It is used either to produce coke, which is then fed into the top of the blast furnace along with the iron ore; or for pulverised coal injection (PCI), where the coal is injected directly into the base of the blast furnace.

MBCM Million bank cubic meters

Newcastle benchmark Australian export contracts for thermal coal are based on coal meeting Newcastle benchmark quality specifications (6,322 kcal/kg gar). Lower energy coals are generally discounted on an energy adjusted basis from the Newcastle benchmark price. It is also common to receive additional premiums or discounts based on other quality specifications such as ash and sulphur content, or for rejection limits to apply based on these factors.

Peat is the initial stage in the transition of plant matter to coal. Peat is not a 'coal' but decomposing, damp organic matter that consists mainly of water. Peat can be burned as a low-grade fuel.

Possible projects are projects with a high degree of uncertainty attached to any aspect of the project and are usually at a very early stage of development, and so are not included in our base case forecasts.

Probable projects are projects that are likely to enter commercial production in the future, but are subject to a significant degree of economic or technical uncertainty, particularly with regard to timing, and so are not included in our base case forecasts.

Pulverised coal injection (PCI) coal The use of PCI coal, which is injected directly into the base of the blast furnace, lowers consumption of expensive coking coals; PCI coals are therefore ranked by their 'coke replacement ratio'. Various coal types can be used successfully for PCI, but they generally fall into two broad categories: (1) semi-anthracites with an ultra-low volatile matter content, and (2) high volatile lower ranked bituminous coals. The semi-anthracites have a high coke replacement ratio, making then especially attractive for this application. Coals with a low ash content are also preferred for PCI coals.

Rank Coals vary in composition and properties in accordance with the extent of alteration – or degree of coalification – of the original plant material from which they are derived. Typically, as a coal's rank increases its total carbon content and specific energy increase, and its inherent moisture and volatile matter content decrease. Rank can therefore be used to identify likely commercial applications.

Resources define coal in the ground in such location, form, quality and quantity that there are reasonable prospects for eventual economic extraction. Under the JORC code, resources are sub-divided, in order of increasing geological confidence into Inferred, Indicated and Measured categories.

Short Term Outlook (STO) Wood Mackenzie's short-term thermal coal market outlook released at the end of each month. Contains a market wrap-up and quarterly price forecast for the subsequent 2 years.

Specific energy (SE) is the energy in kilocalories released per kg of coal burned. SE is a key quality parameter for pricing purposes.

Spot contracts can refer to either single or multiple cargoes to be delivered at a specified time or over a specified period, usually less than 12 months. Buyers might use spot contracts if they are faced with an unexpected shortfall and are forced to enter the market at short notice to secure supply. Sellers might use spot contracts when they have surplus stock that they want to move, either to take advantage of high prices or to maintain cash flow. The ‘relationship factor’ that arguably exists in long term and annual contracts will be less significant in spot contracts.

Strip ratio is an overburden-to-coal ratio, measured in bank cubic metres to in-situ tonnes. A lower ratio generally means a lower cost of extraction.

Sub-bituminous is the next highest coal rank after lignite with a carbon content in the range 73–80% (daf), typical moisture levels of 10–20% and specific energy typically less than around 5,400 kcal/kg gar. Sub-bituminous coal is used primarily for power generation, with increasing amounts being sold on the seaborne market.

Thermal coal is used in combustion processes to produce steam for power generation, heating, and industrial applications such as cement manufacture.

Total moisture (TM) is the moisture in the coal as sampled and removable under standard conditions and comprises of both inherent and free moisture.

Total sulphur (TS) comprises an organic component that is part of the carbonaceous material, and an inorganic component that is part of the mineral matter. It forms sulphur oxides (SO_X) during combustion. Most countries regulate SO_X emissions, with some utilities required to install sulphur scrubbers to stay below emissions limits.

Volatile Matter (VM) is the gaseous component of the coal (excluding moisture) that is released when the coal is combusted; it comprises mainly methane and other light hydrocarbons and is reported as a percentage of the coal that is released during combustion. Coals with a higher VM content are easier to ignite and burn out well, so are generally preferred for power generation.

8. Abbreviations

Term	Definition	Term	Definition
ad	Air dried	LTO	Long Term Outlook
ar	As received	Mt	Million tonnes
ARA	Amsterdam, Rotterdam and Antwerp	Mtpa	Million tonnes per annum
BAU	Business as usual	nar	Net as received
Bt	Billion tonnes	NEA	Northeast Asia
CAGR	Compound average growth rate	PCI	Pulverised coal injection
CFR	Cost and freight	PLN	Perusahaan Listrik Negara
CO_2	Carbon dioxide	RMB	Chinese Renminbi
EGAT	Electricity Generation Authority of Thailand	RPS	Renewable portfolio standard
FOB	Free on board	SE	Specific energy
gar	Gross as received	SEA	Southeast Asia
GDP	Gross domestic product	SSCC	Semisoft coking coal
GHG	Greenhouse gas	STO	Short Term Outlook
GW	Giga watts	t	Tonnes
HBA	Harga Batubara Acuan	TM	Total moisture
HCC	Hard coking coal	TS	Total sulphur
HGI	Hardgrove Grindability Index	TWh	Tera watt hours
IM	Inherent moisture	UK	United Kingdom
INDC	Intended nationally determined contribution	UN	United Nations
JKT	Japan, South Korea and Taiwan	USA/US	United States of America
JPU	Japanese Power Utilities	VM	Volatile matter

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